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INDIAN RAILWAY COMMITTEE, 1920-21.

15819

VOLUME IV.

QUESTIONNAIRE.

Note.—The following questionnaire, which was issued by the Government of India before the Committee assembled, and to which many of the written statements bear references, is reproduced here for ready reference.

Part I.—The management of railways owned by the State.

Question No. 1.—Do you consider that railways owned by the State should be managed directly by the State, or by companies on a profit-sharing basis?

Please give reasons for your reply, mentioning the systems of management of which you have had personal experience, and the nature of that experience (*e.g.*, whether as a member of the commercial community, of the travelling public, &c., &c.).

Question No. 2.—If you advocate the continuance of any one of the existing systems of management, would you propose any, and, if so, what modifications in it?

Question No. 3.—If you advocate management by companies, do you recommend that such companies should be domiciled in India, or in the United Kingdom? Please give your reasons for your opinion.

Question No. 4.—Do you consider that the existing system of allowing the working compaines an interest in the undertakings entrusted to them, by allowing them to hold a relatively small share of the capital and to receive a proportionate share of the net earnings, is a suitable and sufficient method of giving them an interest in the undertaking; or what alternative would you suggest?

Question No. 5.—With regard to management by companies domiciled in the United Kingdom it is sometimes urged that the Directors are out of touch with Indian conditions and requirements, and that undesirable delay sometimes occurs in settling references. If you recommend management by such companies how do you meet this criticism?

Question No. 6.—In the event of railway companies being domiciled in India how would you suggest that the Boards of Directors should be constituted? How do you suggest that the paramount interest of Government in the railways should be safeguarded?

Question No. 7.—Do you consider that there will be any lack of continuity in a Board domiciled in India? Do you consider that sufficient continuity would be secured by a permanent Chairman nominated by the Government skilled in railway work? Do you consider that the other Members of the Board need be skilled in railway work?

Question No. 8.—In the case of companies domiciled in India, is it necessary to consider the possibility of otherwise suitable Directors being so actively interested in particular industries or areas as to prejudice their impartiality?

Question No. 9.—What is your opinion of the suggestion that the systems of management by companies domiciled in England and by companies domiciled in India, might be combined? If you consider this idea practicable and desirable please indicate the broad outlines of the scheme by which you think it might be carried into effect.

Part II.—The Railway Board, and the Government of India's control.

Question No. 10.—Do you consider the system of control by means of a Railway Board satisfactory; if not, what alternative do you propose?

Question No. 11.—If you consider that control by means of a Board is desirable, how do you consider that that Board should be constituted; and have you any recommendations to make as regards the Board's subordinate officers?

Question No. 12.—With regard to the functions exercised by the Board, do you consider that the exercise of these in practice is satisfactory or extends either to sufficient or to unnecessary detail? Please give reasons and instances in support of your views.

Question No. 13.—Do you consider that the Railway Board possess adequate powers of control over railway administrations to enable them to deal effectively and expeditiously with matters relating to the requirements of the travelling public and of trade?

Question No. 14.—Do you consider that the powers of control in such matters already possessed by Government have been sufficiently exercised in the public interests?

Question No. 15.—Do you consider that the powers entrusted to the Railway Board need enlargement or modification in any direction not already indicated in reply to preceding questions?

Question No. 16.—Do you consider that the present status of the Railway Board vis â vis the Government of India is satisfactory; and if not, what changes do you suggest?

Part III.—Railway Finance.

Question No. 17.—Do you consider that the supply of funds for railway purposes has hitherto been adequate? Please distinguish, if possible, in your reply between the provision of funds for (*a*) new construction, and for (*b*) the maintenance, and (*c*) the improvement, of existing railways.

Question No. 18. Do you consider that the policy hitherto adopted of devoting the greater part of the available capital funds to the improvement of equipment and rolling-stock of existing railways, and of devoting only a relatively small portion to the purposes of railway extension, has been satisfactory, and is sound in principle?

Question No. 19.—If you are of opinion that funds are required on a larger scale than hitherto provided, what in your opinion is the approximate amount that should be provided annually for capital purposes?

Question No. 20.—Do you consider that the capital funds required should be raised both in India and in the United Kingdom?

Question No. 21.—As regards borrowing in India; do you consider that the existing arrangements for supplementing, by means of the Branch Line Terms,* the Government of India's resources for railway construction are adequate; if not, what modified, alternative or supplementary provision do you suggest?

Question No. 22.—Assuming that new methods of raising capital for railway purposes must be sought, what do you think of the suggestions that they should be raised:—

(*a*) by means of ordinary or preference share capital;
  (i) of working companies;
  (ii) of subsidiary companies associated either with the main working companies, or with the State in the case of lines directly worked by the State.

(*b*) By means of railway debenture capital raised:—
  (i) by the working companies, or
  (ii) by the Government of India.

(*c*) By terminable bonds?

Question No. 23.—Can you suggest other methods of supplementing the existing system of providing funds for railway purposes?

Question No. 24.—Can you give an estimate of the amount that could be raised by any of these methods in India or England respectively?

Question No. 25.—Please indicate your views as to the probability of borrowing by these methods interfering with the success of ordinary Government borrowings?

Question No. 26.—The Railway Capital Programme depends on the power of the Government of India to provide finance either by borrowing or from its balances; similarly, the general revenue position of the Government of India exercises some influence on the allotments for expenditure on Revenue Account.

(*a*) Do you consider that this has been, and is, detrimental to railway improvement and development?

(*b*) In view of the increased rate of interest at which capital can be raised, do you consider that railway rates should generally be raised, if necessary, so as to prevent railways from being a burden on the general taxpayer? Can you give a rough estimate of the percentage by which rates and fares might be raised, if so required?

Question No. 27.—The following statements indicate the results secured by State-owned and managed, and by State-owned but Company-managed, railways, respectively, during recent years:—

I.—State-owned and managed.

Year.	Nett Earnings.	Percentage of nett earnings on capital.	Interest and other charges against nett earnings.	Clear profits to Government.	Percentage of nett profits on capital.
	(Rs. lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	
1916–17	808·24	5·18	566·73	241·51	1·55
1917–18	1,029·41	6·39	593·05	436·36	2·71
1918–19	913·73	5·58	596·82	316·91	1·93

II.—State-owned but Company-managed.

Year.	Nett Earnings.	Percentage of nett earnings on capital.	Companies' share of surplus profits.	Other charges (for interest, etc.).	Clear profits to Government.	Percentage of nett profits on capital.
	(Rs. lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	(Rs. lakhs.)	
1916–17	2,489·58	6·34	115·57	1,483·25	890·76	2·27
1917–18	2,726·91	7·01	149·16	1,523·49	1,054·26	2·71
1918–19	3,004·30	7·70	189·63	1,514·93	1,299·74	3·33

Do you consider these results satisfactory to the State and to the public?

At what additional figure, if any, would you estimate the indirect advantages to Government, attributable to railways through the development of areas served by them?

Question No. 28.—Have you any criticisms and recommendations to make with regard to the existing annual budget system; under which, funds being allotted to each railway for expenditure within a particular year, any such sum as is not actually expended during that year "lapses" to Government notwithstanding the fact that liabilities may definitely have been incurred (*e.g.*, stores may have been ordered but not paid for owing to deferred delivery), with the consequence that a first claim is established upon the grant made for the following year.

* *See* Railway Administration Report, 1918-19, Volume II, Appendices 32 *et seq.*

(*N.B.*—In answering the question please bear in mind the recorded opinion of the Indian Railway Finance and Administration Committee of 1907, who noticed that in deciding on the allotment to be made in any year for railways the Government take account of any improvement in the financial position owing to the occurrence of "lapses" in the preceding year, and that consequently any lapsed grant is really, even if not manifestly, re-allotted. The Committee observed that:—

> "The whole arrangement works back to the fundamental principle that the Government of India provides as much in each year as it possibly can, all things considered, for expenditure on railways, and distributes that money in the way which it conceives to be most advantageous for the country as a whole.")

Question No. 29.—Do you consider that the existing arrangements for regulating expenditure in England, with reference to the grants allotted, are satisfactory, if not, what modifications do you suggest?

Part IV.—Government Control of rates and fares; Settlement of disputes.

Question No. 30.—Do you consider that Government exercise adequate control over railway administrations in respect of rates and fares?

Question No. 31.—Do you consider that the powers in this respect delegated to railway administrations have been wisely used in the interests of the public; if not, quote instances to the contrary? In case of dissatisfaction with the action of railway administrations, please quote specific instances mentioning whether these have been referred, with a view to rectification:—

(*a*) to the railway administrations concerned, or

(*b*) to the Railway Board,

and, if so, with what results.

Question No. 32.—Do you approve of the machinery provided by the Indian Railways Act (Chapter V) for the appointment of Railway Commissions to settle disputes between railway administrations and traders; if not, what alternative do you suggest?

Question No. 33.—Have you any recommendations, not directly covered by the foregoing questions, bearing on the relations between the public and the railways.

Part V.—General.

Question No 34.—Is the carrying capacity of the various railways in your opinion, adequate to the requirements and needs of the various industries served by them? If not, what, in your opinion, is the reason of the failure and what means would you suggest to remedy this defect.

Question No. 35.—Please add any other remarks which you think called for in respect of the subject matter of the Committee's enquiry.

INDIAN RAILWAY COMMITTEE, 1920-21.

VOLUME IV.

MINUTES OF EVIDENCE.

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PART III.—Statements regarding increase in land revenue. ... ... pages 345-350

PART I.

STATEMENT No. 1.

Mr. G. DEUCHARS, Government Director of Indian Railway Companies.

I have been Government Director since January, 1919, having previously been Deputy Government Director for four years.

See evid para 251/3

The chief functions of the Government Director are to attend the Board Meetings of the Railway Companies domiciled in England whose undertakings are, to a greater or less extent, the property of the State.

In order that the interests of Government may be fully protected there is a clause in each of the company's contracts to the effect that the Government may appoint a Government Director to be an *ex-officio* Director of the company who shall exercise at his discretion the power of veto in all proceedings whatsoever at the Boards.

The Government Director in London takes part in all matters brought before the Boards, but takes no share in the transfer, dividend warrant, and such like business.

No power of money sanction has been delegated to him (except in a few specific cases) except in respect of supplies indented for from India in properly certified indents, and it is within his power to sanction excesses over the estimated amounts entered in the indents.

Subject to the general provisions in the contracts, the duties of the Boards of Directors consist in laying down rules and regulations and in issuing instructions to their Agents in India; in raising capital as required; in entering into contracts for the construction of sections of railway; in taking measures for the supply of men and materials for despatch to India in accordance with the requisitions received from their Agent in India and for the transport of the same; and in performing all those functions which appertain to the Directors of a railway company.

There are in all ten Boards whose meetings are attended either by the Government Director or his Deputy, and these meetings are generally held once a fortnight.

The Boards correspond directly with the Secretary of State and with their Agents in India, who on their part correspond directly with the Railway Board. All the official correspondence of the Boards is approved at the Board Meetings.

All expenditure in India which is sanctioned by the Home Boards is subject to the sanction of the Railway Board being obtained by the Agent in India.

All expenditure in England is sanctioned and authorised at Board Meetings and the India Office maintain a very complete audit of all such expenditure.

The Secretary of State is made cognizant of all the proceedings of the Boards by having submitted to him copies of the Minutes of each Meeting and of all letters despatched to the several agents in India. The letters are sent to India for the information of the Government there.

It will be seen that through the Government Director with his power of veto, the Government have an almost unlimited control over all the proceedings of the Boards. I, as Government Director, have always found the Boards at all times willing to consider my views, and to postpone action in any case where I might be in doubt, and there has never in my time been any occasion to exercise the power of veto, nor, as far as I know, has it ever been exercised.

With regard to the questions of State *versus* Company Management I attach a table, which I prepared in 1915 from the Railway Administration Report for 1913-14, which affords an indication of the cost to Government of Company Management in the last year before the war.

This table was prepared in order to show the cost of the East Indian Railway management in comparison with the other Guaranteed Companies, which accounts for the East Indian Railway figures being shown separately. Taking the other seven companies collectively it will be seen that their total net earnings (column 10 of the table) amounted to 1,306 lakhs of rupees, of which the Companies received 145 lakhs (column 8) and that their Share Capital amounted to 2,711 lakhs (column 3).

Supposing the railways had belonged to Government the interest on this amount of capital would have been a charge against Working Expenses. If the Companies had been bought out, say, 10 or 15 years ago, this interest might have been perhaps 3 or 3½ per cent. If they were bought out now it would of course be very much more. If a rate of 4 per cent. be assumed, which was the rate at which money was raised by company debentures in 1914, then the amount chargeable to Working Expenses would have been 108 lakhs (column 13) and the amount which may be said to have been paid to the companies for managing the railways is 36½ lakhs (column 14), or about 2·8 per cent. on the total net earnings.

It amounts to this that the companies earned 5¼ per cent. on their capital (column 9) in the last year before the disturbing effect of the [redacted] as compared with 4 per cent. the value of money in that year, and the difference of 1¼ per cent. affords an indication of the cost of the financial and other advantages, however they may be, of company management.

(33528—3) Wt. P 585—386 1175 8/21 H. St. [redacted]

The companies have of course been earning higher dividends since the war started, but these are due partly to the development of traffic during the war, and to a great extent probably caused by the war, and partly to the fact that working expenses have been low, owing to renewals and betterments having to be postponed for want of materials from England. In the future it is conceivable and not improbable that the Companies may earn less than 5¼ per cent. for some years, owing to arrears of renewals, etc., and that, owing to the destruction of capital by the war, the terms on which the Government may be able to raise money may remain at a high figure for some time to come.

Of course the Companies' contracts fall in at different times and some Companies earn higher dividends than others, but the figures in the table appear to dispose of the statements made in India about crores of rupees going into the pockets of English share-holders.

It may be noted that the East Indian Railway figures in the table are the results of the old contract. The present 5 years' contract is much less favourable to the deferred annuitants than the old one.

With regard to the relative efficiency of State and company-managed railways under present conditions, where part of the railways are managed by the State and part by companies, I am of opinion that there is little to choose. From a financial point of view there would appear to be great advantages in having at least a considerable proportion of Indian railways managed by English companies with access to the London market, but on this point I am not qualified to speak.

As regards the question of English companies *versus* Indian companies, apart from the considerations of finance before mentioned there would appear to be considerable advantages in the matter of the personnel of the Boards if the management is in England. There are 58 Directors on the Boards of the ten Companies whose meetings are attended by the Government Director. Of these 29 are retired Indian Railway Officials with long executive and administrative railway experience, with no personal interests to affect their decisions and with sufficient leisure to devote time and thought to their duties as Directors. Of the other Directors 11 are retired Government officers with a life-long experience of India and 18 are mostly business men with great financial experience.

Directors of Railway Boards in India would presumably be recruited from the European and Indian mercantile communities and such men are likely to be too busy with their own affairs to be able and willing to devote more than a perfunctory attention to railway matters. It seems hardly likely that a first-class business man would care to devote much time and trouble to the affairs of a railway from which presumably he would have nothing to gain except a small fee of Rs. 250 a month, which is the equivalent of £250 a year, the fee now allowed by the Secretary of State to the Directors in England. Except the Agent of the Railway it is unlikely that men of any great technical railway experience would be available.

Amount paid by Government to Eight Guaranteed Railway Companies for working its lines. Year 1913-14.

Name of Railway.	Capital Outlay.			Amount Received by Companies.				Ratio of Col. 8 to Col. 3.	Nett Earnings.	Ratio of Col. 10 to Col. 2.	Ratio of Col. 8 to Col. 10.	Interest on amounts in Col. 3 @ 4 per cent.	Amount Govt. is out of pocket yearly (Col. 8—Col. 13).	Remarks.
				Guaranteed Interest.		Share of Surplus Profits.	Total.							
	Total Outlay.	Companies Capital at 15 Rs. to the £.	Ratio of Col. 3 to Col. 2.	Per cent.	Amount.									
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Lakhs of Rs.	Lakhs of Rs.	Per cent.		Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.	Per cent.	Lakhs of Rs.	Per cent.	Per cent.	Lakhs of Rs.	Lakhs of Rs.	
Bengal Nagpur	3,874	450·00	11·6 (*a*) (*b*)	3½ 4	17·44	5·67	23·11	5·1	215·06	5·5	11	18·00	5·11	Col. 13 shows the extra amounts which Government would have to pay yearly in the shape of interest if the lines were being worked by the State and if the money had been raised at 4 per cent. (*a*) For 3 months. (*b*) For 9 months. *Interest (4½ per cent.) Government would have to pay if Contract was determined.
Bombay, Baroda and Central India.	4,035	300·00	7·4	3	9·00	5·41	14·41	4·8	331·27	8·2	4½	12·00	2·41	
Great Indian Peninsula ...	5,949	386·25	6·5	3	11·59	4·01	15·60	4·0	340·52	5·7	4½	15·45	0·15	
Madras and Southern Mahratta	3,205	750·00	23·4	3½	26·25	17·59	43·84	5·8	164·35	5·1	26½	30·00	13·84	
South Indian	1,826	150·00	8·2	3½	5·25	2·24	7·49	5·0	117·28	6·4	6½	6·00	1·49	
Assam Bengal	1,570	225·00	14·3	3	6·75	Nil.	6·75	3·0	22·71	1·4	30	9·00	–2·25	
Burma	1,968	450·00	22·9	2½	11·25	22·49	33·74	7·5	114·67	5·8	29½	18·00	15·74	
Total	22,427	2,711·25	12·1	—	87·53	57·41	144·94	5·3	1,305·86	5·8	11	108·45	36·49	(*a*) For 3 months.
East Indian	6,670	982·50	14·7	4	39·30	24·12	63·42	6·5	613·38	9·2	10¼	*44·21	19·21	(*b*) For 9 months.

STATEMENT No. 2.

Sir MARSHALL REID, C.I.E.—MEMORANDUM DATED THE 8TH NOVEMBER, 1920.

See oral evidence, paragraphs 646/815.

1. My experience in connection with this subject was acquired during 27 years' residence as a merchant in India, and nearly 4 years as a Member of Council and a Member of the Public Works and Railways Committee at the India Office.

2. The greater part of my time in India was spent in Bombay, and I have had very little personal experience of State Railway management.

3. The merits and demerits of State and company management have been the subject of much enquiry, and India fortunately provides numerous examples of both systems. My own preference is for company management, because I am a great believer in continuity and traditions, and in incentives to progress and efficiency: these are more likely to be found where there is a considerable measure of independance.

4. In these respects I consider State management deficient, and under State management one expects to find lack of elasticity and greater delay.

5. I suggest that the burden of the State should not be increased without good reason, and that decisions in this connection should not be influenced by political considerations, because railways are an enterprise which demand business methods if they are to be efficient.

6. As regards company management, control by boards sitting in India is *theoretically* the best, mainly because of the remoteness of London boards. But London Boards possess a very real advantage in that they retain for the companies the services of experienced Administrators But if they are to continue, as I hope they will continue until they can be effectively replaced, it is desirable that provision should be made for the periodical retirement of all Directors, and their re-election made subject to certain general conditions.

7. While management by boards sitting in India seems theoretically sound, there are practical difficulties at present in connection with personnel, both European and Indian.

8. *Europeans* who would be esteemed desirable as Directors would generally be those who have come to the top. Apart from the multitude of the public duties thrust upon them at this stage, they would generally be retiring from India just as they were beginning to be really useful as Directors. Under a system of combined London and Indian Boards they might usefully be members of one and then of the other, and such a training might be regarded as a necessary qualification for non-officials on London Boards.

9. It is difficult to speak of the *Indian element* on boards sitting in India, as there is no practical experience on which to base conclusions.

The names of certain Indians occur to one as being quite ideal directors; but they are too few in number to enable selections to be made from them as a class; and the temptation of a lucrative and influential position might result in the election of place seekers and politicians rather than of more retiring and sounder men with business capacity.

10. My conclusion, therefore, is that London boards should be continued until such time as conditions permit of a definite change of system; but that with a view to permitting of the evolution which seems natural and proper, dual Boards should be maintained with the controlling authority in London, and that meantime gradually increasing responsibilities should be placed on the boards sitting in India, as they demonstrate their ability to carry them.

11. My experience of the Railway Board is largely second-hand, though not entirely so; but I have long held the opinion that railways (and perhaps other communications) should be in the hands of a single officer holding the position of a member of the Executive Council.

12. The vastness of the financial investments of Government in themselves warrant this, and when the part that railways play in the economic and industrial development of the country is added, the contention seems unanswerable.

13. The present system which involves consultation and agreement between two or three individuals means delay and often compromise; but a vital objection to it lies in the fact that the case of the railways falls to be submitted to the Executive Council by an officer who may have had little or no experience of railways or of India.

14. If I had to constitute a railway board in India, I should make it consist of experts in every section, *i.e.*, traffic, civil engineering, mechanical engineering, audit, etc., and I should put at the head of it the best railway man to be had in India and give him the status, powers, responsibilities and emoluments of an Executive Member of Council.

15. As to *Finance*, reasonable progress must be impossible as long as the railway programme is largely dependent on Revenue surpluses. Railway finance should be kept separate from general finance, a thing impossible 20 years ago. The railways should be handed over "en bloc" to the Department and left to run themselves—take their own profits for their own purposes—and raise their own loans for capital expenditure independently of central Government borrowings. but of course subject to obvious general restrictions.

The recent Bombay Development Loan affords a useful object lesson in this connection.

16. Private enterprise should be restricted to feeder lines, but should receive every necessary encouragement in this direction. India owes much to the pioneers of private enterprise.

STATEMENT No. 3.

Sir HENRY PROCTER.—NOTE DATED THE 10TH OCTOBER, 1920.

See oral evidence, paragraphs 816/1055.

In response to the request that I should give evidence before the Committee appointed to enquire into the Indian Railway Administration, I beg to put forward the following remarks for the consideration of the Committee:—

1. *Management.*—I am in favour of management through a company domiciled in India and with a board sitting in India. I was for many years a trustee of the Port of Bombay, and my experience gained on that board confirms my belief that a strong local board is better than one at a distance. I know the argument against a board in India is its difficulty of personnel, but Bombay and Calcutta are growing very rapidly, and it ought not to be difficult to get excellent men, European and Indian, to serve on the boards. It is the agent, after all, who has to run the railway, and a strong advisory board of local business men who know the requirements of trade and local conditions must, in my opinion, be more efficient than a board located in London, many members of which have not been to India for 10 or 20 years, and know very little of present-day conditions and requirements. In view of the large interest held in these railways by British shareholders and of the large European staff employed, I think the boards should be comprised of an equal number of European and Indian members, and that for some years to come the Chairman should be a European having some knowledge of railway matters. If it is decided to retain London boards, then I think there should be a proviso by which no director can retain his seat for more than five years without visiting India and studying the conditions on the spot. I am not in favour of dual control by London and Indian boards, as I do not think it would work; but if Indian boards are adopted, then I think there should be a small advisory board in London to deal purely with financial matters, such as raising loans, etc.

2. *Railway Board.*—I have had a good deal to do with the Railway Board since it was formed. I think it has been much hampered in its usefulness by being under the Department of Commerce and Industry and the Finance Department. I am in favour of abolishing the Railway Board and appointing in its place a Minister for Railways, who should have a seat on the Governor-General's Council. He should have wide powers enabling him to deal promptly and prevent delays, as the great difficulty in the past has been to get prompt decisions and replies from the Board. Railways should be an absolutely separate department, and not a part of commerce and industry. The Minister for Railways should have a very competent staff to advise him on traffic and engineering matters, and he himself should be a man of railway experience and vision; one who can take large views.

3.—(a) *Railway Finances* should be kept entirely separate, and the money for new construction raised on the same methods as those employed for other industrial enterprises, and not be entirely dependent upon the revenue surpluses of the country.

As regards terms, these must depend a good deal on the condition of the money market in India, but they should be liberal enough to attract investors. With investments offering such as the Bombay Development Loan at 6½ per cent. free of Income Tax, I do not think at the present time money would be forthcoming for feeder line companies under 6½ per cent. guaranteed, the Government sharing the profits above that. I do not think it need be free of Income Tax, as investors will always have a possibility of getting something over the 6½ per cent.

I consider, for the reasons mentioned in my next paragraph, that the main line companies should be given larger powers for raising money for their own requirements and the construction of feeder lines left to private enterprise.

(b) *Utilisation of private enterprise for the construction of new lines.*—As mentioned above, I think the provision of funds for new feeder lines should be a matter for private enterprise. As far back as 1903, Mr. Robertson, in his report on the administration and working of Indian railways, strongly advocated the use of private enterprise in connection with the construction of feeder railways. He pointed out that at that time there were about 30,000 miles of railways in India, and he considered that 100,000 miles were required, and that the only way of constructing them was by the enlistment of private enterprise. The MacKay Committee of 1908 confirmed this view, but gave it as their opinion that his estimate of 100,000 miles was short of what would be found necessary for India, and were convinced that there would be fruitful fields for much reproductive expenditure on railways for many years to come. They also added that, in their opinion, the steady and even rapid development of the railway system in India should be regarded by the Government as one of its most important duties. In addressing the Bombay Chamber of Commerce in March, 1909, I pointed out that I considered the only way in which this development could be carried out in the near future was by the enlistment of private enterprise, as without that aid it would be impossible to increase the railways at anything like the rate which was necessary in order to keep pace with the development of trade in India; and I suggested that while agreeing to greater powers being given to the existing companies to enable them to raise funds for the extension and improvement of their own systems, I felt strongly that everything should be done to encourage private enterprise to come forward and assist in the construction of feeder lines, either on the branch line terms, by which they would be constructed and worked by the parent lines, or on terms by which they would be constructed and worked as separate concerns. I pointed out that, in the first place, by so doing Government would reap considerable benefit, as it would enable feeder lines to be built long before they otherwise would be if they were to take their place in the Government's programme, and with the Government's right of purchase it would seem that the sooner these lines were built the better it must be for Government. In the second place, by the construction of these lines more land would at once be brought under cultivation, which would mean an increased assessment for Government; and in the third place, by building these lines with rupee capital Government would offer the people of India an opportunity of having a stake in the welfare and development of the country, which, from a political point of view, should be a great consideration to Government.

It is now 17 years since Mr. Robertson's Report was published, and at the end of 1918-19 the total mileage of railways open to traffic was only 36,616 miles, and there were 1,803 miles under construction. The War, of course, has interfered with progress, but I think these figures show that the encouragement of private enterprise to build railways has been very poor indeed. Since 1897, my firm have raised just under 4 crores for the construction of feeder railways with a mileage of 642 miles, and a further 1¾ crores (154 miles) jointly with Messrs. Gillanders, Arbuthnot and Co., but the negotiations in many cases were very protracted and wearisome, which made business very difficult.

In June, 1905, Sir Edward Law, in addressing the London Chamber of Commerce and referring to the creation of the Railway Board and to the Department of Commerce and Industry, said:—

> "I hope and think that one important result of expert advice will be the greater encouragement of private initiative in commercial and industrial undertakings, and particularly that this will be the case as regards the construction and maintenance of railways and other

public works. The new Ministry of Commerce, however, has been specially constituted with a view to cultivating close and harmonious relations with the commercial community and to examining business proposals with some expert knowledge, and I feel certain that if it fulfils its mission its beneficial influence will be manifested in the opening of a new era of encouragement of private enterprise and in further stimulating that economic progress which is already so satisfactory."

Now, looking back at what has happened since that time up to the present, it cannot be said that the Government has whole-heartedly encouraged private enterprise, and my experience has been that while on the one hand we have had better terms granted from time to time by the Government of India for the construction of feeder lines, there has been a steady opposition to private enterprise in connection with these feeder lines from several of the parent companies, and this opposition has apparently had its effect on the Railway Board, as, in reply to a question I put to them in March last at Delhi, the Chairman stated quite frankly that the Board was not in favour of encouraging private enterprise in connection with feeder railways. He admitted that private enterprise had helped them considerably in the past, by showing them that the Indian public were willing to invest money in railway enterprises, but said that he thought they would be perfectly able to do this without the help of private enterprise in future. I think this is quite a wrong view to take. If railways are to be built and maintained at anything like the rate commensurate with the development of the country the help of private enterprise must be enlisted, and I would urge that in enlisting such help Government should regard private enterprise as an ally and not as a profiteer, and treat it liberally, as has been done in other countries. I think also the main line companies who build and work these feeders should do so in the same spirit, and not, as has been done in many cases, regard the feeder as a foreign line to be dealt with as such.

May I mention as an example the case of the Sara-Sirajganj Railway, the capital of which was raised jointly by Messrs. Gillanders, Arbuthnot and Co. and Messrs. Killick, Nixon and Co. According to the figures given in the prospectus, which were supplied by the Eastern Bengal Railway, the total earnings were estimated at Rs. 7,59,621, and the amount available from interchanged traffic for the purpose of rebate was estimated at Rs. 4,80,000. The line was opened in July, 1916, and for the year ending 31st March, 1918, the coaching earnings amounted to Rs. 1,57,041, as against Rs 2,40,000 in the estimates, and the goods traffic amounted to Rs. 1,07,182, against the estimated amount of Rs. 5,19,621. On investigation, it was ascertained that this poor result was chiefly due to the fact that no attempts had been made by the working agency to secure through traffic, either coaching or goods. After a strong representation, the Eastern Bengal Railway agreed to make the necessary arrangements for cross traffic, but stated that of the gross earnings of such cross traffic the Eastern Bengal Railway should retain 75 per cent. and no rebate should be given on such cross traffic, either goods or coaching. I am glad to say that after a strong appeal had been sent up to the Railway Board by Messrs. Gillanders, Arbuthnot and Co. and Messrs. Killick, Nixon and Co., this action of the working agency was over-ruled and the interchanged traffic dealt with in the ordinary way. I think this instance will show that the feeder line did not get the sympathetic treatment from the Eastern Bengal Railway which it was entitled to.

One of my reasons for considering that the help of private enterprise must be enlisted in the construction of feeder lines, is that the main lines have and will have for years to come, all they can do to keep pace with the development of trade and be able to carry the traffic offering. As far back as 1906, there was a bitter cry going up from all over India for wagons to carry the produce of the country. It is difficult to estimate the loss which this inability on the part of the railways to supply wagons meant to firms and merchants, but it must have been very great. It was particularly hard that it should have fallen on the mercantile community, seeing that they had for a long time foreseen the necessity for increasing the supply of wagons and had urged Government repeatedly for many years past to make better provision for the increase of trade, but with no success. Government insisted on keeping the carrying trade of the country in their own hands and consistently refused to allow firms or companies to supply their own wagons, so they must be held responsible for the heavy loss which the mercantile community then and since have undergone through Government's want of foresight in keeping pace with the requirements of the country. Since then the Government of India have made large profits out of their railways, but never has the supply of wagons been sufficient for the trade. Now what was said in 1907 is equally applicable to the present day. It is true that the War has handicapped the railways as much as any other trade, but up to the outbreak of War, Government did not cope with the existing trade, nor make adequate provision for its development. At the present time the railway system of India is absolutely inadequate for the trade of the country and unless heroic measures are taken in the near future, all those new industries which have been promoted in India during the past two years will be seriously handicapped in their operations. It seems to me therefore that if the existing railways are to be brought up to present day requirements and the construction of new feeder lines undertaken in accordance with the requirements of the country, Government must enlist the help of private enterprise in connection with the latter undertaking, as the maintenance and development of the main lines will absorb every rupee the Government is able to provide for many years to come.

PARTICULARS OF TELEGRAPHIC ADVICES FROM MESSRS. KILLICK, NIXON & CO., BOMBAY, TO NIXON, FORREST & CO., LONDON, REGARDING SHORTAGE OF RAILWAY WAGONS TO BOMBAY AND CALCUTTA.

1919.
Dec. 31. Great difficulty replenishing stocks, railways congested.
1920.
Jan. 9. Bengal Nagpur Railway inform us impossible any despatches Manganese Ore to Bombay at present, we are taking up the matter.
12. No despatches likely at present; Mining Association energetically protesting.
30. Central, expect to despatch 100 tons daily from 1st February.

Feb. 4. Great Indian Peninsula Railway wagon supplies discontinued.
5. Bombay, Baroda and Central India Railway wagon supplies discontinued.
9. Wagon supplies discontinued to Calcutta.
17. Despatches, Bombay Calcutta entirely suspended.
21. Manganese Ore wagons supplies not yet resumed either Bombay or Calcutta.
24. Despatches resumed Calcutta.
Mar. 6. Despatches, Calcutta again suspended, Bombay not resumed. Bombay, Baroda and Central India Railway despatches resumed exclusively for maritime up to 20th March.
9. No present prospects renew despatches Bombay or Calcutta.
18. Despatches resumed Calcutta (Lax. 100 tons, C.I.M. 120 tons daily), supplies very uncertain. Bengal-Nagpur Railway might consider special supply if name and approximate loading date of steamer indicated.
25. Calcutta despatches reduced to 60 tons Lax. & C.I.M. Co. (daily).
Apl. 12. Bengal-Nagpur Railway expert despatch daily to Calcutta 240 tons C.I.M., 200 tons Lax. No prospect resume despatches to Bombay.
19. Can you induce buyers declare option Calcutta, no prospect of wagons Bombay before August.
21. Referring to our telegram of 12th April, no wagons supplied.
30. Wagons supplies erratic, hoping to rail 100 tons Lax., 120 C.I.M. Co. daily, Calcutta.
May 13. Cannot obtain more Shivrajpur Ore wagons supplies uncertain.
28. We have been compelled to reduce railings, no room available.
21. Bombay, Baroda and Central India Railway wagon supplies stopped.
June 9. Great Indian Peninsula Railway no despatches; Bombay, Baroda and Central India Railway probably 10 days.
24. Great Indian Peninsula Railway railings have not commenced.
25. Bombay, Baroda and Central India Railway Shivrajpur railings resumed.
July 2. Railings Calcutta about 100 tons daily.
July 7. Expect despatches to commence shortly C.I.M. Co. 30 tons, Lax. 15 tons, but very uncertain.
15. Pani railings about 80 tons daily.
21. Referring to our 15th, railings also about 140 tons Shivrajpur daily, C.I.M. Co. 80 tons, Lax. 50 tons daily, supplies uncertain.
23. Calcutta railings suspended.
24. We shall telegraph when Clacutta railings resumed.
27. Cannot say at present when Calcutta railings will be recommenced.
29. Laxminarayen railings not yet resumed Bombay.
Aug. 19. Calcutta railings resumed; Bombay railings suspended.
27. Bombay railings resumed.
Oct. 8. Bombay Calcutta railings erratic.
15. Calcutta railings stopped, owing congestion.
30. Calcutta railings recommenced.
Nov. 6. C.I.M. Co. despatches Calcutta stopped.

List of Feeder Lines and Subscribed Capital thereof.

Mileage.			Rs.
155¾	Tapti-Valley Railway Co., Ltd.	Issued and Subscribed	1,25,00,000
		Debentures	6,73,000
33½	Ahmedabad-Dholka Railway Co., Ltd.	Issued and Subscribed	11,50,000
88¾	Ahmedabad-Parantij Railway Co., Ltd.	Issued and Subscribed	25,00,000
		Debentures	11,00,000
54¼	Amritsar-Patti-Kasur Railway Co. Ltd.	Issued and Subscribed	32,00,000
		Debentures	3,00,000
38¼	Sialkot-Narowal Railway Co., Ltd. ...	Issued and Subscribed	30,00,000
46¼	Mandra-Bhon Railway Co., Ltd.	Issued and Subscribed	27,50,000
86	Guzerat Railways Co.. Ltd.	Issued and Subscribed	34,50,000
		Debentures	9,00,000
139½	Central Provinces Railways Co. Ltd. ...	Issued and Subscribed	84,00,000
			3,99,23,000

The following two Companies are jointly with Gillanders, Arbuthnot & Co.

53	Sara Sirajganj Railway Co., Ltd.	Issued and Subscribed ...	80,00,000
101	Mymensingh Bhairab Bazar Railway Co., Ltd.	Issued and Subscribed ...	86,00,000
			1,66,00,000

STATEMENT No. 4.

LEONARD L. COHEN, Esq.—MEMORANDUM.

1. It has been suggested that I should prepare a few notes for the Committee on such points in the terms of reference as deal with financial considerations. See oral evidence, paragraphs 1056/1149.

2. Point (3) "To consider the arrangements for the financing of railways in India, and in particular the feasibility of the greater utilization of private enterprise and capital for the construction of new lines" might be assumed to imply that the enquiry is limited to such financing, etc., in India. In that case I am not competent to give any assistance to the Committee, from want of familiarity with conditions in India.

3. I am here confining myself to expressing such views as past experience in financial matters has led me to form of conditions in London, as they may affect the enquiry.

4. The question of financing Indian railways at the present time and in the immediate future is rather academic.

The ordinary stocks of the three Indian railways, with which I am connected, yield at current quotations on an average 9½ per cent. per annum, and their respective preference stocks 7¼—½ per cent. It is not easy to perceive how further capital could be raised on remunerative terms, while such conditions prevail.

This paralysis of immediate development is not confined to Indian Railways. At the recent annual meetings of the two leading Argentine Railways, the respective Chairmen stated that it would not be desirable to raise further capital in the next two or three years, and that the large profits on exchange would be appropriated to capital purposes.

5. At some date, however, more normal conditions will supervene, and an appeal to the London market on behalf of Indian railways may become feasible.

If premature, it is not inopportune to consider how such an appeal would be affected by the results of the Committee's deliberations.

6. As to the three or four alternative methods of management set out in (1) in terms of reference:—

I do not think the English investor would provide a shilling of capital for a company domiciled in India and with a board sitting in India.

Apart from the want of experience which he would wrongly or rightly attribute to those from whom the selection for the Board would be made, he would feel that his prospective dividends would depend too much upon persons with divided interests, or who might at any rate be exposed to strong local pressure, exercised to the possible detriment of the shareholders.

I do not think the combination of a board sitting in London with the Company domiciled in India would be desirable, as a frequent divergence of views might arise between the English board and the Indian shareholders, which would be injurious to the company.

7. The question of a substitution of an Indian board for a board domiciled in London is of considerable importance having regard to the options possessed by the Secretary of State of determining various contracts with several Indian railway companies.

8. If the Government were to exercise its options of purchase, it would have to find the money to pay out the existing shareholders, or it would have to offer such fresh terms under a new contract as would secure the renewed support of the shareholders, or would attract a new public. I am referring more particularly to the three companies of which I am a director, with whose contracts I am more or less familiar.

If one of the terms of such a contract stipulated for the substitution of a board domiciled in India for the English board, there would be in my view no prospect of securing English capital.

9. The possibility of the gradual withdrawal in such circumstances of all English interest in Indian railways is one which I should think would not be lightly faced. It would probably create a feeling of soreness in the capitalist and investing community, which would have indirectly unfavourable consequences, when the Indian Government had to have recourse to the London money market for other purposes.

I may recall that as the purchase price of the Great Indian Peninsula Railway Company did not work out in accordance with the lay reading of the terms of the contract (although, of course, its conditions were legally fulfilled), a great shock was given to the investor, the effects of which were felt in the Indian railway market for many years.

10. The present unfavourable attitude of the investing public towards Indian railway securities is possibly attributable to the misgivings, aroused by recent changes in the constitution of the Indian Government and in the status of the Secretary of State.

The substitution of Indian boards for English boards would accentuate this condition; it certainly would not bring back the investor, or as I have said, attract the capitalist to Indian railway projects, old or new.

11. My views generally upon the utilization of private enterprise and capital in England for the extension of the Indian railway system have not materially changed since I gave evidence in 1908 before the Mackay Committee. I regret that the short notice I have received on this occasion and other pressing matters prevent my giving my views in greater detail in these notes.

STATEMENT No. 5.

Colonel T. GRACEY, R.E., C.S.I.—MEMORANDUM.

See oral evidence, paragraphs 1150/1341.

It has been recognised of late years that the management of railways should be in the hands of railway experts assisted by business men and persons connected with finance. Railway working must be in the hands of persons fully acquainted with the duties of the various departments and capable of co-ordinating their work to the best advantage.

Applying these principles to the four methods of management referred to in the "Terms of reference."

(a) "*District State Management*" supplies the expert knowledge, but the business and financial knowledge is absent, and in consequence the work is carried out with small regard to economy and with insufficient attention to the trade requirements.

Is there any record of successful State railway management under a democratic Government? It must be borne in mind that it is proposed that the future Government of India shall be democratic.

Appended is a statement showing since their start the financial results of working the Oudh and Rohilkhand Railway and the State sections of the Bengal and North Western Railway and Rohilkund and Kumaon Railway. These lines are adjacent, serve very much the same kind of

agricultural country and have the same gradients, the advantage being in favour of the Oudh and Rohilkhand Railway which gives direct communication between the large cities of Benares, Lucknow, Cawnpore, Shahjehanpur, Bareilly, Moradabad.

The following results speak for themselves.

Railway.	Mileage.	Total capital expenditure to 31st March, 1919.	Net gain + or loss — to State from commencement of operations.	Remarks.
		Rs	Rs.	
Tirhut Railway worked by Bengal and North Western Railway.	819	7,77,45,930	+3,76,17,990	Worked by Co. since 1890.
Lucknow-Bareilly worked by Rohilkund and Kumaon Railway.	313	1,90,10,303	+76,41,193	" "
Oudh and Rohilkhand Railway worked under State Railway Management.	1,591	21,11,84,320	—2,76,848	Worked by State since 1889.

The Bengal and North-Western Railway Company took over the Tirhut State Railway which had hitherto been worked at a financial loss in 1890 and the Rohilkund and Kumoan Railway, the Lucknow-Bareilly Railway in the same year under similar conditions, and it is admitted that the condition of these railways has been greatly improved.

It will be noted that the ratio of working expenses to gross earnings on the Oudh and Rohilkhand Railway decreased during the war owing to no provision for depreciation having been made. On the two Companies' lines the ratio increased owing to provision having been made for depreciation.

(b) *Management through a Company domiciled in England with a Board sitting in London.*—The London Boards are mainly composed of (1) railway experts and civil servants who have retired from India at the age of 55 with mentally and physically many years of good work in them, and of (2) Indian business men who have returned from India after a successful career there. They in fact constitute an almost ideal Board for managing an Indian railway against whom it has however been urged that they soon lose touch with Indian conditions which constantly vary. Is there anything in this contention? Are not railway problems the same the world over? The bulk of the passengers in all countries desire frequent trains at low fares and to be carried with moderate comfort, at reasonable speeds; a minority desire *trains de luxe* and are the most vocal. Freighters want low rates which should not be changed without weighty reasons and after long notice. On the Bengal and North Western Railway, out of every 100 seats hauled in the passenger vehicles 2·1 are filled in the first class, 7·8 in the second, 10·6 in the intermediate and 63 in the third, yet the complaints from the first three classes are frequent, whilst the ordinary third class passengers, who must on certain sections of the line be slightly uncomfortable, appear to be fairly satisfied. The goods traffic has been entirely disorganised owing to the deficiency of rolling stock on the neighbouring 5′ 6″ gauge lines for some years back.

(c) *Management through a Company domiciled in India and with a Board sitting in India.*—In regard to this it is difficult to say anything, because it is not known what sort of working Company is proposed. It may be (1) a company with nominal capital and with therefore merely a nominal interest in the well-being of the concession; it may be (2) a company with a substantial capital in the concern and therefore deeply interested in its welfare; or it may be (3) a company ranging between (1) and (3). (1) would be merely a fifth wheel in the Coach of State Management and may therefore be dismissed from consideration; (3) does not seem to offer any advantage over (2), and in the case of anything going wrong with (1) and (3) it would be difficult to determine whether the company's management or the State direction was at fault. In the case of (2) the capital of the company would need to be large and the returns on it substantial. It would be tempting providence in the case of the East Indian Railway, for instance, with a turnover of 12 crores annually, to contract it to a working company who would only receive a remuneration of £125,000, which is about what the East Indian Railway Company have been receiving and which is now considered excessive. Supposing, however, that a substantial Indian working company were put in charge of the East Indian Railway at the present time, from whence are the railway expert directors to be obtained? They cannot be got from the experienced men who retire at the age of 55 years because they are then unfit for further service in the plains of India in the hot season, and it is presumed that boards located in the hills are not contemplated. At the present time there are no Indians in the railway services who are capable of filling the position of expert managing directors. It is suggested that if it is decided that an attempt should be made to hand over the management of Indian railways to a company located in India, the experiment should be made with one of the minor railways and not with the most important line of through communication in India.

(d) *Management through a combination of* (b) *and* (c).—It is believed that something of this kind was tried on the Egyptian Delta Light Railways and proved a failure. It is obvious that two boards with equal power are not workable and it is difficult to see what useful purpose a subordinate board can serve. Advisory committees may be desirable but it must be borne in mind that advice without responsibility is usally one sided and is sometimes given in the interest of the individual giving it and not of the Company. Complaints made by an advisory committee would usually reach the company through direct channels.

After over 50 years' connection with Indian railways the writer is of opinion that both State and company's management of Indian railways should be in force at the same time. In 1869, when he first joined the State railway service, the whole of the railways in India were managed by companies whose relations to both the Government and the public were very unsatisfactory. The State railways to start with were a great success, but owing to want of elasticity in Government services, unsuitable officers were placed in charge of the State railway management and there was a reaction in favour of company management, which had greatly improved. Of late

years, there has been a reaction against the companies and State management has been favoured. The fact appears to be that there is emulation between the two managements, which is conducive to improvements in working, and should therefore be encouraged, and the present system continued. It is assumed that politics will not be allowed to enter into railway management; if they do, heaven help the railways, because no system of management can then succeed.

(2) *Functions, Status and Constitution of the Railway Board.*—It is beyond dispute that the Railway Board has been steadily losing authority since it was first established and it seems desirable to investigate the reasons for this. Before the Railway Board was established the railways in India were in charge of a secretary in the Railway Branch working under the Public Works Minister who had direct access to the Viceroy once a week and the consequence was that, having been chosen for his recognised ability, he was able to deal with urgent questions that arose promptly, and to speak with some authority on all railway matters. The Secretary was assisted in his office by two deputies, one the Accountant General, Public Works Department, the other a high traffic official, and was also able to obtain advice from the Consulting Engineers to the Government of India for State Railways in engineering matters. There was also an under secretary and assistant secretaries as required. Outside the office, the Managers of State Railways were directly under this Secretary's control, and at the headquarters of each company's railway he had " consulting engineers " who were working with the company's officials and kept constantly informed on all important matters connected with the company's management as they arose.

The fact that the Accountant General, Public Works Department, was executively under the orders of the Secretary ensured that the work of the accounts branch (who in their audit only were subject to the Finance Department) was carried on in conformity with the requirements of railway management whilst the Secretary had as one of his principal assistants to advise him in all finance matters the Head of the Accounts Department engaged on railways. The Deputy Secretary for traffic was an official chosen for his knowledge of traffic matters and for his level-headedness in general. The Managers of State Railways carried out their work as they do at present. The " consulting engineers " at the headquarters of company's railway administration were in constant touch with the company's officials and nothing was done without their knowledge and consent, and once a month an official meeting was held at which all the heads of the departments attended and all sanctions and other important matters were put on record. The Government Auditor to the railway worked under instructions from the consulting engineers. It is obvious that the duties of the consulting engineers were very important and it was usually the case that the most capable amongst them was promoted to be Secretary or Director-General. From this it also followed that the Secretary who during his rise from the position of Assistant Engineer had served on most of the Company's lines as Deputy Consulting Engineer or Consulting Engineer, had a good general knowledge of the working of all companies lines in India and of the requirements of the country served by them. These most useful officers were abolished and Government Inspectors were appointed in their place whose only duty was to report on the state of a railway. A copy of the last inspection report of the Bengal and North Western Railway is enclosed* and it need only be further explained that the Agent, Heads of Departments and District Officer who are all very busy men spent several weeks in attending on the Government Inspector on his Inspection tour and have subsequently to go through the monumental report item by item and deal with it. Are the results obtained worth the work involved?

The Chairman of the Railway Board, although in charge of one of the most important branches of Government service, is not permitted, when he is called to attend the Viceroy's Executive Council, to advocate the course that he thinks should be followed, but only to answer questions. The members of the Board have little knowledge of the railways other than those on which they individually served as agents, and have been deprived of the very useful assistance which the consulting engineers gave, as the Government inspectors have nothing to do with the management of the railway, but only with the safety and conveniences of the public, which, it is thought, were better looked after by the consulting engineers. In regard to accounts, both from an executive and audit point of view, the Railway Board is in the hands of an accounts adviser who has no responsibility and no authority. In fact, the Railway Board, who have many executive functions, have been deprived of all power of exercising them effectively.

It is suggested that the Railway Board should be abolished and the former arrangements, which, on the whole, worked well, should be reverted to. It will then be possible to get speedy decisions on important matters which is now impossible, and trivial matters will be relegated to their proper place.

(3) *Arrangements for financing Indian Railways.*—At the present time it would be impossible for the Bengal and North-Western Railway and the Rohilkund and Kumoan Railway to raise additional funds except at a rate between 7½ and 8 per cent. With this high rate of interest and the excessive cost of all material, it is impossible to construct any but the most urgent works at the present time. Both companies are conserving their available funds for the purpose of purchasing rolling stock and other equally necessary works.

(4) *Control of Rates and Fares by Government.*—The system of maxima and minima rates and fares under which railways in India have been worked for nearly 50 years has, on the whole, worked well. Why alter it? Managers of railways, both State and company, can be relied upon to foster all new undertakings, subject to the law against undue preference which is enforced in all civilised countries. If the Government desire to subsidise any business or community they should do it directly, and not through another business when to do so is undue preference.

There are a few matters connected with Indian railways which call for investigation.

(*A*) The very inadequate supply of rolling stock on the broad gauge lines and its use which appears to give an undue preference to the coal traffic.

(*B*) The taxation of Indian railways by local governments and other local authorities, and the rules under which they are imposed, which gives no right of appeal except to those who are to a great measure responsible for the taxation.

* Not reprinted.

In regard to (*A*), letter No. 513, dated 19th June, 1920, and No. 523, dated 1st November, 1920, from the Bengal and North-Western Railway to the Secretary of State, are enclosed, which explain the situation as far as the Bengal and North-Western Railway is concerned, but this railway is not the only sufferer. There is not a trade or business in India producing articles for export that has not suffered, but more especially agriculturalists growing grains, etc., for export, who have had their produce left on their hands, and doubtless have, as usual, been driven to the moneylenders whilst their grain deteriorated. The reply of the Railway Board, No. 22 R., dated 30th September, 1920, is also enclosed. The late Mr. Knight, in reference to a similar letter, characterised it as " fatuous flapdoodle." Everyone connected with India knows that grains and seeds do not ordinarily move during July, August and September, and the fact of so many wagons being loaded in those months merely proves how desperate the situation was in what should have been the very busy months of April and May. The fact is well known that the wagon supply on Indian railways was quite insufficient before the war, and that a large percentage of the goods engines were not sufficiently powerful for the work they had to do. During the war the traffic increased greatly, apart from coal, whilst the rolling stock was hardly increased at all; and since the war no real effort has been made by the Government to meet the enormous deficiency then and now. To make matters worse, the Railway Board have issued an order that preference is to be given to coal over all other commodities (is this not undue preference?), with the result that coal from the Bengal coalfields to Karachi, Bombay and Madras, which before the war went by sea, was diverted to the railways, and many thousands of wagons were used in its carriage. The principal persons who benefited by the preference given to coal were the millowners and shipowners, who had made, and were making, enormous profits out of the war conditions, and who could have well afforded to arrange to get their coal by sea. Even if the Railway Board had arranged to charter vessels to carry coal to the ports and had allowed the wagons to be used for general use, it is almost certain that the increased revenue of the railways for carrying other articles at higher rates would have been sufficient to meet the cost. There is also the effect of stopping export of country produce on the Exchange to be considered. The writer is of opinion that an addition of at least 30,000 wagons with 300 powerful engines is required to put the broad gauge railways in a position to deal with the traffic offering even moderately well, and he can conceive no greater folly than to build a very costly railway and then refuse to equip it sufficiently to carry the traffic offering.

As regards (*B*), there is a growing tendency to impose on railways the duties of collecting taxes for local purposes. As instances, there may be cited the introduction of terminal taxes to replace octroi and the imposition of a passenger tax on visitors to pilgrims' centres to raise funds for municipal improvements. Railways have quite sufficient to answer for without attaching to them the additional odium of being tax collectors. Those who impose the taxes should take upon themselves the odium of collecting them. Moreover, it is against the spirit of British procedure to force any persons to become Income Tax collectors against their will.

At the present time the arrangements for financing Indian railways are not so important as the fact that railways could not afford to use them except for very special purposes. As an instance of what is meant, before the war the Bengal and North-Western Railway Company wished to build a bridge over the Ganges at Mokameh at a cost of Rs. 1½ crores, which was equivalent to £1 million sterling at the exchange of the day. This million the company could have then raised without difficulty at a cost of £42,500 per annum. With the enormous rise in prices and interest the bridge would now cost Rs. 3½ crores, or at 2*s.* per rupee, £3½ millions. If the company could raise this now the interest charges would be about 8 per cent., or in all £280,000 per annum. The company were quite willing to face the £42,500 per annum, but £280,000 per annum is obviously a very different proposition.

Tirhut Railway.

Calendar year.	Mileage open at end of each year.	Gross earnings.	Net earnings.	Interest.	Gain or loss to the State.	Proportion of expenses to earnings on open system.
		Rs.	Rs.	Rs.	Rs.	
1875	—	—	—	—	—	107·62
1876	—	—	—	—	—	68·67
1877	—	—	—	—	—	69·85
1878	—	—	—	—	—	75·34
1879	—	4,58,733	1,07,819	2,37,411	— 1,29,592	76·49
1880	—	5,51,068	2,33,662	2,50,659	— 16,997	56·40
1881	—	5,84,255	2,36,200	2,67,245	— 31,045	59·57
1882	—	6,60,022	2,54,047	3,86,612	— 1,32,565	61·50
1883	—	8,92,441	2,59,705	4,99,014	— 2,39,309	70·90
1884	—	11,90,072	2,66,582	5,74,369	— 3,07,787	77·60
1885	—	12,78,634	3,59,269	5,86,195	— 2,26,926	71·90
1886	—	14,98,638	5,01,189	6,30,944	— 1,29,755	66·56
1887	—	17,22,955	6,95,725	7,79,801	— 84,076	59·62
1888	—	18,07,283	7,98,875	8,17,485	— 18,610	55·80
1889	—	18,96,674	9,78,246	8,41,932	+ 1,36 314	48·42
1890	322·53	23,92,977	—	9,41,207	—	49·38
1891	337	24,89,279	14,23,332	9,34,385	+ 4,19,463	40
1892	342	21,84,862	13,82,875	9,50,025	+ 3,65,790	41
1893	—	26,81,190	14,09,975	10,01,205	+ 3,41,928	43
1894	—	29,42,305	15,35,581	9,98,388	+ 4,64,835	41·8
1895	—	30,89,644	15,61,276	10,18,013	+ 4,70,354	42·5
1896	—	31,61,172	15,56,944	10,27,821	+ 4,57,509	43·9
1897	—	32,38,109	16,29,812	10,38,630	+ 5,16,277	43·8
1898	—	31,44,140	16,67,068	13,18,764	+ 2,72,419	43·4
1899	—	34,24,808	14,42,101	14,62,603	— 82,442	46·6

Tirhut Railway—continued.

Calendar year.	Mileage open at end of each year.	Gross earnings.	Net earnings.	Interest.	Gain or loss to the State.	Proportion of expenses to earnings on open system.
		Rs.	Rs.	Rs.	Rs.	
1900	423	36,47,197	15,66,413	16,19,231	— 1,02,381	49·20
1901	519	43,16,760	22,75,660	17,67,799	+ 4,31,008	44·20
1902	517	45,50,632	24,55,201	18,77,205	+ 5,01,325	45·90
1903	—	56,72,952	31,92,619	19,86,515	+11,01,735	40·26
1904	535	62,63,114	34,98,567	21,48,021	+12,35,684	39·32
1905	565·45	61,81,754	35,95,050	23,54,563	+10,33,414	42·74
1906	614·30	66,80,324	38,97,310	23,17,307	+13,87,971	44·09
1907	763·54	75,39,243	42,21,002	23,80,668	+16,61,103	43·94
1908	774·69	81,68,953	44,81,501	24,68,465	+18,09,082	44·78
1909	774·69	75,53,873	40,09,582	24,73,136	+14,46,218	46·02
1910	776·13	83,14,066	48,01,820	24,92,047	+20,49,687	41·86
1911	769·04	89,15,376	52,68,260	25,53,319	+24,38,692	41·14
1912	791·51	98,30,665	64,73,034	26,48,419	+34,76,617	34·15
1st qr. of 1913 ...	791·51	26,02,230	16,91,800	7,16,614	+ 8,16,015	38·88
1913–14	788·16	1,02,64,997	64,76,739	27,70,371	+32,90,485	36·90
1914–15	788·45	95,03,765	58,14,830	28,43,125	+26,49,945	40·59
1915–16	825·62	93,11,906	56,14,514	28,30,356	+24,64,085	39·48
1916–17	812·06	98,92,880	61,54,482	26,66,899	+31,57,814	40·21
1917–18	804·00	93,07,091	53,46,681	27,89,261	+22,97,121	40·74
1918–19	818·96	1,08,42,111	67,48,406	27,84,649	+36,24,168	41·64

	Rs.
Total capital expenditure to 31st March, 1919	7,77,45,930
Net gain + charges – to the State from commencement of operations to end of 1918-19	+3,76,17,990

Lucknow Bareilly Railway.

Year	Mileage open at end of each year.	Gross earnings.	Net earnings.	Interest.	Gain or loss to the State *Pertaining to each year.*	Proportion of expenses to earnings on open system.
		Rs.	Rs.	Rs.	Rs.	
1883	Information not available.	—	—	11,192	— 11,192	—
1884		10,239	839	36,572	— 35,733	—
1885		82,827	17,243	53,247	— 36,004	—
1886		1,15,296	28,729	1,48,570	—1,19,841	—
1887		2,92,470	67,924	1,85,046	—1,17,122	—
1888		3,52,327	99,031	2,03,503	—1,04,472	—
1889		4,28,731	1,47,868	2,16,189	— 68,321	—
1890		4,56,738	1,32,338	2,30,699	— 98,361	—
	Miles.					
1891	198·38	4,95,068	1,72,145	2,72,055	— 99,910	62·4
1892	198·33	6,82,836	2,74,601	3,07,651	— 43,686	58·4
1893	222·05	7,28,878	2,73,541	3,26,770	— 56,724	60·6
1894	231·17	9,72,269	3,94,240	3,45,323	+ 24,737	57·5
1895	231·17	8,25,934	3,13,116	3,56,596	— 59,314	62·51
1896	231·17	8,27,599	3,02,071	3,48,885	— 60,229	63·50
1897	231·17	8,27,371	3,35,776	3,61,550	— 37,344	59·18
1898	231·17	10,34,088	5,00,200	3,64,852	+ 67,290	51·58
1899	231·17	12,72,160	6,33,355	3,65,537	+1,42,178	49·54
1900	231·17	12,53,801	6,51,957	3,73,097	+1,43,945	47·78
1901	231·17	13,72,520	7,58,124	3,91,796	+2,90,559	47·18
1902	231·17	14,53,329	7,69,568	4,23,528	+2,78,336	49·29
1903	237·04	14,03,266	7,48,689	4,53,825	+2,41,642	49·01
1904	237·04	14,96,120	7,97,671	4,48,328	+2,87,917	49·04
1905	237·04	15,47,488	8,20,992	4,50,448	+3,05,496	53·05
1906	237·04	16,55,250	8,36,782	4,57,588	+3,13,942	53·21
1907	237·04	16,97,182	9,07,863	4,18,611	+4,16,023	48·47
1908	237·04	16,15,542	7,80,747	4,50,365	+2,81,871	53·58
1909	237·04	17,17,491	7,84,749	4,11,131	+3,28,918	54·74
1910	237·04	18,25,185	10,15,746	4,75,558	+4,59,824	45·47
1911	257·57	19,40,488	10,44,604	5,07,263	+4,62,621	47·66
1912	296·32	22,67,846	13,67,532	5,66,069	+6,80,430	41·04
1st qr. of 1913 ...	296·32	6,65,878	4,06,008	1,65,812	+2,07,899	42·16
1913–14	298·02	22,50,319	12,45,837	6,84 031	+4,86,870	51·38
1914–15	312·51	19,40,856	8,79,923	7,07,593	+1,52,675	54·13
1915–16	312·51	20,17,355	10,15,377	7,39,732	+2,41,504	45·13
1916–17	312·51	23,98,560	13,90,059	7,21,831	+5,80,704	45·97
1917–18	312·43	27,04,857	15,02,723	7,31,984	+6,67,477	46·06
1918–19	312·43	31,85,922	15,64,314	7,47,338	+7,06,335	58·0

	Rs.
Total capital expenditure to 31st March, 1919	1,90,10,303
Net gain + charges – to the State from commencement of operations to end of 1918-19	+76,41,193

Oudh and Rohilkund Railway.

Year.	Mileage open at end of each year.	Gross earnings.	Net earnings.	Interest.	Gain or loss to the State *pertaining to each year.*	Proportion of expenses to earnings.
		Rs.	Rs.	Rs.	Rs.	
1879	Information not available.	43,44,843	18,19,936	28,00,000	— 9,80,064	58·11
1880		44,55,150	19,04,409	28,19,946	— 9,15,537	57·25
1881		49,28,730	19,75,699	29,14,137	— 9,38,438	59·91
1882		52,62,844	18,01,371	30,67,622	— 12,66,251	65·77
1883		54,56,255	24,80,362	31,35,495	— 6,55,133	54·54
1884		52,75,198	23,26,146	41,14,587	— 17,88,441	55·99
1885		55,37,369	17,95,361	46,53,333	— 28,57,972	65·50
1886	—	65,05,408	28,69,755	51,88,014	— 23,27,259	56·02
1887	—	66,46,213	31,35,249	53,98,339	— 22,63,090	52·83
1888	—	70,77,053	30,16,005	51,67,494	— 21,51,489	57·38
	Miles.					
1889	692·55	75,39,683	42,04,076	49,71,898	— 7,67,822	44·24
1890	692·55	73,81,396	37,54,478	44,23,109	— 6,68,631	49·14
1891	692·55	85,64,209	49,42,458	47,25,666	+ 2,16,792	42·29
1892	692·55	85,42,836	50,16,329	52,79,411	— 2,63,082	41·28
1893	741·11	87,15,926	50,17,053	55,01,058	— 4,84,005	42·44
1894	796·64	1,05,18,836	57,36,138	63,11,201	— 5,75,063	45·47
1895	797·18	1,02,94,880	52,55,948	64,26,370	— 11,70,422	48·95
1896	830·15	86,97,076	43,50,907	61,30,729	— 17,79,822	49·97
1897	891·97	85,15,856	36,96,778	59,77,486	— 22,80,708	56·59
1898	1,030·36	98,51,599	53,07,727	58,76,247	— 5,68,520	46·12
1899	1,030·36	1,11,38,990	60,76,595	59,75,202	+ 1,01,393	45·45
1900	1,101·56	1,15,15,132	55,91,727	62,28,185	— 6,36,458	51·44
1901	1,118·91	1,32,54,991	72,20,007	63,12,044	+ 9,07,963	45·53
1902	1,119·24	1,31,65,792	64,11,336	64,79,103	— 67,767	51·30
1903	1,180·79	1,39,49,922	72,31,862	68,40,953	+ 3,90,909	48·16
1904	1,237·65	1,52,96,206	71,33,117	70,54,120	+ 78,997	53·37
1905	1,244·65	1,53,85,913	63,43,667	71,68,431	— 8,24,764	58·77
1906	1,292·16	1,64,67,329	78,15,731	75,66,010	+ 2,49,721	52·54
1907	1,302·83	1,81,93,069	65,62,413	70,99,564	— 5,37,151	63·93
1908	1,302·83	1,61,61,543	50,29,153	74,73,210	— 24,44,057	68·88
1909	1,310·52	1,61,86,594	45,93,282	76,42,849	— 30,49,567	72·76
1910	1,406·75	1,83,03,844	88,80,832	78,34,486	+ 10,46,346	51·48
1911	1,513·77	2,03,88,454	1,04,88,468	80,09,802	+ 24,78,666	48·56
1912	1,604·14	2,45,19,400	1,39,76,826	90,21,621	+ 49,55,205	43·00
1st qr. of 1913 ...	1,604·14	61,06,475	28,60,729	21,64,489	+ 6,96,240	53·15
1913–14	1,638·33	2,41,23,950	1,23,21,631	91,48,838	+ 31,72,793	48·92
1914–15	1,682·00	2,08,24,033	91,22,888	93,51,473	— 2,28,585	56·71
1915–16	1,606·87	2,23,58,588	1,12,50,582	91,53,246	+ 20,97,336	49·68
1916–17	1,606·87	2,63,18,738	1,50,41,365	89,71,560	+ 60,69,805	42·85
1917–18	1,592·29	2,85,32,134	1,76,54,269	91,89,367	+ 84,64,902	38·13
1918–19	1,591·25	3,29,56,941	1,93,85,777	92,23,329	+1,01,62,448	41·18

	Rs.
Total capital expenditure to 31st March, 1919	21,11,84,320
Net gain + charges – to the State from commencement of operations to end of 1918-19	2,76,848

Owing to the impossibility of getting rolling stock and permanent way materials during the war, the companies charged off to working expenses during that period and subsequently the amounts considered necessary to maintain a proper standard of efficient upkeep. They also charged off the estimated revenue share of cost of replacement of rolling stock commandeered by Government for war purposes, and hold these amounts in deposit. These charges, combined with the higher rate of wages and enhanced cost of materials, explain the higher percentages of working expenses to gross earnings since 1914.

It is understood that no provision for depreciation or renewals was made on the Oudh and Rohilkund State Railway, and that there will be a charge against future revenue.

Contractors.	Date contract placed.	Materials.	Delivery promised.	Actual delivery.
Locos.—				
Hawthorne Leslie & Co.	21–6–17	5 Locos. "B" ...	About one year but subject to War.	Jan.–May, 1919 (Delivery completed).
" "	1–10–17	" ...	And priority obtained.	Delivery completed Aug.–Sept., 1919.
W. G. Bagnall, Ltd. ...	29–1–19	20 "F" Class ...	January, 1920	Now in course of shipment 1st Loco. shipped April 1920. 12 shipped.
Nasmyth Wilson & Co.	1–3–19	8 "B" Locos. ...	As soon as possible.	July–Oct., 1920.
R. Stephenson & Co. ...	13–9–19	4 "Tank"	January, 1922	" "

Contractors.	Date contract placed.	Materials.	Delivery promised.	Actual delivery.
Carriages—				
Metropolitan Carriage and Wagon Co.	18–2–19	35 III class Bogie... 4 Upper Bogie.	August, 1919...	Delivery completed Jan.–May, 1920.
Blake Boiler Co. ...	31–1–19	Wheels and Axles for above.	June, 1919 ...	Delivery completed Jan.–Nov., 1920.
Reid & Johnson ...	4–7–19	Materials for 10 sets 3rd class Bogie.	December, 1919	Commenced in Oct., 1919, and now nearly finished.
J. Baker & Co.... ...	4–7–19	Wheels and Axles...	November, 1919	Delivery completed, April–July, 1920.
Reid & Johnson ...	13–7–20	Material for 30 sets Bogie 3rd.	April, 1921 ...	Delivery commenced.
Blake Boiler Co. ...	15–6–20	Wheels and Axles for above.	December, 1920	" "
Wagons—				
Metropolitan Wagon and Finance Co.	20–1–19	300 G. G. Wagons complete.	August, 1919...	Delivery completed Feb.–June, 1920.
Blake Boiler Co. ...	31–12–18	Wheels and Axles...	June, 1919 ...	Delivery completed May 19–Oct., 1920.
Reid & Johnson ...	4–7–19	Materials for 200 covered G. Wagons.	December, 1919	Commenced Oct., 1919, and now nearly finished.
J. Baker & Co.... ...	4–7–19	Wheels and Axles for above.	December, 1920	Delivery completed April–July, 1920.
P. and W. Maclellan ...	22–6–20	250 C. G. Wagons complete.	December, 1920	Not commenced.
" " ...	28–6–20	Materials for 300 C. G. Wagons.	December, 1920	Delivery commenced.
Blake Boiler Co. ...	15–6–20	Wheels and Axles for above.	December, 1920	" "

STATEMENT No. 6.

BARSI LIGHT RAILWAY CO.—LETTER DATED 9TH NOVEMBER, 1920.

See oral evidence, paragraphs 1342/1542.

In reply to your letter P.W. 5265, dated 30th October, enclosing a copy of the terms of reference entrusted to a Committee appointed by the Secretary of State for India to consider various questions in connection with the administration of the Indian railways, and informing us that representatives of the Barsi Light Railway will be received to give evidence, we are directed to thank the Committee for their invitation and to say that our directors have very carefully considered the terms of reference and after much hesitation have instructed us to submit the enclosed note. Their hesitation has been due to the apprehension lest their motive should be misinterpreted and they should be suspected of a desire to turn the occasion into an opportunity for raking up old controversies. They wish to assure the Committee that they have no such desire or intention; the note is submitted with the sole object of assisting the Committee as far as lies in their power by drawing attention to certain aspects under the terms of reference which they believe it to be in the interests of Government and the public to emphasise.

The note, it is thought, is in sufficient detail to answer this purpose without the need for oral evidence; should this be required, however, the Chairman of the Committee, Mr. G. A Anderson, and Mr D. C. Wilson, a director, will be glad to attend when summoned.

Enclosures.

Note on the Terms of Reference.
Note by the Chairman.
Small scale map of the Barsi Light Railway. (*Not reproduced.*)

NOTE ON THE TERMS OF REFERENCE.

Item I of the terms of reference.—The Barsi Light Railway being a purely private enterprise, is not directly concerned with the methods by which the railways owned by the State are managed, though in its character of a feeder to two main railways owned by the State, its interests must necessarily be affected in some degree by the conclusions that may be arrived at regarding the management of those main lines. At the present time our directors offer no remarks on the subject of item 1.

Items 2 and 3 are co-related, in that while the extent to which private enterprise may be enlisted for the construction of new lines depends primarily, no doubt, on the financial terms offered, it is also largely influenced by the measure of the confidence that Government assurances inspire. The case that follows is adduced with the object of demonstrating the superfluous work and anxiety and the material loss that results from imperfect acquaintance with conditions, dilatory procedure, and neglect of antecedent engagements, factors deterrent to the co-operation of private enterprise in the development of the railway system of India.

Our directors are fully aware of the difficulties attending Government administration under the intricate conditions of finance and varied interests which complicate the affairs of Indian railways, and they are reluctant to intrude with suggestions for modifying the existing system of Government control, which it may well be thought should more properly come from railways of greater importance. In view, however, of the significance attached to private enterprise in the railway sphere by successive Governments (including, it is believed, the present Government) and of their reiterated assurances of encouragement to such enterprise, they feel that undertakings initiated and worked without financial assistance from Government occupy a larger place in Government railway policy than is denoted by mere mileage and consequently they think it will

not be taken amiss if they draw attention to a source of weakness in the present system of administration which the case they present would appear to indicate. The matter is discussed in a note by the Chairman which accompanies.

CASE UNDER ITEMS 2 AND 3 OF THE TERMS OF REFERENCE.

1. In 1899 the Government of India stated that the following lines which had been proposed by the Southern Mahratta Railway Company would encroach on the sphere of the Barsi Light Railway:— **(No. R. C. of July 26th, 1899, from Government of India, P. W. D., to the Government of Bombay.**

(*a*) Jejuri, *viâ* Pandharpur, to Bijapur.
(*b*) Lonand to Pandharpur.

and the lines were vetoed on this account.

2. In 1910, when the Barsi Light Railway negotiations for extending south across the Bhima were nearing completion, rumours reached us of the projection by outside agency of an east and west line in the Nira Valley. We pointed out to the Secretary of State the danger of such a line to us, and asked the intentions of the Government of India regarding a line of this nature. **(B. L. Railway, letter of June 22nd, 1910, to Secretary of State.)**

3. In reply we were told that a line from Jejuri to Bijapur (the first of the two lines vetoed in 1899, paragraph 1 above) had been proposed and negatived, and that if the proposal was renewed the interests of this company would receive due consideration. **(India Office No. P. W. 1958 of December 14th, 1910.)**

4. In January, 1911, we pointed out the suitability of the company and its third (2 ft. 6 in.) gauge to act as an impartial feeder in the area between Great India Peninsula and Southern Mahratta Railway branches, and asked for the prior right of construction within this area. **(Letter of January 4th, 1911, to the S. of S., in which the reasons for our suitability are given.)**

5. In June, 1911, we were told that such a monopoly could not be given, but we were invited to submit proposals for a system of lines within the "specified area." **(Letter P. W. 963 of June 28th, 1911, from Secretary of State).**

6. Before we could plan a system we had to ascertain what (if any) lines within the area were under consideration by other companies. In answer to our enquiries we were told: **(Letter No. P. W. 2361 of January 10th, 1912.)**

(*a*) By the Secretary of State in January, 1912, that the sole line within the "specified area" for which a concession had been asked was a branch line from Dhond *to Baramati*, which evidently was not the line apprehended by the Barsi Light Railway, and as it did not appear to be prejudicial to our interests, it was proposed to let the negotiations for it proceed.

(*b*) By the Great Indian Peninsula Railway (in March, 1912) that they were interested in a line from Dhond *to Baramati* and proposed to construct and work the line for the promoters.

7. With these replies it seemed abundantly clear that all apprehension of a west and east line north of the Nira—such as had been vetoed by the Government of India in 1899 (paragraph 1 above)—had disappeared. We were therefore free to scheme lines such as, in our opinion, would best meet the needs of the district, while at the same time affording to the Great Indian Peninsula and Madras and Southern Mahratta Railway Companies those equal opportunities for sharing our traffic which, as we had stated from the first, formed the principal feature of all our proposals (see paragraph 4 above). Accordingly, we proposed the Pandharpur-Lonand and Pandharpur-Miraj lines, and, seeing that (according to our information) the Dhond-Baramati line was to stop at the latter place, and that consequently the Great Indian Peninsula Railway would be deprived of a share in our traffic, we proposed to restore the balance in favour of the Great Indian Peninsula Railway by connecting with Baramati by a branch across the Nira, meeting our Lonand line at a point equidistant from Bombay by both the Great Indian Peninsula and Madras and Southern Mahratta Railways. **(Letter of June 29th, 1912, to Secretary of State).**

8. In March, 1913, we heard for the first time of proposals for extending the Dhond-Baramati line, and in April we sent in our objection. In June we had the full proposals of the Great Indian Peninsula and Baramati Companies, which showed that unknown to us negotiations had for some years been in progress for extensions from Baramati which would secure the traffic on both sides of the Nira Valley from both right and left bank canals and that the Great Indian Peninsula had had these very proposals in consideration at the time they agreed to work the Dhond-Baramati line for 45 per cent. of gross earnings (see paragraph 6 (*b*) above). **(Railway Board's letter No. 316 R. C. of February 4th, 1913.) (Letter of April 11th, 1913, to Secretary of State.) (Letter P. W 1595 of June, 12th, 1913.) (Letter 56 of May 2nd, 1913, from G.I.P. to Secretary of State, paragraph 5.)**

(*N B* —These proposals are shown in black-dotted lines on the accompanying map.)

9. The circumstances, therefore, in which we had planned the Pandharpur-Lonand line were now entirely changed. We were not, as we had been led to believe, free from the west and east attack north of the Nira. The very line which we had feared, and had been so often assured against, was actually under consideration. We therefore submitted revised proposals—they were, in fact, forced upon us in self defence, viz.:— **(Paragraph 35 of our letter of July 25th, 1913, to Secretary of State.)**

(*a*) A line from Pandharpur to Baramati *viâ* Velapoor and Akluj, with a branch from it to Indapur.

(*b*) A branch from Baramati to Nira Bridge, in order to give the Madras and Southern Mahratta Railway facilities for sharing our traffic in accordance with our consistently expressed policy.

(*c*) The remainder of the Lonand line—Velapoor to Lonand—but to await development of Nira right bank canal.

(*d*) If desired, a connecting branch between Baramati and Phaltan.

10. Thus it took nearly three years for the company to discover that the capture of the entire Nira Valley by a rival company had been deliberately designed for some years; that their proposals had during this time been frequently before the Railway Board without any objection taken, and that these proposals for invading a field which long before had been recognised by Government as within the sphere of the Barsi Light Railway were still the subject of negotiation with Government.

11. The reply to our revised proposals came in the shape of a report by the Railway Board, dated November the 11th, 1913, the terms of which were offered for this company's acceptance. Correspondence ensued in which our directors showed the inadequacy of the suggested safeguards to the interests of the company; until in June, 1914, it was felt that, if we were to get on with the work, as we were pressed to do, the general assurance offered to us by the Secretary of State that in certain circumstances "the interests of the company would receive consideration" must be accepted, in spite of the hesitation induced by previous experience; and, accordingly, it was requested that the preparation of the contracts might be proceeded with, and that permission be given to start the survey at once so as to make full use of the working season. This permission was given in October, and the survey was commenced at once by a staff engaged in anticipation, and in readiness to pass on to immediate construction.

12. The draft contract came to us in February, 1915, and before there had been time to thoroughly consider it the Railway Board sanctioned the survey of the very line from Baramati to Baura (Saratti) which the Secretary of State had assured us should not be made until the representations of the company had been considered; a proceeding which showed the futility of relying on any assurances that were not embodied in the form of a binding contract.

13. A personal representation was then made by the Chairman of the company to Sir Lionel Abrahams, the Assistant Under-Secretary of State for India, and it was entirely due to his frank admission of the nature of the treatment the company had received, as revealed by the facts and circumstances laid before him, and to his earnest endeavour to right the wrong, that the contract with the company was amended by the addition of protective clauses.

14. And so, at long last, it was made possible to execute the contract (August 8th, 1916) for putting into execution the proposals which the company had submitted four years before. By this time a commencement of the work had become impossible, an embargo on fresh issues of capital had been imposed. Since then the cost of new capital, of labour and material have risen continuously and the extensions must now cost the company more than double what they would have cost in 1914. The question as to when, and in what manner, a commencement may be made has been deferred for consideration next year; meanwhile, there is reason for believing that the proposals of the Baramati Company are still in active being, and the safeguarding of the interests of this company, together with those of the Madras and Southern Mahratta Railway with which they are linked will depend entirely upon the consistency of Government policy and control.

15. As to the merits of the proposals made by the Railway Board in their report of November 11th, 1913, ignoring the prescription regarding the sphere of the Barsi Light Railway, mentioned in paragraph 1 of their note, they attempted to introduce into the Nira Valley (whereas the Great Indian Peninsula were bound to admit there was not room for two) a rival company, whose interests were confessedly bound up with only one of the two main lines which, with the approval of Government, the Barsi Light Railway had engaged to feed impartially, and in this attempt they made statements and employed arguments which could never have been set down had they been acquainted with local conditions. They represented as an "effective, natural barrier between the areas north and south of it," which, they said, had little connection, a river, which not only presented no obstacle to the passage of traffic, but which traffic habitually crossed at many places. They represented as a place of no importance a trade centre, the possession of which by extension of the Baramati Railway Company, the Barsi Light Railway had shown must paralyse the traffic on their proposed extensions. They were, it would seem unaware that the Public Works Department contemplated bridging the river at this point, a step which would set the seal to this paralysis, and in their endeavour to refute the arguments which the Barsi Light Railway had advanced they miscalculated the distances on which the arguments were based.

16. With special regard to *item No.* 3, we would record that in 1895 the £75,000 share capital required for the original line was subscribed at a premium of 5*s.* per £10 share on a prospectus estimating a return of 5.86 per cent. Owing to exceptional conditions of drought and famine during the first few years of its existence, the earnings of the company fell considerably short of this estimate and projected extensions had to be held over, but subsequent issues of capital were successfully made in this country as under:—

1905, £85,000 in shares for Tadwala Extension, at par.
1905, £140,000 in 4 per cent. debenture stock for Pandharpur Extension, at par.
1908, £40,000 in shares for additional rolling stock, at par.
1909, £125,000 in 4 per cent. debentures for Latur Extension, at 98½ per cent, and
1913, £60,000 in shares for Pandharpur Town Extension, at par.

It is believed that these terms were as reasonable as would have been got in India—in fact, an attempt which was made to interest Indian investors in the 1905 share issue, evoked practically no response from that source, while negotiations undertaken in more recent years with a view to raising capital in India showed that possible subscribers there looked for the promise of a higher return for their money than was required in this country, also that they were disinclined to look at fixed interest bearing shares, or debentures, giving a moderate but guaranteed return.

17. In our opinion the relief in respect of Colonial Income Tax granted by recent legislation will tend to assist the raising of capital in this country for Indian railways, but the retention of the present limit of 4 per cent. for interest payable out of capital during construction must operate as an adverse factor, in England and India alike, so far as raising capital for new projects or considerable extensions is concerned while monetary conditions remain on anything like the present level.

Item 4.—The present system of Government control over rates and fares is, in the opinion of our directors, adequate, and, under normal conditions, presents no difficulty of exercise; exceptional cases, however, occur in which the automatic control of regulations and schedules ceases to be effective. When agreements as to rates and fares between powerful main lines and small private enterprise undertakings are made dependent upon certain conditions essential to the interests of the latter, these conditions are liable, in the course of time, to be lost sight of, or ignored in the stress of main line competition unless the railway policy of Government is continuous and the control it exercises is alert and firm. The company's contract for extension of its system presents a case in point.

NOTE ON ITEM 2 BY THE CHAIRMAN, BARSI LIGHT RAILWAY COMPANY, LIMITED.

Under the system prevailing before the institution of the railway board, Government control of railway was exercised by a Department of the Government of India of equal status with the other Departments of State, and similarly constituted. It was in the charge of a Secretary to Government and a Director-General of Railways, serving under a Member of Council. It was equipped with the necessary staff of assistant secretaries and clerks, and included a Chief Consulting Engineer, and a complete establishment of examiner of accounts. This Department had its qualified agents all over India in the shape of consulting engineers and secretaries to Local Governments, who were usually senior and experienced men, selected for railway knowledge and administrative capacity.

2. Just as headquarter administration in India is made possible and efficient by the presence of qualified Civil Servants stationed all over the country, to advise on matters within their own provinces, so the Government Railway Department, through the medium of its consulting engineers and Local Government secretaries, was kept constantly and fully informed of the needs, aspirations, and tendencies of Local Governments in regard to railway communications, and as to the technical and commercial aspects of the operations of each individual railway, and their effect on railway policy and operations at large.

3. Thus informed, the headquarter department was made competent to deal intelligently and sympathetically with the varying requirements of all parts of the country, and to mould railway policy conformably. With the exact information at its disposal, there was little risk of the observance of previous compacts and understandings being neglected, or of the dangerous tendency that belongs to autocratic administration, towards subordinating lesser interests, or interests ill-equipped for self-defence, for the sake of convenient uniformity, or for political ends. What might at first sight appear a highly centralised bureaucracy, was, in fact, a thoroughly decentralised organisation controlling railway policy and operation, not independently of, but in the closest possible communication with every Local Administration and with everyone of its delegated assessors, and finding time for the efficient execution of this considerable task, only because of the delegation to the consulting engineers and Local Government secretaries of large powers for the exercise of the essential detailed supervision and control of the railways of the country. Nor did the advantages attaching to the system end here. The agents of the several railways shared in them. The consulting engineer was more than the guardian of Government interests, he was also the adviser and counsellor of the agents, who at all times had at hand for their assistance in difficult or unusual circumstances, a trained official versed in railway matters of a wider scope than that covered by any individual railway, and also conversant, as no company's agent could be, with the methods and propensities of Government.

4. In common with all systems this one was not free from faults, the principal of which were: The control expected by Government from their Consulting Engineers was of too meticulous and hide-bound a nature; the consulting engineers were not always well chosen, and their strength was not always properly maintained (the exigencies of Government service in the railway department did not always allow of sufficiently experienced men being appointed, or of their number being adequate for their duties), and Local Governments were at times rather too insistent in their claim to prominence in the regulation of railway affairs. These combined defects led to the appointment of a Commission of Enquiry, the result of which was the institution in 1903 of a railway board to replace the former regime and to inaugurate a procedure under which the railway companies working the State lines should have greater freedom and scope for initiative. The Local Governments could and did expect from the new system little to their advantage. In its inception it was mainly a concession to the outcry of some of the company-worked lines against what they considered excessive control, made on the recommendation of a Commissioner strange to India, and who, in the course of his brief visit to the country was able to absorb but little of the peculiar conditions attaching to Indian railways. The new system placed the final authority in all railway matters in the hands of three men, expert in railway affairs, but not designedly or even necessarily conversant with administration, and of necessity not conversant with conditions in the parts of India where they had not themselves served. Starting without the steadying influence of the traditions of the Department which they displayed; prompted, indeed, to waive all tradition and start on a career of self-inspired decisions, they were from the first debarred from all the sources of information which had informed the actions of their predecessors in office. They stood somewhat as Scotland Yard or a London newspaper editor would stand if cut off from the Country Police or country news. The former widespread decentralised organisation had suddenly shrunk to a central authority of three isolated men, whose duty it was to manage the railway affairs of all India, entailing incessant touring, if they were to keep in touch with the varying needs and conditions of trade, Local Governments, and the various railway systems, and demanding, at the same time, the conduct of the voluminous correspondence inseparable

from such a great undertaking, and the presentation in due form of their numerous decisions, financial, commercial, technical and administrative, all to be moulded into a consistent policy. Whoever may be the "Three" they are asked to undertake the impossible. The work of the railway board must necessarily be done under conditions of hurry and incomplete or ill-digested information, which must militate against successful administration.

The principal defect in the system seems clear, "Want of Touch," and it can be remedied with little or no disturbance of the present organisation. The name by which an Administration is known matters little; call it a Secretariat, or call it a Board, it is its efficiency for its duties that matters, and to make it efficient, its eyes and ears should be restored; its delegated subordinates in the provinces and on large railway systems should be revived, and when reviving them, an inherent defect in the old Secretariat system should be remedied. Under that system the consulting engineers to Government were also the Government inspectors of railways, and it was largely due to this confusion of "Administration" and "Control" that the system fell into disrepute. It was difficult for Government to define, or set limit, to the views that should be expressed in the reports of its inspectors, and these officers themselves were often in a quandary as to the proper scope of their remarks. "Administration" and "Control" are two entirely distinct phases of railway government, and should be kept separate. Aids to both are needed, the one to aid the Headquarter Administration and assist in the shaping of its policy in regard to all matters affecting or affected by the railways of the country; the other to control the technical features of railways, and to see that the rules and regulations prescribed by the "Administration" are duly observed.

As to the titles of these delegated subordinates, the old one of "Consulting Engineer" would be inappropriate.

"Railway Board Deputies" or "Government Railway Agents" would seem to be appropriate appellations.

STATEMENT No. 7.

GREAT INDIAN PENINSULA RAILWAY COMPANY.—SYNOPSIS OF PROPOSED EVIDENCE.

1 (A).—STATE *v.* COMPANY MANAGEMENT.

See oral evidence, paragraphs 1939/2170.

Whatever system of Management be adopted for railways, it should secure that:—

(i) That advantages resulting from competition should not be abandoned.

(ii) The railways should be regarded primarily as business undertakings whose function it is to give as cheap and efficient a service as is consistent with a remunerative return on the capital expended.

It is our opinion that neither of these objects, which we regard as of the utmost importance, could be secured under a system of State management of all the railways in India.

As to (i). The element of competition under a system of State management would be wholly lost, whereas, under the present system, it is preserved—since those railways which are State managed compete with those which are company managed to the benefit of both, while these latter further compete amongst themselves. We consider that it would be in the highest degree unwise to dispense with this healthy spur of commercial rivalry.

If it be urged that those lines which are at present managed by the State are efficient and economically successful undertakings, we do not think that their successful management could be used as a valid argument in support of a complete system of State management, since such lines under the present mixed system of management are subject to competition and its resultant benefits.

So far as the trading interests of India are concerned, a competitive system of Railway management is preferable to the dead level which would result from the State management of all Railways. Political considerations, however, might induce some individuals to argue in favour of State management, in spite of the fact that under such a system commercial interests would be likely to suffer.

As regards (ii). We do not think that under a system of State management the principle of regarding railways as primarily business undertakings could be maintained, but that there would more and more be a tendency to subordinate the interests of the railways as commercial and economic organisations to extraneous considerations of a political nature. It is recognised that such considerations cannot, and should not, be wholly excluded, but we think that under a system of State management such considerations would be given undue weight, and that the interests of the railways as commercial undertakings would tend to be lost sight of. Moreover, we think that this evil is especially likely to occur in India, where political agitation is so rife, and where a desire is expressed to hamper the foreign trade of the country, a trade which is of so much benefit to Government and to the community generally.

If the present system is maintained, it may be found that the Company managed railways will serve as a useful buffer between the public and the State, in the sense that they will tend to diminish undue interference by political agitation. It is possible to conceive political pressure being brought to bear upon an all State management in such particulars as the demands of labour, the manipulation of rates, the multiplication of appointments, etc., which, however prejudicial in its effect on the profitable and efficient working of the railways, might be difficult to resist. In such an event the existence of Company managed railways, with Boards in London and not therefore subject to local influences, would strengthen Government in resisting such pressure.

A further point which we think of considerable importance is that the officers on those railways which are at present State managed are constantly being transferred from place to place on temporary or permanent promotion or reversion. We consider that this is to the disadvantage of a railway, as it tends to loss of continuity of policy and further prevents administrative officers from becoming acquainted with and keeping in touch with their staff—a matter of the greatest importance under present conditions for the smooth and efficient working of the railways. Under a system of all State management we think that this evil would be likely to be aggravated.

1 (B), (C) AND (D).—IF COMPANY MANAGEMENT IS RETAINED—THE DOMICILE OF THE COMPANIES AND THE LOCATION OF THEIR BOARDS.

On this question we are strongly of opinion that the best method of company management is that at present pertaining, namely, the management by companies domiciled in England with Boards sitting in London.

In support of this view we would submit that the important question of the personnel of Boards can only be satisfactorily solved in the case of Boards sitting in London. For such Boards it is possible to obtain as directors men who, having spent their lives in India have gathered experience in Government, railway or commercial work in that country, and are thoroughly versed in Indian conditions. Such men, moreover, having generally retired from active work, have ample time to give to the work of direction and to the full and careful consideration of the important questions which come before them. It might also be advisable to obtain the advice of residents in India who are especially interested in railway matters by the creation of consultative or advisory Boards in India.

Were the Boards to be situated in India they would necessarily be composed of men who would be engaged in other active employment, whose interests might not always be identical with those of the railway. These men would also be without the long experience of railway matters which is requisite. Boards so constituted could not give the time and consideration to the affairs of the railways which they ought to receive, and their work would in our opinion tend to degenerate into a mere confirmation of the acts of their administrative officers.

Further, in the case of Boards located in India, their personnel, more particularly as regards Europeans, would constantly be changing, and an absence of continuity of policy would be likely to result. It is, in our opinion, of great importance to maintain this principle of continuity of policy, and, as a means to that end, the avoidance, as far as possible, of frequent changes throughout the personnel of railway staffs, and more especially in their Boards of Direction should be aimed at.

Boards situated in London are not subject to local and political pressure, and can deal with the important questions which come before them entirely without bias—while the advantage to be derived from such Boards being in constant touch with the best expert advice and modern practice is of the greatest importance and cannot be overlooked.

Government in the past have, it is believed, at times found it convenient to make use of the companies to resist the introduction of measures clamoured for by uninformed agitation, and in the same way the administration of an agent in India is facilitated by the fact that the necessity for referring important questions to the home Boards protects him from being forced into precipitate action on doubtful questions. On the other hand, this enables an agent to obtain support for reforms and schemes which he may desire to introduce for the benefit of the railway and the public, but which may at the time be considered in India too advanced to receive attention.

2.—FUNCTION, STATUS AND CONSTITUTION OF THE RAILWAY BOARD, ETC.

The functions of the Railway Board are in general those which necessarily would be exercised by the authority in charge of the railway business of the Government, and apart from the control of rates and fares, there is little to be said about them. Complaints are sometimes made of undue interference on the part of the Board, but the powers of the companies and the extent of Government control are defined by contract, and the companies are in a position to resist any tendency in this direction that may show itself.

Considering the extent of the Government interest in railways, there must, in fact, be a Government railway administrative authority. Whether this authority should be a Board as at present, or whether there should be a Director General of Railways, with a staff of subordinate experts, is one of the questions which has most frequently been discussed in the light of the experience gained since the Board was established. While advantages, however, can be claimed, no doubt, for the suggestion that there should be a single administrative head, we think, considering the importance and complexity of the interests involved, covering the whole continent of India, that the necessary experience can only be supplied by a Board, and that more confidence will be felt in the decisions of a Board than of any single individual. In practice the work of the Board is divided between its members, and provision can be made for the decision of urgent matters.

If in the past the disposal of railway business has been open to criticism, the reasons are to be found in two directions.

In the first place, the Railway Board have not had sufficient powers, and they have not had sufficient powers because the Secretary of State has kept so much for himself. It seems unnecessary that the sanction of particular projects, or anything but matters of really large policy, should be reserved for the decision of the Secretary of State. The disposal of nearly the whole railway business might be left to the Government of India, and they should, with few exceptions, make over their powers to the Railway Board.

Secondly, while the position of the Railway Board is such that the public naturally regard it as responsible for success or failure in forwarding railway interests, its status has not, in fact, been sufficient to enable it to do what was expected of it. The representation of railway and transportation interests in the Executive Council by a member without knowledge or experience of railway working, and who is, moreover, not even a railway member, but can give only part of his time during his five years' tenure of office to railway questions, is inadequate and unsatisfactory. It is essential that railway matters should be brought before the Council by a whole-time officer who is himself concerned with the actual administration of the railways.

It should be pointed out, however, that the relation between the president and members of the Railway Board is affected by the status finally to be assigned to the Board. At present the President is merely *primus inter pares*, and so long as the Board is a subordinate authority this position cannot cause inconvenience, as in case of a difference of opinion the member of council decides. Were the Board to become in any sense the final authority, the position would be altered, and presumably the President would have to be given power to overrule his colleagues.

In addition, the increase of railway business, and in particular the great increase in the public interest taken in railway matters, make it essential that the Board should be adequately staffed. Any idea that three is an excessive number for the members of the Board, and that one or more of them may be taken away at any time for other duties, should be abandoned. A further point is that the traffic side has never been adequately represented on the Board or its establishment. There should be a member specifically for traffic work with traffic experience, and it would also be advisable to have a locomotive or rolling stock expert of the status of the Chief Engineer.

3.—Finance.

This is a very important question, as more money is undoubtedly needed for Indian railways than can be financed from the Government Budget. If the London market is to be relied on for this, the Board must remain in London, where under normal conditions money will be obtained cheaply and in quantity. The location of the Boards in London will give confidence to British investors. The amount of rupee money to be obtained in India for railways is limited and if working expenses continue to increase as they have done rapidly of late, the investment will be less attractive. Unless rates and fares are suitably raised the return from Indian railways will presumably decline, and the Indian investor when asked to take a financial interest will hesitate to do so if he cannot see a satisfactory return on his money, which if invested in industrial enterprises might yield handsome dividends.

The four following methods for raising additional sterling and rupee capital are put forward for consideration:—

(i) Companies should be allowed to raise share capital as recommended by the Mackay Commission.

(ii) There is a large amount of money invested every year in London by the Trustees of Railway Annuity Sinking Funds. The Trustees of the G.I.P. Fund invest largely in Government securities repayable in or before 1948. They also invest in their own B Annuities. About £500,000 of G.I.P. Annuity money (being deductions for the Sinking Fund and interest on investments) will be invested this year. Of this £100/150,000 will be placed in B Annuities and the remainder in Trustee stocks. The amount of interest accruing annually increases, and in ten years from now it is roughly estimated that there will be £900,000 or more available for investment, and of this it will only be possible in all probability to place a small amount in the B Annuities. So long as the Annuity Trustees are Directors of the Railway the greater part of this money could in all probability be lent to the Secretary of State in exchange for debenture stock repayable in or before 1948. The objection may be that there would be a heavy redemption liability on the Secretary of State unless a Sinking Fund be formed to discharge the stock at maturity.

(iii) If the above scheme is not feasible the Sinking Fund deductions and interest accruing on Sinking Fund investments might be obtained for railway purposes under a scheme by which B Annuitants would agree in advance to the Sinking Fund being capitalised in 1948 as irredeemable guaranteed stock.

(iv) In India rupee capital might be raised by the formation of an independent Financial Company with local directors. This company in Western India might be called The Bombay Railway Development Company, and particular works, such as electrification, feeder and other extensions, carriage building and the manufacture of necessary supplies might be financed by capital issued at a guaranteed rate of interest with a share of additional profit earned either by the works themselves or by the main line as a whole. The main line would borrow from the Indian company at a fixed rate of interest which would be a charge on revenue. The details of this scheme need development, but the object of a separate Indian company is two-fold—to avoid English income tax, and to encourage the Indians to help in the development of their railways.

4.—Rates, Fares, Machinery for Decision of Disputes.

Under existing conditions, in contracts between the Government and companies working railways, the Secretary of State authorises the maximum and minimum rates within which a company working the railway is entitled to charge the public for services rendered in connection with conveyance of passengers and goods on the railway.

The Secretary of State also prescribes the several classes and descriptions of passengers and goods to which such rates shall be respectively applicable, as well as the extent to which within the maximum and minimum so authorised, the company may vary rates in respect of the distance or weight or special conditions under which conveyance takes place, or services are rendered.

Any change in the classification for the conveyance of any commodity is subject also to the sanction of the Secretary of State.

These powers provide a system of control by Government which is full and complete.

As between railway companies and the public the Indian Railways Act prescribes the procedure to decide whether the charge levied by a railway company does or does not amount to undue preference. The procedure for deciding disputes between railways and traders in matters of rates is by appeal by the traders to Government, whose powers described above are sufficient to deal with all possible cases. The Railways Act of 1890 also contains provisions enabling Government to refer disputes in rates or any other matter to a Railway Commission constituted under the Act. As the calling into existence of a Railway Commission is troublesome and would be expensive to the trader, it might facilitate matters if a permanent Railway Commission was brought into existence with sufficient powers to settle questions referred to it. A provision might further be included in all companies' contracts, reserving power to the Secretary of State to decide all questions of undue preference.

While the competence of Government to deal impartially as between companies and traders in the manner referred to above would be admitted, another view might be taken if the question is put in regard to the relations of Government and of its interests in the revenues of railways worked by the State.

5.—Other Recommendations.

We have no further recommendations to make, but would draw particular attention to the political aspect of this question, which is of supreme importance. To this question the Committee will no doubt give very special attention.

STATEMENT No. 8.

Sir David Barbour, K.C.S.I., K.C.M.G., Chairman, East Indian Railway Company.—
Synopsis of Proposed Evidence.

See oral evidence, paragraphs 2171/2341.

It may be convenient if I state the opportunities I have had of forming an opinion regarding the construction, working and financing of Indian railways.

I joined the Indian Civil Service in the year 1863. In January, 1872, I became Under-Secretary in the Financial Department of the Government of India. I left India in November, 1893, having been Finance Member of Council for the preceding five years. Between 1872 and 1893 I dealt continuously with business of a financial nature, and during nearly the whole of this time I was serving under the Government of India. I became a director of the East Indian Railway Company on 8th May, 1895, and I have been chairman of it since 9th October, 1918. I can, therefore, claim to have had exceptional opportunities of acquiring a knowledge of Indian railways from a purely financial point of view. I have also had some experience of the working and construction of railways from other points of view. I was chairman of the London Traffic Commission, 1903-1905, and a member of the Committee on Indian Railway Finance and Administration, 1907-1908, which sat under the presidency of Sir James Mackay, now Lord Inchcape.

Although speaking in the light of subsequent experience, one can see that mistakes have sometimes been made in connection with the Indian railways. I am of opinion that the history of railways in India compares favourably with the history of railways in most other countries. The present Committee will, no doubt, have before it statements showing the financial results of the working of Indian railways generally, but I wish to put in, as an illustration, some remarks* made by the late Colonel Gardiner, Chairman of the East Indian Railway Company, on the financial results of the working of the East Indian Railway by the East Indian Railway Company.

Indian railways were constructed in the first instance through the agency of guaranteed companies. I believe this to have been the only practicable course at the time. It had the approval of Lord Dalhousie, who, I believe, had been President of the Board of Trade in England, and had taken a leading part in English railway policy.

In the course of time conditions changed, and it appears to have been felt that the contracts with the guaranteed companies in some respects rather hindered than facilitated the construction of Indian railways. The construction and working of Indian railways by direct State agency was adopted. I believe that to have been a wise move at that time.

Some years later the agency of companies was reverted to in order to accelerate the construction of much needed railways, and the change had the desired effect. The contracts with the guaranteed companies included a purchase clause, and when the time arrived when purchase was possible, it was found to be financially profitable to purchase the railways, and the Government consequently took advantage of the purchase clause. The railways so purchased have either been worked under fresh contracts with the companies or have been managed by direct State agency.

I served for 20 years in Departments of the Government of India, and for 26 years I have since had some experience of commercial business, and I have formed a very strong opinion that no Government Department can successfully manage a commercial business. This is not due to the fact that the officials in Government service are less intelligent than those engaged in commercial business, for I am disposed to take the opposite view, but it is due to the fact that the procedure in a Government office is, and must be, totally different from that which is suitable to commercial business. The same amount of responsibility and initiative cannot be left to individuals in Government offices which can be given to a single person in a commercial business, and which in fact must be given if the business is to be thoroughly successful. A railway, however, is not on quite the same footing as an ordinary commercial business, and I think the management of railways by the State can be efficient if the management is entrusted to a specially chosen Board or Commission, if the Government will not interfere with the Board or Commission, and if special care is taken that the Board of Commission shall not be subjected to political pressure. These conditions are difficult to secure in practice at the present day, and the difficulty is likely to increase as time goes on.

A Railway Board has been established in India, and I believe it to have done much good, but I have formed the opinion, which you must take for what you consider it is worth, that it is too much interfered with by the Government of India, and that the tendency has been to put it in the position of an ordinary department of the Goverment. I have not been in India since the Board was formed, but I think it right to state the opinion, or perhaps impression, which I have formed. At the present time some Indian railways owned by the State are worked by State agency; others are worked by companies under contract with the Government. I believe this to be the best system that could be adopted. I view with alarm the prospect of all the railways in the Continent of India being worked in the future under the control of a Board appointed by the Government, liable to be interfered with by the Government, and to be subjected to increasing political pressure as time runs on. On the other hand, the fact that the Board works certain

* Enclosure No. 1.

railways supplies the Board and the Government with a trained staff of railway officials who are invaluable in dealing with the companies, and also in cases of emergency in India which are sure to recur from time to time.

As regards the Boards of Directors who are to work the State-owned railways under contract, I believe they should be in London rather than in India. The Board in London can always obtain the services of men of commercial experience who have lived and carried on business in India, but the special advantage they have over Indian Boards is that they can obtain the services of men who have had long experience of the construction and working of Indian railways. For example, the Deputy Chairman of the East Indian Railway Company, who is practically Managing Director, is at present Sir Robert Highet, who served on the East Indian Railway for 36 years, and was Agent in Calcutta for eight years. Former Chairmen of the Company were Colonel Gardiner, Sir Frederick Upcott and General Sir Richard Strachey, all being men of great Indian railway experience. No men in any way comparable to these I have named could be obtained for continuous service on Indian Railway Boards at the present day.

I do not think that the present time is a favourable one for making a great change in Indian railway policy. What we most feel at the present time is the crying need for more money and more railway material to enable the existing railways to carry the traffic which is being offered them. I strongly recommend the Committee to read the address* of General Sir H. Freeland delivered at the opening of the Railway Conference at Simla on the 11th October last, with which I entirely concur.

ENCLOSURE No. I.

Extract from a speech by the Chairman, Colonel R. Gardiner, R.E., at the 70th Annual General Meeting, held at the Company's Offices, Nicholas Lane, London, E.C.4, 25th July, 1917.

This being a record year, I think it will be of interest to give now a few figures setting forth the progress of the Railway under the Company's direction since the ownership of the line was bought up by the Government at the end of 1879 at a cost of, say, £32,750,000, which is being paid off by an annuity to expire in 1953. As you are, of course, aware, your deferred annuitants represent £6,500,000 of the purchase price, the annuity in respect of which is deferred under the present contract which expires in December, 1929, subject to the possibility of being revised or determined in December, 1919.

Since 1879 the line has grown as follows:—

Miles worked on 1st January, 1880, 1,548.
" " " 31st March, 1917, 2,806.

and the gross earnings have increased from, say, £2,863,000 to, say, £7,637,000 in 1916-1917. The passenger mileage compares as 583 millions of miles in 1879 to 2,283 millions of miles in 1916-1917, approximately a fourfold increase, and the charge per passenger mile and cost of carrying a passenger one mile have decreased from 3·59 and 1·28 pies respectively in 1879 to 2·43 and ·64 pies in 1916-1917. A pie represents now one-twelfth of a penny. Similarly, the goods ton mileage has increased from 780 millions ton miles in 1879 to 5,794 millions ton miles in 1916-17, say, eightfold, and the charge and cost of carrying a ton mile has decreased from 8·16 pies and 1·98 pies respectively in 1879 to 2·59 pies and 1·13 pies in 1916-1917. Put into English coinage, the average charge for carrying a passenger one mile and the average charge for moving a ton of goods one mile are both now under one farthing.

Additional capital in round figures of nearly £25½ millions has been laid out on the undertaking since 1879, of which £18½ millions has been raised in debentures through the company and £7 millions provided by Government. The railway has earned for the Government during this period £30 millions of surplus profits, being the gross earnings less cost of working and of all the indirect charges for interest and annuity, and less also the company's share of the profits which it receives for being the Government's agents for conducting the business of this great undertaking. The annuity charge referred to is, as mentioned in the foregoing, the annual charge through which the Government is paying off the cost of the line when purchased from the company in 1879. This repayment will be completed in 1953, when £26,200,000 of the capital of the railway *plus* the premium at purchase of, say, £6½ millions, will be wiped out. As 37 years of the 73 years of the annuity have now expired, in may be said in a general way that 37-73rds of the cost of the line in 1879, £32,750,000, has been met through the annuity to date, that is, say, £16½ millions, and in order to get a fair idea of what a financial success the undertaking has been under the present system of administration these £16½ millions should properly be added to the Government surplus profits of £30 millions referred to in the foregoing, making a total of £46½ millions of Government profits from the undertaking during the period 1879 to date.

The few figures I have given bring out the extent and importance of the undertaking which we assist the Government to administer with, I think I can safely say, the general satisfaction of the commercial community wth whom we come in contact.

ENCLOSURE No. II.

Extract from Proceedings of Indian Railway Conference Association of Monday, October 11th, 1920, viz., extract from address by General Sir H. Freeland.

5. From the subject of increased wages of railway staff, it is in natural sequence to pass to that of the additional revenue we must earn to meet the bill. Material and stores now cost two and three times what they did in 1914, and show no signs of coming down; in fact, it seems hopeless to expect that they will ever be reduced to an appreciably lower figure. Increased production may do something in that direction, but with wages all over the world so greatly above pre-war level, the cost of production has in all likelihood been permanently raised.

* Enclosure No. II.

We have all granted largely enhanced pay to our men, but it still remains to find the money. Thus it seems impossible that in this country a general advance in rates and fares can be postponed, if the long deferred renewals and reconstruction are to be undertaken to meet the increasing demands of commerce and industry.

The satisfactory results shown by the recent reports of companies' lines do not give a correct representation of affairs. These results are partly due to profit on exchange and partly to the fact that expenditure on account of renewals was curtailed, because materials, machinery and stores could not be procured.

A proposal to increase certain rates is before the Conference, and it is to be hoped that unanimous agreement may be reached in the matter.

The raising of the rates for the carriage of coal is one of the most important issues. The existing rates were fixed some 15 years ago, when working expenses were very much lower than they are now. They were barely remunerative then and at the present time do not cover the cost of carriage. Moreover, the absence of shipping in the first instance and later the high cost of sea freights has forced nearly the whole of the trans-Indian coal to rail, with the result that nearly half the broad-gauge goods stock of the country is locked up in this traffic. The existing rates, therefore, amount to a tax on the public for the benefit of one section of the trading community, and an enhancement of the rates to a figure which will give a fair return for the services rendered seems inevitable.

While on the subject of increasing our revenue, a reference may be made to the subject of railway concessions. A number of demands for these have been received during the year, but, on full consideration, have been refused by the Standing Committee. As Sir Robert Highet pointed out a few years ago, railways do not, except in very special cases, such as for Red Cross work, grant concessions from philanthropic motives, but with the object of obtaining, either directly or indirectly, increased revenue. In the existing conditions of finance and limited traffic facilities there seems little prospect of such concessions being granted for some time to come.

Briefly then we are faced with the necessity of enhancing our rates and fares to such a degree as will meet our increased wages bill and increased cost of material and will leave something over to enable us to carry out the renewal and replacement of worn-out material. It is not anticipated that any sweeping advance in railway charges will be necessary to attain the object in view, nor does there seem to be any necessity to follow the example of English and European continental railways in this respect.

The increases in goods rates in the United Kingdom are very heavy, more than 100 per cent. over 1914 in some cases, while on the Continent of Europe an advance in these rates of a still higher percentage has been made. Passenger fares in Europe too have gone up 70 to 150 per cent. In South America, however, the general increases in rates and fares has been 20 to 33 per cent. over pre-war figures, and the conditions there seem to approximate more closely to our own.

It has just been announced that we may expect a special Commission of Inquiry to come out to India this cold weather, and the question of the control of rates and fares by Government will be one of the subjects for their consideration. This Commission will undoubtedly realise in the process of their investigations that the problems to be faced here are fundamentally different to those to be met with in a country like England, in that here we have a vast territory sparsely equipped with means of transportation and asking for more and more capital for development. To attract such capital we must show that it is a good investment, which means we must cover our increased working expenses and continue to pay a return on capital of something in the neighbourhood of 7 per cent.

Admittedly cheap transportation is the principal means of development, and we must strive to that end in this country. There is very little hope that we shall be able to effect such economies in operation as will reduce expenditure to an appreciable extent, but I think it will be right to point out that with more efficient traffic facilities we ought in time to be able to handle a greater volume at a lower cost proportionately, when rates and fares should again incline to fall.

6. Before I sit down I would like, with your permission to refer briefly to our prospects of development. As was to be expected, the moment conditions of war were thought to have passed away, a constantly increasing pressure was brought to bear on railways to revert to their pre-war practice without delay and to effect a rapid improvement on the 1914 standard of transportation. That this would be so was foreseen, and such steps, as were permissible under the existing system of annual budget grants, were taken to place orders for material and new equipment, both in England and in India. Unfortunately, the whole world had suffered and every country was in violent competition for the supply of manufactured material, steel in particular. Frequent strikes and labour unrest in England slowed down the output of the workshops there, and shipping, during 1919, at any rate, was very short. Consequently, much of the material and stores ordered immediately on the conclusion of war for the reconstruction of our railways was not forthcoming within the period for which the grants had been made. It is true that the portion of such grants which thus lapse, as it is called, is carried over to the following year, but the allotment of money for that year is curtailed to an equivalent extent. Under this system a failure to obtain delivery of material from the manufacturers within the time allowed means a permanent retardation of reconstruction and development. There is no getting away from that. Furthermore, it is only fair to recognise that the purchasing power of money is barely half what it was in 1914. If 12 million sterling was necessary for railway development then, and that be it remembered was inadequate for the needs of the country, it is necessary now to raise at least 24 millions to do the same work. Very much the same state of affairs exists as regards our annual revenue budget grants, and, as you may recall to mind, Sir Lawless Hepper at the 1916 Conference made a very lucid statement of the adverse effect of the existing system on our renewals. From the financial point of view has any plan been made to provide for the renewal of locomotives, carriage and wagon stock, permanent way and bridges, which have been deteriorating steadily since 1914? I do not think so. Such

renewals can only be carried out gradually. We cannot obtain the necessary material and labour to effect a sudden resurrection, and the traffic must be kept moving all the while, but we can do it in time if we are assured of the necessary funds.

There are unmistakable signs that our programme will be ruthlessly curtailed in the near future, because it will be difficult to raise the money, and because no reserve fund was created during the last few years to meet the renewals which would obviously have to be undertaken sooner or later if railways were not to be closed down. The money was voted for our programmes and a large proportion of it lapsed for reasons beyond our control. It had disappeared into other channels under the existing system of finance and we may assume that unless there is a plan for overcoming the difficulty of raising new money, deterioration of our equipment will continue.

The fact is that renewals on all lines are seriously behindhand at the present moment and improved and enlightened methods of raising capital are not the only remedy for our backwardness; more revenue must also be found if we are to replace our worn out equipment.

In considering the amounts of capital and revenue grants to be given to railways, there is an inclination to lay too much stress on the direct benefit to be obtained, whereas since adequate and efficient means of transportation are an essential part of commercial and industrial advancement in any country, more consideration should be given to this fact when allotting money for railways. Even if a new line cannot be shown as likely to return an appreciable dividend on capital expended in its construction, or if it is not immediately evident that the replacement of obsolete equipment will bring more grist to the mill, the general revenues of the State will certainly be augmented by improved transport facilities or by any carefully selected railway alignment, and education and enlightenment will be brought to the country. These are the indirect benefits which should be placed on the credit side of the account.

The war has been over two years, but I doubt whether any railway is satisfied with the progress it has made during that time in renewals and improved equipment and facilities. As I have already said, this is due in the main to the difficulty and uncertainty of obtaining manufactured materials from abroad and as a consequence it has been difficult to spend even the small grants allotted to us. These were circumstances over which railway administrations had no control, and the only way to put matters right is the adoption of a more liberal and flexible financial policy in future. It is most distinctly contrary to the interests of India as a whole, to her trade, her education and her industrial welfare if, because it is a lean year or because money cannot be raised except at a higher rate of interest than is in keeping with past practice, our revenue and capital grants are to be curtailed for the next financial year. Such a policy is short-sighted in the extreme for to curtail expenditure in one year will only accentuate the difficulties in the next.

I do earnestly insist that, although my remarks may be condemned in some quarters as ill considered, they set forth the true position as regards the development of this country, not only in the opinion of railway men of experience, but also of those outside our own ranks who have the well-being of India at heart.

Summary.

If a company, whether domiciled in India or England, works a railway on behalf of the State, I recommend:—

(1) That the company own a substantial portion of the total capital.
(2) That the contract be for a long term of years.
(3) That the terms of the contract be such as to give the company a strong interest in increasing the net profit from the railway. The scale of remuneration need not be liberal at the commencement of the contract.

I strongly recommend that the Railway Board be made as independent of the Government as may be found practicable, and that it be freed, as far as possible, from political pressure.

It would be very desirable to introduce some system for regulating the provision of capital for Indian railways. I would recommend a moderate programme of new construction and a firm determination to raise every year, if at all possible, whatever money was required to carry out that programme, and also to provide the necessary improvements on that already existing to enable them to deal with the traffic which was being offered.

I think the whole Indian system should be worked in a series of large groups.

I am not in favour of small companies to carry out extensions and subsidiary lines. That is merely an expensive way of raising capital which could be raised more cheaply by direct Government action. The formation of such companies might be justified if the Government or the railway companies would not, or could not, raise the capital for necessary extensions, but I am sure that if the small subsidy companies can raise the capital, the Government or the railway companies could also do so, and on cheaper terms.

STATEMENT No. 9.

Madras and Southern Mahratta Railway Company.—Memorandum.

See oral evidence, paragraphs 2738/2946.

The Board propose to follow generally the terms of reference, and to deal in the first place with the administrative advantages in the retention of the Home Boards, of which they are strong advocates. They desire primarily to address themselves to the reasons which have prompted the suggestion to change the existing arrangements under which the Home Boards were constituted and carry on their business. It would be idle to pretend that there is not a considerable volume of opposition in India against the retention of Home Boards, but they believe that these views are founded upon a radical misconception of the work of these bodies, and of the conditions under which railway work is carried on.

In so far as the present agitation is based upon the desire to make the Indian Administration more popular it would command sympathy. But the main desideratum in railway management is efficiency, and India is not yet ripe for such sweeping changes. The transfer of the Home Boards to India is not, they consider, proposed on the ground that the change will promote

economical working; they believe that it proceeds from the desire to exert political pressure which may induce the Government to forsake an arrangement that can be shown to be working with efficiency, in favour of a very doubtful experiment the result of which no one can foresee. To choose the present moment for the inquiry into the proposal seems of doubtful value and likely to discourage investors in England.

The Board do not for a moment suggest that there are not points in working which the Committee will, as their inquiries proceed, doubtless agree are susceptible of improvement. If there is to be any decisive change in working, this should, in their opinion, ultimately take the shape of State management when existing contracts fall in, as being better than administration by Boards in India. But financial considerations will probably prevent this course being followed for a long time to come, and the fact that the competition and rivalry between company and State line management has many advantages and leads to efficient working will be difficult to disprove. As a matter of fact it is doubtful if any railways in the world are better managed than Indian lines, and this is largely due to the two systems of working, State and company, in force, each being subject to the same stringent Government control.

THE LOCATION OF BOARDS.

We now come to the reasons which appear to render it necessary that the Home Boards should be located in London, noticing at the same time the arguments advanced which are claimed as justifying their transfer to India. As it appears to be considered desirable that the Secretary of State should retain the control in relation to reserved subjects which he now exercises, the proximity of the Boards to that personage is of some importance. Opinions as to the transfer to India are divided. It seems to be certain that there is no leisured body in that country, whether professional or otherwise, from which Boards could be suitably recruited. A very high salary would be required in order to attract the services of those really competent, such as bankers or business men, whilst the heads of firms or banks are too fully occupied with their own affairs to enable them to devote the time necessary for railway work. It is certain that continuous service on Boards of Europeans living in India would be unobtainable. Besides this, most of the main lines traverse several provinces, and it would be difficult in Madras, where the Board would do its work, to get directors with knowledge of other districts, and having their interests at heart, and consequently the local interests of Madras would receive undue attention to the prejudice of those of other provinces, who might not be represented on the Board. In London, however, the members of the Board have no local interests, and are impartial in consequence. If constituted in India, it would conceivably be necessary to appoint some whole-time Government officials in order to obtain a suitable *personnel*. Incidentally it would be found that there would be few men of the requisite commercial position and experience possessed of sufficient independence to render their membership of Boards in India desirable. By this we mean that the greater part of the commercial community is engaged in using the railways for their business purposes, which is not the case in London.

It is also put forward that Home Boards must have merely a knowledge of changing conditions limited to what is disclosed in official reports, and that these Boards are conservative, slow, inaccessible, and out of touch with the constantly changing conditions in that country, whilst the necessity for reference to London causes delays. If these accusations are true, railway work in India would suffer under grave disadvantages. We maintain that they are, generally speaking, gross exaggerations. The suggestion that the Boards are mainly dependent upon what they can pick up from official reports is entirely erroneous.

We have on the London Boards men recruited from various spheres of official and commercial life in India, as well as those with railway experience who have served either on the Railway Board or as Agents or Heads of Departments of State Railways, or who have held similar appointments on Companies' Lines. Thus practically every branch of the Indian Administration is represented, and on the whole the Home Boards are possessed of an all-round ripe experience which is of high value. They exercise independence, the importance of which is considerable, and the fact that their work is carried on at a distance from India is in some measure an advantage ensuring for its disposal a balanced and dispassionate judgment. Additionally, they are in close touch with the India Office and the Consulting Engineers, the latter forming the link for communication with manufacturers, and giving their advice professionally on all projects and helping in the selection of staff. As is well known, the business of the Boards is also carried on under the close scrutiny of the Government Director, who sees that the obligations of the contract are carefully observed. Moreover, the Home Boards have the opportunity of consultation with experts in London, thereby obtaining first-hand acquaintance with all new developments. It has also become the practice for members of the Board to visit India, and thus to keep up a connection of undoubted advantage with the work out there. Finally, it is now the practice to have monthly meetings of the representatives of Indian Companies, at which Agents on leave in this country are often present, as well as the Government Director, and current questions of importance affecting all railways are carefully considered.

It is easy to meet the charge that Home Boards are conservative, slow, and inaccessible. The Committee will no doubt realise that there is generally more than one party to railway enterprises. Take, for instance, a proposal to construct a branch line inaugurated by a District Board. The scheme is adopted by the Local Government, and the necessary sanction for the preliminary reconnaissance is accorded by the Railway Board. After a report by the Agent the proposal may be sufficiently promising to justify the undertaking of a regular survey, and the results are then reported to the Home Board. Following a careful examination by the latter the project is accepted by them, and the necessary report is then furnished to the Government of India. Thereafter come sanction to the estimate and discussion of the proposed terms for working, inclusion in the programme, provision of the necessary capital, and commencement of the work. All this procedure, in a case which as stated presents no special difficulties or obvious objections, naturally takes some time, and often delays occur for which the Home Board may be blamed, but is in no way responsible. In any case practically the same procedure would have to be adopted if the Board were in India, or were the project connected with a State line. The Local Government is often inclined to take up the cudgels on behalf of the promoters, but the former have no financial

responsibility, and are as a rule only anxious to secure the completion of the branch line to open out backward districts. We desire to make no charge against any Local Government, or the Government of India, but it would not be difficult to rebut charges of delay brought against Home Boards, and to fix the responsibility on the system of financial control by the Government of India, which control, on the whole, is wholesome and necessary, and is quite unaffected by the nature of the organisation working a railway.

To show that Home Boards are not the only ones who cause delay, I quote the following case. About a year ago, when there was a necessity for revising the officers' cadre, as soon as the Board had received the Agent's proposals, orders sanctioning them *en bloc* were wired out to India. In such matters, however, the Board have to wait upon the approval of the Railway Board—and for some reason, with which the Board are unacquainted, it has not as yet been possible to carry out their intentions with regard to the revenue branches of the officers' cadre. My Board are ready to take action immediately this matter is decided by Government. We mention this case because it is one for which the Board may be wrongly blamed—similar delay has occurred in respect of State lines.

Before taking leave of this branch of the subject, we should like to mention that matters of routine, even of considerable importance, or of special urgency, are not delayed by the Agent in India for the necessity of reference to the Home Board. Our Agent in India has very large powers —often added to—which he exercises, whilst he knows well that in all cases involving urgency, especially instances of unrest among the staff, he will be supported by the Board in any orders he may pass. These remarks apply also to the case of any work which must be done in anticipation of sanction to facilitate working.

The Agent sends home every week a printed despatch, several typed letters on every conceivable subject, and frequently writes confidential letters to the Chairman, so that the Board are constantly posted in all important questions. Telegraphic communication is also freely used in urgent cases.

POSSIBLE LOCAL CONSULTATIVE COMMITTEE.

This claim for some voice in the management of Indian Railways may have some validity, and it could, if necessary, be met by the appointment at the Headquarters in India of a Consultative Committee—but to go beyond this, or to admit any claim to interference in matters connected with management of the staff, would enormously increase the work of the Agent, and would tend to diminish his authority and promote indiscipline. We do not, however, wish to be taken as advocating a *combination of management* which would necessarily, it is thought, lead to delays and inconvenience and impair the authority of the Home Board.

On this question the evidence of our Agent would be valuable.

It appears to the Board that where close co-operation is required, it should be confined chiefly to the question of how to develop the industries of the country and the best way to transport the produce. This, it is thought, could best be met by the extension of the practice of railway representatives being on the Chambers of Commerce at the Port (this being the custom now where they also sit on Port Trust Bodies) by the appointment of traffic officers on European and Indian Chambers of Commerce all over the system. In this manner the requirements of trade would be ascertained, and the Agent would then deal with each situation as it arose.

RELATIONS WITH THE STAFF.

Incidentally, it is to be anticipated, especially when, as is generally the case, ex-members of the staff in India occupy seats on the Boards, the relations between the Boards in London and members of their staff recruited by them would be closer than between the members of a State Service and the Railway Board, or with a necessarily changing Board in India, and this friendly relationship the visits of Directors to India tend to promote. Similarly, the long association of the members of the same service with one another should tend to the promotion of *esprit de corps* to a greater extent than is possible on a State Railway. The Board have thus also a wider knowledge of their staff to guide them in selection for special promotion and the rejection of the unfit than can be enjoyed by the administrative authority under the alternative methods of management suggested.

FINANCE.

Advocates of State Railway management urge that thereby the whole of the profits come without deduction into the coffers of the State. This is true, but against a total capital outlay by Government of £370,000,000 outstanding (according to page 3 of the Administration Report for 1918-19 the real total is much larger as much has been paid off by annuities) the ordinary capital of the operating companies with boards in London amounts to about twenty-seven and a half millions.

At the time each contract was renewed the Secretary of State's advisers preferred, as the alternative to purchase by a Government loan at the current rate of interest, to continue a guarantee on capital raised by the company at a lower figure with a profit-sharing arrangement contingent on good management for the term of the new contract.

For the last two and a half years the average dividend paid by 11 companies operating so-called State railways has been about 8 per cent., but it must not be overlooked that the receipts of the companies, like those of State railways, have been increased during the war and up to date, owing to the postponement of renewals, and particularly to the fact that the very large increases of expenditure on salaries and wages, to meet the rise in cost of living, have not yet come into the accounts. With increasing expenditure on labour and materials, the returns are likely to be much less favourable in future, even if rates and fares are raised. Also it must be remembered that on the Madras and Southern Mahratta Railway, in addition to the arrears of renewals, a very expensive programme for strengthening the road has scarcely been begun. The Working Estimates for the Madras and Southern Mahratta Railway system for the year 1920-21, show an increase of Rs. 1,09,54,204, or 38 per cent. over the actuals for 1918-19, and do not include heavy staff increases since sanctioned. The favourable rate of exchange

at which the receipts were remitted accounted last year for a bonus of 3 per cent., or an addition of one-half the dividend paid for the two last half-years, thus making the normal dividend of this Company 6 per cent. per annum. Since then the rupee has fallen from 2*s.* 1¼*d.* to 1*s.* 7*d.* or 1*s.* 8*d.*, and its future is unknown. At any rate, a fortuitous change in exchange from the Company's point of view should not be taken into account in considering the merits of State *versus* Company management.

RAILWAY BOARD'S FUNCTIONS.

With regard to the second of the terms of reference, the functions of the Railway Board are such as must be discharged by some central body on behalf of the Government of India. They act, however, in a dual capacity as administrators of State Railways and as Controllers of the Railways generally.

The course of events arising chiefly from the cost of living in India during the last two years, points to the necessity for the Government avoiding action in modifying rates of salary or conditions of service for State Railway employés without consultation with Agents or Companies; in some cases prior consultation between representatives of the India Office and the Board would have been of service. It must be admitted that before the war Railways were worked in water-tight compartments, and Boards were jealous of their rights in regard to their own staff. Circumstances have, however, changed, and independent action on State Lines or by any Company undoubtedly affects other lines, as benefits given on one Railway are claimed as a right on others, whether justifiable or not.

The policy of the Secretary of State and the Government of India in taking independent action has certainly added to the difficulties Companies have had to contend with, and has at times been offered as an excuse by some Company who followed suit.

The following instances may be given in relation to this point:—

(1) Fixing of salaries and conditions of service for State Railway officers;
(2) Fixing of salaries and conditions of service for State Railway subordinates;
(3) Introduction of oversea allowance for State Railway officers;
(4) Addition of technical allowance for the same;
(5) Revised rules for leave and passages for officers and subordinates.

As controllers of Railways generally on behalf of the Government of India, there appears to be need for some machinery to bring together conflicting interests in the case where different Railway Companies and the Government of India, whether through State Railways or otherwise, are concerned in the construction of new lines. Under existing circumstances discussions between the Railway Board, the Great Indian Peninsula Railway, this Company and the Nizam's Government have been going on for eight or nine years as to the construction of a railway connecting Secunderabad *via* Gadag with the Port of Marmagao, the stumbling-block hitherto being the question of the means to be adopted to prevent undue competition with the Great Indian Peninsula Railway and the Port of Bombay. The case is complicated by the fact that an Indian State is concerned, but it is suggested that the matter could have been materially advanced by a meeting of representatives of all the parties concerned, either in India or England—or if the machinery had existed, reference to an independent tribunal or arbitrator before whom each party could have argued its case.

STATUS OF RAILWAY BOARD.

From time to time suggestions have been made that the Chairman of the Railway Board should be a member of the Viceroy's Executive Council, and we think the idea sound, and that he should also certainly be a railway expert. What seems required is a strengthening of the Railway Board in respect of numbers and responsibility. The salaries of the members should be increased and appointments should only be made of the very best railway men obtainable—men who possess independent views, and of great strength of character, and who are not easily prepared to be overruled by the Financial Department. A further improvement might be made by appointing an Indian to the Board; at first, a railway officer need not be selected, but the very best man in the country possessing sound commercial and financial qualifications.

ARRANGEMENTS FOR FINANCING RAILWAYS.

This question is in fact as important as any with which the Committee will have to deal, possibly the most important, since the provision of adequate capital is the key to efficiency of Indian Railway Administration, by whatever agency the actual management may be carried out. The Commission will doubtless receive evidence from competent financial authorities, but as far as can be judged, no one is at present able to forecast the amount and rate of interest at which money will be obtainable in the near future for Railway purposes, either in India or England. While the policy adopted prior to the war has secured the provision of capital at a very moderate rate, the state of things has now completely altered, and the location of Companies' Boards will probably be decided by the results of attempts to raise future capital. If most of it has to be subscribed in Great Britain, it is not likely that the investors will look with favour on the proposal that Home Boards should be transferred to India.

Advocates of a more forward policy prior to the war usually suggested the separation of the Railway Budget from the General Budget of the country, with power either to individual Companies or to a combination of the whole, to raise funds on the security of the Railways themselves, and this Board hold there will never be any real steady advance in Indian Railways until the finance of the Railways is separated from the general finance of India.

There is one point we should like to emphasise, and that is that the Budget system under which, the money not spent at the end of the year lapses and has to be re-allotted out of the funds allotted for the following year, thus upsetting the programme of work for the following year, is unsuited to a commercial business like a Railway. In our experience this practice only tends to hurried and extravagant expenditure towards the end of the year. At the present time,

when the preliminary programmes for next year's work have been formed and money provisionally allotted, we have suddenly heard that grants next year will probably be reduced 50 per cent.

The immediate problem is that the open lines of India require about £20,000,000 annually, against the £12,000,000 prior to the war, while there are at least £60,000,000 of arrears to be made up as rapidly as the work can be efficiently carried out.

CONTROL OF RATES AND FARES.

With regard to the fourth paragraph of the terms of reference:—

The control of Government over rates and fares has been capricious.

(A) On the first introduction of maxima and minima rates with a classification between which Railways were allowed to vary them, the assumption was laid down in the preamble of the circular that the shortest route should fix the rate as in England, and that longer routes might equalise but not quote lower rates, and the idea was that through rates should be divided on mileage. At this time the Conference Rules applicable as now to all Railways contained a provision that the shortest route between junctions should fix the rates.

This rule was eliminated in 1899 by the Conference without objection from the Government, and down to the absolute minimum of the longer route, the shorter route has no protection.

The rule, if reintroduced, would need some qualification by a definite additional mileage being laid down to cover transhipment, and a condition that the route must be a practicable one. At present the construction of a 2-ft. 6-in. gauge line is under discussion which would short-circuit a through broad gauge route partly owned by the company. It is seriously contended not only that the shorter 2-feet 6-inch route should fix the rate, but although it could not carry the existing traffic, and would not thus be adopted as a practicable alternative route by traders, the rates by the through broad gauge route should be calculated over the 2-feet 6-inch route and *viâ* the junction on to the broad gauge, no extra charge being made for transhipment.

Coal Rates.

(B) Some years ago the Railway Board introduced a very low scale of coal rates to develop the industries of the country and all State railways, and by considerable pressure induced practically all railways to accept them. With the increase in working expenses many railways, especially those distant from the collieries, hold that the rates for public coal are unremunerative, owing largely to the cost of returning empty stock over long distances, and this Board are in favour of the rates being appreciably raised.

Control of Rates Generally.

(C) As regards rates generally, many railways hold that with the increase in working expenses the maxima rates should be raised. The Railway Board, it is understood, do not favour the proposal, and advance two pleas against it:—

(1) That the rise in exchange helps the railway companies;
(2) That increased traffic can be carried at a cost of 25 per cent. of the rates charged.

To these arguments the Board would say: First, as regards (1) that the rate of exchange is too capricious to be taken into account, and that it cuts both ways, as although the higher rate helps in the matter of buying English stores, it increases the amount of capital, if raised in England, required for capital and renewal purposes and expended in India. As regards (2), the contention is not applicable to the case of main lines with heavy traffic requiring stronger roads, doubling or quadrupling of lines, large yards, and expensive signalling arrangements. The argument was only pertinent to lean lines hungering for traffic.

Standard Classification.

(D) On the introduction of the classification mentioned in (A) above, varying classifications were introduced for different Railways based on that in force. Some years ago the Railway Board pressed the Railway Conference to compile a standard classification, and asked railways to accept it. This was arranged, and, speaking generally, was naturally the highest in force on any railway, but this while giving some railways power to raise rates, by no means implied that they would do so. When the classification was about to be introduced, the railway board, influenced, it is believed, by certain commercial parties, refused sanction to it in any case in which the maximum chargeable on any railway would be raised.

The effect is that the M.S.M.R. are unable to charge as high a rate, *e.g.*, for cotton as the G.I.P., and are unfairly handicapped.

There is no machinery for appeal except to the Secretary of State, who would obviously not interfere.

Disputes between Railways and Traders.

We have not heard of any special demand of traders for a Railway Commission, though instances could be quoted of rates which a Railway Commission would probably alter on the ground of undue preference.

My Board believe that a Railway Commission or other similar tribunal would be of value to both the railways and traders, but if instituted, appeal should, as in England, be at the request of either party.

General Conclusions.

Finally, the argument for or against State lines may be summed up as follows: With the absolute control that Government possess and exercise in fixing maxima rates and fares over all Indian railways and its regulation of expenditure, both capital and revenue, it is obviously in the power of Government to determine approximately the rate of interest earned, either by State or companies' administrations, and the question for Government to decide is whether each railway shall be worked separately on a commercial basis only or whether other considerations shall govern its policy. If Government consider that they are in a position to raise all future capital required for the requirements of Indian railways, no doubt the best policy for the country is that all railways should belong to the State, and the rates and fares can be fixed from time to time so as to provide a sufficient return on the capital expended to offer inducements to the Indian public to subscribe money to provide for future requirements. This, of course, presupposes the absolute separation of railway finance from the general finances of India. But until that condition of affairs is reached, and unless Government can raise the money to buy out the existing companies, it appears absolutely necessary that companies in London should help in providing funds from the British market, and to encourage a feeling of security in potential investors, the best course seems to be to have the home boards located in London.

Looking at railways from a commercial point of view, it is not clear why the Enquiry by a Committee is called for—it has always been in the power of the Indian Government to buy the companies' lines as their contracts expired or permitted, and if Indians wish to make and work railways, they can carry out that policy to-morrow by subscribing the money.

Employment of Indians.

It is perhaps necessary to refer to the question of the larger employment of Indians in the upper ranks of the service, and in the upper subordinate and foremen classes of employés.

This subject is sure to be discussed in India, and the board can refer the Committee to their views which some time ago were communicated to Government and their agent. As long as politics do not play a part in the appointment of railway servants, the board will endeavour, without fear or favour, to treat all their staff without any racial prejudice, but until an Indian holds equal qualifications—which on the whole he does not at present possess, at any rate on the mechanical and technical sides—it is only right, if a railway is to be worked on a commercial basis, that the fitter man should be preferred.

The board regret that the time allowed for compiling this note has been so limited that they have been unable to do full justice to the subject.

STATEMENT No. 10.

Bengal Dooars Railway Company.—Letter dated 10th November, 1920.

In reply to Mr. W. Gauld's letter of 30th October, 1920, P.W. 5265, I have the honour to inform you that Clause No. 1 of the "Terms of Reference" to be considered in connection with the administration of the Indian railways, is the only clause in which the board of directors of this railway would appear to be interested, and having regard to the constitution of the company and the powers vested in the Secretary of State for India under the contracts dated 27th April, 1891, 2nd March, 1898, 27th September, 1900, 7th November, 1901, 16th April, 1903, 1st May, 1914, and 6th July, 1916, to acquire the property and control of the company on terms therein laid down and on specified dates, my board do not see their way to express any opinion except of so academical a character as to be of little value at the conference. See oral evidence, paragraphs 2947/3084.

As regards (*a*) of Clause No. 1, my directors have reason to believe, *vide* the opinion expressed by the Planters' Association, with whom this company is concerned, that the customers of this railway, who are also planters in the Bengal Dooars territory, would greatly object to the control of this railway being changed from its present status.

With reference to (*b*) of Clause No. 1, in like manner my directors are satisfied that the stockholders of this company, who are all domiciled in England and many of whom are connected in business with this railway's customers, would also object to a change in the existing status.

So far as (*c*) of Clause No. 1 is concerned, the above-expressed views of my directors would also apply.

The chairman of the company, Mr. Robert Miller, will be prepared to attend to represent the company before the Committee on or about the 11th November, 1920, if it is considered necessary.

STATEMENT No. 10 (*a*).

Mr. Robert Miller, Chairman, Bengal Dooars Railway Company.—Letter dated 16th November, 1920.

I have the honour to acknowledge receipt of your letter of 30th October, 1920. In reply, I beg to submit a short summary of the statement I should be prepared to give to the Committee in connection with the Bengal Dooars Railway Company.

2. I append papers as follows, which bear on the subject:—

(*a*) A précis of the contract for the original line, dated 27th April, 1891.
(*b*) A précis of the contract for the extension line, dated 2nd March, 1898.
(*c*) Statistics of goods and passenger traffic, indicating the growth of movement and evidence of the usefulness of the railway to the public.
(*d*) Statement of the capital expenditure of the combined lines, which shows that a considerable part of the undertaking has been financed out of revenue.

3. This railway company has not had direct or indirect financial assistance from the Government. It rests on the results of its own efforts to serve the public, who, so far as this enterprise as a commercial undertaking is concerned, chiefly are, if not altogether, planters of tea and agriculturalists.

4. At the initiation of the undertaking, the promoters of it, who were owners and managers of tea companies, did not receive the help they thought themselves entitled at least to ask for from the then existing Government of Bengal. It was obvious that a concession would have to be given in respect of facilities for the acquisition of land, of course, in conformity with existing law. It was, however, not practicable to get all the land to the extent which the promoters of the railway considered, if not necessary, at all events desirable; and the then Lieutenant-Governor of Bengal laid it down that not an acre of land should be allowed to be expropriated or a single occupier to be dispossessed beyond what was unavoidably required for the laying of the rails and the construction of the stations. As most of the land was swamp and another large area was jungle, the necessity for such a precaution was not apparent to the promoters. Moreover, it required several years of time and much correspondence to induce the local government to assist or permit the construction of roads to serve the cultivators or to feed the railway.

5. The case of this railway, stated as in the above note, does not encourage a desire for management by the State. This line is of a special character. Until it was constructed, widespread lands specially suited for tea-growing, on the foot-hills of the Himalayas, were isolated from the State railway. Its rivers were flooded in four months of the year and almost dry for eight months; bad roads through almost impenetrable jungle constituted the access from factory to market. There was no stimulus to the State line to develop traffic. The State line got traffic without asking for it, and competition did not exist. This little line is the offspring of enterprise generated by commercial instinct.

6. An objection to State management lies in the changing character of the superior staff of the State railway system.

A line managed by a company acts in the spirit of the owner of a great trading organisation. A railway is, in fact, a "merchant of transportation." It sells its commodity, which is "transport," at the best price it can get, and it gets the best price only when it gives the best article, and having regard to the further fact that the best article is only to be given when it can be given in the largest volume, the company railway has an increasing stimulus to grow.

In the case of a State-managed railway, the staff is necessarily a body of State officers, moveable at the will or under the necessity of the State service from one district in India to another district, and in India one district differs from another as if it were a different country.

What the public like is continuity of policy, of plan, and of treatment; as far as possible of personnel. A company can without difficulty keep up a continuity of personnel and of plan and the treatment of its customers, but in the way of the State there are grave practical difficulties. A company agent knows that the longer he keeps a waster on his staff the more difficult it is to get rid of him. An agent and a merchant can act, but too often a State railway agent can move only by means of a shift of his waster to some other district.

ENCLOSURE A.

BENGAL DOOARS RAILWAY.

Original Lines Contract, dated 27th April, 1891.

1. Sole right to construct and maintain railway about 26 miles from a point on bank of River Teesta opposite Jalpaiguri (Barns Junction) to Mal.

About 7 miles from Tataguri running east to Ramohai Hat and thence north-east to Tondoo Hat.

About 5 miles running west to Dam Din.

(38 miles in all, of which 36 miles only have been constructed.)

2. Sole right to establish and work a ferry across the river Teesta from the railway terminus to Jalpaiguri.

3. Use, free of cost, of all land required for construction of railway branches, sidings, etc., etc.

4. Right to obtain, free of cost, such timber for sleepers as may be available from the whole area of the Tondoo forests for first construction only. Company to bear all charges for cutting same and cartage.

5. Secretary of State had the right to purchase at 31st December, 1919, with renewed right of purchase at end of every seven years, on giving 12 months' notice in writing of his intention so to do.

Purchase Consideration.

6. "Cash payment of 1-2/5ths of the amount of the invested capital and capital liabilities."

ENCLOSURE B.

BENGAL DOOARS RAILWAY CO., LTD.

Extensions Contract, dated 2nd March, 1898.

1. As to following extensions:—

(1) Malbazar station on existing railway to Hantupara.
(2) Dam Din station on existing railway to Bagrakote.
(3) From Bagrakote to a point, to be sanctioned by Secretary of State, about 1½ miles from the colliery called the Daling Coalfields, if company shall agree with Secretary of State to construct such line.
(4) From the Deomoni Hat station on the existing railway to Lalmonir Hat.

(In all 116·56 miles have been constructed.)

2. Concessions similar to those agreed to be granted by the 1st, 2nd, 3rd, 4th and 5th paragraphs of 1st clause of the contract of 27th April, 1891.

Purchase Consideration.

A sum (in £ sterling) "equal to 25 years' purchase of the average of the net earnings during the last preceding five years. Provided always that such sum shall not exceed by more than 20 per cent. the total capital expenditure and capital liabilities."

ENCLOSURE C.

BENGAL DOOARS RAILWAY CO., LTD.

Goods and Passenger Traffic.

	Passengers. No.	Goods. Tons.
Year to 31st December, 1907	492,145	101,124
Year to 31st December, 1912	877,119	141,396
Year to 31st March, 1918	1,010,981	171,522
Year to 31st March, 1920	1,145,617	169,760

ENCLOSURE D.

BENGAL DOOARS RAILWAY CO., LTD.

At 30th September, 1919 (the date of the last published accounts).
Capital expenditure amounted to:—

	£
Original Line	214,364
Extensions	674,912
do. Chalsa Matelli Branch	38,970
A total of	928,246
Against issued capital of	760,000
or, Capital owes Revenue	168,246

STATEMENT No. 11.

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY COMPANY.—LETTER DATED 10TH NOVEMBER, 1920.

See oral evidence, paragraphs 3085/3308.

In reply to Mr. Gauld's letter P.W. 5265, dated 30th October, I am instructed to say that my Board, availing themselves of the invitation contained therein, desire to nominate as their representatives their Chairman, Major A. D. G. Shelley, R.E., and Mr. T. J. Bennett, C.I.E., M.P., a member of the Board.

They further beg leave to submit for the consideration of the Committee the following preliminary comments on the subjects under reference, beginning with questions (*b*) and (*c*) as to the relative advantage of Boards of Indian Railway Companies being located in London or in India.

2. The most cogent reasons which have been advanced in support of the change of domicile of the Boards from London to India are briefly:—

(1) That Indian Boards are likely to be in much closer touch with actual requirements than Boards in London.
(2) That strong and efficient Boards of Directors could be recruited from the local commercial community of India.
(3) That Home Boards must be limited in their knowledge of changing conditions by what is disclosed in official reports.
(4) That the location of Boards in London constitutes a serious difficulty in efficient Railway Administration in India, as these Boards are conservative, slow and inaccessible, and out of touch with the constantly changing conditions in that country.
(5) That Boards of Directors in India would have a closer knowledge of the need for improvements to meet the requirements of traffic, and would be in a better position to foster and develop the trade of the country than Boards located in London.
(6) That delays are caused by the necessity for reference to London.
(7) That London Boards place obstacles in the way of the construction of Feeder Lines.

3. Before proceeding to comment on the above it is well to emphasise the fact that the Board of Directors of an Indian Railway Company has to work under conditions different from those of railways in other countries. The terms of the contracts entered into between the Secretary of State and the Indian Railway Companies are based essentially on considerations of finance and control, and a transfer of Boards from London to India would in this respect leave unchanged the conditions under which the Boards would have to work. Unless the existing system of Government control is to be abandoned, Boards in India would be subject to precisely the same limitations and disabilities as Boards in England, with the added disadvantage that they would be deprived of the opportunity of direct and immediate access to the Secretary of State, which is undoubtedly at present of great value both to them and to the Secretary of State.

The main conditions laid down in the Companies' Contracts with the Secretary of State, which would have to be observed as much by Indian Boards as they now are by London Boards, are:—

(*a*) That no Indian Railway Company may raise independently any of the capital that is required for developing its undertaking and providing additional public facilities.

(*b*) That such capital as the Company raises from time to time under the direction of the Secretary of State for India, is not hypothecated for use at its own discretion, but after having been paid in to the Secretary of State, is incorporated into the "Ways and Means" of the Government of India, for financing the Annual Railway Programme of Capital Expenditure on all Railways, State and Company worked alike, and as the provision in that programme is necessarily limited by the amount of the "Ways and Means," it never happens that the capital requirements of each and every railway are fully, or even adequately met.

(*c*) That, except within small limits, no Indian Railway Company may incur expenditure on account of capital, without the previous sanction of the Government of India to detailed estimates for the proposed work.

(*d*) That the Government of India exercises complete control over Working Expenses, sanctioning detailed "Working Estimates" for each year, which may not be exceeded without further sanction. All funds required to meet working expenses have to be drawn from the Government Treasuries, into which are paid all station earnings and miscellaneous receipts as soon as possible after collection.

(*e*) That an Indian Railway Company is limited in the same way as a State-worked line, in regard to the maxima and minima rates which it may charge to the public. The sanction of Government must be obtained to any reductions in rates below the official minima before such reduced rates can be charged to the public.

These broad restrictions limit the scope of the development of a railway by the enterprise of its Board of Directors, whether the latter is located in London or in India. All that can be done is to take up as much work as the funds allotted by the Government of India permit.

The Agent of the Company in India is given powers to deal independently with a wide area of administrative questions, and is responsible to the Board for:—

(*a*) All work with which he has authority to deal without reference to the Board.

(*b*) Consulting the Board on all matters regarding which its advice or instructions are necessary or desirable.

With regard to (*a*), an Agent has the following executive powers:—

(1) The powers of the Board of final sanction to expenditure, both Capital and Revenue, within the limits sanctioned by the Government of India and delegated to the Agent.

(2) Full power to engage and dismiss staff within the limits of the Capital and Revenue estimates, excepting staff in the higher grades of the permanent establishment.

(3) Full powers regarding all questions of rates and fares within the maxima and minima limits for each class as sanctioned by the Government of India.

(4) Full authority in India over the whole of the staff, and responsibility for their welfare.

With regard to (*b*), when dealing with questions which the Board have no final authority to settle, and consequently have to be referred to Government, the Agent has to place his proposals before his Board. The Board then considers whether the proposals are sound and workable, and when returning them to the Agent for reference to the Government of India it expresses its views. These views necessarily carry weight with Government, representing as they do the considered opinion, not of one person only (*viz.*, the Agent), but of the Members of a Board composed of men of Indian and technical experience, competent to comment and advise on all propositions relating to the construction and working of Indian Railways. The Agent also refers matters on which, although he may have authority to deal with them finally, he desires advice.

Besides these broad powers which are delegated to an Agent to enable him to deal with the every-day business of a railway, he is required on occasions of emergency to act on his own responsibility, and to make a full report of the circumstances to his Board for their concurrence in the action taken by him.

4. It will now be appropriate to comment seriatim on the several allegations summarised in paragraph 2 above.

(1) *That Indian Boards are likely to be in much closer touch with actual requirements than Boards in London.*

This opinion would appear to be based on the assumption that the Boards of Indian Railway Companies in India would have full power to do anything and everything they thought fit, irrespective of Government control. As already pointed out, they would have to work under the same limitations of powers as the Boards of London, as the Government of India would not relinquish the important financial and executive control which they now possess. Furthermore, Boards composed of gentlemen resident in a Presidency town and possessed of only a slight knowledge of the requirements of remote provinces could hardly be in close touch with the peoples and interests affected.

(2) *That a strong and efficient Board of Directors could be recruited from the local commercial community of India.*

The personnel of a Board of Directors in India required to perform the duties of administration of a large railway system should comprise (1) Railway Experts; (2) Financial Experts; (3) Commercial men. There is, however, in India neither a leisured class nor a body of retired professional men from which to draw and, so far as Europeans are concerned, the remuneration must be considerable, if men of experience were to be persuaded to stop in the country after they have done their normal length of service. The only railway experts available would be men of the standing of Agents or Heads of Departments, and it is unlikely that the services of men of the requisite standing and experience could be obtained except at a wholly disproportionate cost. It is notorious that leading men in active business in important firms in such places as Bombay would not be at liberty to devote the necessary time to the efficient discharge of such duties as membership of the Governing Board of this Company involves.

It is clear, therefore, that in actual practice, if it were attempted to form a Board in India at the present time, the function of the Directors drawn from the commercial and banking communities could only be advisory, unless it were to be recognised that an Indian Board of Directors must result in a financial burden on the Revenues of the Railway out of all proportion to the present cost of the Board or to the benefits to be gained. The result would be, in fact, to replace the present Agency by a Chairman of the Board. Apart from the increased expenditure, and the impediments to business which would result from this arrangement, the undertaking would be deprived of the advantages obtained through the present constitution of a London Board.

The extent of the area served by the Railway system to be controlled and the varied and conflicting interests involved do not appear to have received any consideration. Railways are not local, serving only the locality from which the Indian Board would be drawn. They are systems with their operations extending far beyond the locality in which the Indian Board would be situated, and with which alone most of the Directors would be acquainted. The East Indian Railway runs through four Provinces, *viz.*, Bengal, Bihar and Orissa, Punjab and United Provinces, and each Province has its own Government, with local railway interests unknown to Calcutta, and, perhaps, opposed to Calcutta interests. The Bombay Baroda Railway runs through four different Provinces, the Bengal-Nagpur through four, the Great Indian Peninsula through five, and the Madras and Southern Mahratta through three.

Is it sufficiently realised that in place of the Boards in London, interested equally in every Province which the Railway runs through, and anxious to develop the interests of each, the proposal would place the control of the Railways running through various Provinces in the hands of a purely local body, interested primarily in the development of that section of the Railway system with which they had acquaintance, and in which their commercial interests were mainly situated? This, it is submitted, is a very important question.

(3) *That Home Boards must be limited in their knowledge of changing conditions by what is disclosed in official reports.*

Strong exception must be taken to this view. The Boards have access to many sources of information regarding changing conditions in India other than official reports. Every week the Agents of Railway Companies send confidential letters to their Boards, dealing not only with matters concerning the working of the Railway, but also with new questions affecting its policy which are arising, new ideas which are being discussed in India, together with reports of interviews with business men on matters of development. The confidential traffic reports submitted each week to the Home Board contain full information regarding existing traffic, development of new traffic and cognate matters, which enable the Board to keep in close touch with the conditions of trade in which the Railway is interested. Members of the staff in England on leave are seen by the Board, who discuss with them matters in which they are interested and new developments that are taking place. The Indian newspapers, dealing both with financial and business subjects, are carefully perused. Speeches by important Official and Commercial Representatives are studied and recorded. The views of each Chamber of Commerce are brought to the notice of the Boards by their Agents, when they deal with any questions that indicate changing views among the commercial community in India. The Imperial Legislative Council proceedings, in all matters relating to Railway affairs, are considered.

So far from the Board's information being, as is asserted, limited to the perusal of official reports, the truth is that it takes a wide survey of everything that is going on in the trade of India. The Board of a Railway Company not only deals with the trade affairs of every one of the Provinces through which its system runs, but it also takes cognisance of the conditions and movements of trade elsewhere throughout the country, and notes every circumstance that is of interest, and likely to be useful for increasing the efficiency and public utility of its line. Moreover, visits to India are made from time to time by Members of the English Boards with a view to perfecting, by means of direct personal observation and investigation, the knowledge of the Boards in regard to the general conditions of the business of their respective railways, their working and development, and the requirements of trade.

(4) *That the location of Boards in London constitutes a serious difficulty in Railway Administration in India, as these Boards are conservative, slow, and inaccessible.*

The underlying assumption is not supported by any evidence, and it must be again pointed out that the mere transference of the Boards of Indian railway companies to India could not, in any way, remove the conditions under which the management of Indian railways must continue to work, as, before these conditions could be changed, a complete revolution would have to be made in the system of control of finance and responsibility which is exercised by the Government of India in railway affairs. Indian railway companies suffer from the great disadvantage that Local Governments frequently act as if under the impression that the Boards of Indian railway companies have an absolutely free hand to spend as much as they like, to do as they like, and are in no way responsible to the Government of India for limiting their policy within any financial restrictions. They are frequently referred to as rich railway companies, actuated solely by a desire to do only such things as may lead to their own profit, without comprehension of the fact that the Government of India are immensely interested in the results of the working of every company line in India. It is doubtful whether Local Governments study the terms and conditions of a contract between the Secretary of State and an Indian railway company, and, if they do, whether they appreciate the power of control which that contract exercises over expenditure, and the limits placed on companies which prevent them from carrying out every desire that a Local Government may express.

Moreover, it should be remembered that the expression of a wish by a Local Government does not in the least mean that action can be taken by the railway at once, even though the latter may warmly support the wish. A Local Government very often has generous views as to what a railway should do, when this does not throw any financial burden on itself, and is unmindful of the fact that the burden falls principally on the Imperial Government, whose financial interests in the company's working are so large. Before a Railway Administration

can act, it has not merely to convince itself, but also to persuade the Government of India that the proposition is a sound one financially. When this is not possible, the Local Government, for want of a correct appreciation of the conditions under which a railway has to work, unjustly come to the conclusion that the policy of the railway is conservative and that its method of business is slow. It is submitted that the Boards of Indian railways are no more open to this charge than are the Boards of other Indian undertakings which are successfully managed in this country. What is really at fault, if there be a fault, is the system under which the Indian railway companies are compelled to work. The remedy lies in some modification of the system and not in transfer of the direction to India, which would not touch the real cause of the difficulty.

Before concluding the discussion of this question, it is appropriate to refer to certain advantages derived from the location of Board of Directors in London. In the first place this location enables the directors to have ready personal access to the Secretary of State, which greatly facilitates the disposal of the larger questions of working contracts, finance and management, which must be settled by the principal contracting parties. It must also be remembered that London Boards can and do maintain close personal relations with their Consulting Engineers, and that, consequently, the economical and technical consideration of important engineering projects is conducted with a completeness impossible of achievement by Boards domiciled in India. Finally, the location of the Boards in London admits of the interchange of views of questions on policy and of working, not only amongst the Boards themselves, but also with the Managements of English railways.

(5) *That Boards of Directors in India have a closer knowledge of the need for improvements to meet the requirements of traffic, and are in a better position to foster and develop the trade of the country than London Boards.*

These opinions have already been dealt with in sub-paragraphs (2) to (4), in which it has been pointed out that the interest of an Indian Board recruited in one town, would be concentrated in the affairs with which their local representatives were concerned, and would not extend to the affairs of the other Provinces through which a large Indian railway system runs. On the other hand, on each of the London Boards there are directors who have lived and served in several of the areas traversed by the railway systems, and have a far wider knowledge of Indian conditions generally than commercial gentlemen possess who have gained their entire experience of India in the one place in which they have carried on their business. Moreover, meetings are held monthly in London of representatives from the Boards of all the Indian railway companies, at which matters of importance or of general interest to Indian railways are discussed, thus affording to each Board, by a full and free interchange of ideas, the means of obtaining a still wider and more comprehensive view of affairs.

(6) *That delays are caused by references to London.*

This point has been dealt with in the reply to (4). The delays mean no more than those to which every commercial firm in India has to submit when it has partners in England to consult. If firms can satisfactorily carry on their business with such references to London, as caution and business methods indicate as necessary, it is unreasonable to charge the administration of Indian railways with backwardness for adopting methods of business which are considered sound in all commercial circles.

Moreover, when delays occur, they are not due solely, or even generally, to the necessity for referring to the Boards in England. Such references when of urgency are dealt with both by the agent and by the Board by cable. Where delays *do* occur, is when proposals have to be referred to the Railway Board in accordance with the company's contract with the Secretary of State The Railway Board may feel obliged to refer the question to other authorities, and then serious delays may occur. These are popularly attributed to the location of the Boards in London, whereas the cause of delay is beyond their control, and would equally be beyond the control of Boards located in India.

(7) *That Companies place obstacles in the way of the construction of feeder lines.*

In this matter also the fundamental difficulty that an Indian Railway Company is not its own master in every respect again intrudes. The Board of no railway company can, on its own initiative, make a binding agreement with a branch line company, and grant the concessions permissible under the Government rules, as these rules distinctly state that they apply only to "such branch railways as the Government may be prepared to entrust to a branch line company." A Local Government may be very anxious for the construction of a branch line, but if the main line railway company is unable to provide the funds which are necessary for its construction as part of its system, the only alternative is for its construction by a branch line company under the conditions of the Railway Board's Circular 457 R.P. of 1913. Now, in advocating the construction of a branch line by a branch line company, a Local Government is usually actuated by the laudable desire to open out a backward district of its Province. This very often means that, as a railway project, for many years it would not be able to earn the interest on the cost of its construction. With every desire to help the Local Government to have such a branch built, the railway company which has to undertake the financial liabilities necessary to enable the branch line company to be floated, has to consider the proposition from a different point of view to that of the Local Government, as it has to recollect that its action would affect the railway receipts of the Imperial Government, whose sanction is necessary before the branch line company can be assisted by the main line.

Many instances occur in which the railway company is obliged to decline to recommend a project to the Government of India, for the simple reason that the estimated financial return and benefit to the main line would be too small and remote to justify any hope that it would be sanctioned by the Government of India. In this respect, however, Indian boards would be in precisely the same position as Home boards. They would have to realise that they were trustees for the Government of India in such matters, and they would have to act in precisely the same way as the London boards do if they desired to retain the confidence of the Government of India.

The two parties who complain most of delays in the construction of feeder lines are too sanguine promoters and Local Governments, who, generally speaking, are not affected by the financial risks which fall on the Government of India and the main line railway.

If Local Governments would shoulder part of the financial obligations as is done in Assam, this would be a great step in advance. The acceptance of the general policy of the Madras Government towards district board railways would also be of great help in relieving the Government of India and the parent line from the liability of taking the whole risk.

5. Having now discussed, in reference to "company-worked" railways, the relative merits of company headquarters being situated in London or in India, my board turn to question (*d*), which propounds some combination of two methods, and they have no hesitation in saying that, in their opinion, such an alternative could not but be unsatisfactory, for, first, in regard to administrative details, the intervention of a local board or committee would unavoidably impair the imperative responsibility of the agent. Secondly, no outside body could be permitted to exercise any control over the finances of the undertaking, and no such body could be constituted as would be really representative of all the principal interests affected. For the attainment of the latter objects my board would favour any practicable augmentation of opportunities for the agent being kept in closer touch with such established bodies as are the recognised exponents of commercial, industrial and local interests.

6. Having dealt with questions (*b*), (*c*) and (*d*) in the terms of reference, the Board will now revert to question (*a*), that of direct State management. This question has been studied for many years and in many countries without any final conclusion being come to. The problem is largely affected by varying financial and political considerations, so that a solution which satisfies the conditions obtaining on any one occasion may fail to meet the requirements of other times. In India the policy of Government has oscillated between State and company management, but for many years past has rested on a compromise position which combines the co-existence of both methods. My board consider that this dual arrangement best meets the needs of the country, and see grave objections to the introduction of universal State management into India. It is in the highest degree desirable that railway operation should be as free as possible from political influences, and be impartially conducted on commercial and economic lines. State management is unquestionably more susceptible to political pressure than independent company administration would be, specially when the working agency is far removed from the active area of such influence. One great disadvantage of general State operation would be the removal of the healthy stimulus to efficiency and progress which results from the commercial rivalry of several independent companies. Mercantile interests, as well as the Imperial exchequer, would undoubtedly suffer if the large railway systems were worked on the comparatively inelastic methods which prevail in Government Departments, and the removal of company direction would involve Government in the heavy expense of a very large and ever-increasing department of State to perform the duties now discharged by the Home boards.

At present the transfer of officers between State-managed lines, consequent on the promotions, absences on leave, etc., of members of a common cadre, is recognised as objectionable, on account of interruptions to continuity of policy and disturbance of personal relations between officers and the subordinate staff. With a general introduction of State management the railway establishment would be immensely increased, and unless this staff were permanently distributed between the different railways these drawbacks, especially the second, might become very serious.

7. The question of the provision of future capital for the needs of Indian railways is of vital importance in the present enquiry, and the Board assume that expert financial evidence will be invited regarding it. It has been argued in some quarters that although the location of the boards in this country might have been justified in the past by reason of the entire capital for railways having been raised here, that reason no longer holds good owing to the presumed inability of the London money market to provide additional capital under present conditions and the anticipated ability of India to finance such undertakings in future. The high cost of raising money in this country at the present time may be admitted, but the gravest doubt exists as to the ability of India to finance a yearly capital expenditure on railways estimated at a minimum of 20 millions sterling, and it may be confidently assumed that the assistance of the London money market will continue to be indispensable. It is inconceivable that with boards located in India loans could be raised in the London market on as favourable terms as would be the case if the control of the railways were retained in London, and in this connection the following extract from the opinion of the National Chamber of Commerce is of interest, showing as it does the opinion of Indian merchants on the subject:—

> "For the purpose of efficient management of an important railway the board of management should have amongst its members experienced administrators and financiers, business men, and railway experts of proved merit. In the matter of raising loans for railways, the Government will find it difficult to obtain that amount of help from the directors in the proposed Board in India as they are now getting from the present London Board. The Committee, while they recognise the advantage of developing railways in India with Indian capital, have doubts as to the present financial capacity of the country to undertake the task. They do not believe that there is any large unutilised wealth lying hoarded anywhere in the country, and that Government will be able to raise loans in India sufficient for the proper development of railways in the country at 3½ per cent. or such moderate rates of interest for a long time to come. Under the circumstances, the restriction of connection with the London money market by the transfer of the Board of Control of Railways from London to India has its risks."

8. So far my board have confined their remarks to considerations specifically and, perhaps, exclusively appertaining to railway administration, but there are others of a more general character which, in their opinion, have an important bearing on the questions at issue. To these they will briefly allude.

It is now, they believe, recognised that of recent years there has been a gradual and ever-increasing tendency to over-centralisation, and constitutional reforms now being introduced are in no small measure due to a desire to correct the pernicious results of that tendency and to substitute a devolution of authority, save in regard to matters affecting principles of Imperial policy or of necessary uniformity. Concentration of control over administrative details invariably entails

diminution of real control and increase of the central establishment, with attendant petty intervention, unprofitable correspondence, and obstructive, irritating delays; it diverts attention from the ascertainment of local needs and interests to the duty of compliance with the meticulous behests of superior authority. It is, my board believe, indisputable that either of the alternatives suggested, viz., State management or Indian Boards, in substitution for the comparative independence of the present London Boards, with agents immediately responsible to them and enjoying their confidence, must increase the danger of over-centralisation and its consequences.

But there is another factor of still greater importance which should not be ignored, and my board trust that they are not going beyond their province in adverting to it. Sufficient stress has already been laid on the need of a continued influx of British capital for the satisfactory development of the Indian railway system, and, further, on the fact that if such capital is to be obtained on present terms, it is imperative that those who subscribe it should be assured of the means of being in direct touch with representatives responsible for its application. There is, however, another aspect of the situation that should not be overlooked. Never was there a time when there was greater need for attracting the attention of the people of this country to Indian affairs and enlisting their co-operation in promoting the material progress of India. No means to that end should be neglected, and my board venture to urge that the adoption of any course that would tend to diminish public interest in Indian undertakings would be a most retrograde and impolitic step.

9. It is likely that the attention of the Committee, when in India, will be called to the bearings of the general policy of railway administration in that country upon the employment of Indians in the higher ranks of the service. The board desire to make it clear that they have never regarded the claims of Indians to a larger share in executive posts in other than a friendly and sympathetic spirit. If the number of Indians who have found employment in such posts is small, this is not due to a settled purpose of restricting the opportunities of well-remunerated service to a small number of natives of the country. The Board recognise that as the field of choice of capable men becomes wider so will the number employed in well-paid posts in the railway service increase. Where merit and capacity amongst Indian subordinates have shown themselves, there has always, so far as this railway is concerned, been readiness to recognise, by promotion to posts of responsibility, the claims of such men to advancement. The Board entirely disavow any desire to retard, on racial grounds, the advancement of any of their servants who have shown that they possess the necessary qualifications of character and education and technical skill. But they are bound to bear in mind, in making their choice of responsible appointments, the high importance of choosing men who are capable of facing with tact, no less than with strength, the often difficult and delicate questions which have to be faced by men in executive office, and they have to recognise also that the field within which the choice has to be made is not a wide one. They are content to observe that they have never faced this problem in a narrow spirit, and that they have no reason to believe that a board in India, operating in a local atmosphere, would deal with it in a more generous way than they themselves have done, and, in fact, they are inclined to think that there are some advantages in the sense of local detachment.

10. In conclusion, it is submitted:—

(*a*) That in the interests of the trade of the country and the financial interests of the Government of India, it is expedient that the present system of company-worked railways, with headquarters in London, be maintained.

(*b*) That if the boards of the companies were located in India it would be impossible to obtain directors of the same experience and standing and with the same leisure as those that are now obtained in London, and that the proposed local boards could not, with merely local experience, efficiently deal with the affairs of the various Provinces traversed by an Indian railway.

(*c*) That if all the railways were State-worked, an overgrown and unwieldy bureaucracy would be the result.

(*d*) That as between the systems of working referred to in (*b*) and (*c*) the latter is the less objectionable.

(*e*) That methods should be adopted by which local bodies and traders would be brought into closer touch with the working officials of the railway than is now the case.

(*f*) That railway companies should be given a freer hand to raise capital for the development of their lines, so as to enable them to keep pace with the requirements of trade for increased railway facilities.

STATEMENT No. 12.

Lieut.-Colonel H A C CAMERON, R.E., Agent, Eastern Bengal Railway.—NOTE DATED 17TH DECEMBER, 1920.

See oral evidence, paragraphs 3877/3899, 3953/3965.

Reply to Question No. 1.—I have no very decided views on the subject, but consider the retention of certain railways strategically situated and forming important lines of communication towards the frontier of India should be left under State control and management, as such railways provide a valuable training ground for officers and subordinates in railway engineering and transportation questions and results in the formation of a nucleus of railway officials whose services can, if necessary, be utilised overseas or in other theatres of war when desired. Further, certain sections of railways in India have been constructed from a strategic point of view as apart from a commercial one at a very heavy expense, and in view of this from a company's point of view of a profit-sharing basis. One of the main disadvantages of State control appears to be the question of finance, and if control by company management would result in more liberal financing of railways it would be possible to improve the standard of Indian railways generally. Should, therefore, some system be evolved under which the raising of money on company-worked lines be easier than is the case with State railways, greater improvements on railways generally would result.

Reply to Question No. 2.—The existing system of management as in force on the main trunk lines such as the East Indian, Bengal Nagpur, Great Indian Peninsula and Bombay Baroda and Central India railways, would appear to be efficient. The progress of all these railways has been hampered by financial restrictions.

Reply to Question No. 3.—In this case again finance plays an important part. Should it be possible to raise funds in India then, provided suitable directors can be found who are domiciled in India, I would recommend boards be domiciled in India.

Reply to Question No. 4.—The larger the interest held by a company the greater will be the number of shareholders. What appears to be wanted at the present time is to interest the investing public of India and the United Kingdom to a larger extent in railways with a view of obtaining funds necessary for extension, etc., and for this purpose it is, in my opinion, desirable that the companies should hold a larger share in the various undertakings.

The alternative I would suggest is to allow the company to raise further capital on its own initiative for some considerable time, the Government holdings remaining unchanged.

Reply to Question No. 6.—I consider the board of directors should be constituted of selected commercial men of sound Indian experience and general knowledge of Indian trade conditions, the paramount interest of Government being safeguarded by a general manager or agent skilled in railway duties, duly appointed by or with the consent of the Government of India. In addition similar control as at present exercised through Government Inspectors and Government Auditors should be continued.

Reply to Question No. 7.—In view of the fact that the leading commercial men in this country have their own businesses to attend to and will not be able to spare any great amount of time for the consideration of railway questions, there is a danger of a lack of continuity of any board domiciled in India, but such directors could act more as an advisory committee than a controlling board and sufficient continuity would, I consider, be secured by a permanent member nominated by the Government and duly skilled in railway work.

Question No 8 is partly answered by my reply to Question No. 7. I would say that the majority of the leading men amongst the commercial community in India could be freed of any charge of partiality. As an instance of this, I quote representations on Chambers of Commerce Committees and on Port Trusts. Such gentlemen, being business men of considerable ability and attainments and fully alive to the conditions in India, and the necessity of improving the communication on Indian railways, not only from the point of view of the public but also from the point of view of the shareholders, would form a very considerable asset on any board of direction domiciled in India.

Reply to Question No. 11.—Control by means of a railway board or some such body is, I think, in view of the large Government interests involved, a necessity. Such board or constitution must be in close touch with the Government of India in the various departments in connection with many questions of policy in regard to railways, especially close touch being maintained with the Military Department.

As regards the Board's subordinate officers, the multifarious duties and responsibilities of the Railway Board and their limited number makes it impossible for them to do much touring, and for this reason in addition to the chief engineer I consider it desirable to have senior experts in both Traffic and locomotive departments whose opinions will carry weight and who can deal with traffic and locomotive matters in detail and act as advisers to the railway board with a view of helping them to arrive at a decision in many important questions of railway extension, developments and transportation questions.

Reply to Question No. 14.—Yes.

Reply to Question No. 16.—I think railway policy in India would be better developed if the President of the Railway Board were given a higher status in the Government of India. In view of the interests involved, it would not seem too much to ask that he be appointed as Member for Railways, with a seat on the Executive Council. This will put him on the same footing as other Government Departments. I would advocate the separation of the Railway Budget from the General Budget, so that railways can be run on business lines. In addition to the President as Member in Charge, I would suggest that there be a Member selected from agents of Indian railways with transportation knowledge and also of rates and fares.

A Member, selected on account of his engineering knowledge, who would be in charge of surveys, construction works, stores, and projects and estimates of all kinds.

A Finance Member or Financial Adviser.

Also the extra traffic and locomotive experts recommended, in reply to Question 11, as part of the Subordinate Staff of the Board's Office.

Reply to Question No. 17.—Undoubtedly due to conditions brought about by the war, the supply of funds for railway purposes has in the past years been totally inadequate, and there has not been any building up of reserves, and, as a consequence, in times of financial stringency, as at present, Budgets of railways have had to be cut wholesale, with a result that practically no funds will be available (*a*) for any new construction, (*b*) barely suffice for maintenance, and (*c*) leave a very small margin, indeed, for improvement of existing railways. The strain on railways during the war, the difficulty in obtaining material, increased cost of obtaining the same, and the putting off of improvements due to insufficient funds, makes it, in my opinion, essentially necessary to increase very largely the provision of funds for Indian railways, and I am convinced that unless grants are forthcoming, that a considerable deterioration and loss of efficiency is bound to occur in the course of the next few years.

Reply to Question No. 18.—Judging by the condition of rolling stock in the country to-day, I consider the policy adopted in devoting a greater part of available capital funds to the improvement of equipment and rolling stock on existing railways has been fully justified. It is certainly better to make the best use of what you have than to embark upon new enterprises.

Reply to Question No. 20.—The necessity for raising capital for the development of railways is clear, and it is doubtful if efforts in this direction in the United Kingdom will be successful. Such being the case, I consider that, if possible, capital funds should be raised in India, but this, in my opinion, will only be possible by making schemes for railway development more attractive to the prospective shareholder.

Reply to Question No. 21.—I consider the existing systems for supplementing the Government of India resources for railway construction will not be found sufficient in the present times of financial stringency, as the present branch line terms are not sufficiently attractive. The alternative I would suggest, therefore, is increasd guarantees, and no division of surplus profits with Government except towards meeting any deficiency on the guarantees of past years. If Government works the line a higher percentage towards working expenses than allowed in some existing cases will probably be necessary.

Reply to Question No. 28.—I consider that the existing system, under which money which has not been actually expended during the financial years is allowed to lapse, has resulted in retarding railway development. The system further is, in my opinion, conducive to extravagance and wasteful in principle. I consider funds which have been provided in the Budget for one year, and not expended during that financial year, should not be allowed to lapse, but be thrown forward as an increase to the next year's grant. Unless this is done it is impossible to make up leeway. This especially applies in the case of indents for rolling stock, etc., for which money has been allotted in one financial year, and which, due to failure on the part of contractors to supply or deliver in time, cannot be paid during that financial year. This can only result, as it has done, in the utter demoralisation of the next year's programme, as funds from that Budget have to be ear-marked to pay former commitments which, had everything been favourable, would have been paid for during the former year's Budget. The position is undoubtedly difficult, but I would suggest for consideration the possibility of framing a Budget grant covering a period of three to five year. I am of opinion that this method would result in a more regular expenditure and result in economy. It would seem possible for such a Budget to be framed provided the railway grant was fixed for the same period, *i.e.*, three to five years, instead of being fixed annually, as at present, for one year in advance.

Reply to Question No. 30.—The principle of fixing of maxima and minima rates as now in force does, in my opinion, give ample margin for fixing the rates of the various commodities to suit the varying conditions with the various provinces of India.

Reply to Question No. 31.—I beg to reply in the affirmative.

Reply to Question No. 34.—Speaking as regards the E.B. Railway, I consider that the carrying capacity of both broad and metre gauge is adequate for the present requirements and needs of the various industries concerned. This should not be taken to infer that the terminal and transhipment facilities, rolling stock, etc., are sufficient to move at any time of special rush all the traffic offering during a limited period, but the traffic offering if spread out throughout a reasonable period can be carried. This railway has been in a position for some time past to help foreign railways with rolling stock, and this in itself is, I think, a proof that as regards rolling-stock equipment the E.B. Railway is fairly well placed. In view, however, of increasing demand, it will be necessary to provide a yearly capital grant and capital and revenue grant for new rolling stock and replacement.

STATEMENT No. 13.

Note by Mr. F. R. BAGLEY, M.I.C.E., Retired Chief Engineer, State Railways.

Explanatory.

See oral evidence, paragraphs 3998/4036.

I venture to offer in evidence to the Commission the result of my 45 years' experience on Indian Railways, 32 years of it as a State Railway officer (in the position of Engineer-in-Chief or Chief Engineer for 16 years) and 13 years as Agent and Chief Engineer for Companies' Railways. While chiefly employed on Surveys and Construction work, I have been Chief Engineer for 11 years of open lines, where all Railway matters have been freely discussed at official meetings and otherwise, while my 13 years on Companies' lines have given me much wider experience in all departments of Railway work in this country, with exceptional opportunities for comparing State and Company Management and financial arrangements in every detail, the working of the Branch Line rules and, perhaps above all, experiences as an ordinary passenger and as a consigner and consignee of goods, which have enabled me to form a much clearer idea of the point of view of the traveller and trader than is possible for Railway officers travelling in their private carriages and seeing usually only the surface of things. I write on all points, on the entirely practical side as to how existing arrangements work out in practice.

(2) I may also be excused for explaining that I was for many years convinced that, *for India*, State Railway ownership and management was clearly indicated as a means of Railway development far superior to any other, and if I have changed my views since, it has been with reluctance and only after long experience of the conditions under both State and Commercial methods of finance and working.

Theoretically there can be no question that India is a country where State ownership and management *ought to be* a success. The Railways could not have been and cannot now be built without State encouragement and help, which took the shape for many years of large expenditure on guarantees, and survives to this day in rebates and concessions granted to Branch line companies.

India is a poor country and economy in Railway construction and management is a necessity of the case. The State can borrow money cheaper than any one else can and should not need to aim at high dividends (as a Company would in the interests of its shareholders) and can devote profits to further improvement and development. Also, the State, in the interests of the public safety and convenience of traders, is obliged to keep up an organisation for supervision and general control, which might conveniently and economically construct and work the Railways also. Unfortunately these plausible theories do not work out in practice.

(3) The reasons for this failure are briefly, (1) the working of the Railway Administrations under the heavy yoke of an autocratic Financial Department absolutely incompetent to deal with business matters in a business spirit, and (2) the *impossibility* under State control of the rigid

selection of the most efficient officers for important administrative posts and of giving them the free hand in working which is indispensable for successful management, and the extreme difficulty of getting rid of the most disastrously inefficient State official once appointed.

Bitter experience of these essential drawbacks to State management of a vast commercial undertaking has shown me conclusively that they nullify all the theoretical advantages in favour of it.

Besides these essential disadvantages is the red tape and circumlocution apparently inseparable from baboo-ridden Government offices in India, which hamper business to an extent intolerable and inexcusable in the eyes of any man with commercial training and experience.

(4) The history and present circumstances of Indian Railways are told clearly and comprehensively in two Reports, first, that written by Mr. T. Robertson, C.V.O., a distinguished Railway expert of conspicuous practical ability who made a special enquiry in 1902-03, and produced a monumental work on which all discussion of Indian Railway matters must be based, and second that of Lord Inchcape's Committee of 1908, which was confined to questions of finance and management. Both of these with information brought up to date will no doubt be made available for the Commission now to sit, and give valuable information on nearly all points raised in the present references.

(5) It should be noted that Mr. Robertson was an experienced Railway man whose idea was that Indian Railways should be worked on a commercial basis and freed from the red tape trammels of State control by "programme and code" as far as possible. His chief recommendation, the institution of a Railway Board consisting of experienced Railway men to supervise and control railway matters on business principles, was accepted and carried out, but in a half-hearted way, leaving the Board as a branch of the Ministry of Commerce and Industry, and in a state of subjection to the heavy yoke of the Finance Department.

One of Mr. Robertson's recommendations, that the Board should consist in the first instance entirely of English Railway experts, was found impossible to carry out except in part. One English Railway expert was appointed, but the experiment was, to put it mildly, not a success. A later experiment of putting in a non-Railway man met with a similar fate, and it is hoped has rubbed in the lesson (which scarcely needed demonstration), that it is Railway experts with Indian experience who are most likely to be competent to control Indian Railways run under conditions very unlike those in most other countries, and that technical knowledge cannot be learned in a day by any layman, however enthusiastic and brilliant.

(6) Lord Inchcape's Committee was meant to report chiefly on Financial matters and did not include a single Railway manager or engineer or expert of any kind. The members were all men of exceptional distinction and ability and have from their point of view written an exhaustive and masterly report, but they were under the spell of the Financial authorities consulted, and could not free themselves, when it came to practical matters of Railway financing and administration, from the idea that in India it was a question of State finance essentially, and could not be considered apart, thus missing, in my humble opinion, the key to the whole situation. They considered the position and working of the Railway Board at the time unsatisfactory, and made several valuable recommendations for improvements which have mostly been carried out since, with. I believe, comparatively good results. But they rejected the idea of the President being a member of the Viceroy's Council on what I venture, with due deference, to think were wholly insufficient grounds (*see* para. 40 below).

In my remarks following I will mention the opinions expressed in the two Reports on each subject as it is reached.

References.

(7) Relative advantages for State Railways of—

A. *Direct State Management.*—I think it can be shown that this has been a failure, both financially and administratively. *Financially*, because it has come under the absolute control of the Financial Department, essentially unfitted for directing a business enterprise under business conditions. Railway expenditure is at present mixed up with the general finances of the country, and becomes subject to the system of red tape, "budgets" and "grants" and "lapses" and "excesses," all unnecessary, and fatal to systematic economical working.

(8) In practice, the railway grants are given, admittedly, "*not according to the estimates of requirements*" sent up by the Railway Administration, but in proportion to the money that may accidentally be available from other purposes (*see* page XVII., para. 29, of the Committee's report, in which this is acknowledged; also in para. 34, page XXIV.). And *this insufficient sum is seldom left unaltered for long, so that no definite programme of work can be based on it.* If money is required for a threatened famine or small war or other unforeseen purpose, the railway grant is one of the first to be cut down. Changes are made up to the last moment of the financial year, and if the altered grant is "exceeded" (often unavoidable, under such circumstances, to prevent useless waste) there is trouble which most officers are unwilling to face; or, if the grant cannot be fully spent in the time, it "lapses," and is not available for expenditure after 31st March. An inconceivably cumbrous and gratuitously stupid system as applied to business enterprises, causing an enormous waste of money annually.

(9) When, for example, as Chief Engineer of the N.W. Railway, I drew up a statement of expenditure needed during the ensuing financial year (which was always ordered to be confined to works urgently needed) it was also necessary to draw up a rough programme of how the money should be spent, and in many cases to take preliminary steps for arranging for labour and getting in materials, etc. If I asked for, say, a grant of 200 lakhs (a figure often reached on that railway), the sum actually allotted might be anything from 80 to 120 lakhs. This involved a new programme on which work could be started and contracts let, etc., but a few months later, just as everything was getting into full swing, orders would come cutting down the grant by 20 or 30 lakhs. This meant another laborious revision of the programme, the stoppage of some of the works (always causing great waste of money) and retardation of the progress of others (also involving waste of money and time). There would often be another cutting down of grants later on, at the expense of further heartbreaking labour in revision of programme and upset of arrangements and contracts, and then very frequently, near the end of the year, a

sudden new grant of several lakhs in January or February (or even in March) with a request to spend it if possible before the end of the financial year. The results of such a system, or rather want of system, are, of course, disastrous in every way. There is great waste of money, and of time spent in unnecessary labour, *and one of the worst results is the tendency to demoralisation of the staff.* The keen and energetic men try to do their best under the very discouraging circumstances, often tempted into overcoming the absurdity of the system of "lapses" by irregular expedients of drawing the money and keeping it in the chest till due, or of predating payments, etc., all very improper, however well meant, but in the average man it puts an end to keenness and energy, and he acquiesces silently in the system of delays and waste as unavoidable, and laid down for him by superior authority, and acquires what is called the "Government touch."

I can if desired quote hair-raising cases of wanton waste of money caused by this system.

(10) After my 36 years in Government service under these financial fetters, I went in 1908 to build the Sutlej Valley railway for a company, and found the difference in money arrangements to be simply a change from hell to heaven. There were no budgets, or withdrawals, or lapses or excesses! I gave a quarterly forecast of funds likely to be required and they were duly provided. If I could not spend it all, I reduced the demands for the next quarter, and if I needed more during any month I gave due notice and the money was ready when wanted.

(11) There appears to be no evident reason why similar businesslike arrangements should not be made in the case of State railways also, but if they cannot, so much the worse for the State system, and the sooner it is abolished the better. I believe myself that the removal of railway finance from the blighting control of the Financial Department, and its entire separation from the general revenues of the country, is quite possible and would be an effectual remedy, *if* the State could be relied on to select competent railway administrators to do the work efficiently. Which brings us to the *Administrative* advantages (or otherwise) of State management.

(12) I think no one who has had experience of both can deny that as a rule there is a much greater chance of a railway being well managed by a company than by the State. There is also against the latter in India the essential defect of subjection to an ignorant financial department which not only meddles with grants and budgets as described above, but, under "Code Control" interferes in every detail of "Establishment," "Stores" and other expenditure, always with disastrous effect. Results much intensified since the Railway Accounts Department, manned largely in the past by thoroughly trained men who had risen from railway accountants, has been amalgamated with the general financial staff who know, to begin with, little about railways.

(13) *The management of a railway depends primarily on the efficiency of the manager, and on the amount of freedom and discretion allowed him in running his railway.* If the State could select their manager as rigidly as a company can do it, *and give him the same free hand, and free him from the Financial Department incubus*, there is no reason why one kind of management should not be as good as the other. Unfortunately, in practice *the State cannot do it.* Considerations of seniority, return from leave, social qualifications, etc., make rigid selection impossible, and no Government *can* give its haphazard agent as free a hand as the directors of a company can give their selected manager, nor it appears can he be freed from the Financial Department chains. The necessary results being at best a fettered and handcuffed State railway manager, as compared with a free and efficient company's man.

(14) *State management of railways in India compares therefore very unfavourably with company management, both in financial and administrative matters.*

(15) On this question Mr. Robertson fully confirms what I say about the blighting effects of Financial Department interference. As a practical business man he laid his finger at once on the "damned spot." In paras. 47 *et seq.* of his report he states very clearly the disadvantages of this "code control" and the utter folly of such "archaic interference" which "reduces the great railway undertakings of India to the dead level of other Departments of Government and prevents their being treated as large commercial concerns on the lines on which alone such undertakings can be successfully worked."

The Inchcape Committee did not consider the question of State *versus* company management, but there are on record in its pages many mentions of complaints made as to undue interference in details (originating nearly always from "code control") and it takes up the burning question of "lapses," and discusses various proposals for avoiding them, all of which are rejected on grounds based on the supposed necessity for adhering to "programme" expenditure. The baneful effects of these lapses are minimised, and an attempt made to show that a "lapse" need not mean a *loss* of funds for that particular work, or a deduction from the provision made for other work in the next year's programme, "on the ground that these lapses increased the Government of India resources for providing more money in the following year," which it *was very erroneously presumed would be done.*

(16) An illustration is given of "lapses" in connection with a purchase of rolling stock and it is sought to show that it would be no real loss, as the grants for the next year would be correspondingly increased by the Government of India, *if its finances admitted. In practice the finances do not admit* in 19 cases out of 20. The rolling stock ordered has to be paid for, and the money provided by a revision and cutting down of grants, probably from urgent works more or less in hand, involving stoppages or retardations meaning a lamentable waste of money and time. Every word the Committee says on this subject shows their misconception and utter ignorance as to how the programme system works out in practice.

(17) A very illuminating and conclusive commentary on the view stated above, that lapses are made up for by additional grants for the following year, is conveniently just to hand in the happenings of the past and current official years. A special effort was made to provide funds during 1919-20 for making up arrears of renewals and replacements, and something like 17 or 18 million pounds were allotted for the necessary purchases. Owing to difficulty in getting delivery in time of the rolling stock and other materials ordered, several millions of the grant "lapsed," *but it did not mean any "Addition to the resources of Government,"* allowing of additional grants for the next year. On the contrary, it has resulted in a ruthless cutting down of the grants for the most urgent works planned for 1920-21 and 1921-22.

(18) It is with much diffidence and respectful reluctance I venture to remark that this Committee, composed of unimpeachably distinguished and able men in their own line, did not include a single experienced railway man, but included three ex-members of the Financial Department and was thus dominated by Financial Department influence, and not qualified to take full advantage of the evidence or to elicit the full particulars of the practical defects of the "programme system under code control."

Their consequently narrow views, and inability to consider the Railways as commercial undertakings to be treated on business lines, are exposed completely by their dictum in para. 34 (page XXIV): "The whole arrangement works back to the fundamental principle that the Government of India provides as much money in each year as it possibly can, *all things considered*, for expenditure on railways, and distributes that money in the way which it conceives to be most *advantageous for the country as a whole.*" The evident inability to conceive that this is an untenable and essentially unsound idea in connection with a vast commercial undertaking, and that it will be "most advantageous for the country" to treat such an undertaking on business principles, and not to mix it up with other Government Departments, amounts to an obsession which detracts very much from the value of a report which on the question of different methods of raising funds, and its recommendations for improved precedure at the Railway Board, has given much authoritative and invaluable advice.

(19) This "mark of the beast" is visible again in paras. 25 to 28, where great stress is laid on the necessity for the State guarding against making over to private enterprise "improving properties" without some method of sharing later in the improvement, a narrow view ignoring the public benefit by increased prosperity of the country (*see* Mr. Robertson's report, page 44, para. 123), that would ensue from the more rapid development of railways following on such liberality. On similar short views the construction of branch lines by separate assisted companies is condemned, and a recommendation made to leave such development to the trunk lines, and in para. 29, the separation of railway finance from the general finances of the Government of India is declared to be impracticable. These points will be dealt with later under Reference 3.

(20) I have written briefly above of State management as I have seen it in practical working. Mr. Robertson's report discusses the subject exhaustively (pages 22 to 26). He puts every aspect of each side of the question fully and impartially, and comes to the conclusion that "the disadvantages of State management outweigh any advantages it may possess." (This has, as a general principle, been confirmed by experience in all departments in England and India during and since the war.) But he also thinks that it is the mixed-up system of working some railways in India through companies and others directly by the State that is to blame, and that "if the duality of system was eliminated, most of the objections to State management would disappear." In this I do not agree, for reasons given above, but when he says (para. 77), that "the two systems should not be in operation together, and that either all railways should be worked by the State or all worked by companies," I think his arguments unanswerably in favour of all being worked by companies.

(21) The Inchcape Committee also discuss (page XV, para. 25) the question of transferring the State railways to companies, and suggest that one or more of the State lines might be leased to companies on the basis of profit-sharing arrangements. It should, of course, be done completely if at all, and probably more profitably by sale outright as described in para. 26, where the idea is rejected because it might mean the Government suffering a loss "by the sale of an improving property without sharing directly in the improvement." This is a short view ignoring the great indirect advantages. That they *are* improving properties would be the chief reason for investments in the share capital necessary to effect the purchase, and if there was any plan for reducing the possible profits from such improvement there would be no investments.

(22) To sell all the State-owned railways (of a mileage *in* 1908 of 23,000 miles, representing a capital of 254 million pounds sterling) would be a gigantic operation, but if it was done gradually within, say, 20 years, at 12½ millions a year, which could be used for financing the construction of a large mileage of new railways, it sounds feasible and an attractive proposition worth considering in detail by competent business financiers.

Such a system of sales would, of course, be a somewhat complicated proposition and needs careful working out to see what it would actually mean. Two obvious considerations are that the railways would not fetch anything like their book value, which has never been written down, and that a certain small share of the profits (or it might be called a "cess") would still have to be retained by the Government towards the cost of its Railway Department in whatever form it may survive.

B. *Relative advantages for State Railways of management by a Company domiciled in England with a Board of Directors in London.*

(23) This was an arrangement necessary when railways were first started and all capital had to be raised in England, and all stores and materials purchased in that country and all engineering staffs, etc., engaged and sent out.

Circumstances have changed so much since then that there is now no need for such an arrangement. Capital can be raised in India now, nominally at any rate, and great part of the materials and stores are available in the country, and the need for importing covenanted engineers, engine drivers, permanent way inspectors, etc., is much smaller than it was.

(24) My experience of working with a London Board, when the Burma State Railway was handed over in 1896 to a Company, showed that it meant, or could mean, an intolerable amount of delay and circumlocution which did not exist previously. Working directly under the Railway Secretary at Simla, and having his confidence, and that of the local Government, we were able to do things promptly and efficiently, often in "anticipation of sanction," but with the coming in of the Company, the Agent found himself under three masters, the local Government, the Government of India, and the Home Board, and every proposition had to pass through the routine of three offices, one a month away in London and another a fortnight off in Simla. Any criticism or remark in any one of these offices, with its reply, had to go again the round of all three, and

any further remark would despatch it on a third round, and so on *ad infinitum*. I found the delays and obstruction to business so absolutely maddening and intolerable that at the end of the two years' agreement, during which I tried to work for the Company as Chief Engineer, I left a country and a job I loved, to get back to Government service.

(25) This experience may seem to contradict my opinion given above as to the general superiority of Company management, but the circumstances were accidental and exceptional. The Directors of the Company in London knew absolutely nothing about Burma, and appointed as their agents strangers to the country, and the unavoidable drawbacks of the circumlocuting machine were for some years, till knowledge came with dearly bought experience, much accentuated by this general ignorance of local circumstances.

It showed up, however, conclusively the disadvantages of a Board of Directors located in London. I found when I returned on a visit to Burma two years later, that besides a host of minor matters, urgent questions of maintenance raised in my time which we should have settled in a month, were still " under correspondence," with very disastrous results in the end.

It should be understood therefore that when I said above under A that Company management ought to be better than State management, I assumed that the London Boards are coming to India as foreshadowed in the case of the E.I. Railway.

(26) I have discussed the question of London boards with several experienced high authorities, and never heard a word of denial of the delays and obstruction involved in their existence. The following reasons only were ever suggested in their favour:—

(1) That these boards acted as useful brakes on the sometimes too impulsive proposals of the Government of India (*e.g.*, the central three-crore Railway Station for New Delhi).

(A reason with something in it, but not sufficient to counterbalance the disadvantages described above.)

(2) That London boards have a better knowledge of the state of the London money market than the far-removed Government of India.

(This might have been the case once, but now that the raising of capital in India is aimed at as far as possible, the argument loses effect.)

(3) That in London there were facilities for purchase of materials and stores, etc., of better quality and cheaper than those sent out by the Secretary of State.

This is denied by many, and I never found much difference myself, except that the Secretary of State's Stores Department was more dilatory in delivering the goods, and weak about inflicting penalties on contractors. The New Stores Department now being organised will presumably settle this point for the future.

I wish, however, to make it clear that this applies only to the boards in London, which *work* their railways in India in every detail, and not in such exceptional cases as that of the Southern Punjab Railway Company, which does not work its railway but deals only with the financial side of the question, for which London is a very appropriate headquarters.

My opinion is therefore strongly against the continued existence of the London boards and in favour of their transfer to India.

C. *Relative advantages of railways domiciled in India with Boards of Directors also in India.*

(27) The reasons given above under B explain my opinion that Railway Companies should be domiciled in India, with their Boards of Directors also resident in India.

There is the practical objection that all the capital needed may not yet be available in India, and recourse may still be necessary to the London market, but this could quite easily be done through financial firms in this country with London offices only a few hours off over the telegraph wire.

(28) A more practical objection will be the difficulty of finding a sufficient number of competent Directors in India. Most of the qualified business men in the Presidency towns are too busy to take on such heavy additional duties, and there is no reserve of retired Government officials (who at any rate in most cases know something about India) to fall back upon. This will be a real difficulty but not, I believe, a serious matter in practice. Some retired Railway men will probably stay out in India to take on such duties, and the members of firms interested in Railways will also be available.

I am strongly in favour therefore of Companies domiciled in India, with Boards also in India.

(29) D. *A combination of B and C* is suggested, which would mean apparently either Companies domiciled in India with Boards in London, or domiciled in England with Boards in India. The former only needs statement to show its impracticability, but for the latter something might be said in the case of Railways of which the capital is held in England, where there must be at any rate some Agency for distributing dividends and dealing wth shareholders in Europe, or with such financial matters as need resort to the London money market.

The essential point is that the Board of Directors, the governing authority in all practical matters, should be in India, so that it could keep a constant watch on working details and be on the spot for quick and free communication with the public and traders, and the Railway Board or other Government offices concerned.

When existing contracts expire, the new arrangements could follow the lines of the new East Indian Railway contract, which have no doubt been carefully thought out.

(2) *Functions, status and constitution of the Railway Board and system of control of Railway matters by the Government of India. Suggested modifications for better disposal of business.*

(30) *Functions.* In practice the Railway Board controls, or tries to control, practically *all* matters big and small connected with all the railways in India, thus " biting off a great deal more than it can chew " as at present constituted, with a President and two members only.

This universal control used with necessary discretion is no doubt needed in India at present while the Railways are nearly all the property of the State. Even when worked by Companies, the State has to see that its property is properly maintained and worked, with due regard to public interests and public safety.

(31) There is the alternative, sometimes suggested, of giving up direct State ownership and management, and reducing the Railway Department to the position of the Railway branch of the English Board of Trade, but for reasons obvious to anyone who knows India, this is not at all easily done. The State has to be the " ma-bap " (mother and father) of all such enterprises, and must keep a general control, to prevent undue competition, or rash and unscrupulous schemes to exploit the Indian financier keen for a gamble, but timid about investments for small returns.

At the same time there is no reason why the Railway Board should undertake the direct management of the three State Railways and interfere in all details in the meticulous way they do at present under the malign influence of the Financial Department. This interference extends also to the Companies' lines which could be given with advantage a much wider discretion than they are at present. (See para. 33 (4) of the Committee Report.)

(32) There is much to be said however for the idea of *selling* all the State-owned railways to Companies and giving up direct State ownership and management altogether. It has been urged against this idea that for strategical reasons and for training officers to be efficient controllers of military railway transport in war time, it is necessary that the frontier lines at any rate must be worked by the State. Also that the State Railways are indispensable training schools for Government Engineers and other Railway experts who will be required even for the reduced general control in Railway matters which it will always be necessary for the Government to retain in its hands.

(33) There is very little in these arguments, *see* Mr. Robertson's report, para. 76, page 25. Recent experience in England and India has shown that civilian-managed lines properly organised can work most efficiently in war time, and arrangements could easily be made to train a sufficient number of military officers in Railway management, etc., on Companies' lines. Similarly the Railway experts required for general control by the Government of India could be selected from the Companies' Railways, with a much larger field for effective selection. If this root-and-branch change was possible, the functions of the Railway Board could be simplified to some extent, but there is little chance of its being considered a practicable proposal, and I will proceed to discuss things as they are, with a view to suggesting such improvements as are possible while working on the present general lines.

(34) The further consideration of the Board's functions is, however, inextricably mixed up with its *status*, and it is necessary to first consider that point.

Status of the Railway Board. If the Board is to continue its comprehensive and complete control of Indian Railways, it must be put on a footing commensurate with its responsibilities and importance, and must be made a separate Department of the Government of India, with the President as a Member of Council, *and it must above all things be released from the yoke of the Financial Department*, by the complete separation of Railway Finance from the general revenues of the country.

(35) No one perhaps, without my 50 years' experience of the blighting influence of this mix-up of Railway finance with the State revenues, can have any conception of what muddle and waste is caused by the consequent subjection of the Railway Board to the Financial Department, but the net results are open to the eyes of all men. The Indian railways are unsatisfactorily managed and bankrupt and nothing is being done to restore them to solvency. The Finance Department seized the nominal surplus profits from the Railways even during the earlier years of the war, ignoring the fact, that these were largely fictitious profits due to the impossibility of carrying out renewals and replacements of rolling stock, permanent way, etc., and should on business principles have been set aside as a reserve or sinking fund from which such renewals, etc., could be made when it again became possible to procure the materials. For want of such provision the cost of making up these arrears is being charged to current Railway revenue and reduces the railways to a state of insolvency, for facing which nothing is apparently being done yet.

(36) Briefly then, as to *status*, the Railway Board should be put on the same footing as other Chief Departments with the President as " Member of Council for Railways," *with full powers in all financial matters*, which could then be run on business lines. As to " functions " there would still be the complete comprehensive control of all important railway matters especially rates and fares, etc., but a cessation of interference in insignificant details, and very much more discretion left to the Agents and Managers of the various Railways.

This will mean some reduction in the duties and responsibilities of the Board, but on the other hand these will be much increased by the complete freedom in financial matters which is postulated as the first indispensable condition of improvement, and the number of members of the Board now most inadequate will have to be considerably increased.

(37) An effective personnel would be somewhat as follows:—

One President and Member of the Viceroy's Council, who must be an experienced Railway officer carefully selected. Probably, but not necessarily, an ex-Agent of an important Indian Railway.

One " Agent Member," probably the ex-Agent from a large Indian Railway for supervision of rates, fares and working details.

One " Chief Engineer Member " of experience and authority who should also be " Consulting Engineer for Railways to the Government of India " and have charge of an improved Technical Section, and of Establishment questions.

One " Projects Member " to have complete charge of Surveys and Estimates and Projects of all kinds, also of the negotiations for all new construction, and supervision of contracts with the new companies proposing to build railways. Such an appointment is an urgent necessity for many reasons which can be given in detail if asked for. It is sufficient to say that at present, branch line contracts are often not completed and signed for 3 to 5 years after work has been begun, or even for years after completion and opening!

One " Financial Member " already provided as a Financial Adviser. These four members, in addition to the President " Member of Council," are the minimum number required to cope with the duties of the Board, and it may be found necessary to add a " Labour " or " Wages " Member to supervise the machinery for settling railway labour disputes, and a " Commercial Member " to represent the public and the mercantile community. The cost of such a new and

enlarged Railway Board will mean extra expenditure but the increase is necessary to obtain efficiency, and is a drop in the ocean compared with the vast interests involved. There can be no more remunerative expenditure imaginable.

(38) *Control by the Government of India* would be of a general character, by the Viceroy in Council through the Railway Member as in the case of other departments. It would guide in all essential matters of policy, but refrain from interference in details which should be left to the free discretion of the Railway Board.

The remarks and recommendations I have made above are founded on my long experience of the practical working out of the rules in force.

(39) Mr. Robertson's report first made practical proposals for a Railway Board which was established on his recommendation, but with very limited powers compared with those he considered necessary.

In paras. 47 to 49, he pointed out the necessity for releasing the railways from " code control," and in paras. 51 and 52 showed clearly the unhappy results of the administrative Head of the Railway Department, (then) the Minister in charge of the Public Works portfolio, having no experience or training in railway management and working, so that everything had to be presented to him after tedious delays in " noting," and exhaustive expounding of all sides of the question. Mr. Robertson pointed out that " every other Governing Department had at its head an expert trained to the business, while the highly technical Railway Department alone, had placed at its head in supreme authority an officer who was not a railway expert."

The whole of para. 52 of his report needs very careful consideration as it proves conclusively the necessity for the head of the Railway Department being a full member of the Viceroy's Council.

(40) The Inchcape Committee did not take this view (page XX, para. 2) and recommended the Railway Department being left under the Member for Commerce and Industry, under all the disadvantages of working under a non-expert head who would require tedious explanations to enable him to understand railway questions put before him for decision. Their objections to a Railway Member of Council are extraordinarily futile, if looked into—they are as follows:—

(1) That he would be called upon to take a responsible part in the general business of the Government. This is not at all convincing as there are many subjects in the " general business " which include railway questions, and the others need not take up much of his time. The same objection would apply to every other member.

(2) That railway administration would take up his whole time without extraneous duties being imposed on him. So far as there are any extraneous duties necessarily imposed, he will have time enough for them when the Railway Board is strengthened as suggested above. This objection also would apply to all other members.

(3) That appeals to the Government of India should as a matter of principle not go to the head of the Department against which they are made. This is plausible but futile. The Member for Commerce and Industry is just as much a servant of the Government, and as much a Head of the Railway Department as a separate member would be. In both cases such appeals would go to the Viceroy in Council for decision. The same objection would apply to all members.

(41) The Committee did, however, acknowledge the cumbrous nature of the machinery then in force and recommended (page XXI) greater freedom and powers to the Chairman with direct access to the Governor-General in Council, etc., etc., proposals which have mostly been carried out with good results. But there is still the fact that the President of the Railway Board, however closely he approaches *de facto* to a real head of his department, has not the position or authority which should accompany it, and put him on a footing of equality with the heads of the Financial and other Departments. Nothing short of that can be considered satisfactory.

(3) *To consider the financing of Railways in India, especially the utilisation of private enterprise and Capital in new construction.*

(42) In the matter of financing railways, the circumstances, as already explained above, do not allow of raising funds in India *from Indian investors* to any great extent. Money is always cheaper in the London market than it is in India, and whether nominally raised in this country or not, the underwriting would probably for the bulk of the issues be done in England. Any conditions making it compulsory that only Indian-owned capital is to be accepted would mean a very high rate of interest. This may be seen from the present price of Indian Railway securities, some of which can be bought to yield nearly a certain 9 per cent. and scarcely any at prices yielding less than 7½ to 8 per cent.

(43) If the Boards of Direction are in India, the raising of capital will also presumably be done in this country, nominally at least, wherever the money may come from eventually; and on full consideration, I do not think that any better methods are feasible than those adopted under the " Branch line rules of 1913." Under these rules the firms interested in branch lines raise the capital for a commission of 5 per cent. on the sum required for promotion and underwriting expenses, etc. Applications for shares are called for by public advertisement and those received in India have preference. Indians have never taken very largely to investments in railway shares as the dividends in prospect are very small in the eyes of people accustomed to receive or pay 12 to 30 per cent., in their everyday lives. Such railway shares were in pre-war days in favour with Europeans resident in India for investment of savings, but nearly all such money was withdrawn recently when exchange went up, and remitted to Europe, and there is not much to be hoped for at present from this source. Nor will the Indians engrossed in gambling in industrials be keen about low-dividend propositions, however safe and steady. The prospects of raising railway capital in India at low rates of interest are therefore bad, and very liberal rates, distinctly better than the rates of Government loans, will be a necessity.

(44) If and when the railway finances are separated from those of the State, the money for capital expenditure on open lines will probably be most easily raised by railway loans in the shape of debentures with interest guaranteed at a little above the market rates prevailing at the time for Government securities, but for all new construction the system now in force for raising money for " assisted " branch lines " on guaranteed or rebate terms " seems to be calculated to give the best results, as it would hold out *prospects of improvement*, always an attraction.

(45) When the railways are once more on a paying basis (by raising rates and fares, or otherwise), the yearly profits should be at the disposal of the Railway Board. These used, in pre-war days and for some time after, to run to three or more million pounds annually, and were absorbed in the General Revenues of the country. It has been urged that the State paid for many years, enormous sums to make up the loss on the 5 per cent. guarantee on which the capital was raised to build the original main lines, and can justly demand repayment now that there are surplus profits coming to credit. I am under the impression that these losses have since been directly repaid, but in any case the additional prosperity of the country due to railways, and their importance in guarding against disastrously expensive famines, and the saving in cost of military transport in peace and war, etc., etc., have now repaid any such losses tenfold, and nobody can deny that railway profits should in the public interest be spent in financing improvements on existing lines and in pushing new construction.

(46) As all this expenditure will be remunerative, more or less, from the beginning, it will not be necessary for the Railway Board to pay out the full interest on the debentures or shares, but only the deficit on the guaranteed rate, and for this purpose a few millions will go a very long way.

There are few schemes likely to be taken up which will not pay within 2 or at worst 3 per cent. of the guaranteed interest immediately, and the full amount within ten years. The responsibility of the Railway Board on, say, one million's worth of 7 per cent. debentures, would thus not exceed £30,000 to begin with, reducing to nothing in ten years, or an average of 1½ per cent., or £15,000 per annum, and at this rate even one million spent in making up guarantees would provide for raising £70 millions, or three times the amount that could probably be raised in practice or spent usefully per annum. This is, of course, a sketchy and crude calculation not providing for expenses of promotion, underwriting, or other contingencies, but shows, I think conclusively, that railway profits as they were in pre-war times, and to which we must presumably come again shortly, would be ample if left to the discretion of the Railway Board for employment in raising money for improvements and development, instead of being swallowed by the Financial Department whale.

(47) It will be only fair, of course, to treat purely strategic and military frontier railways on a different footing, and pay for them and the losses from their working from money supplied by the Government of India in the Military Department. I do not know what is the present practice, but when I was on the North-Western Railway (up to 1907) the receipts of the frontier lines were lumped together with those of the other sections of that great railway, and gave a very misleading idea of the real net earnings of the commercial section.

(48) In the matter of attracting private enterprise and capital, it is known from a speech made recently at the Railway Conference of 1920 by Sir George Barnes, that the idea in favour at Simla is one of making railway development over to the existing trunk lines, each in its own " sphere." This will be a very lamentable and disastrous plan, which should be summarily rejected in the public interest. It will take years of controversy to settle the respective " spheres," and the trunk lines will obstruct new construction to an intolerable extent.

(49) The question of development of new railway lines by the existing trunk lines was fully discussed at the time the new branch lines rules were brought into force, and rejected for many reasons which will be found on record in the Railway Board office.

(50) These objections have been amply confirmed by subsequent practical experience, from which have emerged two conclusive reasons for rejecting any such idea:—

(1) It has been found that the interests in new railway developments of the main lines and of the public are very often not identical on the surface, and result in the former, apprehensive of loss from the " short circuiting " of existing routes, discouraging or even opposing connections badly needed in the public interest.

(2) It has also been found in practice that important main lines, the officers of which are absorbed, if not overwhelmed, by large urgent questions, are not able to find time to work minor lines to the best advantage without the constant criticism from outside as applied by the managing agents of " branch line companies " under present circumstances. This can be proved to the hilt from experience in the case of several branch lines, where the working agencies have had to be literally hunted into giving the branches the treatment and facilities needed to get the best results for the public. Such outside influence would disappear if the main lines owned the branches which would (naturally) be neglected as insignificant things, suitable places for the use of obsolete stock and less competent staff, and constantly suffering from " restrictions " of booking whenever stock ran short on the main line.

(51) On the other side, it has been said that the main lines might raise their capital at a lower rate of interest (which seems doubtful without a Government guarantee, equally effective in either case), and that the promotion expenses, etc., of the branch line companies are an unnecessary extravagance. But unless the Government raised the capital itself, as at present, it is not clear where the economy would come in, as the main lines would presumably have to raise the capital in the same money market and under much the same conditions as the " Assisted Branch Line Companies." The root of the opposition is probably that the branch line companies, with their criticisms and claims, have been found to be a " nuisance " both to the working agencies and the Railway Board which has to decide in matters of dispute, but it can be shown that the result of this outside influence has been wholly beneficial to the public, and in some cases has been welcomed and acknowledged as such by the agents, who get to know in this way of matters that would not otherwise come to their notice. The outside company is thus a " waking up " influence on the main line officers which has valuable results on more than the branch line itself, and it will be a public misfortune if it is abolished.

(52) The views put forward in the Committee Report, and apparently accepted at Simla, as to " short circuiting " are believed to be in fact essentially unsound as attaching a very erroneous value to the opinions of vested interests.

In such matters it is the public interest that should count primarily, and all the time. The correct principle in nearly all cases is that if a proposed line can be shown as likely to pay, it may reasonably be assumed that it is needed, and therefore that it is in the interests of the public that it should be built, notwithstanding possible loss to existing lines, which they are naturally inclined to exaggerate. Such losses are seldom appreciable and soon made up for by increased traffic

brought to them, and by the increased prosperity of the whole tract due to improved communications. This is very clearly explained in para. 127 of Mr. Robertson's report, which is conclusive on the subject of the " short circuiting " bogey which makes vested interests see red.

(53) It has been laid down officially recently that no proposed new line connecting two existing railway stations will be considered a " branch line." This is perhaps correct in the dictionary sense, but it ignores the fact that numerous such connecting lines have been built under the " branch line rules " and is in conflict with those rules, which were adopted by the Government of India after Mr. Robertson and the Inchcape Committee's Reports had been fully considered and after an exhaustive discussion of the subject. They are, and were, meant to be on liberal lines so as to attract capital in India, and were also adopted for semi-political reasons to which much importance was attached at the time.

Many hundred miles of " branch lines " have been built under those rules which would not have been built otherwise, greatly to the public benefit, and it is clear that these rules should not be essentially altered by " new definitions," or in any other way than after free and full discussion

We have come to a stage in India where further railway development is most urgent, but where 90 per cent. of the new lines so badly needed must run " between existing stations," and to deprive these of the benefits and prospects of early construction given by the " branch line rules " is a retrograde step to be stoutly opposed by all interested in railway matters.

(54) I have to admit that in this matter of the agency through which new lines should be constructed, both Mr. Robertson (para. 149) and the Committee (para. 28) and, I believe, the present Railway Board, are in favour of working through the trunk lines as preferable to the formation of new guaranteed companies, but these views were, after much discussion, *rejected by the Government of India* when drawing up the branch line rules of 1913, and I submit that I have given good reasons above, founded on practical experience, against any such monopoly being granted to the trunk lines, as it would be a serious check to the railway development so urgently needed.

(55) I have not been able to get at any information on record as to the exact grounds on which the recommendations of both Mr. Robertson and the Inchcape Committee on the subject of building branch lines through the agency of the trunk line companies were rejected by the Government of India, but I heard a great deal of discussion on the subject at the time at Simla, and my recollection is that the then President's (Sir T. Wynne) opinion was that any such scheme " was out of the question " on some of the grounds following:—

(1) The difficulty of deciding on the separate spheres to be demarcated for development by each trunk line, which would lead to endless disputes and delays. (It has already done so in several cases.)

(2) The objections to giving a monopoly to the trunk lines which in their panic fear of " short circuiting ' would look at new proposals from a selfish and obstructive point of view, and not in the public interests, which alone should be the guiding principle for railway development. (There are numerous instances confirming this belief.)

(3) It was considered important for financial and semi-political reasons that minor companies domiciled in the country with their capital raised locally in rupees, should attract Indian investors and thus interest the public in the welfare of the railways hitherto almost entirely built and paid for and managed by Europeans.

These anticipations have only been partially realised, as Indian investments have not been heavy, but a beginning has been made, and many hundreds of miles of useful railway built, which could not have been built otherwise.

Financing of Railway Funds.

(56) The several possible methods by which new capital may be raised are discussed exhaustively by Mr. Robertson who in para. 131 comes to the conclusion that " the proper course for the Government to pursue in the extension of its railway system would be the return to the system of guarantee as the cheapest, failing direct borrowing by the Government." In pages 45 to 52 he goes into great detail on the terms to be offered to make the guaranteed loans attractive and to secure at the same time the public interests and the security of the liabilities incurred by the Government. Nearly all these recommendations were accepted (except the recommendation of working through the trunk lines advocated in paras. 149-150) when the branch line rules of 1913 were drawn up and issued, and they form an excellent foundation for the methods to be followed in raising capital in the future, with, of course, such modifications as are called for by the altered state of the money market, and such improvement in the rules as experience has shown to be advisable (see note below).

(57) On page 53, para. 154, Mr. Robertson proposed a " *Railway Fund* " being started on the lines of that now established in Ireland under the Light Railways Act of 1886, for providing improvements on State railways and towards the construction of new lines. In para. 157, he says, " the money thus hypothecated would necessarily require to be kept entirely separate from the general finances of the Government of India. It should be placed at the credit of the railway board, who, subject to the control of the Governor-General in Council, should be left free and unhampered to administer the fund in such manner as would be most advantageous to the country." In para. 159 he lays down that " where the capital is provided by a guaranteed company the payment of interest (to make up the guarantee) should alone be a charge against the railway fund so long as the liability continues."

(58) This fund is in effect on the same lines as proposed by me above for the separation of the Railway Board's finances from the revenues of the country, under which the railway profits for the year would be at the disposal of the Railway Board for financing the capital needed to be raised by debentures for open line capital works, and by guaranteed shares for new construction companies. The railway fund in my scheme would only have to make up the deficit on the debentures and shares raised, and in this way would go a very long way and provide all the money that could be raised or usefully expended in the year. This presupposes certain considerable net profits on railway working annually, such as were received to the extent of several millions before the war, and which we may assume will come again when things have settled down and the railways been made solvent. I do not know why Mr. Robertson's proposal was

turned down, probably for the reasons given by the Inchcape Committee against any proposal for a reserve fund, that " all the money the Government could borrow economically was needed for present urgent needs and more could not be provided."

(59) When we turn to the Inchcape Committee's report on the subject of finance we find them on their own ground and so far as it goes the enquiry was complete and the report is exhaustive and decisive. But it is founded entirely on the assumption that money for Indian railway development beyond the sum available from the general revenues *must* be borrowed by the Government and must be limited to the amount that could be borrowed without affecting the credit of the State. It never seems to have been realised that railway needs were so urgent and of such a nature that it would be justifiable and remunerative to pay a higher price than the Government rate of interest, sufficient to get the money needed, and that it could be done by utilising the profits of the railways (which were then considerable, and would be so now but for the effects of the war, and will be again).

(60) In para. 29, page XVII, they do consider the question of " separating Indian railway finance entirely from the general finance of the Government of India." They state the proposal quite correctly " that the capital required for Railway purposes should be determined *solely with reference to the requirements of the railways and not influenced by considerations relating to the general financial position of the Government.*" This idea, obviously sound to any business mind, they condemn unreservedly as impracticable, apparently because they cannot conceive that the money could be borrowed on anything but the credit of the State. At the end of the paragraph they quote the Bombay Chamber of Commerce as representing in 1907, that they " do not recommend the separation of railway finance from the general budget estimates because it is realised that for some time to come the railways will not be able to borrow all they require on the security of their net revenues and that grants must therefore be looked for from Government." This may have been correct at the time, but it is a practical admission of my argument *that when the net railway profits are* sufficient to borrow against, *it will be possible* to separate railway finance from the general budget estimates, and that if used for financing guaranteed loans as described above, the railway profits will be sufficient to allow of such separation when they are quite moderate in amount.

(4) *Present system of control by Government of rates and fares, and if the machinery for deciding disputes between railways and traders is satisfactory.*

(61) I can say little on this subject except that such Government control is necessary under Indian circumstances, and that it will be much more efficiently administered by the enlarged railway board suggested, one member of which, at least, will be an expert in such matters, and another capable of understanding the provisions of a " contract," which has not always been the case. It is certain that all disputes will be more quickly dealt with by experts with full discretion, and no interference from the Financial Department meddlers.

(5) *Recommendations that may seem germane to the enquiry.*

(62) This is so comprehensive a demand for suggestions that I venture to put forward some recommendations as to details of working which my long experience has impressed on me as essential to more successful railway management, and in the public interest.

The first of these is the abolition of the pernicious system of booking certain goods " *at owner's risk* " at a lower rate for freight than charged for goods booked at railway risks. In practice this system is a terrible evil, encouraging thefts and robberies and causing immense losses to consignors or consignees *paid for by consumers.* It is ordinarily urged in defence of the practice that " consignors have their choice," and that the fact of enormous quantities of goods being sent under these conditions proves that on the whole it must be in the traders' interests to adopt it.

Such reasoning, however plausible, is entirely fallacious. *There is no choice for many kinds of goods*, especially those most exposed to dishonest practices. Coal and oil, fresh fruits, etc., are not booked except at owner's risk, and the railway staff are learning that thefts from such consignments may be committed with impunity. It is the demoralising effect of such a state of things that is to me the chief and crying evil, as *it is turning every railway station into a den of thieves.* As for the losses to traders, they are considered part of the charges necessarily incurred and passed on to the consumer, and it is the public that suffers. There is no remedy but doing away entirely with the accursed thing. It will mean an indirect raising of rates and the extra receipts will much more than pay for the greater cost of the enlarged watch and ward and detective staff which will be needed to check thefts and robberies. This improvement in policing, if taken full advantage of, will have an important effect in stopping other irregularities and dishonest practices in connection with goods sent at railway risk (for losses on which large sums are paid yearly), travelling without tickets, extorting bribes for use of trucks, etc., etc.

(63) Next to the objectionable " owner's risk " system (or perhaps some would say before it), comes the necessity for the institution of training establishments for all classes of railway labour connected with the running of trains.

The Engineering and Locomotive Departments, down to the lower subordinates, are chiefly manned by educated and trained professional men, but for the Traffic Department, on the employees of which almost everything depends in connection with the safe and punctual working of trains and the carrying on of the goods traffic with economy and despatch, things are very much otherwise. From the junior traffic officers downwards, to the pointsmen and jemadars, these men are appointed almost casually and pick up their work as they go along. There are more or less inefficient telegraph classes, some haphazard and very partially successful attempts at teaching station masters' and guards' work, and some examinations to be passed for confirmation or promotion in various grades, but there is nothing thorough or systematic, and to those who know the secrets of the prisonhouse it is a standing miracle that many serious accidents do not occur every day. That scandalous delays and losses do occur daily in the carriage of goods of all kinds is the experience of the public and of every trader who uses the railways. I have often heard wonder expressed " that anyone uses them at all."

(64) Now the real reason at the root of this unsatisfactory state of things is the Oriental temperament, which is the result of generations of easy-going people to whom time is no object,

and energy and punctuality and despatch looked on as the characteristics of fussy, unpleasant, foreign lunatics.

It is necessary first for efficient working, to train all these slackers to ideas of punctuality and energy and despatch and even hustle, *and it can be done*. It has been proved over and over again in training construction traffic staff, who could not be excelled in doing things " on the run " and keeping an eye always on getting work done in the quickest and best possible way. It has been done by Tata's to a notable extent and in numerous workshops and factories all over India. The steamer " Serang " is a notable instance of native efficiency with proper training. Nor does it need long training for such railway work. A six months' course at a training school (which might be set up by each big railway, or in each province) with keen energetic teachers of the " Scout-master " type, would suffice to turn out efficient workers, knowing practically all the rules and regulations for each description of work, and above all taught to *hustle*, to keep time, and to treat the public and their interests with fitting consideration.

(65) At the risk of making these notes intolerably voluminous I venture to mention two more subjects of great importance to efficient railway working and development:—

The disastrous system of " pre-audit " of engineers' bills at present in force on open lines for work done by contractors, which means a delay in payment of many weeks (sometimes months) of money due immediately the bills are signed. Prompt payment is the essential condition of economical carrying out of works. It allows of the employment of petty contractors with small capital who are on their promotion and anxious to do things quickly and satisfactorily, and who afford the cheapest and best means of getting work done. The delays in payment make it necessary to employ big men with capital who can wait for payment, but they have to be paid for waiting and it means an unnecessary addition to the cost of works, which all over India means a waste of many lakhs annually.

It means incidentally a great deal of corruption in bribes to men in the auditing and pay offices to get bills through quickly, and above all it is very bad training for the open-line engineers, who lose all ideas of the economy and despatch which prompt payment means, and resign themselves to the circumstances.

It should be noted that this procedure applies only to open lines. On construction the engineer pays the bill as soon as he signs it, work is done quickly and cheaply and the contractor knows where he is. I have fought this scandal for years, sometimes with temporary success, and once got the subject taken up by an able and businesslike accounts officer, so far that proposals were circulated for opinions, but here came in the " iron heel of the Accounts Baboo," and the proposals were almost universally condemned by Financial bureaucrats obsessed with the quite erroneous idea that pre-audit means " control of expenditure." It means of course nothing of the kind. Once the work is done and the bill signed by a responsible officer *it has to be paid*, and no pre-audit can do anything but delay payment, with all the results of waste of money and incentives to corruption.

(66) Another matter of great importance which I will only mention is the necessity for bringing Local Governments more into touch with the Government of India, Railway Department, than they are at present. The first thing done by the new Railway Board when it started, was to free themselves from all " interference " by the Local Governments by abolishing the appointment of Railway Secretary to the Local Administration which was held by the Consulting Engineer (now Government Inspectors) in several provinces (Burma, Madras and Bombay that I know of). The results have been detrimental to public interests by leading to delays and misunderstandings due to the Local Governments having no expert advice at their disposal. This is a matter that needs setting right.

The Local Governments have made efforts to get out railway programmes by setting up " Communications Boards " which have done much good work, but they have no expert advice except that of the Agents of main lines naturally inclined to be narrowminded about short circuiting, etc., and consequently they often grope in the dark. Co-ordination between the Provincial and Imperial views, and general expert advice on railway matters that is badly needed would be the duty of the " Projects Member " suggested above for the Railway Board.

The plans for leaving to Local Government's discretion and freedom as to feeder lines and tramways can only be successful if they have such expert advice. There is a danger otherwise of the consideration and encouragement of " wild cat " schemes, and a distinct need for some final sanctioning authority before such concessions are finally approved.

(67) I may mention here the alterations in the present branch line rules which will be desirable when the construction of new railways is resumed.

The question was raised a couple of years ago by the then President of the Railway Board who asked for suggestions, when the proposals given below were written.

Proposals for Revised Terms and Rules for Branch Railways.

(68) The first question in future proposals of this kind will be the financial one—of the rate of interest the State will guarantee on the Capital, the rate up to which interest will be made up on rebate shares, the percentage allowed for promotion expenses, and the sharing arrangement for surplus profits.

I am not a financial expert but suggest an increase in each case proportionate to the increase in the rate of interest that has to be paid for State loans, since the date when the last branch line terms were issued on 14th November, 1913.

In connection with the existing profit-sharing arrangements, I heard a very interesting suggestion at Simla that the half share over 5 per cent. taken by the Secretary of State might be dropped when the losses sustained on the guarantee had been repaid, after which the whole of the profits would go to the Company. This was the condition attaching to some of the original guarantees, and if reverted to would certainly make such investments much more attractive. But it is almost inconceivable that the Financial Department would hear of giving up a share in an " improving property," and even if the Railway Board is freed from such control, it would need to keep an eye on the profits on which it would depend as security for its operations in raising further capital, and it would be wise to retain some share of surplus profits, though the proportion might possibly be considerably reduced.

The other points I suggest for reconsideration are matters of detail more appropriately considered separately and attached as an Appendix.

(69) These notes have grown to be so voluminous that for fear of their being consequently left unread I will only mention two or three subjects worth serious attention.

Mr. Robertson's report discusses the very important questions of gauge, feeder line policy, and a railway clearing house, and his recommendations are all characterised by strong commonsense and practical ability.

(70) *Gauges.*—He recommends further investigation of the fascinating, but desperately difficult, subject of altering both the 5 ft. 6 in. and 3 ft. 3½ in. gauges to the European standard gauge of 4 ft. 8½ ins. The expense would be colossal, and though probably really worth it in the long run, the first cost will, it is likely, prove to be practically prohibitive. Calculations made by Mr. J. R. Bell and Mr. Shadbolt some years ago proved this conclusively and it has since become more difficult still by the extension of both systems.

He recommends the 2-ft. 6-in. gauge for developing country served at present by 5-ft. 6-in. gauge lines, and the 2-ft. gauge for country in metre gauge spheres. The 2-ft. 6-in. gauge was once in favour with the Railway Board, and a complete system for the Punjab of such feeders was planned and surveyed and estimated for. The scheme was hung up by the war, and since then the shortsighted opposition of the open lines has effected an unfortunate reversal of policy. The blind fear of short-circuiting has been reinforced by apprehensions of the narrow gauge becoming a connected-up competitive system, to avoid which it is solemnly proposed that feeder lines should have " no physical connection " with the existing railways! The connecting up of the feeder lines would, as a fact, be necessary for purposes of economical management, but all idea of a competitive system can be done away with by the simple rule that " all traffic carried by the feeders must be made over to the main line at the nearest junction in the direction in which it is travelling." " Physical connection " would, of course, be a *sine qua non* at junctions in the shape of joint passenger and transhipment platforms, etc. If this principle is admitted there are complete schemes for about 600 miles of railway in the Punjab which would completely develop that important province.

The 2-ft. gauge, while most useful for mountain railways, where the sharp curvature possible means an enormous difference in cost, often making it possible to build a line impossible on any bigger gauge, is not suitable for easy country, but *in its place* has a capacity for carrying an astonishing amount of traffic, as proved on the Darjeeling-Himalayan Railway, which at busy times earns Rs. 800 per mile per week!

There is much to be said for the idea that the Simla-Kalka Railway, if built on the 2-ft. gauge, would have been 30 to 50 per cent. cheaper and now a paying proposition; and certainly in the case of the proposed railway up the Ganges gorge to Karnprayag it would make something like that difference, and perhaps make construction possible.

The central railway clearing house is an obviously valuable proposal, and was, I believe, gone into in much detail after the Robertson Report, with no result yet, so far as I know. It will no doubt be considered again during this enquiry.

(71) A subject which I venture to commend to the Committee for special enquiry, as calculated to greatly speed up railway development in India, is the utilising of canal banks for railways where they lie in the direction of desired lines of communication. I have been advocating the idea for 20 years with small success, but at last got permission in 1919 to carry out an actual investigation of what it means when we face the facts. This investigation is in progress and not yet completed, but has gone far enough to show that the advantages of such schemes are very great and the difficulties chiefly imaginary or sentimental. I hope by the time the Committee finishes its enquiries to have the survey and estimates for the " Garhmukhtesar-Kasgunge " Canal Bank Survey completed, with a full report on the subject, which, I venture to think, will be conclusive.

(72) The Railway Board controls coal traffic and supplies for all India (and Ceylon to some extent), and as the coal situation is considered to be very serious by many skilled persons in the business, threatening something like disaster in the near future, it will perhaps be considered a subject " germane " to this enquiry. Practically all the Indian coal supply comes at present from quite a small area in Bengal round Ranigunge and Jherria, where the crowding together of mines and the railways serving them has resulted in a state of almost intolerable congestion, and there is little to be hoped for in the way of increased outturn; while the demands for fuel are increasing so rapidly that coal for all requirements promises to be presently absolutely unobtainable, which will spell ruin for the railways and the numerous industrial undertakings now being started all over the country.

Immediate action appears to be called for in the shape of extensive exploration and development of other sources of supply which are believed to exist in many places now fairly well known to the Geological Survey Department, but requiring expenditure on finding and proving workable coal mines which only the State can at present incur. On the same general lines, probably, as help is now given by paying in the first instance for railway surveys, such exploration could be encouraged with probably good results worth a considerable expenditure.

It appears to be a subject for consideration by all interested in railways and industries needing fuel for working their machinery, and will perhaps be considered appropriate for enquiry by the Committee.

(73) I cannot conclude without apologies for this long and perhaps too strongly worded representation, but I hope it will be considered excusable as due to my deep interest in what has been my life work, and justifiable by the extreme importance of the subject to the country and public I regret the plain language I have had to use with reference to the baneful effects of the Financial Department *control of railways*, but it has been to me an Old Man of the Sea, making my life a burden for 36 years, and its strangle-hold cannot be shaken off by spraying with rose-water.

I should add that I do not for a moment question the wisdom, beneficence and efficiency of the Department within its own limits, and have no personal grievances against it, and, on the other hand, cause to be grateful for invaluable help given in Treasury and other matters. It is the machine, out-of-date for dealing with purely business conditions outside its knowledge and foreign to its principles, that needs to be cut adrift if railways in India are to make the progress called for in the public interests.

APPENDIX.

Para. 3, *IV.* Makes the whole cost of all surveys a charge against the capital of the line when constructed. This works out very unfairly when several previous surveys have been made. This was acknowledged in the case of the Sara-Serajgunge Railway, when the rate was so enormous that it was largely reduced.

There should be a limit, varying from, say Rs. 500 per mile in easy country to Rs. 1,500 per mile for a mountain survey.

Para. 3, *VI.* It is laid down that materials for the branch line will be carried on State railways at the special rates charged for similar materials belonging to State railways.

It would be better to specify "Revenue rates," as was done in older concessions, to prevent cases of very high charges being made, as in the case of the Sara-Serajgunge line.

It is no real concession unless Revenue rates are actually allowed.

It is also advisable to lay down that the open line will not be freed from responsibility for short deliveries because the materials are carried at concession rates. This is very important.

Para. 3, *VII.* It is laid down that rebate and guarantee shares cannot be granted for the same branch line. This has since been allowed in some cases, and should be regularised in the Rules.

(*a*) and (*b*). The rates on guaranteed and rebate shares will have to be altered to suit the present rates in the money market (*see* remarks above); also the limit rate above which earnings are shared with the Secretary of State.

It is laid down that "the payment of rebate shall commence when payment of interest from capital ceases." This is paid till "the end of the half-year in which the line is opened *throughout*."

In the case of maintenance charges, XVIII, it is laid down that maintenance expenses will be charged to capital for a year after the line, *or part thereof*, is opened.

In the first case, if the line is opened in sections, rebate is deferred for many months or years after the first opening, and in the second case, maintenance charges for the whole line go against revenue from the date of opening of the first section, irrespective of the date of completion throughout!

In both cases it is desirable to make a more equitable and definite arrangement. Rebate is really due from the date of opening for traffic on the section opened. The end of the half-year may be accepted as a convenient date in making up accounts, but where the line is opened in sections it is not fair to delay rebate till the line is "opened throughout." It should be paid for each section from the end of the half-year in which that section was opened, calculated on the cost of that section, which is easily ascertained approximately.

Similarly, in the matter of maintenance charges, it is not fair that they should go against revenue for the whole line from a year after the date on which *any part of it* is opened (as the clause now reads), and it would be equally unfair to charge maintenance expenses to capital for a year after the line is "opened throughout."

The principle is that maintenance expenses are chargeable to capital for a year after opening, and it should apply definitely to each section *as opened.*

XXI. "At the expiry of 30 years from the date on which the railway was declared open for traffic" add "throughout" to allow for cases of railways opened in sections.

There are some other points not mentioned in the General Rules which come up in the details of the concession and contract, and call for definite understanding as to their exact meaning and in some cases for modification. Of these, the following are some that I have known to cause much dispute and argument:—

(a) *Length of line* to be used for calculating traffic receipts. It was generally calculated from or to the centre of the junction platforms, but as the portion of line paid for by the branch line company ended, under the old definition, at the outer signal, some agents made a claim that only the mileage between outer signals should be allowed in calculating the gross earnings of the company, and this led to much correspondence.

It needs to be definitely stated in the concession one way or the other. The precedents are in favour of the full distance between centres of junction station platforms, and this is also the most simple arrangement in keeping the accounts. The fare charged to the public is the full fare for the whole distance, and to deduct half a mile or so at each end and exclude it from the company's earnings means a trifle in money at a cost of considerable clerical work.

(b) *Limits of the Junction Station "premises"* needs to be strictly defined. It used to be the outer signal, but lately this has been called in question and attempts made to make the facing points the limit. It is very desirable that the original ruling of the outer signal as the limit should be definitely laid down.

(c) *Junction Works.* Under the old arrangements in all the Southern Punjab Railway contracts (before that for the Jullundur Doab Railway) it was laid down that "the parent line paid for all junction works within the "premises" (*i.e.*, inside the outer signals) except quarters for running staff engaged on working the branch." This was a simple rule allowing of no disputes or arguments, and it is very desirable that it should be reverted to.

The newer rules attempt to discriminate between works "for sole use" of the branch line, and works "for joint use," and lead to such frequent and complicated disputes that a junction works estimate is seldom finally sanctioned till two or three years after the new line is opened. It may seem easy to distinguish between works for sole and joint use, but as a matter of fact nothing is more difficult. The remodelling of a station yard for a junction is nearly always an opportunity for carrying out much needed additions and alterations for which funds have been difficult to find, and many of these are put in really for the "sole use" of the main line, which are erroneously included in the "joint works."

Similarly it is difficult to define works for "sole use" of the branch, and even if put in solely for the branch, it is seldom that they do not come to be useful, and are used, for main line purposes as well.

Besides the simplicity of the old rule that the parent line pays for all junction works, is the very strong incentive it is to economy on the part of the main line administration. When dealing with their own money there is not the same temptation to extravagance that there is when dealing with other people's money. In practice this counts for a great deal.

"*Free User.*" This is a question that is excluded from the "branch line" terms, but there will be few cases in the future where the new line does not connect with open lines at both ends.

Of the five "branch lines" with which I have had to do since I became connected with them, only one, the Hoshiarpur-Doab Railway, was a real branch with a junction at one end only. The four others:—

Sutlej Valley Railway,
Jullundur-Doab Railway,
Sara-Sērajgunge Railway,
Mymensingh-Bhairab Railway,

all had connections at each end, involving through booking.

In addition to these, of branch lines that have come directly under my notice are the

Saharanpore-Shahdara (Delhi) Railway,
Amritsar-Patti-Kasur Railway,

both connecting existing railway stations.

It will be as well therefore to lay down clear rules on this subject for branches affording through routes.

I believe the precedent of the Southern Punjab Railway Co.'s contract (the first in which free use was mentioned) will be the best to follow as a rule. Under this contract free use was allowed

for traffic between two N. W. Railway stations,
for carriage of Revenue stores;

earnings for all other traffic passing over the line to be shared.

To avoid unfair routing it was laid down that where the S. P. Railway afforded the shortest route between stations of origin and destination, the earnings would be considered as part of its gross earnings whether the traffic passed over it or not.

All receipts for exchanged traffic passing over the line, whether free use or not, were "liable to rebate."

This was the plain meaning of the contract as originally interpreted by the North Western Railway. It is, I believe, the fairest and clearest and leaves no room for disputes. (Disputes did occur owing to ambiguous wording, but that can easily be avoided now.)

There will, however, be very few cases in future where branch lines will not mean through traffic, and in many cases to give free use for such traffic will mean that the local receipts cannot possibly pay the branch line company, and the railway will not be constructed until the Government can spare funds for it.

Nearly all the lines we have been considering recently are of this description:—

Kissengunge-Siliguri Railway.
Jalpaiguri-Tetalya Railway.
Mymensingh-Serajgunge Railway.
Tangi-Jamalpur Railway.
Kissengunge-Dinagepore Railway.

None of these would on the local traffic pay by itself.

I believe therefore it is highly desirable to revert to the terms regarding free user and rebate that were laid down in the S. P. Railway Company's contract in the case of lines of similar importance, *and for smaller railway to do away with free use altogether* and to allow the branch line to share receipts from all traffic passing over it irrespective of origin or destination.

There are some minor points requiring to be laid down in the contracts to avoid disputes:

(1) Terminals, if to be shared with Branch line company and to what extent.

(2) The charge for working construction ballast trains after the line opens (the S. P. Railway contract lays down, "no charge.")

(3) The division of earnings from through traffic originating or ending on the branch railway to allow for the full rate actually charged on the branch, and not an average mileage rate on the whole journey (as claimed by the A. B. Railway).

Accounts. The clause in recent contracts giving the branch line a claim to inspect accounts, also to make suggestions for improvements in timing trains and other working details, should be adhered to and clearly laid down. There can be no doubt that the branch-line company, being able to inspect and make suggestions, has had a powerful effect in waking up the Working Agencies and keeping them up to the mark.

SUPPLEMENTARY NOTE.

Since writing and printing the Notes on the Evidence I propose to put before the Railway Committee, I have received the "questionnaire" issued by the Secretary, and after consideration think it will be better to add this supplement, going into each question separately with a brief answer and reference to the paragraph in my Evidence where my reasons are given in detail.

Question No. 1.—I think railways owned by the State should be managed by Companies and not directly by the State. (See paras. 2 and 3 above and 7 to 22.) As to "profit sharing," the Government should certainly get back its expenses in the shape of interest on its capital, and a share of the profits above that sum to be at the disposal of the Railway Board for financing improvements and additional railways. But the idea of using such profits for an addition to State revenues should be abandoned and not too much importance attached to preserving an interest in "improving properties." (See para. 19.)

My experience is described in paras. 1 and 2 of Evidence above. It includes intimate knowledge of State management, and important dealings with railways under every other kind of management, both as a member of the commercial community and of the travelling public.

Question No. 2.—I advocate company management as in practice on the E. I. R., B. N. R. and other trunk lines, with general control but less meticulous interference from Simla.

Question No. 3.—Such companies should, I think, be domiciled in India as far as possible (See paras. 23—28 above.)

Question No. 4.—I think the existing arrangement is not suitable or sufficient to give the companies the necessary keen interest in their undertakings; and consider it would be a great inducement to greater interest and efficiency, and a great gain to the State to sell these railways outright (see paras. 31-32, 21-22), and use the proceeds for financing new construction.

Question No. 5.—I consider that boards of directors in the United Kingdom are out of touch with Indian conditions, and their distance away means very great delays and circumlocution in settling references. (See paras. 23-26.) I consider the Boards working their Railways should all be moved to India. (See para. 29.)

Question No. 6.—The boards of directors in India would be constituted as for other large commercial undertakings by election of and by shareholders. "Paramount Government interests" (so long as the railways are State-owned) would be guarded by an *ex-officio* Government director.

Question No. 7.—I do not think there would be any want of continuity in a board domiciled in India any more than in the case of other commercial undertakings.

I think the idea of a permanent Government chairman quite inadmissible, and likely to stultify the whole arrangement, as there would be no more guarantee that the Government would select the right man than in other cases, or be able to get rid of him if found a failure. There *will* be a difficulty at first in finding qualified directors, but (see para. 28 above) it is not likely to be serious. There should certainly be a proportion of experienced railway men on each board, and the others should have commercial experience. The shareholders would look to this in their own interests.

Question No. 8.—I do not think there is any such risk any more than for other commercial undertakings. The other directors would see to it, and the shareholders.

Question No. 9.—I do not think any such combination desirable or easily workable (see para. 29). In the case of companies domiciled in India with capital held chiefly in Europe, a London Agency would provide for all work necessarily done there.

Question No. 10.—I think control by a railway board is a necessity of present, and probable future circumstances, and I cannot think of any alternative, but it needs putting on a proper basis. (See paras. 29 to 41 above.)

Question No. 11.—I have gone into the constitution of the Railway Board in great detail, in paras. 29 to 41 above, and think the changes suggested in status and numbers are essential to its efficiency. I have nothing to say as to the subordinate officers except that they have, I am glad to testify, been selected with great care very unusual in Government service.

Question No. 12.—I think the Board with only three members is much too small to undertake the multifarious duties and meticulous control attempted, and "bites off more than it can chew," leading to perfunctory and erroneous rulings in some cases which have to be revised in a manner not conducive to respect for its authority and dignity. I can give a list of several such cases if desired.

Question No. 13.—I believe the Railway Board has nominally the necessary powers of control but does not always exercise them owing to its want of status and its bondage to the Financial Department.

Question No. 14.—I do not think the powers of control have been sufficiently exercised in the public interests, for reasons given in answer to the preceding question.

Question Nos. 15 *and* 16.—I have fully dealt with these questions in paras. 30 to 41, and think the improvements suggested in status and numbers of the Board are essential to efficiency, and so especially is freedom from the Financial Department incubus.

Question No. 17.—There can be no possible doubt that the supply of funds has always been very inadequate either for (*a*) new construction or (*b*) for maintenance (including renewals and replacements), or for (*c*) the improvement of existing railways. When I left the N. W. Railway in 1907, I left in my Transfer Notes a list of works urgently needed amounting to 600 lakhs! and I expect a similar list (in proportion to mileage) could then have been made out for every railway in India. At present, of course, things are very much worse owing to the aftermath of the war.

Question No. 18.—I think the policy of putting open line needs first in sharing "available capital" quite sound if the limitation of that capital to the amount that can be borrowed by the State without affecting its credit is unavoidable. But I have given reasons (paras. 42 to 48) for holding that there need be no such limitation, if the railway funds are separated from the general revenues of the country and left to the Railway Board to finance new construction, which there can be no doubt has under the existing system been shamefully neglected.

Question No. 19.—I do not think any such regular yearly arbitrary limit can be laid down. The funds raised should be in accordance with railway requirements at the time being, so far as they can be financed. In practice probably 20 to 25 million pounds would be as much as could be usefully spent in ordinary years on improvements and construction.

Question No. 20.—Yes, I think capital funds should be raised both in India and in England (as for other commercial enterprises), preference being given to Indian investors.

Question No. 21.—I think the present arrangements for raising capital under the branch line terms (*see* para. 43 above), could be made quite adequate if brought up to date in the matter of the rate of interest guaranteed, and with certain alterations in the branch line rules suggested in detail in the Appendix attached.

Question No. 22.—I do not think any great change in the present methods of raising capital is needed, if existing rules and terms are brought up to date and railway funds entirely separated from the general revenues of the country, and left to the Railway Board to finance on the security of railway profits.

The Inchcape Committee and Mr. Robertson agree that guaranteed shares or debentures are indicated as the best means of raising funds for railway capital expenditure, and these would be issued by the Railway Board on such terms as may be necessary to attract investments.

Question No. 23.—I cannot suggest any other methods of raising capital except by sale of the Government-owned Railways already referred to, regarding which there is a great deal to be said on both sides.

Question No. 24.—Any amount needed could be raised on terms sufficiently attractive to investors.

Question No. 25.—Such borrowings might certainly affect the rate at which the State can raise its other loans, but no more than the ordinary raising of capital for other commercial purposes has that effect, of which the State has to take its chance and over which it has no control.

Question No. 26.—(*a*) I consider this mixing up of railway funds with the general revenues of the country, which means "programme and code control" with all the defects pointed out in paras. 15 to 19, has been most detrimental to railway progress and *its abolition is the first need of the situation.*

(*b*) It is I think beyond doubt that railway rates must be raised and as soon as possible to make the railways solvent and paying propositions, which is essential to proper working and future progress. Also I think it cannot be denied that the traffic can stand it, owing to the greater prosperity of traders and the public generally, which to my personal knowledge has advanced by leaps and bounds.

I cannot at present say what percentage of increase in rates and fares is needed, but it should not be difficult to work it out, from figures of receipts and working expenses, and I will try to do so before coming up to give evidence (if called upon to do so).

Question No. 27.—I consider the results shown for both State-managed and Company-managed lines most unsatisfactory to both the State and the public and as proving that the revision of rates and other measures for improving results have been too long delayed.

Question No. 28.—In paras. 7 to 19, I have given conclusive reason, I believe against the present "Budget system," as entirely disastrous and intolerable from the business point of view, causing an enormous waste of time and money. Mr. Robertson took exactly the same view and condemned it utterly.

As to the principle quoted at foot of page laid down by the Inchcape Committee, I have referred to it in paras. 18 and 60 as the root error which stultifies nearly all the conclusions come to by that learned and wise but wholly unpractical Committee.

Question No. 29.—I have no experience in this matter.

Question No. 30.—From my recent experience I believe they do.

Question No. 31.—I am unable to give any definite opinion on this point from personal experience.

Question No. 32.—I am unable to give any definite opinion on this point from personal experience.

Question No. 33.—I am unable to give any definite opinion on this point from personal experience.

Question No. 34.—The carrying capacity of all the railways I have ordinarily to do with, could not be more unsatisfactory. Passenger trains are few and overcrowded, goods have to wait weeks for trucks, and enormous losses are incurred in transit. A great deal of this is due to rolling stock shortage caused by the war, and unavoidable to a great extent, but it is urgent that remedial measures should be undertaken with the least possible delay.

Question No. 35.—I have in paras. 61 to 73 discussed several points "germane to the enquiry" which I think need especial attention and treatment, if railway progress and conditions are to be improved as called for in the public interests.

STATEMENT No. 14.

AGENT, BENGAL-NAGPUR RAILWAY COMPANY.—REPLIES TO THE QUESTIONNAIRE.

(5) Experience on the Bengal-Nagpur Railway does not confirm either of these suggestions. No delay takes place in referring to the Board in London, and in cases of urgency the cable is used. For several years it has been the practice for the Managing Director or a Director to visit India, and by this means the Home Board is kept in touch with actual conditions in India. In fact, it is found that there is little difference in obtaining approval or sanction to schemes, as regards time. from the Home Board or Railway Board. It is not uncommon to refer a case in advance to the Railway Board, conditional on the Board of Directors' sanction being received by cable. Moreover, advice from the Board of Directors on important schemes or proposals has been found of the greatest assistance, as it embodies matured experience. Briefly, it is not found that the English Board of Directors are either out of touch with Indian conditions or requirements or are they the means of causing undue delay in settling references. See oral evidence, paragraphs 4037/4070.

(6). I am unable to suggest how a Board of Directors in India could be constituted, because Railways are not local to one Province but extend over several Provinces. To represent properly the interests of each of these Provinces, the Board would have to be constituted by gentlemen selected from each Province, and under such conditions it would be extremely difficult to collect them together and deal with the Companies' work in a continuous manner. The alternative is to form a local Board at the Headquarters of the Railway, an arrangement which would not meet the situation as it would leave the control of the Railway in the hands of representatives of one Province only and the interests of the other Provinces might be prejudiced. In the case of the B.-N. Railway the line runs through four Provinces, Bengal, Bihar and Orissa, the Central Provinces and Madras.

(7). *See* answer to question 6.

(8). Yes; *see* answer to question 6.

(10). I consider that control by some form of Board is essential.

(11). I consider that the main point is that the Board should be placed in such a position as to be able to give decisions on their own responsibility without any delay.

I have no recommendations to make as regards the Board's subordinate officers. It might be advantageous, however, to the general system if these officers were recruited from Company's Railways as well as from State Railways.

(13). As a general reply I would say that the Railway Board possess adequate powers of control over Railway Administrations to enable them to deal with matters in the interests of

the public and of trade. But a case arose early in 1920 owing to the shortage of coal throughout India for industrial purposes in which it would have been an advantage to the country if the Railway Board had had full powers to order a distribution of wagons in favour of the coal traffic.

A special meeting was held in Calcutta on the 21st February, 1920, at which, in view of the serious situation brought about by the inadequate supply of wagons for coal traffic, certain resolutions were passed investing the Coal Transportation Officer with powers of calling upon railways to reduce balances at junctions in order that more wagons might be made available for coal traffic.

Certain Railways which were not directly interested in the coal traffic objected to the proposed resolutions and the Railway Board stated in an official letter to the East Indian and Bengal-Nagpur Railways that they had not powers to compel Company's Railways to carry out the procedure proposed in the resolution.

In my opinion, in a case of urgency of this kind, it would have been to the best interests of the country in general had the Railway Board possessed sufficient powers to enable them to enforce the procedure laid down in the resolutions.

(14). Yes.

(15). Not so far as I know.

(16). The present status cannot be considered satisfactory seeing that the Railway Board are not in a position to carry out their own policy, their hands are tied by the fact that proposals from the Railway Board must be referred to the Government of India through the Member of Commerce who also represents other interests. In other words, the Railway Board have not had direct access to the Executive Council in the full meaning of the word. It is essential that the Railway Board, or Railway Ministry, whatever name may be attached to it, should be an independent department of the Government of India with direct access through its head to the Governor-General in Council, and I would carry this even further to the extent of giving them very much wider financial powers.

(17). As a general statement the grants made yearly are below demands. It has happened on occasions that subsequent grants have been made during the course of a year but the uncertainty of receiving sufficient money to work to programmes from year to year makes it almost impossible at times to spend up to the full extent of grants made. As an instance, on the Bengal-Nagpur Railway a grant of Rs. 7 lakhs was given for the construction of a portion of new line This grant was intimated to the Railway on 5th August, 1920. Construction staff were appointed to commence work at the earliest practicable date after the Monsoon, and when about to start work, the Railway Board intimated that there would be no money available to pursue this construction next year. In the time given it would have been impossible to spend Rs. 7 lakhs, and in absence of funds for continuing the work in the following year, it was decided not to commence work at all.

In the case of another extension known as the Bermo Sawang, about 6 miles running into a new coalfield, a grant was made of Rs. 10 lakhs in October, 1920, to be spent during the current year As this sum was practically the total cost of the line, it was impossible to spend it in the 5 months remaining after receipt of the grant.

The supply of funds for maintenance has not always been in accordance with the Railway's demands, and there have been cases where "relaying" of track, or replacement of locomotive boilers, has had to be deferred in order to reduce expenditure within the limits of a grant. On another occasion orders were received to reduce our Workshop staff engaged on repairs to locomotive and rolling stock, towards the end of the financial year, owing to shortage of funds, at a time when arrears of repairs had to be made up owing to previous heavy traffic.

(18). Yes.

(19). This is a question which cannot be answered for all the Railways but for the Bengal-Nagpur I estimate roughly that not less than Rs. 400,00,000 annually for the next 10 years will suffice.

(26). It is obvious that the money provided by the Government of India for Railways has been insufficient for many years. Therefore, the linking of the Railway Programme with the general Budget of the country must be admittedly unsatisfactory. My answer to question (*a*) is therefore that the past system has been detrimental to railway improvement and development.

With regard to question (*b*), I consider that Railway rates should be raised generally and that the traffic handled by the Railways could stand a substantial enhancement of rates. I am not sufficiently conversant with traffic conditions all over India to give a figure which would be applicable to all Indian Railways, but for the Bengal-Nagpur Railway I estimate that a general all-round increase of from 15 to 20 per cent. on goods traffic, omitting coal traffic, would place the B. N. Railway in a position to maintain its previous figure of return on capital, *i.e.*, about 7 per cent. I have excepted coal traffic because the rates on coal will be raised from the 1st April next by approximately 20 per cent. It has always been the practice to give the coal trade ample notice of any enhancement of rates, and for that reason the date for the new rates has been fixed from the 1st April, 1921.

In order to meet to some extent the increase in working costs, our rates have been under constant revision during the past three years. Therefore the figure, which I have named, 15 to 20 per cent., refers to the increase which I would impose on existing rates.

(27). The financial policy hitherto followed, as indicated by the results, is not satisfactory, because the financial statement shows that in the case of company-managed railways the State might with advantage have borrowed much more heavily without risking an adequate return on capital, and the public must feel that the railway financial policy of India for several years has shown timidity and weakness in not providing more funds for the development of railways, seeing that the railways are not only profitable on actual working, but are the means of securing much gain to Government through the development of the country and its trade. It is impossible to give any additional figure as an estimate of the indirect advantages to Government, but it is evident the growing trade of India depends on railway transportation, and it is at present undoubtedly being hampered by lack of railway facilities and new lines.

(28). The note to this question explains that "lapses" are taken into account in re-allotting funds for the subsequent year, but this does not make the position any better for an individual railway. Supposing the Bengal-Nagpur Railway incurs a large lapse owing to labour troubles at Home or unforeseen delays by manufacturers, it wants to be assured that it can meet its liabilities in the following year when the goods are delivered without having to effect a corresponding reduction on its programme for works either in England or India.

(29). If money was made available from year to year to meet the urgent requirements of railways and in such a way as to avoid the withdrawal of lapses, the existing arrangements for regulating expenditure in England would be satisfactory.

(30). Yes.

(32). So far as I am aware a Railway Commission has never been brought into existence in India, but the provisions made in the Indian Railways Act appear to be ample.

(34). The carrying capacity of railways is undoubtedly below the requirements and needs of the various industries in India at the present time. The causes of the failure are:—

(*a*) Failure to provide adequate funds before the war to keep railways abreast of their traffic.
(*b*) The long duration of the war.

With regard to (*a*), it is entirely a question of finance. So far as I am aware, all railways were anxious to improve their carrying capacity but were restricted year by year through shortage of funds, and the conservative policy of the Government of India in financing railways kept the railway systems somewhat behind instead of in advance of trade requirements.

With regard to (*b*), the effect of the war upon railways is evident in all countries, and India cannot expect to find itself in a more favourable position than others; but the point which must be kept in view now is that arrears must be made up by means of some liberal form of finance, so that railways may be able to invite and cater for traffic rather than be forced to seek ways and means for diverting traffic from the railways to the sea.

STATEMENT NO. 15.

Sir T. R. WYNNE, K.C.S.I., K.C.I.E., Managing Director, Bengal-Nagpur Railway Company.

Question No. 1.—I consider that the present arrangement is the best, under which certain of the State-owned lines are worked by the State and the remainder by companies on a profit sharing basis. My recollection is that the same conclusion was arrived at by a Parliamentary enquiry in England held some years ago. My opinion is based on the following experience. I was thirteen years on State railways. From 1887 to 1905 I was Agent and Chief Engineer of a company's railway, namely, the Bengal-Nagpur Railway. From 1905 to 1914 I was for three years a member of the Railway Board which was constituted in 1905 and for six years I was President. Since 1914 I was for one year the Government Director of Indian Railway Companies at the India Office; and then I became Managing Director of the Bengal-Nagpur Railway. The administration of the State-worked railway and the Company-worked railway is the same, both being on the same principles. The State-worked railways, however, are subject to conditions which are different to those of the Company-worked lines. To begin with, the administrative staff are not identified with any particular State-worked line, they are all on one list and liable to be transferred from one railway to another, from the Agent downwards. This I think prevents the staff from taking a personal interest in the railway on which they are working. On the other hand, the staff of a Company-worked railway is identified with a particular railway to which they belong and on which they serve throughout the whole of their career in India. This I think creates an *esprit de corps* which is of very material advantage in the working of the railway as each individual does his best for the railway he belongs to and appreciates that his future prospects depend on the reputation he may establish for his work on that railway. Again, a State-worked line is more susceptible to political and local influences than a Company-worked line. Local Governments and individuals are able to bring strong pressure to bear on the Government of India and the Railway Board for an object which, although beneficial to them, may be antagonistic to the working of the railway as a commercial proposition.

See oral evidence, paragraph 4071/4122

On a Company's railway the same pressure is also brought; but the Company is able to press the commercial side of the proposal, and the Government of India is often glad to be able to resist the pressure by pointing out that the matter in question is one the Company's line can deal with finally. Another point is, that the duties of the Railway Board are so multifarious that they are not able to give much time to supervise the working of the State lines; whereas the working of a Company's railway occupies the closest attention of the Board in London composed of men of Indian experience both of business and railway working. Other reasons could be advanced, but perhaps what has been said may be sufficient.

Question No. 2.—I advocate the continuance of the existing system of the Indian railways being worked partly by the State and partly by Company management.

Question No. 3.—In the interests of the trade and commerce of the country and the Government of India, who are so largely interested in the financial working of Indian railways, I most strongly recommend that the Board of the Indian Railway Companies should be domiciled in the United Kingdom and not in India. The working of a very large railway system is extremely complicated. Firstly, there is the technical working of the railway, secondly, and what is most important, it has to be worked commercially, thirdly, it has to work under special conditions arising out of the system under which the Government of India is administered and the close financial relation it has with Indian railways. The Agent of a railway, however competent he may be, cannot take the widest views on the many questions that arise which require wide and varied experience to enable sound decisions to be arrived at. The present Boards of Indian Railway Companies do not hamper or delay the Agent in carrying out his executive duties and they are composed of gentlemen of long Indian experience, both commercial and railway, and in several cases assisted by a representative of London Finance.

An Agent when putting forward large proposals and dealing with matters of policy is glad to have a Board to whom he can submit them before they are sent on to the Government of

India, as he feels confident that his proposals will be scrutinised and examined and he will have advice given to him which would be of great use. In making the statement I give the result of my own experience as Agent of the Bengal-Nagpur Railway for 18 years, during which time I often felt the advantage of being able to turn to my Board to help in a decision on important matters.

The work done by the London Board could not, I think, be done by any Board in India. India is not a country where Boards of Companies do the work, practically all Companies in India are administered by Managing Agents and there is certainly no board at present existing in India which is administering direct, even a small branch line, as practically all the branch line companies in India are constructed and worked by the main line systems for the branch line companies; the work of Managing Agent being confined to providing the capital and distributing the dividend. I do not think that in India it would be possible to obtain the directors of a railway company domiciled in India, who would be in a position to deal with the affairs of the railway in the way the London Board are able to do. The heads of the business community in India are far too busy to devote their time to railway work, and it would be impossible to recruit for such Boards men of long Indian railway experience, as the fees of a Director would not be sufficient to induce them to remain any longer in India after they had retired from Indian railway service, letting alone the question as to whether their health would allow them to remain in the plains of India after long service in this country. One great difficulty also would be this. The main lines of India run through many provinces and a local Board selected from the residents of one province would certainly not be acceptable to other provinces through which the railway ran, as the Local Governments would certainly think that the province in which the Board resided would be apt to devote its energies and its influence more in the direction of favouring railway development in their own province in preference to the other provinces through which the railway ran, and which in all probability they had never visited and knew nothing about. To create a Board by representatives of each of the provinces, all residing away from each other and obliged at all times of the year to make a long railway journey to the place of meeting of the board, would end in creating a board which very seldom met and of which the members would be entirely out of touch with each other. A further point is this, that with the boards domiciled in India it would be impossible to raise capital in London for Indian railways; and any change in the present system would, I think, give all holders of Indian securities, whether shareholders or debenture holders, the right to claim for an immediate re-payment of their investments as they would hold that there had been a complete change in the condition under which they had been invited to invest their money. I am further inclined to think that subscribers to Indian Government loans in London, in sterling, who had been informed that the loans were required largely for Indian railway development would also be entitled to demand repayment of their money. The sums involved would be very large. Generally, I think the effect of changing the domicile of the boards of Indian railway companies to India would have a very serious effect on the London money market in respect to Indian investments generally, as it would be felt that the Indian Government were embarking on the policy which might be applied later on to other kinds of investments of English money in India.

The first thing to realise is, that the Board of Directors of an Indian railway company has to work under conditions different from those of railways in other countries.

The terms of the contracts entered into between the Secretary of State and the Indian railway companies are based essentially on considerations of finance and control, and a transfer of Boards from London to India would in this respect leave unchanged the conditions under which the Boards would have to work. Unless the existing system of Government control is to be abandoned, Boards in India would be subject to precisely the same limitations and disabilities as Boards in England.

The main conditions laid down in the Companies' Contracts with the Secretary of State, which would have to be observed as much by Indian Boards as by London Boards, are:—

(1) That no Indian railway company may raise independently any of the capital that is required for developing its undertaking and providing additional public facilities.

(2) That such capital as the company raises from time to time under the direction of the Secretary of State for India, is not hypothecated for use at its own discretion, but after having been paid in to the Secretary of State, is incorporated into the " Ways and Means " of the Government of India, for financing the annual railway programme of capital expenditure on all railways, State and company-worked alike, and as the provision in that programme is necessarily limited by the amount of the " Ways and Means," it never happens that the capital requirements of each and every railway are fully or even adequately met.

(3) That, except within small limits, no Indian railway company may incur expenditure on account of capital, without the previous sanction of the Government of India to detailed estimates for the proposed work.

(4) That the Government of India exercises complete control over working expenses, sanctioning detailed " working estimates " for each year, which may not be exceeded without further sanction. All funds required to meet working expenses have to be drawn from the Government Treasuries into which are paid all station earnings and miscellaneous receipts as soon as possible after collection.

(5) That an Indian railway company is limited in the same way as a State-worked line, in regard to the maxima and minima rates which it may charge to the public. The sanction of Government must be obtained to any reductions in rates below the official minima before such reduced rates can be charged to the public.

These broad restrictions limit the scope of the development of a railway by the enterprise of its board of directors, whether the latter is located in London or in India.

Every Indian railway company always has, ready prepared, a larger number of schemes of improvement and development than the funds placed at its disposal annually by the Government of India enables it to finance, and all that can be done each year is to take up as much work as the

funds allotted by the Government of India permit, precedence being given to such works and extensions as are considered to be most beneficial to the public or most necessary for the effectual working of the line.

To ensure a proper consideration of each project, great attention is given by the board of the company to the careful weighing of the object of each scheme put forward and of its cost, and also of the precise time when it would be possible to arrange for the work to be commenced out of the yearly capital grant given in the programme. This careful consideration of all capital expenditure is a principal concern of the boards of Indian railways, and to their care and judgment in the past is largely due the present sound position of the Indian railway companies. The same care and practical judgment would require to be exercised by the board of an Indian railway company located in India, and this could be efficiently done only if the experience of the Indian directorate was in all respects equal to that of the directors in London.

The work next in importance which is undertaken by the London boards is the control of revenue expenditure, as on this largely depends the successful financial working of the railway, in which the Government of India (and, incidentally, the taxpayers of India) is very largely interested financially. The shareholders' interest and the taxpayers' interest in the revenue account are identical, as an increased return earned by an Indian railway on its capital means a corresponding increase in the revenues of India, and consequently a similar decrease in the amount required to be raised by taxation. The benefit accruing to the Government of India after deduction of interest on capital, certain annuity and sinking fund payments and other miscellaneous charges, amounted in 1917-18 to nearly £10,000,000.

To control revenue expenditure the boards have carefully to consider the detailed estimates of such expenditure for each year as submitted by their agent. The consideration of these estimates opens up very large problems of railway policy which frequently have been maturing for some time previously, and in which a complement of capital expenditure is also involved. For instance, after careful consideration the conclusion may have been come to that the growing volume of traffic justified the introduction of heavier locomotives and larger wagons in order to obtain an increase in the carrying capacity of the line. The scheme for putting this conclusion into effect would involve not merely the provision of the heavier rolling stock, but also the strengthening of permanent way and bridges, the extension of platforms, and possibly also the remodelling of certain stations, all of which matters demand the most careful consideration at the hands of the board, not only from the point of view of policy and technique, but also from that of finance. The cost of carrying out the scheme is required, under the terms of the companies' contracts, to be borne partly by capital and partly by revenue, and consequently it has to be limited by the ability of revenue to bear its share of the actual cost and also to earn the annual interest accruing on the capital share. Again, modifications have frequently to be made in the number and pay and other conditions of service of the staff, and the boards have to be satisfied that these modifications are necessary and justified before provisions can be made for them in the annual revenue working estimates.

Further, as the revenue estimates do not come into operation until they are brought into agreement as to their totals with the figures for earnings and expenses accepted by the Government of India in the Budget, it is incumbent on the boards to ensure that the estimates are framed in India, and subsequently submitted to Government, provide for all increases in gross earnings which can reasonably be expected to accrue during the year, and that the provision for working expenses is such as the Government of India will accept in order to secure the net earnings as estimated by them for Budget purposes. As the provision in the Budget for working expenses is usually assessed by Government at a percentage of the gross earnings, it follows that financial limitations are thus automatically placed on the carrying out of improvements in working which the boards may be desirous of carrying out, but which in this manner may have to be restricted.

After the revenue estimates have been sanctioned and put into operation, a careful watch has constantly to be maintained by the boards on the progress of both earnings and working expenses, in order that they may take such action through their agents as may be necessary to ensure a proportionate reduction in the rate of working expenses if the estimate of gross earnings is not being realised.

Another very important matter which the boards have to consider is that of the policy of the railway. Each railway must frame a policy of its own to further the large trade interests which have already been developed by its system and to encourage new industries. The large policy governing the construction of branches and extensions to serve the area through which the railway passes requires prolonged and careful thought. The board of every railway has on hand a large number of schemes for branches and extensions, many of which it would be advantageous to the trade of the country to put into operation. Its enterprise, however, is limited by the capital which the Government of India is able to provide, and one of the most important questions which the boards have to consider is the relative advantage of each scheme so that each may take its proper place of precedence in the construction programme. In such matters London boards have been able to do most useful work for India by pressing on the Secretary of State the necessity for a larger provision of funds to accelerate the construction of such extensions which otherwise might have been considerably delayed.

Other questions of policy are: The steps that should be taken by the administration in India to improve the conditions of passenger traffic within the financial restrictions which have to be observed; the welfare of the staff of the railway; the general attitude of the staff towards the public; and the help to be given in the development of a new industry. These and cognate matters are constantly engaging the attention of the boards, whose advice and direction are required by their agents, as questions often arise in which an agent, while recognising that from the public point of view a course of action would be very desirable, appreciates that this would involve financial liabilities and might possibly create difficulties in other directions.

Having, with a thorough knowledge of the needs and conditions of the situation, decided on the line of action best adapted to increase the utility of the railways which they direct, and laid their plans accordingly, the boards have to create and regulate an organisation for putting it into effect. The personnel in every department must be selected with care and handled with tact and

judgment, so that the united action of all departments in forwarding the interests of the railway and of the public which it serves may be assured. In each department questions continually arise calling for the guidance of experience and often of high technical skill, and the agents, of whom, necessarily, very few have been trained in the work of more than one department, are confident in the knowledge that this guidance will always be forthcoming from their boards; and further, that, in addition to the technical ability and varied railway experience provided by their directors, there are always obtainable the support and assistance in all important technical questions of eminent London consulting engineers, with whom the directors are in close and personal communication. Reference to London consulting engineers will always be necessary wherever the boards are located, and full advantage can be secured only by close and personal communication.

Amongst others of the numerous matters which boards have to deal with are general questions referred to them by the Government of India for an expression of their opinion, and on which the varied experience of the directors of Home boards enables them to give very useful advice. Further, there is a great deal of business which can only be handled satisfactorily in London in connection with the ordering, inspection and shipping of stores, and in addition to the work to which detailed reference has been made above, there is a diversity of matters which fall to the boards to deal with, and of which the following are mentioned as examples:—

Increases in establishments in different departments.
Sanction to estimates.
Staff Questions, Pay and Allowances, Provident Fund, Leave Rules, Medical Supervision, etc.
Proposals for Surveys.
Design of Rolling-stock.
Improvement of Rolling-stock.
Stores, including Contracts for Freight and Insurance.
New proposals for Housing of Staff.
Acquisition of Railway Collieries.
Introductions of new Systems for Traffic Working.
Facilities for large undertakings (*e.g.*, the Tata Steel Company).
Questions of Supply of Capital.
Development of Railway Schools, technical and otherwise, both for Indian and European children.
Additional Traffic facilities.
Distribution of Interest to Stock and Shareholders.
Supervision of all Transfers of Stock and Shares.
Settlement with Government of Subsidiary Contracts for New Lines and of alterations and revisions of existing Contracts.
Preparation of Accounts and Reports for the Shareholders' General Meeting.

Question No. 4.—The existing system of giving working companies a share of the net earnings is a suitable and sufficient method of giving them an interest in the undertaking. It must be clearly appreciated that the interest of the shareholders is also the interest of the Government of India, who are so largely concerned in every Indian railway company. It is undoubtedly a great incentive to economical and efficient working to have shareholders in the working company, as the directors are open to very serious criticism by their shareholders if their railway is badly managed.

Question No. 5.—I do not think that the Directors are out of touch with Indian conditions. Take for instance the Bengal-Nagpur Railway of which I am Managing Director. I retired from the Railway Board in 1914 and since that date I have made three visits to India and kept myself well advised of changing conditions. Other railways have done the same. Furthermore, all the Boards of all the Indian railway companies meet regularly in Conference in London every month and discuss all matters on which a common action is desirable, and consider all new developments that are occurring in India. Agents of the companies, Traffic Managers and other heads of Departments who may be on leave in England also attend these meetings and acquaint the Boards with the existing conditions in India at the time they came home on leave.

I do not think the location of the Board in London causes any delay, and I say this from my experience as an Agent of a railway company in India, as Government Director at the India Office, and as Managing Director of the Bengal-Nagpur Railway. References from the Agent if by letter are dealt with at the Board meeting next after the receipt of the letter, and references by cable are dealt with by return cable, either on the authority of the Managing Director or, if the matter is very important, by an informal meeting of the Directors. The real cause of delay in settling railway matters of importance in India is due to two reasons; the first is, want of funds to deal with the proposition; the second is, the system under which the Government of India work, namely, that before coming to any decision, it refers the question to every Government, person or commercial body who, it may think, may have any interest in the decision. This system is a most fruitful source of delay. Local Governments very often complain of delays unreasonably.

The fact is that the system of the administration of the Government of India, which obliges reference to be made to every department and official and to any association or person interested, however slightly, in the matter, afflicts Local Governments in the same way as it does the Boards of Indian Railways, both having to work not only to a rigid system of administration, but also to strict limitations of their powers to deal finally with questions before them.

Emphasis is again laid on the axiomatic fact that the mere transference of the Boards of Indian Railway Companies to India could not, in any way, remove the conditions under which the management of Indian Railways must continue to work, as before these conditions could be changed, a complete revolution would have to be made in the system of control of finance and responsibility which is exercised by the Government of India in railway affairs. Indian Railway Companies suffer from the great disadvantage that Local Governments frequently act as if under the impression that the Boards of Indian Railway Companies have an absolutely free hand to spend as much as they like, to do as they like, and are in no way responsible to the Government of India for limiting their policy within any financial restrictions. They are frequently referred to as rich railway companies, actuated solely by a desire to do only such things as may lead to their own profit, without comprehension of the fact that the Government of India are immensely

interested in the results of the working of every company line in India. It is doubtful whether Local Governments study the terms and conditions of a contract between the Secretary of State and an Indian Railway Company, and, if they do, whether they appreciate the power of control which that contract exercises over expenditure and the limits placed on companies which prevent them from carrying out every desire that a Local Government may express.

While on this subject it may be pointed out that the expression of a wish by a Local Government does not in the least mean that action can be taken by the railway at once, even though the latter may warmly support the wish. A Local Government very often has generous views as to what a railway should do, when this does not throw any financial burden on itself, and is unmindful of the fact that the burden falls principally on the Imperial Government, whose financial interests in the Company's working are so large. This is where the trouble comes in as, before a railway can act, it has not merely to convince itself, but also to persuade the Government of India that the proposition is a sound one financially. When this is not possible, the Local Government, for want of a correct appreciation of the conditions under which a railway has to work, unjustly comes to the conclusion that the policy of the railway is conservative and that its method of business is slow. It is submitted that the Boards of Indian Railways are no more open to this charge than are the Boards of other Indian undertakings which are successfully managed in this country. What is really at fault, if there be a fault, is the system under which the Indian Railway Companies are compelled to work. The remedy lies in some modification of the system and not in the transfer of the direction to India, which would not touch the real cause of the difficulty.

Question No. 6.—I regret I cannot make any suggestion how the Board of a Railway Company domiciled in India could be constituted in a manner to ensure the creation of a useful body of Directors which would be acceptable to the many varied and often antagonistic interests they would have to deal with.

Question No. 7.—I think there would be a lack of continuity in a Board domiciled in India. I do not think that continuity would be secured by a permanent Chairman nominated by Government; skilled in Railway work. Such a gentleman to be capable of performing the functions of a capable Board would have to be a man of very large Railway experience of India. By that time he would probably have had enough of the Indian climate and he certainly could not be expected to be able to handle the work with much vigour. Moreover there would seem to be no room for both such a Chairman and the Agent of the Company and he also would not have at his command the varied experience which can now be found on the London Board.

Question No. 8.—I feel obliged to say that I am afraid that Directors of all nationality, interested in business connected with the railway of which they were Directors would unconsciously be biassed in their considerations of Railway policy by their own interests.

Question No. 9.—I take it that this question refers to the proposal made in India Office letter dated 17th November, 1920, No. Public Works 4951/20.

In connection with this question as it might be of interest I attach a copy of a note on this proposal made by one of our Directors, Mr. George Anderson, which I received last mail from London.

"The aim of these suggestions is presumably to supplement the inadequate 'Railway Programme' by securing Indian capital for the better development of the railway system of the country. The somewhat clumsy machinery of 'Indian Companies' which is suggested would not seem to assist in this aim, and it is open to some grave objections

"The special function of the affiliated Indian Companies of Indian domicile is—

(*a*) To examine new projects for the extensions and improvement of the main line system.
(*b*) To devise means for financing these new projects and improvements.

"The agent of a company is in close touch with the needs and conditions of the districts served by his railway system. Through his traffic officers, and the constant contact they and he himself maintain with traders and the public, he is in a unique position of analysing the variety of representations which reach him for extensions and improved facilities, and for reducing them to practical proposals which shall best serve the common interests of the public and the railway company. If his freedom of judgment and discrimination were to be curtailed by the claims of a local Board to representation, the resulting proposals would be likely to take the direction of the wishes of the more influential, or the more insistent members of the Board. The London Board would no longer have confidence that the proposals put before them were not for sectional rather than the general advantage. The essential attitude for a company's agent is one of absolute aloofness from local influences; if he has to abandon that position and become the chairman (or even a member) of a local Board, his allegiance is divided; his usefulness as an independent unprejudiced arbiter in a field of conflicting interests and possible rivalries is destroyed.

"If in spite of these drawbacks, a local Board (or Indian Company) were to give promise of attracting considerable capital for the development of the railway system it would be worth while to persevere with the suggestion, and endeavour so to modify the functions of the local Board as to reduce the disadvantages to a minimum, but such a Board would seem to offer little or no assistance in the direction of finance; the attraction of Indian capital to railway development is dependent upon factors entirely beyond any influence that such a Board could exert. Legislation as regards Income-tax, and the improvement of terms for the construction and working of branch lines are the essential factors preliminary to any arrangement in detail. If by legislation, Indian investors are exempted from English Income-tax, and if at the same time the branch line terms are made equally attractive with the best managed industrials, offering reliable security, the attraction of such Indian capital as may be available will follow automatically without assistance from 'Indian Companies' or local Boards.

"But supposing these essential factors to have been satisfactorily composed, even then too much must not be expected. Indian capital may be forthcoming for some new projects, but not for more than a small proportion of the whole requirements of the country. Investors will naturally prefer the more promising projects, and in many instances it might be more profitable for the main line to make these as integral parts of its system. The projects required for opening up the country are those of the first importance, and are necessarily such as, for the most part, must take time to mature into dividend-earning propositions, and the terms necessary for attracting private enterprise to such projects would have to be so liberal, possibly to the extent of some subordination of the interests of the main line that it would seem preferable that Government should as a rule undertake such branches.

"As for attracting Indian capital for improvements to main line systems, this would seem to be unlikely owing to the lack of possiblities for main line dividends rising to the standard of the best industrials." (G.A.A.)

Question No. 10.—The Railway Board, since it was first constituted, has worked under three different conditions. From 1905 to 1908 it was subordinate to the Commerce and Industry Department. This arrangement proved very unsatisfactory, limiting as it did the powers of the Railway Board and leaving the final decision on important railway matters in the hands of the Department which had no knowledge of them. This was recognised. In 1908 the Railway Board was freed from the control of the Secretariat of the Commerce and Industry Department; the President

of the Railway Board dealing direct with the Honourable Member of the Department who represented them on the Viceroy's Council. From 1908 to 1914 the President of the Railway Board had the power of final decision on all questions when the Member of the Board had different views. This enabled the Railway Board to deal with railway matters expeditiously. In 1914, when I retired, the President's powers were curtailed and he was not allowed to have a final decision; but had to carry his colleagues with him or submit his proposals to Government, with each member of the Board expressing their own opinion. This change was brought about by the Finance Department, mainly I think because the Railway Board with the President having power to submit the opinion of the Railway Board in a note without dissent placed them in a stronger position to deal with the Finance Department than if, as is the case at present, a proposal came up from the Railway Board with three different views on it. The Railway work of the Government of India is always developing and increasing, in fact, compared with the other Departments of the Government of India it is the one Department in which the work is always growing and new developments occurring. A system of control of railways in India is essential; but as at present constituted and working, the functions, status, and constitution of the Railway Board require a complete reform.

Question No. 11.—It is absolutely essential that the Government of India should have a Department to deal with its railway business. So far, no such Department exists, the Railway Board is nominally responsible for the whole of the railway policy of the Government of India, but actually it has not a free hand. Its recommendations are liable to modification by the Member for Commerce and Industry and by the Finance Department, and it has no means of direct representation on the Viceroy's Council, the ultimate Court of Appeal when Departments differ. To enable the railway work of the Government of India to be properly done it should be constituted a Department of the Government of India freed from any control over its work by any other Department of the Government of India including the Finance Department. At its head should be a Minister, a Member of the Viceroy's Council. Under this Minister there should be a Board dealing primarily with all the railway business of Government and working under the direction of the Minister, whose decision in all cases should be final. The Minister would be directly responsible to the Governor-General in Council for the proper and efficient working of his Department. The great obstacle to a progressive railway policy in India is the Finance Department, as, from its constitution and traditions, it approaches all questions referred to it from the point of view of objecting to all expenditure, and does not take a wide view of the commercial possibilities of railways both as direct earners of income, as well as producers of a large revenue to Government by the indirect services the construction of railways does for the country. For these reasons the Railway Department should be given complete control over railway finance both as regards raising capital and expending it, as well as revenue expenditure receipts, and should be held responsible to the Governor-General in Council for the financial results of their policy. This proposition is antagonistic to the whole of the principles which govern the system under which the Government of India administers. But it is the only policy to adopt when, as is the case, the Government of India embark on the highly commercial business of being the great shareholders in the railway systems of India. The proposition, I venture to think, is a reasonable one. I am not aware of any particular qualifications held by the Finance Department which would justify the claim that that Department was the only one in India capable of dealing with commercial questions. It would undoubtedly claim that in its present relationship to railway expenditure it is able to prevent waste and to ensure economical working. I venture to think that this view could not be substantiated. It has no knowledge of railway working, it can only deal with railway facts and figures placed before it, and has no practical knowledge or experience which would be any guide in dealing with railway matters from the financial side. On the other hand, a competent Minister for Railways entirely answerable for the working of his Department, could be held responsible for its results; a liability, by the way, the Finance Department are entirely free from, although their action in connection with railway work may very much prejudice successful working. The Finance Department cannot treat railway matters from a business point of view. It has no practical knowledge of commercial business and the actual working of railways, and no experience of the many methods of finance under which capital can be raised for business purposes. As long as railway finance and the rest of the finance of the Government of India are all dealt with in one Budget, the railway demand can only be looked upon by the Finance Department as one of the many claims such as are made by the remaining Departments of Government, practically the whole of which are non-revenue producers, but whose demands have to be satisfied.

Working directly under the Minister would be the Railway Board responsible for the control of the railways of India in every matter except those which had been delegated to the railway administrations to finally deal with. This Board should consist of three or probably four members, two of which should be railway men, one a commercial man and, recognising that Indians should be represented, I think the fourth member should be an Indian, and I think his presence on the Board would be very valuable as would enable the Indian side of all questions to be considered. The Board, as its staff, would require competent heads to deal with the different classes of work which will come before the Board; their duties being to carry out such investigations and make such independent reports and enquiries as the Board might require to enable them to give their decision. I also think that it would be advisable to create what I may term a Parliamentary Railway Committee from the Members of the Imperial Legislative Assembly, the Committee to be representative of the different provinces of India, and of Industry and Commerce. This Committee would act as an Advisory Committee to the Railway Minister. One of their particular duties would be to advise on railway extensions and place projects in order of precedence as funds became available.

Question No. 12.—Working under the disadvantage of a Board, each member of which has the right to express an opinion on any question, I am doubtful if the Board as now constituted has exercised its functions satisfactorily. With a President unable to overrule his colleagues, decisions have been very much delayed, and when arrived at are the result of a compromise and not a well directed policy. I think the powers delegated to railway administration might be very much enlarged, and that many matters have now to be referred to the Railway Board the dealing with which could be left to the railway administration. A typical case is a railway earning a great deal more than was budgeted for and requiring additional staff. Before it can engage them the sanction of the Railway Board is required, who in turn must get this sanctioned from the Finance Department. There are also very low limits of salary beyond which a railway administration may not engage an employee without the sanction of the Railway Board.

Question No. 13.—I think the Railway Board have very great powers of control over railway administrations under their contracts, if it chooses to exercise these powers. Moreover, I feel confident that nowadays the Railway Board can order a railway company to carry out any order they wish to enforce and the railway company will carry out their order.

Question No. 14.—I think the powers of control might in some cases have been more freely exercised.

Question No. 15.—I have replied to this question when dealing with question No. 11

Question No. 16.—I have replied to this question when dealing with question No. 11

Question No. 17.—The supply of funds for railway purposes has hitherto been quite inadequate —(*a*) for new construction and (*c*) the improvement of existing railways. For (*b*) maintenance, I think the supply has been sufficient.

Question No. 18.—The policy referred to was, I think, forced on the Railway Board owing to the great development of the trade of India during the last 10 years. With goods demanding to be carried and with passenger traffic heavily increasing, the first claim on the funds available was obviously for the purpose of enabling the existing railways to carry the traffic offering and which they were unable to do. The application of funds to railway extension would have created more traffic for the railways to carry and would undoubtedly have increased the congestion on the lines.

Question No. 19.—For the next few years there is no limit to the amount which could be spent on railways to every advantage. The amount, therefore, that could be provided annually should be the amount of capital that can be raised, and it certainly should not be less than 25 millions a year.

Question No. 20.—Capital should be raised both in India and the United Kingdom.

Question No. 21.—The existing arrangements for supplementing, by means of the branch line terms, the Government of India's resources for railway construction are inadequate. The present branch line terms are of no practical use and the rate of guarantee interest and rebate must be largely increased before there is any hope of raising further branch line capital.

Question No. 22.—Every means for raising capital should be adopted, and if capital is to be raised all financial precedents of the past must be abandoned and such return to the investor must be assured as will induce him to subscribe capital for Indian railways. At the present time Indian railway shares are out of favour both in England and in India. In England I think this is due to the political unrest in India which will steady down in time, when the shares of Indian railway companies will return again to their former value and to the high reputation which they formerly held. In India all the branch line companies were formed on terms which at the present time are very largely below the rates of interest which now have to be paid for money. The result is that practically the whole of the branch line railway shares are standing at a considerable discount. The outlook for raising a large amount of capital for Indian railways at the present time is not very favourable. Undoubtedly capital could be raised, by the issue of preference shares and debentures in England, but the rate of interest would have to be very high and a high commission would have to be paid for underwriting.

I do not think that much money would be raised by a Government railway loan. In England, certainly, at the present time Government loans are not popular, all the War loans are standing at a considerable discount and they are so large as to leave not much room for any further loans. In India I am very doubtful also about being able to raise capital for a railway loan. The Indian public find the old 3½ per cent. Government loan standing to-day at about half the value it was before the War, and I doubt if Government loans are any more popular in India than they are in England. The present abnormal condition will, of course, no doubt disappear in time; but how long that will be it is impossible to say, and may very likely last some years. There are therefore two cases to be considered, namely, how to secure capital during the next five or six years or so, and how to secure it when after that time money market conditions have improved. The latter case might, I think, be left to be dealt with when the time comes. For immediate requirements, I think capital could be raised in London on short term bonds which can always be renewed when they fall due on terms then suitable to the market, provided a rate of interest is given which satisfies the market of the time of issue, and if a sufficient underwriting commission is paid to financial houses who will undertake the issue. With regard to India, I think capital could be raised provided it offered the possibility of a big return, which is essential to attract the Indian investor. The type of issue which I think would draw a very large amount of capital in India would be premium bonds. The issue of premium bonds should not be made by the Government but by the individual railways. The conditions, of course, of each issue being subject to the approval of the Railway Minister. I think the public served by an individual railway would be ready to invest in the premium bonds of the railway with which they were familiar. Every station-master could be made an agent for the sale of these bonds, and the results of the drawings could be advertised by the same agency to every one living in the vicinity of a railway. I feel sure that what I would term the old orthodox methods of raising capital for Indian railways in the past, are totally inadequate to the present, and that all precedents of the past must be set aside and methods adopted to meet new conditions. Faced as India is with industry and trade growing and railways unable to transport even existing traffic, money to increase the carrying capacity of railways must either be raised by methods somewhat as I have suggested, or a public announcement should be made that there were no funds available to improve railway carrying capacity and to make extensions for a certain number of years and then traders would know where they were, and would be enabled to curtail their operations within the capacity of railways to deal with them. It will be very unfortunate for the country if this policy had to be adopted.

Question No. 23.—There is one method of supplementing the provision of funds to railway purposes. In my answer to question No. 14, I advocated that the Railway Department under its own Minister should be responsible for raising and spending all the capital required for Indian Railways as well as regulating revenue expenditure. Under this arrangement I would advocate that the railway surpluses which now form part of the receipts of the Imperial Budget should be handed over to the Railway Minister to deal with. If this were done, a very considerable sum would be available every year for the improvement of and extensions of Indian railways. This proposition has been advocated many times before in the past, but the opponents to it, the late Sir L. Abrahams and the Finance Department of the Government of India, have always been able to block it. It is quite a reasonable proposition, the Finance Department of India not only obtains a large contribution in cash from the railways to help its budget; but at the same time its receipts are largely increased by the indirect results of constructing railways in India. For instance, the construction of a new railway increases the sale of salt which brings in revenue to the Imperial Budget. It increases imports on which the Customs revenue benefit, it increases the land revenue. As an instance of this, when the Bengal-Nagpur Railway began constructing its system from Nagpur to Asansol the land settlement in the Sambalpur district was being revised by Sir Bampfylde Fuller. Up to the time before the construction of the railway was taken in hand, Sambalpur was a land locked area, and rice and other grain could be had for the asking as there was no means of export. Knowing the railway was being made, Sir Bampfylde Fuller told me that he felt justified in raising the land assessment very considerably which he did to the extent in some cases of 300 per cent. The position is therefore this, while everyone except the Finance Department is struggling and using their best endeavours to find capital for the construction of railways in India and improving the existing lines to carry more traffic, from which the Finance Department both directly and indirectly benefit, the Department which secures most benefit gives no assistance. Of the two Departments, the Railway and the Finance, the latter is in a far better position to raise money than the former. The Finance Department can order people to pay taxes, the Railway Department I propose, would have to induce the investor to part with his money on such terms as he can be persuaded to accept. Both Departments, it seems to me, must share in the burden of providing more capital for railways, and these can be done by the railways being put in possession of all the surplus profits earned, which would be a useful addition to such capital as they might persuade the public to subscribe for. The Finance Department would then have to bring their methods of taxation up to date, so as to replace the amount the Imperial Budget would lose from the railway contribution. With postage in India at ½ an anna against 2*d.* in England, tobacco half the price and whisky about the same, it would seem as if the Finance Department should be able to open out fresh sources of taxation without much difficulty.

Question No. 25.—It seems quite clear that if a large sum of money be raised in India for railway work it must effect the success of the ordinary Government borrowing.

Question No. 26.—The answer to (*a*) is "yes." The answer to (*b*) is that railway rates will certainly have to be raised. It would be better I think to have a percentage rise instead of increasing the maximum of each class. I estimate at least 25 per cent. rise is necessary.

Question No. 27.—The results are I think satisfactory to the State and the Public. I estimate the indirect advantage to Government attributable to railways to be at least equal to and probably very much more than the actual clear profit they get from railway working.

Question No. 28.—The whole Railway Budget system with its annual lapses is most expensive. It is no use giving a railway a large sum one year and cutting it down very much in the following year, especially, as is always the case, there are many works which require two or three years or more to complete. With a large allotment in one year but the uncertainty of what will be the allotment in the following year, an engineer has to be very careful as to the scale on which he should base his operations for the year in which he knows he has ample funds. If he were assured that ample funds would be available for him to carry the work through without delay from start to finish, he could make his plans accordingly. If he speculates on getting ample funds in the following year and is disappointed he will very likely get into trouble with his contractors. As a rule, he plays a cautious game with the result that there are lapses at the end of the year, and the work takes a longer time to complete and capital is delayed in giving a return on its expenditure.

Question No. 29.—It is difficult to answer this question. When a contract has been let in England for rolling-stock, plant, stores, etc., the money has to be paid whether there is a Budget allotment or not, as the contractor has a legal right to get his money.

Question No. 30.—The answer is "yes." It would be impossible for Government to attempt to deal with the question of rates and fares. This principle was laid down by the Government of India in the very early days of railway and has been consistently adhered to.

Question No. 31.—I consider that, on the whole, railway administration have dealt fairly with the public in the matter of rates and fares. When I was on the Railway Board the references from the public on this point were extremely seldom and such as were made were sent to the railway concerned to deal with.

Question No. 32.—I have never heard of any desire in the case of a dispute between railway administration and traders to take advantage of Indian Railways Act, Chapter V. Railway administration in India are more accessible than in England and traders have no difficulty in bringing their difficulties before the heads.

Question No. 33.—The carrying capacity of Indian Railways is not adequate to the requirements and needs of the various industries served by them. The blame for this cannot be placed on the railway administrations. Every railway administration, both State and Company-worked, is ready to spend money both on improving their capacity and in making extensions. The whole question is one of finance over which the railway administrations have no control whatever. All that is required is money to carry out the improvements every railway knows it ought to make and the remedy is more capital. It has not been forthcoming in the past, because the Finance Department has never risen to a bold railway policy or appreciated the necessity for it.

STATEMENT No. 16.

C. D. M. HINDLEY, Esq., Agent, East Indian Railway Company.—REPLIES TO THE QUESTIONNAIRE

See oral evidence, paragraphs 4123/4167, 4183/4197, 4297/4342.

Question No. 1.—I am of opinion that railways owned by the State should be managed by companies on a profit-sharing basis, although it may be advantageous for certain reasons to retain in the hands of Government the direct management of a few of the railway systems.

My experience of railway working has been entirely on the East Indian Railway, which I joined as a probationary assistant engineer in 1897. I served in the Engineering Department until the end of the year 1914, with the exception of about a year and a half in 1906-1907, when I filled a secretarial post in the Agent's office. Since 1914 I have been closely connected with the management as Secretary, and later as Deputy Agent. I was appointed Agent in January, 1920.

During my service I have had much opportunity of observing the working of other railways, both State-managed and Company-managed, because the East Indian Railway has junctions with systems of both varieties. The experience I have had since coming to headquarters and the broader outlook which it is now possible to take of railway problems, confirms me in the view that, both in efficient and economical working and in the quality of service rendered to the public, a Company-managed railway can generally show a better record than a State-managed railway.

Speaking broadly, a Government department cannot efficiently manage a commercial business such as a railway should be. The truth of this statement does not need fresh demonstration in view of the results obtained in almost every case during the late war, when Government was forced to assume the direction of commercial business. A financial stake in the prosperity and success of a railway is the best possible stimulus to efficient management, and provides a guarantee that the policy followed will be in the best interests of the future development of the property.

And here I would lay stress on the fact that the appeal to the commercial instincts of the working agency which is made by a share in the earnings is more likely to tend in the direction of *development* as opposed to *exploitation* when that share is sufficient to give adequate remuneration, and when the contract is arranged to cover a period of time sufficiently long to allow the effects of any policy adopted to be seen and felt. Continuity in management is one of the essentials to success of the contract, both as it affects the owner and the lessee.

In other words, you must give your working agency an adequate financial stake in the concern and let them work the concern long enough for the effects of their policy to show themselves, so that the company may not only reap the fruit of their successes, but have to pay for their mistakes. The latter condition is perhaps the best deterrent to the adoption of unsound policy, and in the long run the best protection for the users of the railway as well as the owner.

To turn to details of working, the incentive to work the railway as a paying concern and to secure the best possible value for the money which is spent on working and maintenance is undoubtedly an important factor in the work of the agent and the senior officers, and is in a large measure communicated throughout the whole of the controlling staff to the workers themselves. Continuity of management and the fact that both officers and men put in the whole of their service on one railway produces traditional loyalty to the organisation as a whole, and a species of *esprit de corps* is thus established which is a valuable accompaniment to the efforts of the controlling officers to secure efficiency and economy in working. On a State railway, although the incentive may be present in the case of the agent and senior officers who have a clear idea of their duty to Government, it has not the same force, and in my experience does not extend very far down in the service, where work is largely regulated by codes, regulations and safeguards to such an extent that the district officers and their subordinates carry out their work in a mechanical way without any great interest and a very strong desire to avoid infringement of rules.

The fact that the Agent himself in a State-managed railway is but one of the many cogs in the machine, and can shift responsibility either upwards to the Railway Board or downwards to his heads of departments so long as he keeps within his "powers" as defined by the code, to my mind, has its effect throughout the administration from the top to the bottom. On the other hand, the agent of a company-managed railway is given a larger measure of personal responsibility for the successful, economical and efficient management of the whole railway, and the weight of this responsibility tends to make his administration vigorous and resourceful.

One of the strongest arguments against any large extension of State-management in India is to be found in the fact that in practically every democratic country where Government has taken charge of the railways it has been found that it is impossible to keep free from political interference in the details of railway management. With the spread of democratic institutions in India which is now assured in the early future, it is desirable that this aspect of the matter should not be lost sight of.

Question No. 2.—Any modification in the present contractual relations between the companies and the Government should be in the direction of giving the companies larger and fuller powers to increase their capital, the money raised being used for the development of the railway worked by the company, raising the capital, and the share in the earnings being proportionate to the additional capital raised. The tenure of the contract should in all cases be sufficient to ensure continuity of policy.

Question No. 3.—If the management is to be entrusted to a company having a definite financial stake in the prosperity of the railway, there are many advantages in having the board located in London. In the first place, men with the necessary qualifications, Indian experience, whether railway or commercial, and sufficient leisure can be more easily found in London than in India. Secondly, a Board in London is more likely to inspire the confidence of the investing public than a board in India, and for many years to come it will be of great importance to retain the means of borrowing in London which such a board would afford. The advantage to the management in India of having access to the experience and accumulated knowledge of previous railway administrators and men of business who have passed many years in India dealing with somewhat similar problems to those which have now to be handled, is very great, and such assistance cannot be derived from a board appointed in India owing to the fact that climatic conditions prevent retirement in India.

The close connection which can be kept through the board of directors in London with modern developments in railway working and policy in Great Britain and elsewhere is also of considerable value.

Question No. 4.—The present system as applied to many of the contracts at present in force is, I believe, suitable, and provides the necessary interest in the undertaking. In future contracts I consider that an improvement could be effected by giving an increasing share of the earnings proportionate to the increased capital raised by the company.

If the question is directed to the present East Indian railway contract. I have no hesitation in saying that in two important respects the bargain is a bad one on both sides. In the first place, as I have already pointed out, the period of five years is insufficient to give the company any opportunity of framing or carrying out a definite line of policy which would effect the prosperity of the railway as a whole. Secondly, the share of the profits is so small as to cease to have its effect as an incentive to economy and efficiency. When it is realised, that to afford the deferred annuitants an extra shilling per cent. per annum I must either effect economies or increase earnings by 40 lakhs in the year it will be understood that the connection between the interests of the company and satisfactory working are somewhat obscured. From the point of view of the Government, as the owner of the concern, it would seem that the fact that a loss of net earnings of Rs. 40 lakhs in a year through bad management would only affect the remuneration of the company by a reduction of one shilling per cent. in their dividends should be of some significance.

I may add that in the accounts just closed for the first half-year of the new contract the company's share of the surplus profits, after paying Indian income tax, amounted to a trifle over Rs. 3½ lakhs for the half-year, which sum has to be added to the guaranteed return of 4 per cent. The gross earnings in the same period were Rs. 729 lakhs and the working expenses, which may be taken as a measure of the work done and responsibility carried by the management amounted to Rs. 382 lakhs or say £6,370,000 per annum.

Question No. 5.—The board of directors is generally more closely in touch with the details of the work of management and with the lines on which development has to take place than the railway board. This is the result of my experience both as an executive and administrative officer, and is also the opinion of my predecessors. There have been notable instances where proposals of importance originating from the agent have been dealt with much more expeditiously by the board of directors than by the railway board.

The reasons for this are briefly—(1) The personnel of the board is continuous and generally contains one or more members who have served for years in India on the railway. (2) There is, therefore, fairly complete knowledge of any proposal before it comes up in a concrete form and a decision can be readily and expeditiously taken. (3) The constant demi-official correspondence between the agent and the chairman enables proposals of importance to be explained in advance and generally keeps the board in touch with changing conditions. (4) On the other hand the members of the Railway Board have little personal knowledge of the particular problems of the railway (5) Owing to the wide area of railway activities over which they exercise their functions, they cannot keep in touch with the details of any one railway. (6) The board of directors is not confined in its methods of business to the somewhat rigid procedure which hampers the railway board as a Government department

Whether I have ascribed the correct reasons for this phenomenon or not, I can only say that I and my predecessors have felt that there is always likely to be more difficulty in getting proposals accepted by the railway board than by the board of directors. In saying this I do not wish to suggest that the railway board have anything but the keenest desire to assist the management in its difficulties by every means in their power. Their organisation and procedure are against them.

In regard to matters of detail I have found that my board of directors have always given me a wide discretion and the fact of their being at a distance has not hampered me in dealing either with matters of public convenience or administration of the staff.

Question No. 6.—I regard it of fundamental importance that the directors should include representatives of those who have subscribed the capital forming the basis of the profit division, so that the principle of financial responsibility for results may be preserved. A board composed of representatives of the various interests among the users of the railway only, such as would suggest itself by analogy with the Port Commissioners could not safely be entrusted with the management of a railway. It is also extremely desirable to avoid direct political influence being brought to bear on the administration such as would result from directors being elected by political or semi-political bodies.

The continuance of the present system of audit by a Government officer, together with the presence of Government directors on the board would provide sufficient safeguard for the paramount interests of Government. Unless, however, the principle of management on commercial principles is to be abandoned, I regard it as extremely difficult to obtain the services of suitable directors in India with the time available for the work and with the experience of affairs which is necessary for the proper control of such an undertaking.

To form an efficient board for a railway, presumably, it is necessary to associate together railway experts, commercial men, financiers, and men with administrative experience. For the railway experts you must have men who know what railway work in India is and what the difficulties of the staff are. They must also understand railway finance and be in touch both with the public and the Government. It would be no use bringing out an English railway man of experience and expecting him to be an efficient member of the board of directors. He would spend several years in learning the ins and outs of the business and probably have to leave the country before he became of any use. The salary required to attract a really good man would be prohibitive. and the results of the experiment in this direction which was tried by the Railway Board are not likely to conduce to a repetition. The only possible candidates would, therefore, be men who have gained their experience in India and of sufficient seniority to be able to control the agent and heads of departments, many of whom have put in 30 years' service and are of ripe experience. In

fact, the present agents of the railways and the members of the Railway Board are the only people available, and they would consequently continue to perform their present functions under a new title with the assistance of a miscellaneous collection of commercial and financial men of standing. These directors would naturally be the most experienced men in their particular line of business, and it is well known that the heads of large business concerns in India have little time to spare for outside duties. They might attend a board meeting occasionally in the same way as many senior partners at present are public-spirited enough to attend meetings of the Port Commissioners or the Corporation, but they could take no active part in the details of administration, and their functions would be purely advisory. In fact, a board of directors located in India would resolve itself into the agent and a body of commercial and financial advisers.

Question No. 7.—The constant changes which must necessarily take place in any body composed of senior men in India, owing to the fact that leave to England is imperative at frequent intervals, make it impossible to secure the continuity required in administration. One has only to refer to the Calcutta Port Commissioners, a body formed of the class of men who would probably form the board of directors of a railway in India. Of the members who sat on this body in 1918, at present, I believe, only three out of 18 remain unchanged. Of these, one is the vice-chairman, one a Government official, and the third an Indian gentleman. The probability is that continuity on the board of directors would be primarily with the chairman (presumably a railway expert) and the Indian members. It is doubtful if the principle of continuity of policy would be sufficiently preserved by the appointment by Government of a chairman skilled in railway work unless it be conceded that the chairman is to shape the policy. It would not be necessary for all the members of the board to be skilled in railway work; in fact, the cost of such a board would be prohibitive.

Question No. 8.—I consider that one of the principal difficulties in selecting suitable boards of directors in India would be the fact that men otherwise suitable would be undesirable because of their direct connection with particular industries or areas. In my experience there have been cases where the railway administration would have been subjected to severe and improper pressure in regard to contracts if the head of the firm interested in the contract had been a director of the railway, as he might very well have been from his position. Apart from these cases, which are perhaps exceptional, it is not reasonable to exclude the possibility of undue influence being exerted by directors interested in particular industries or trades, however honest and upright the directors may be personally.

In regard to directors who may be interested in particular areas, it is difficult to see how a board sitting in Calcutta, and composed largely of men in business there, could be expected to safeguard the interests of an area such as that of Cawnpore, for example, in a case where the interests of the two areas conflicted. The East Indian Railway runs through five different provinces, and it is sometimes very difficult to reconcile the requirements of the different commercial, industrial and agricultural areas. The present management is able to hold the balance even by reason of its being detached from any particular area, but I am doubtful whether a board of Calcutta men, even with a few representatives from other areas, would be able to act with the same impartiality.

Question No. 9.—I cannot visualise any such a combination as would ensure efficient and satisfactory management. A railway is an enterprise where there must be strong central control capable of taking prompt and definite decisions and of carrying out a consistent policy. To relegate the affairs of such an undertaking to the conflicting ideas of two boards of control in place of the present board in London would be to provide an effective stop on all progress and add enormously to the difficulties of the administrative and executive officers. The ultimate control must be with one or other of the boards, and whichever is predominant the other must become advisory.

I am inclined to think that the natural desire for more direct connection with the management of Indian railways on the part of Indians generally can best be met by an extension of the principle of the consulting committee. It would be possible to make the composition somewhat more representative than at present and to enlarge the scope of their work. To enable other important centres of trade, industry or commerce to keep in closer touch with the management, it would be possible to have similar committees in other centres which could meet regularly under the chairmanship of the agent. These bodies might either be sub-committees of the main body or local members of that body who could periodically attend the meetings in Calcutta. I believe a satisfactory scheme could be worked out which would provide the necessary connection between the administration and the local interests in different areas.

Questions Nos. 10 *and* 11.—I am of opinion that the present system is unsatisfactory, owing to the centralisation which has gradually taken place in the general administration and to the burden of the multiplicity of functions which has fallen on the Railway Board.

The Railway Board at present exercises several distinct functions:—

(*a*) it is the board of management for three State-managed railways, the aggregate mileage of which is 11,270.

(*b*) it exercises the powers of the Governor General in Council under the Railway Act IX of 1890 in respect of all railways, in regard to matters of public safety and other legal obligations of railway administrations, including the regulation of rates and fares.

(*c*) it is the representative of Government in India as the owner of railways worked by companies under contract with the Secretary of State.

(*d*) it is the advisory body to the Government of India in regard to railway policy generally.

In my opinion these separate functions cannot be effectively and suitably exercised by a board constituted on the lines of the present Railway Board.

Although it was intended that the Board should have control of the whole of the railway business of Government and should be able to act as a semi-independent authority, in actual practice it has become almost purely a secretariat. The valuable experience and expert knowledge possessed by the members are not made the best use of, because they have to spend most of their time dealing with paper and the result has been practically to put the functions of a secretary to Government into commission. They are perforce entangled in a network of references to other departments on a very large variety of subjects and their previous experience as practical railwaymen is not such as to fit them for successful contest with those who have spent all their service in secretariat work.

I have had no actual experience of work in the Railway Board's office, and I can only speak from outside observation, but the combination of the functions of management of three large railway systems with the other functions referred to must result in an almost intolerable burden of work being thrown on the members of the Board, while the fact that they have to act jointly and that their decisions must be unanimous cannot but give rise to delays in dealing with business, the nature of which does not admit of delays.

I consider that the various functions referred to above should have separate branches of the Government railway Department to attend to them.

(*a*) The management of State-worked railways should be delegated to local boards of management at the headquarters of the three systems, which should be either controlling bodies or advisory bodies according as they are responsible for raising capital or not.

(*b*) The functions of Government under the Railway Act in regard to public safety, etc., should continue to be exercised by the Government inspectors under the Secretary to Government in the Railway Department.

Government control in regard to rates and fares should be entrusted to a statutory body representative of commercial and other interests in the different provinces, with Government nominees somewhat on the lines of the Interstate Commission in the United States.

(*c*) The relations of Government as owner with the management of Company-managed lines are already provided for by the Government Directors on the London Boards and by the Government Examiners of Accounts in India. The same system should be continued in the event of management being entrusted to a company domiciled in India, while there should also be Government representation on the managing boards recommended in the case of the three State Railways and on the advisory boards or consulting committees of Company-managed lines.

(*d*) The present functions of the Railway Board as advisers to Government on general railway policy should be entrusted to an advisory body or committee representing various interests which would assemble at Government Headquarters periodically to deal with programmes of work—the railway budget, new extensions and the work of railway development generally.

As the railway budget will be dealt with finally by the legislature, *i.e.*, the Legislative Assembly and the Council of State, it is possible that the body referred to could be satisfactorily constituted by making it a joint Select Committee of the two chambers for railway affairs.

The reconstructed railway department would then consist of a railway member of council, with secretaries for various branches of work and an advisory body for general policy and development. It would be desirable to assist the member by giving him expert advisers, somewhat similar in status and qualifications to the former director of construction and director of traffic. These officers should be expert railway men and should be of higher status than the secretaries to Government.

Question No. 12.—I do not consider that the exercise of the functions entrusted to the Railway Board in actual practice extends to unnecessary detail and would deprecate any extension of control over railway administrations in the detail of their work. The powers of sanction in regard to staff which are at present deputed to Agents by Government might with advantage be extended but under the present system, this would need greater delegation of power to the railway department by the finance department.

Speaking generally, I am not hampered in my work practically by the necessity for reference on certain matters to the Railway Board, but the exercise through them of the restrictions on the individuality of a railway adminstration imposed by the exigencies of imperial finance tend to weaken initiative and constructive effort.

Question No. 13.—I do not consider it desirable that Government should exercise any greater control than at present over matters relating to the requirements of the travelling public and of trade. A railway administration is in much closer touch through its own officers with the public who use the railway than Government is likely to be and the fact that its prosperity depends on the extent to which the requirements of the travelling public and of trade are met is the best guarantee that the service rendered will be efficient and give satisfaction.

Government in dealing with questions of this nature is at a disadvantage in that the Railway Board can have no direct knowledge of the particular circumstances and some delay in forming a decision is therefore inevitable, but delays in rectifying any grievance on the part of the public would probably be increased if the public were encouraged to refer such matters to the Railway Board instead of to the Agents or the local officials.

A company administration which has a financial stake in the property which it manages is interested in obtaining and keeping the goodwill of the public and is unlikely to give the public cause for complaint. Such complaints as exist at present are in many cases outside the power of the companies to remedy, as they are due to inadequate allotment of funds for improvement.

Question No. 14.—I consider that the powers of control possessed by Governments in matters relating to the requirements of the travelling public and of trade have generally been exercised in the public interests. They have not taken, however, a sufficiently long view of the requirements of the country as a whole and of the need for development of railways to meet the growth of demand for transportation and the companies have consequently been hampered in their efforts to develop to meet public needs.

Question No. 15.—In regard to the problem of common user of rolling stock, it has been suggested that Government should have power to compel railway administrations to make their rolling stock available for use on any system when required in the interests of the country at large. I would deprecate any greater power being given in this direction, except in a national emergency. The system of wagon pooling which is to come into force shortly is the result of agreement between the principal broad gauge railways, and such agreements which are effected through the agency of the Indian Railway Conference Association are preferable to action on the part of Government as they preserve the principle of delegation to the Managing Companies.

I consider, however, that Government should exercise greater control over companies in the matter of standardisation so as to secure the interchangeability of wagon parts, the extension of the use of vacuum brake and the use of safety appliances, including interlocking and block instruments.

Question No. 16.—As already indicated, I consider that the railway department should be in the hands of a Member of the Executive Council. Whether this department should be held in conjunction with any other department is a matter more of convenience than of policy, but it would tend to greater attention being given to railway matters if the department were held as a separate charge. I do not consider it necessary that the member should necessarily be an expert railway man though if a suitable man were available with railway experience this would not be any disadvantage.

Question No. 17.—I do not consider that the supply of funds for railway purposes has been adequate.

(a) *New construction.*—Taking India as a whole, the mileage of railways in proportion to the population is far below that of other progressive countries. Experience shows that any new line creates or attracts sufficient traffic in a few years to fill its capacity.

In 1908 the Mackay Commission gave it as their considered opinion that " for some years to come the effective limit of the amount to be spent in any year will be the amount that has been provided." There is no doubt that this limit has operated for many years past and railway expansion has always been behind the demand, while new railways constructed have always been followed by an increase in the demand for new lines. The slowness with which the mineral resources of India have been developed are mainly traceable to lack of railway extensions. The main routes directly supply the needs of a very narrow strip of country and the railway map of India is a sufficient indication of the extent to which large areas are entirely unserved by railway communications.

In the case of the East Indian Railway, since the completion of the Grand Chord in 1906, we have built a few unimportant branches, totalling 280 miles, the Bandel-Barharwa Loop opened in 1913 measuring 166 miles and the Burdwan-Howrah Chord opened in 1917 measuring 46 miles. The latter work formed part of a scheme for a new connection across the river Hooghly to deal with the traffic to the docks which is still uncompleted. The other projects which we have in prospect are the Sainthia-Berhampore-Bairamara line, which will give direct access from the coalfields to Eastern Bengal and the lines in the area bounded by the Grand Chord and Jubbulpore lines which are now being reconnoitred. The construction of the Mokameh bridge across the Ganges is a public convenience which we have advocated without success for a long time. For some years the fact that insufficient capital money has been forthcoming for the necessary improvements of the open line has been so prominently before the administration of the East Indian Railway that the question of new extensions has seemed outside the range of practical things and we have almost desisted from making proposals for new lines.

(b) *Maintenance.*—Dividing this into the two well recognised heads of (1) ordinary maintenance and (2) renewals, it may be safely said that so far as the East Indian Railway is concerned, funds available for ordinary maintenance have been sufficient. For many years the traffic earnings have shown a steady increase and it has generally been recognised by Government that this necessitates proportionate increase in maintenance and working expenses. In some years there has been temporary difficulty in meeting the expenditure during the latter months of the year owing to estimates being exceeded. Where the excess can be shown to be directly due to increase in traffic or to increased cost of staff already sanctioned by Government, we have in practice had little difficulty in getting the necessary funds allotted. In such cases the Railway Board's sanction is generally deferred until the latest possible date, presumably because they have to get the position from all railways before getting the agreement of the Finance Department. It may, however, be stated generally, that there has been little restriction imposed by Government on ordinary revenue expenditure proposed by this railway. On the whole the line and its equipment have been kept in good order and such difficulties as we have encountered recently in maintaining wagon stock in a proper condition have been not directly due to want of funds for ordinary maintenance

The percentage of working expenses (maintenance and renewals) was approximately 38 per cent. before the war During the war the effect of increased prices was largely set off by the inadequate supply of materials for renewals, so that there was no great variation in the percentage. The percentage in the various years was as follows:—

1913-14	39·12 per cent.		1917-18	33·92 per cent.	
1914-15	38·43	,,	1918-19	34·10	,,
1915-16	38·01	,,	1919-20	43·87	,,
1916-17	35·84	,,			

Since the Armistice, the supply of materials has been better and prices have been higher. There has also been a considerable increase in the pay bill. For these reasons the expenditure in the current year will be approximately 51·99 per cent. of earnings. The original budget was for Rs. 648 lakhs and the revised estimate is Rs. 750 lakhs. We are now waiting for the Railway Board's sanction to this increase, although they have tacitly admitted the necessity for the increased expenditure by placing us in funds.

During the war, the regular renewal programme fell into arrears owing to the impossibility of obtaining new rails, engines and rolling stock. The position is indicated by the following figures:—

——	Normal Programme.	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.	1919–20.
Relaying	100 miles	85·32	87·29	66·49	30·91	1·16	9·16	16·70
Engines	25	26	5	23	—	—	—	—
Covered wagons	600	421	—	—	100	—	—	398
Open wagons		67	-	150	—	25	220	350
Brake vans, &c.		2	5	10	21	5	—	—
Coaching bogie	27	5	28	32	—	—	—	—
,, 4-wheeled ...	6	45	—	1	1	—	23	22

The annual programme for relaying was 100 miles per annum before the war, but having regard to the increased mileage and the heavier traffic it is now considered that not less than 150 miles should be done annually. Neither during the present nor the coming year has it been possible to budget for this figure. The revenue portion of expenditure on 100 miles relaying prior to the war was roughly Rs. 10·80 lakhs. At present prices this would be Rs. 47·08 lakhs, and 150 miles would cost Rs. 70·62 lakhs. The latter figure would represent 4·71 per cent. of the gross earnings, whereas the former programme represented 1·02 per cent.

As regards engines, the renewal programme is based, generally speaking, on the necessity for introducing improved types. The life of an engine is indeterminable, because, in the course of ordinary maintenance, parts gradually get replaced. The programme, however, is arrived at by working within certain fundamental considerations, amongst which are the necessity for introducing improved types, the capacity of the workshops for construction and erection, and the amount available without unduly swelling the costs.

The programme of wagon renewals is governed by the number which have to be condemned yearly either owing to the heavy repairs needed or because the type is out of date.

The annual programme of 600 wagons, the revenue cost of which was Rs. 12·30 lakhs before the war, would cost now Rs. 30·70 lakhs (revenue charge).

The following will show the comparison between what the full annual renewal programme would cost now and the pre-war figure:—

——	Pre-war.	Present.	Budget 1921–22.
	Rs. Lakhs.	Rs. Lakhs	Rs. Lakhs.
Relaying	10·80	70·62	47·08
Engines...	7·50	19·46	11·68
Wagons	12·30	30·70	23·14
Coaches...	3·80	9·02	9·02
Other expenditure	16·00	43·00	39·52
Total	50·40	172·80	130·44
Gross earnings...	1,062·00	1,500·00	1,500·00
Percentage of renewals to gross earnings	4·75	11·52	8·70

(3) *Improvements.*—It is in regard to improvements that the want of funds has been mostly felt. It is necessary to explain that the programme of works to be carried out is prepared early in each year for the following financial year, and embodied in a statement called the "July Forecast." This forecast normally contains the programme for three financial years. For some years past it has been the custom for the Railway Board to intimate, prior to the preparation of the programme, that funds in the following year are likely to be restricted, and that the forecast must only therefore contain such works as are absolutely essential for important traffic. This warning has a varying effect. In some years, recognising the uselessness of preparing schemes with their estimates, there has been a definite setting aside of all proposals for improvements, and the demand made has been not for what is really required, but for what it is expected will be permitted.

The following statement shows the amount asked for in each of the last ten financial years compared with the amounts allotted and the amounts spent:—

——	1910–11.	1911–12.	1912–13.	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.	1919–20
	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.
July Forecast ...	193·00	175·00	175·00	175·00	440·00	475·00	250·00	93·32	336·98	225·91
Budget orders ...	179·00	156·57	135·06	174·80	331·53	127·93	82·45	61·13	67·47	323·44
Actually spent ...	82·20	109·38	148·15	268·78	382·51	97·42	60·87	4·89	53·49	452·18

In preparing the forecast this year for the ensuing three years I included the works which I consider are essentially necessary in order to bring the capacity of the line up to present requirements. If these works had been carried out already the line would, in my opinion, approximately be able to carry the traffic offering. With a normal increase of traffic it may reasonably be expected, therefore, that even if all these works are carried out there will still be some want of capacity in three years' time.

The programme involved the spending of—

Rs. 531 lakhs in 1921-22.
Rs. 709 „ in 1922-23.
Rs. 649 „ in 1923-24.

Without going too much into details, it may be said that this programme included the following large works:—

(1) Doubling the Grand Chord.
(2) Second track on the Sone bridge.
(3) Doubling between Allahabad and Tundla.
(4) Moghalserai New Yard.
(5) 9,500 wagons.
(6) 120 engines.
(7) 470 bogie coaches.
(8) 278 brake vans.

In addition, there was la large sum required each year for improvements and additions to marshalling yards, strengthening of girder bridges, etc. Funds were also allocated to somewhat extensive housing schemes for the staff in the larger centres, and for improving and increasing the house

accommodation throughout the line. It was proposed to add 1,900 wagons to the stock in 1921-22, 3,800 in 1922-23, and 3,800 in 1923-24. The figure of 1,900 has been our accepted annual addition for some years, but it is now considered that this should be doubled, at any rate until the arrears caused by the war have been made good. A corresponding increase was proposed in locomotive stock, and additional coaching stock was provided for.

There were other works the necessity for which could be clearly foreseen, but the possibility of getting funds allotted was so remote that inclusion in the programme appeared to be unreasonable. Consequently, the Rs. 531 lakhs asked for for 1921-22 only represented the bare minimum of requirements. It may be roughly assumed that the work to be done under this programme would not have cost more than Rs. 300 lakhs before the war. In view of the practical cessation of improvements for some years and the increasing volume of traffic, the programme is, I think, a moderate one, and probably errs on the low side.

In August last I interviewed the Railway Board with this programme and went through it with them in detail. They intimated that the programme for next year would have to be reduced owing to financial reasons, and while I do not think they questioned the necessity for any of the works recommended, they removed from the programme the following:—

	Rs. lakhs.
(1) Doubling between Allahabad and Tundla	55
(2) Second track on the Sone Bridge	35
(3) 1,000 wagons	89

which with the elimination of certain smaller works reduced the programme to Rs. 336 lakhs.

More recently I have been given the figure of Rs. 186 lakhs within which to prepare the budget for next year with the intimation that the grant will certainly not be more than this and may be less.

Recasting the programme will necessitate the elimination or reduction of the following from the list:—

	Rs. lakhs.
(1) Grand Chord Doubling	16½
(2) Replacement of Bhagalpur-Buasi Railway	4
(3) New Goods Yard at Gya	3
(4) Remodelling Gya Station	3
(5) 144 Bogie coaches	54
(6) 500 Wagons	44½
(7) 126 Brake vans	12

It is impossible to estimate the loss to trade and the public which will be brought about by the delay in providing these essential facilities and the persistent failure to keep the capacity of the line up to the demand for transportation.

It must be admitted in fairness to the Railway Board that a great deal of the present want of capacity is due to the suspension of the improvement programme during the war owing to the impossibility of allotting funds. For instance, a large scheme of improvements in the Jherriah Coalfields in the neighbourhood of Dhanbad and Katrasgarh was not only seriously delayed, but pruned to an extent which has caused and is causing great difficulties in working. The history of this particular scheme is given in the letter No. 1438, dated 13th November, 1917, a copy of which is attached, written to the Railway Board in response to their request for information on which to obtain the Secretary of State's sanction and an explanation of the work having been taken in hand without proper sanction. Sanction to the reduced scheme was eventually received on 28th March, 1918, the amount agreed to being Rs. 28 lakhs as compared with Rs. 39 lakhs, the estimate for the original scheme. Enclosure A.

While proposals for works which are considered urgently necessary to meet existing demands have to be ruthlessly cut down to fit the financial dole, proposals for improving and adding to the accommodation for passengers and the staff and providing them with more of the amenities of life seem to be receding further into the background and attempts to eliminate from the relations between employers and employed some of the causes for discontent which have their root cause in conditions of everyday life are frustrated by the knowledge that money will not be forthcoming.

As an instance of a work which, while covering both the question of train services and the comfort of the staff, has only recently been refused sanction by the Railway Board I would mention that at a certain important station there has been a deficiency of water supply for years past. The supply which was formerly sufficient for locomotive requirements and a reasonable consumption by the staff, including gardening, &c., is now almost inadequate for locomotive requirements, and gardens have almost gone out of existence, while the staff have to do with a very moderate supply. Proposals were put forward with the sanction of my Board of Directors for electric pumping from the river to give an ample supply of water for domestic, locomotive and other purposes and the scheme included electric light and fans for the station and staff. In 1915 sanction was refused owing to want of funds and year by year the proposals have had to be cut out of the programme for the same reason.

I recently again asked for sanction and have just been told that owing to serious shortage of funds new works must be restricted to those required—

(1) for providing increased traffic facilities,
(2) for providing additional quarters and accommodation.

The Railway Board do not consider the proposals come within these categories, they do not consider them either pressingly urgent or essential. They add that there is not much use in sanctioning a work which is not likely to be taken in hand within a reasonable period and that as the proposal in question has not been pressed for the last five years, they cannot sanction it.

It is perhaps unnecessary to multiply instances of this kind, but from such questions as the establishment of District Carriage and Wagon Repair Shops, estimated to cost Rs. 45 lakhs to proposals for house accommodation at Howrah and Lillooah costing Rs. 50 lakhs, in every depart-

ment and in every region of activity to which the business of a railway administration extends, development is paralysed and the efforts in constructive imagination of the administrative officers and their assistants are stultified by the want of money both present and prospective.

Question No. 18.—I consider that this policy is correct. There is no object in constructing further extensions when the main lines are incapable of carrying the existing traffic offering, and, until the capacity of the present lines have been brought up to requirements, I deprecate spending any money on further extensions which would only bring in additional traffic and hamper the already overloaded main line routes.

There is, however, some want of elasticity in the definition of " new lines " and " improvements." Under the accounts definition of " new lines " there are occasionally classified works which more properly should be considered as improvements to existing routes. As instances of this I might mention the Burdwan-Howrah Chord with the projected extension across the river to form a connection with the Docks and Mokameh bridge which is required to form a proper connection between the East Indian and the Bengal and North Western Railways, at present served by a ferry.

Question No. 19.—I have given figures for the expenditure required on the East Indian Railway during the three coming years in my answer to question No. 17. To properly develop this railway so that there would be some chance of keeping abreast of traffic developments, I consider that not less than 6 crores of rupees will be required yearly for some years to come.

I am not acquainted with the requirements of other railways, except to the extent that in some cases the routes beyond junctions with this railway are not equal in capacity to the routes leading to the junctions. I am also aware that some railways have altogether inadequate rolling stock. I consider that a sum of approximately Rs. 30 crores per annum could be usefully spent on the railways of India for improvements in equipment and traffic facilities generally.

At a time when the total capital budget of Indian railways was 10 to 12 crores, the East Indian Railway's share was about 2 crores; on the sme proportion the requirements of all lines would be now well over 30 crores, but it is possible that the East Indian Railway share of the total budget should have been fixed at a higher proportion. The figure I have mentioned, however, is based on what I consider to be necessary in the case of East Indian Railway to meet traffic now offering or such as we can clearly foresee in the near future. I believe that even more could be spent profitably and with great advantage to the country at large, but it must be remembered that profitable expenditure of capital depends on an adequate organization of engineers and other staff, and such an organisation has to be built up gradually. I doubt, therefore, whether it would be safe to place the requirements of railways generally at higher than Rs. 30 crores per annum for some years to come.

Question No. 20.—No possible source of raising money should be neglected.

If financial opinion indicates that insufficient funds can be raised in both India and in the United Kingdom, there should be no hesitation in raising loans in other countries, particularly in other parts of the Empire.

Question No. 21.—Speaking generally, the Branch Line Terms are designed on a reasonable basis, but the rates for guarantee, etc. must be raised if they are to be effective. There are, however, certain objections to raising money by this means, notably the fact that it generally happens that the firm of managing agents who undertake to float the company are naturally more interested in their profits derived from the actual flotation and the construction of the line than in its future success. The fact that the services of a branch line company or managing agents have to be employed for raising capital and have therefore to be properly remunerated means that the money is more expensive in the long run than if raised by Government loan or by existing main line companies. There is the further objection that capital raised in this manner must tend to reduce the available amount of capital which could be raised for the necessary improvements to existing main lines, and as explained in my answer to question No. 18, it is unwise to add to the traffic of the main lines by building further branches until money has been provided to improve the capacity of the main lines.

Enclosure B. *Question No.* 22.—These suggestions are such as can be better dealt with by financial experts. I enclose a note showing how the capital spent on the East Indian Railway has hitherto been raised. It will be seen that in present circumstances there is no power to raise share capital on a profit sharing basis, although there is legal power to raise debentures either in the United Kingdom or in India. It is difficult for me to understand why there should be serious difficulty in raising capital on such a magnificent asset as is possessed by the Government of India in its railways. Not only do these railways form real property of very considerable value, but they have an assured net income which should be sufficient security for any amount which could reasonably be spent. Even grouping all the railways together, it would appear to be a simple matter to give such terms as would attract investors both in England and in India. It is true that owing to some lines being more prosperous than others, the total result does not show a very large return, but there is no reason to suppose that traffic will not increase proportionately to the money spent, and there is also a considerable margin between what is earned and what could be paid by certain classes of traffic. It is of course necessary that a concern which desires to raise money must show a good balance sheet and for this reason I have no doubt it will be found necessary to make some increase in rates and fares.

If, however, it were possible to deal with one or the other railway systems separately as a means of raising capital, say, for instance, the East Indian Railway, there would be no difficulty whatever in offering attractive terms. Capital invested in the East Indian Railway at present amounts to approximately Rs. 77 crores, and the net earnings in the year ended 31st March, 1919, were Rs. 9 crores. In the year ended 31st March, 1920, they were Rs. 7½ crores, and in the current year they are estimated at Rs. 6½ crores. There is thus a return of approximately 10 per cent. on the existing capital available, and that capital has been raised at about 4 per cent. To put it shortly, not a rupee has been spent on the East Indian Railway which is not earning 10 per cent. With such results, even at the high rate of interest which has now to be paid for money, it is difficult for one like myself, who is not an experienced financier, to see why a large amount of capital

could not be raised for future expenditure. The present net income, after paying all interests and other charges on existing capital, is sufficient to pay interest at 6½ per cent. on Rs. 46 crores. If a somewhat lower interest were offered, coupled with a fair share in the surplus profits, it is reasonable to suppose that the necessary capital would be forthcoming either in India or in England.

Question No. 23.—A method which has not been suggested is payment for plant and stores purchased by means of bonds. It is possible that manufacturers of rolling stock, engines and rails would be prepared to take payment in special railway bonds secured either on the particular railway to which they were supplying or on the general revenue of Government of India. To the objection that such a method would be more expensive than other methods of directly raising capital, I would answer that it would be better to obtain sufficient rolling stock, engines and rails, even though they were slightly more expensive than to go without

Questions Nos. 24 *and* 25.—I prefer to leave these matters to financial experts.

Question No. 26.—(*a*) I consider that the dependence of the railway budget on the power of the Government of India to provide finance annually is the main cause of the backward condition of railways generally. This point was clearly brought out by the MacKay Commission in 1908, and it is sufficient comment for me to say that since that report was written the amount mentioned by the Commission as the amount which the Government of India should endeavour to allot for railway purposes annually, viz., £12½ millions, has only been reached in two years.

(*b*) This is a question which must be dealt with by each individual railway system in accordance with its special conditions. No all-round figure of percentage by which rates and fares should or could be raised can be laid down. Speaking generally, unless railway rates are sufficient to prevent railways being a burden on the general taxpayers, the incidence of cost of transportation is not being properly applied, but the extent to which railway rates on particular commodities can be raised must depend on the ability to pay.

So far as the East Indian Railway is concerned, we have been gradually raising rates during the current year where it has been found that a higher rate can be levied without detriment to the traffic. The question is one which requires the utmost care, and each individual case has to be examined and dealt with on its merits. Any attempt to make an all-round increase by adding a percentage to the existing rate would have serious results on individual kinds of traffic.

Question No. 27.—The figures quoted show broadly a condition of affairs eminently satisfactory to the State. It appears that after paying interest and all other charges on existing capital on both State-managed and Company-managed lines, there is a substantial margin of net profit available as security for future borrowing. I do not think that any special inference can be drawn from the fact that in the case of the Company-managed lines this margin is larger than in the case of the State-managed lines, except that, generally speaking, the Company-managed lines produce better net earnings on their capital than those managed by the State. It is, however, of importance to note that in the figures shown under " interest and other charges " are included the annuity payments which represent repayment of capital. The total interest and other charges against net earnings amounted in 1918-19 to Rs. 2,111·75 lakhs, made up as follows:—

	Rs. lakhs.
(1) For State-owned and managed lines	596·82
(2) State-owned but Company-managed lines	1,514·93
Total	2,111·75

From the figures given against the head " 38—State Railways " in statement B. (page 240) of the Government of India Budget, March, 1920, printed in the Gazette of India, subsidiary, dated 22nd March, 1920, it appears that the above figure is made up as follows:—

	£	(at 1*s.* 4*d.*) Rs.
Interest on debt	8,200,717	12,30,10,755
Annuities in purchase of railways	3,357,595	5,03,63,925
Sinking funds	242,886	36,43,290
Interest chargeable against companies on advance	100,486	15,07,290
Interest on capital deposited by companies ...	2,176,675	3,26,50,125
	14,078,359	21,11,75,385

It will be observed that one-fourth of the charges represent annuities in purchase of railways.

A statement is given below showing figures for the East Indian Railway similar to the figures for all railways embodied in this question:—

Year.	Net Earnings.	Percentages of Net* Earnings on Capital.	Companies Share of Surplus Profits.	Other charge (for Interest, etc.)	Clear Profits to Government.	Percentage of clear Profits on Capital.*
	Rs. Lakhs.		Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	
1916–17	700·06	9 71	28·07	379·09	292·90	4·06
1917–18	767·41	10·63	32·52	379·59	355·30	4·92
1918–19	875·95	12·05	39·67	380·95	455·33	6·26
1919–20	717·15	9·29	24·67	375·06	317·42	4·11

* The Capital figures have been taken from Appendix 4 of the Administration Report (Vol. II).

It will be observed that the East Indian Railway percentages of net earnings on capital and of net profits on capital are substantially higher than the percentages both for State-owned and

managed railways and for State-owned but Company-managed railways, notwithstanding the fact that in the case of the East Indian Railway the charges include the annuities whereby the purchase of the line by Government will be completed by 1953.

Though these results must be considered satisfactory to the Government of India as owner of the railway, they cannot be regarded as altogether satisfactory to the public, because it is perfectly clear that with such an amount being received yearly by Government, more should have been done in developing and improving the railway. Even if it be granted that a large portion of the clear profits to Government have been re-invested in railways by allotment in the general railway budget for capital purposes, better use could have been found for this steady annual income if it had been used as service for a loan or additional share capital.

On 1st January, 1880, when the railway was purchased by Government, the capital cost of the whole undertaking was Rs. 33 crores. From that time up till 31st March, 1920, the additional capital laid out was Rs. 44 crores, or, say, £29 millions (at 1*s.* 4*d.*), of which £18 millions has been raised by the company in debentures, the balance of £11 millions being found by Government. During this period the railway has earned for Government Rs. 57 crores in surplus profits, being the gross earnings less cost of working and of all the indirect charges for interest and annuity, and less also the company's share of the profits which it receives for working the undertaking. The annuity charge referred to is the annual charge through which Government is paying off the cost of the line when purchased in 1879. The purchase will be complete in 1953, when the total cost, Rs. 33 crores, will be wiped out. As 40 years of the 73 years of the annuity have now expired, it may be said in a general way that 40-73rds of the cost of the line in 1880 has been met up to the present, *i.e.*, Rs. 18 crores.

Adding this figure to the direct return to Government, it will be seen that under the present system of management Government has received a total of Rs. 75 crores since 1879 from the East Indian Railway. The similarity of this figure to the total capital cost of the railway up to date justifies the statement that the Government of India is now possessed of a property with a net revenue of some Rs. 7 crores per annum which has entirely paid for itself. If a block account had been kept, as in the case of an ordinary industrial undertaking, it would have been possible by now to write off the whole of it. Considering that out of the 44 crores spent in improvements, etc., since 1880, only £11 million have been raised by Government, while 57 crores have been handed back to them in surplus profits, it would appear that the best use has not hitherto been made of the financial potentialities of this property.

It is difficult to estimate the indirect advantage to Government attributable to railways through the development of areas served by them, but having regard to the fact that the local revenues of Government are a measure of the economic condition of the people, it is safe to say that whatever increase in this local revenue has taken place since the railways were first constructed in India is indirectly due to the effects of providing railway transport.

Question No. 28.—So long as the railway budget forms merely an appendage to the Imperial budget it is difficult to see how the inconveniences and difficulties arising out of the lapsing of grants at the close of the financial year can be avoided. It is obvious, however, without detailed demonstration, that when the railway budget is subject to violent fluctuations from year to year, owing to reasons not connected with railway policy, the railway administrations must be put to great difficulties in carrying through any continuous policy. It frequently happens that the actual amount to be spent during a year is not known until the beginning of April, and it is, therefore, impossible to be certain that any large work, such as the construction of a new bridge or a large marshalling yard, which may spread over two or three years of work, can be completed when it is once undertaken. Stoppage of such a work causes a great deal of unnecessary expenditure, while delay in obtaining the facilities required within the time expected often has a serious effect on the carrying capacity of the line. I need quote only one instance. It was intended to commence this cold weather the preliminary work for constructing the second track of the Upper Sone Bridge, which forms an important Section of the Grand Chord Doubling Scheme. For this purpose a sum of Rs. 10 lakhs was provided for in the current year's budget, and it was hoped that the girders might be ordered in England in time for erection during next year. No allotment is possible for this work next year and it is largely a matter of chance that the preliminary work had not been undertaken and that the girders had not been ordered.

If it is correct, as indicated in the footnote to this question, that lapses from one year are generally made use of for railway expenditure during the following year, the position is probably as satisfactory as it can be under present conditions, but there is no guarantee that lapses occurring on any one railway will be re-allotted in the following year to expenditure on that railway. In any case it means that the whole programme of work has to be re-considered annually, with considerable uncertainty as to the possibility of carrying out a continuous policy. At the time of such re-consideration it must be extremely difficult for the Railway Board to decide between the conflicting claims of each railway administration, and I doubt whether the machinery for arriving at the decision in this matter is adequate.

Question No. 29.—Under present procedure it sometimes happens that a lapse on the Indian grant has to be surrendered although additional funds are urgently required in England and *vice versa*. In my opinion it would be better if the procedure in vogue some years ago could be reverted to and one capital grant were granted—allotted for expenditure both in England and in India, the company being given permission to re-appropriate as between England and India as required.

Question 30.—In the case of the East Indian Railway and most other State-owned but Company worked lines, the Government control is limited to prescribing:

(1) The maxima and minima rates and fares for different classes of passengers.
(2) The maxima and minima charges for carriage of horses, carriages, dogs, &c., &c.
(3) The scale of charges for carriage of luggage, parcels and treasure.
(4) The maxima and minima rates for different descriptions of goods.

In regard to (1), (2) and (4), the top and bottom limits are fixed for each class of passengers, &c., and each description of goods, while for luggage, parcels and treasure the schedule merely

provides for levy of the scale of charges prescribed by the Indian Railway Conference Association. This is an important difference, as while in respect to passengers and goods, Railway Administrations have a wide margin for varying fares and rates between the prescribed limits, there is no such margin in respect of luggage, parcels and treasure.

In respect of goods traffic, the procedure is to sanction the maxima and minima for the six main classes, these limits being applied to individual commodities by classification in one or other of these six main groups. On the classification, therefore, the maxima and minima for each commodity depend.

The actual machinery employed in maintaining this control is simple. In regard to coaching traffic the maxima and minima cannot be varied without the sanction of the Railway Board. All changes in charges are duly notified and the circulars embodying such changes are checked in the office of the Government Examiner attached to each railway, the object being to see that the charge notified is within the particular limits prescribed for the class of passengers of the kind of traffic. The procedure in respect to goods traffic is the same for commodities already classified. If a new commodity (*i.e.* one not classified) is tendered, the Railway Administration must make an application to the Traffic Committee of the Indian Railway Conference Association for its classification. The Traffic Committee decide the class in which it is to be placed and submit the same to the Railway Board for sanction. Alterations in classification follow the same procedure, but Railway Administrations are not bound to accept such a change whether it means an increase or decrease.

The extent of the administrative control exercised by the Government is therefore limited to the fixing of maxima charges in order to protect the public against exorbitant rates and fares and prescribing minima to safeguard itself against loss through excessive competition by rate cutting.

So far as Railway Administrations are affected, the adequacy or otherwise of this system depends on the following main considerations:—

(1) Whether it is sufficiently elastic to enable Railway Administrations to quote such rates and fares as they may consider the special conditions of the traffic warrant.
(2) Whether it admits of changes being decided and new rates fixed with the necessary promptitude to suit commercial business conditions.
(3) Whether it involves vexatious interference on the part of Government with the action of Railway Administrations.

Although the liberty to vary charges is limited by the maxima rates and fares prescribed, the margin between the top and bottom limits is ordinarily sufficient to admit of such charges being fixed as will secure the traffic. Without, therefore, admitting the necessity in present circumstances for the fixing of minima charges, or accepting that such limitation actually serves the purpose intended, it may be agreed that, speaking broadly, the requirements of Railway Administrations are met. Occasional difficulties have arisen when sanction to a change in classification has been withheld or as a result of the delay in effecting a necessary change, but such cases are rare.

From the point of view of the public, however, the position is entirely different, and while they participate in the benefits resulting from the freedom accorded to railways to vary charges to suit varying conditions, it may be contended that the system—

(1) does not adequately safeguard the public against the imposition of unduly high charges, and
(2) does not ensure free use on equal terms.

In regard to (1), the objections are that—

(*a*) the public have no voice in fixing the maxima fares and rates,
(*b*) in respect to goods newly classified the Railway Administration to all intents and purposes decides the classification and therefore the maxima rates, etc.,
(*c*) the maxima rates are the rates actually charged unless railways voluntarily agree to charge a lower scale,
(*d*) the maxima being uniform rates per maund per mile cannot be equally suitable for the large number of commodities of varying value and tendered under different conditions, included in each of the six groups,
(*e*) uniform scales per maund per mile cannot be equally suitable for all distances even for the same commodity and finally that
(*f*) Railway Administrations have unrestrained discretion in applying the maxima and the public have no remedy, either administrative or legal, to prevent unduly high charges being levied.

These objections are incontrovertible, but the fact that more than 80 per cent of the traffic of the East Indian Railway is carried at rates lower than the maxima prescribed clearly indicates that the arbitrary powers have not been improperly used, but that the tariff has been framed with due consideration for public requirements.

The objection regarding the application of uniform scales is met by pointing out that in addition to a larger number of lump sum station to station rates, which are fixed between pairs of stations, certain telescopic scales, *i.e.*, scales allowing for lower rates per maund per mile for longer distances, are quoted for the more important items of traffic.

While these points meet any general charge of unreasonableness, they cannot be applied to individual cases, and it is in respect of these that protection is required. In the United Kingdom, railways are, in the matter of charges, subject to strict control. As in India, maxima rates are prescribed for each class into which commodities are grouped and the distribution amongst the various classes is subject to the approval of the Board of Trade. Section 31 of the Railway and Canal Traffic Act (1888) confers the right on any person or firm aggrieved to complain to the Board of Trade that he is being charged an excessive or unreasonable rate. On receipt of such complaint, if a *prima facie* case has been made out, the Board of Trade may call upon the railway for an explanation and endeavour to secure an amicable settlement. For this purpose, the Board of

Trade may appoint one of its own officers or any other qualified person to enquire into the matter and arrange a settlement, failing which the aggrieved person may take the case to the Railway Commissioners.

The second part of the complaint (2) that the present system does not ensure use on equal terms is more difficult to deal with. Few complaints are received that particular charges are absolutely high, but the grievance generally is that they are relatively high—that is in comparison with rates—

(1) for other traffic, or
(2) for the same traffic moving between different points or carried for different traders, or
(3) that the charge for shorter distances is the same or greater than the longer.

There is no administrative control over the East Indian Railway in respect to any of these points, the only restriction being Section 42 of the Indian Railways Act IX of 1890.

This Section, however, provides only against *undue* or unreasonable discriminations being made implying of course that reasonable discriminations are authorised. The difficulty, however, arises in determining whether particular differences in charge are due and reasonable or not. As a matter of general principle, it is ordinarily accepted that differences based on relative value or relative cost of conveyance are justified, but there are no means of defining the exact difference in charge which differences in value or cost justify. There are numerous other factors, such as competition between routes, markets, ports, volume and regularity of traffic, etc., which tend to modify rates and result in discriminations.

While the law prohibits undue preference, no adequate remedy is provided to ensure compliance with the law as the machinery provided in Chapter V of the Railway Act is unsuitable (see reply to Question 32).

Another objection which is sometimes made for prohibiting a higher charge for a shorter haul as in the case in English and American Railway Law.

The reply to this is that Indian railways have a general rule—known as the Differential Rule—designed to meet such cases. As embodied in the Indian Railways General Classification of Goods, the rule provided that—

> "*Provided it be specially notified that the Differential Rule as to distance applies*, when goods of the same description and booked in the same direction are charged at different rates according to the distance, the charge for the lesser distance shall not exceed the charge for the greater."

The serious defect of this rule is the negative method of applying it—the rule does not operate generally, but only when it is notified as applicable. The East Indian Railway have not accepted this definition, but apply the following—

(1) In local booking over the East Indian Railway, *except where otherwise specially provided*, when goods of the same description booked in the same direction are charged at different rates according to the distance to be carried, the charge for the lesser distance should never exceed the charge for the greater, the lesser being included in the greater.
(2) The rate for the greater distance can only be applied when the shorter distance is entirely contained in the greater.

There are several important differences, but the main point is that on the East Indian Railway the rule applies unless its application is specifically suspended in particular cases.

It may be noted that Section 42 of the Railway Act does not deal with the absolute reasonableness of particular rates. In this respect, there is no legal control and the administrative control is, as already explained, limited to the imposition of maxima rates and fares, and the public have no legal remedy in respect to complaints of excessive or unreasonable charges. In this matter I agree with the views expressed in the following extract from an article which appeared in the Railway Gazette of 8th December, 1916:—

> "The best way to regulate freight rates is to let an expert freight manager fix them subject always to his being liable to be brought before a competent tribunal and required to satisfy them that in fixing any rate he has given to the study of the question the best brains he possesses and that he has been actuated by no motives which cannot be publicly avowed and justified."

The system advocated is not a reference to the Courts but merely the right of demanding a justification of the rate before a competent tribunal.

If absolute power to fix particular rates is retained by the Government, the result is bound to be constant and vexatious interference, with the result that railways will hesitate to make any reductions until forced to do so, as each concession is likely to be the basis for a reduction in other directions. The ultimate effects will be—

(i) Absence of elasticity,
(ii) A higher average level of charge, and
(iii) Delay in settlement of the basis of charge and in quoting the rates required.

It has to be considered also that arbitrary changes of rates forced on one system will mean a general dislocation of the tariffs of other systems.

Question No. 31.—This is a matter on which presumably the Committee will receive evidence from the users of the railway, but so far as the East Indian Railway is concerned, I think we can claim to have maintained a uniformly liberal policy in regard to both passenger fares and goods rates. Until 1916 passenger fares had been considerably less than the maxima authorised by Government. It became necessary during the War to curtail train services, and fares were raised to the maxima except for suburban traffic. In spite of this the volume of passenger traffic has been well maintained, indicating that the scale now charged is well within the capacity to pay of persons desiring to travel

In regard to goods traffic, coal, which represents about 66 per cent. of the total weight moved, has always been carried at a very low rate. All other goods were until quite recently carried below the rates authorised, although recently certain special rates have been cancelled, bringing the

charges up to the maximum in certain classes. It may be stated generally that, excluding coal, 87 per cent. of our goods traffic is carried at rates below the maximum authorised.

Considerable concessions have been given during recent years to encourage new industries. It is possible that there are cases where lower rates than those already provided for in our tariff have been declined or where the reductions made have not entirely satisfied the traders, but our general policy has been in the direction of charging the lowest possible rate in order to encourage a greater volume of traffic.

Question No. 32.—The fact that this machinery has never been put into operation may be used as an argument that there has been no necessity for it, or as an argument that it is unsuitable. Personally, I believe that the difficulty and expense of getting a Commission constituted has probably been the cause of this Section of the Act never having been taken advantage of. It is only reasonable that the public should have some means of referring cases of disputes with railway administrations to an independent tribunal, and it is desirable that some machinery should be permanently available which will enable traders and others to secure such relief as they can establish that they are entitled to. It is important, however, that it should be recognised that questions of railway rates are essentially questions of economics and not of law, and that a court of law is not suitable for economic discussions. I have already suggested in my answer to question No. 10 that a permanent statutory body should be constituted somewhat on the lines of the Inter-State Commission in the United States.

Question No. 33.—No.

Question No. 34.—It is difficult, without going into very great detail, to show clearly the various sections of the railway, the capacity of which is inadequate to the requirements and needs of the various industries concerned. In particular, it is notorious that the carrying capacity of the East Indian and the Bengal-Nagpur Railways is not equal to the requirements of the coal trade. At times, when demands for coal reach their maximum, the available capacity of the line for carrying ordinary goods is very considerably less than what is required, and hardly a year passes but large quantities of merchandise offered for transportation have to be refused. The reason for this condition of affairs is insufficient allotment of funds for improvements to the existing railways.

Question No. 35.—I have nothing to add.

ENCLOSURE A.

Letter No. 1438, *dated* 13*th November*, 1917, *from Agent, East Indian Railway, to the Secretary, Government of India, Railway Department and* (*Railway Board*), *Simla.*

GRAND CHORD LINE—FACILITIES FOR DEALING WITH COAL TRAFFIC BETWEEN DHANBAD AND KATRASGARH AND BEYOND.

With reference to the Railway Board's letter No. 661-W-15, dated 8th October, 1917, I beg to point out that one of the results of the Coal Traffic Conference of 1912 was the recommendation that the line between Dhanbad and Katrasgarh should be doubled to cope with the increased coal traffic, *vide* para. 20 (16), page 9, of the Report of the Conference. The proposal involved extensive alterations to the station yards at Dhanbad, Kusunda, Bansjora and Sijua (the remodelling of Katrasgarh being under separate consideration at that time), and the necessity for careful consideration of the requirements of the different departments under the different method of working the traffic, as well as the preparation of other important projects which were at that time considered of equal if not of greater importance, caused considerable time to elapse before the final project was completed. The estimates were sent to my board of directors in June, 1914, and received their sanction in July of that year. **Para. 6 of Agent's No. 56 of 18th June, 1914. Para. 5 of Board's No. 103 of 24th July, 1914, received 10th August 1914.**

2. In the altered circumstances brought about by the outbreak of war, the Railway Board, however, while recognising the necessity for doubling this section, considered it very doubtful whether funds would be forthcoming to complete the whole scheme in the early future, and enquired what portion of the scheme was recommended to be proceeded with in the event of funds for a portion of the work becoming available.

3. In the meantime, owing to the development of the new railway colliery at Bokaro and the necessity for affording further relief at Katrasgarh by reason of the increasing output of coal on the Kusunda-Katrasgarh section, it had been thought advisable to modify the scheme by providing a direct link between Katrasgarh and the main line near Gomoh and to postpone the doubling of the section Dhanbad to Kusunda.

Revised estimates were accordingly put in hand, the project now comprising:—

1. Link from Katrasgarh to mile 177 Grand Chord.
2. Doubling Grand Chord from mile 177 to Gomoh
3. Doubling Dhanbad to Kusunda.
4. Doubling Kusunda to Katrasgarh.
5. Additional sidings at Gomoh.
6. Alterations at Dhanbad, Kusunda, Katrasgarh, Bansjora, Sijua and Matari.

4. In the course of the year 1915 the effect of the war on shipping had caused not only an almost complete cessation of the export of coal, but also the transference of the whole of the coal consumed in Western India from the sea route to the railway route, thus reversing the direction of despatch of a very large proportion of the coal from the particular area of the coalfields served by the section of the line under consideration. This change introduced new and complicated problems and involved a complete recasting of the project in many of its details, at the same time accentuating the difficulties felt in dealing expeditiously with the output with transportation facilities which had already grown inadequate.

5. The estimates and plans, prepared after very careful consideration of a difficult and intricate problem, were finally sent to my Board of Directors in March, 1906, and received their sanction in April of that year, the amount involved being Rs. 39,37,227 in all, of which Rs. 37,23,662 was chargeable to capital. **Para. (2) of Board's No. 41 of 13th April, 1916.**

Railway Board's letter No. 661-W-16 of 25th Aug., 1916.

6. The Railway Board, before dealing with the project, deputed Mr. Couchman to visit the area and discuss the proposals in detail on the spot. This discussion took place in July, 1916, and the Railway Board, while agreeing that in all probability the whole of the proposals would ultimately have to be carried out, indicated certain modifications which it was agreed at the discussion should be made in the scheme.

Briefly, these modifications were as follows:—

1. Reduction in the sidings and staff quarters proposed at Gomoh.
2. Reduction in the alterations proposed at Matari.
3. Dismantling the existing Tetulmari-Kusunda connection.
4. Reduction in the marshalling yard and staff quarters proposed for Katrasgarh.
5. Postponement of doubling between Kusunda and Katrasgarh, and provision of additional sidings in lieu at Sijua and Bansjora.
6. Reduction in proposed additions at Kusunda.

At the same time, they apparently accepted the necessity for the remaining portions of the scheme, and in particular mentioned their acceptance of the immediate necessity for doubling the Grand Chord line between Gomoh and the point of junction with the new link from Katrasgarh.

7. The whole project was accordingly again carefully examined, and at my discussion with the Railway Board in October, 1916, I explained the modifications which it had been found possible to make without altogether impairing the utility of the new facilities. I also handed the Railway Board a statement showing the approximate cost of the scheme as modified, amounting to approximately Rs. 26 lakhs, and giving a comparison with the scheme previously submitted. This statement is printed with resolution 52 of Official Meeting No. 3 of 1917-18. At the same time, I urged the extreme importance of carrying out these works at the earliest possible date, in view of the critical situation in regard to coal traffic to Western India.

8. With each cold-weather season since the outbreak of war the difficulties in affording adequate transportation for coal have increased, and, as the Railway Board are aware, while a great advance has been made in improving the routes for coal to Bombay and elsewhere, the problem has centred itself more and more round the difficulties of getting the coal away from the coal mines on to these routes. The focus of all these difficulties has been recognised to be the particular area between Kusunda and Katrasgarh, where the output has increased beyond the capacity of the line and the junction stations. The Railway Board, I believe, accepted this view of our difficulties, and agreed to the modified scheme placed before them.

9. In view of the time which must inevitably elapse before the additional facilities could be completed so far as to be made use of, I made a special representation to the Railway Board for the allotment of funds to enable the essential portions of the work to be proceeded with in the cold weather of 1916-17, and the Railway Board were able to place Rs. 2 lakhs at our disposal for this purpose in that year, accompanying their intimation to me of this grant with orders to proceed with the work immediately, *vide* their telegram of 27th November, 1916.

At the same time they accepted provisionally the programme of works for 1917-18, in which a provision amounting to Rs. 10 lakhs for expenditure on these works was included.

10. While the recasting of the plans and estimates in their final form was in progress, in order to take advantage of the funds which had been allotted, the Engineering Department were authorised to proceed with the—

(1) acquisition of the land and the collection of materials, and
(2) to commence the earthwork and bridgework for the doubling of the Grand Chord between Gomoh and the point of junction with the new link;
(3) the additional sidings on the up-yard at Gomoh;
(4) the additional lines, ashpits, etc., in the engine shed at Katrasgarh; and
(5) such earthwork and rock-cutting as could be carried out at Katrasgarh before possession of the additional land was received.

Agent's letter No. 556 W., dated 8th May, 1917.

11. The final revised estimates and plans were ready early in 1917, and were submitted to my Board of Directors on 8th May, 1917, for sanction, a copy being sent at the same time to the Railway Board with information as to the portions of the work which had already been taken in hand and with the intimation that the chief engineer had been authorised to complete these portions of the work and to take in hand the remainder of the project in anticipation of regular sanction.

12. The total amount of the estimate, viz., Rs. 28,33,340, being substantially less than that already sanctioned by my Board, this authority was in accordance with their expressed desire, and as the Railway Board had already been fully satisfied as to the necessity of all the works and had been put in possession of and had accepted the outline of the estimated cost, I understood that this action was in accordance with what they wished to be done in view of the continued difficulties in regard to coal traffic and their grave apprehensions as to the capacity of the railways to carry the whole of the coal necessary in the coming cold weather.

13. Sanction to the revised estimate was accorded by my Board of Directors in para. 2 of their letter No. 66, dated 21st June, 1917, received here on 18th July, 1917, and the concurrence of the Railway Board was asked in my letter No. 979, dated 24th July, 1917. I note that it is necessary to obtain the sanction of the Secretary of State, and I trust that, with the information now given, it will be possible to obtain this sanction without delay, as the importance of pushing on the work to completion can hardly be exaggerated.

ENCLOSURE B.

Note showing how the capital spent on the East Indian Railway has hitherto been raised.

The East Indian Railway Company, after two years of preliminary investigation and survey, was formed in 1847 for the purpose of "making, acquiring and working railways in India," with a capital of £4,000,000 and power to increase the capital to £20,000,000. An Act of

Incorporation was passed in 1849 which gave the company the right to make and maintain such railway or railways in the East Indies as might be agreed upon between the company and the Honourable East India Company, and authorized contracts between the two parties for such purposes. Under the first contract, entered into on 17th August, 1849, the company were authorized to "construct and open an experimental line to commence at or near Calcutta, in a direction to be determined by the East India Company, at an estimated cost of £1,000,000 sterling or thereabouts." This contract provided for guaranteed interest at 5 per cent. and the right of Government purchase after a term of 99 years.

In 1853 an amending act was passed authorizing a further contract for the "extension of the experimental line to Delhi or Lahore or elsewhere," and this contract was entered into on 15th February, 1854. The company thus obtained the right to extend the line to Delhi at a cost of nine millions sterling or thereabouts, with guaranteed interest on capital expended and a lease of the railway for 99 years, *i.e.*, until 14th February, 1953, while the East India Company "on account of the Government of India" had the right to purchase the whole Undertaking after the first 25 years of the lease, the purchase price to be "the full amount of the value of all the shares or capital stock of the company—calculated according to the mean market value in London of such shares or stock respectively during the three years immediately preceding the expiration of the said period of 25 years, *i.e.*, 15th February, 1879." If this option were not exercised it could be taken advantage of after the expiration of 50 years of the lease and in either case it was agreed that the purchase price could be paid in the form of an annuity to continue during the remainder of the 99 years' lease.

The Jubbulpore branch of the line was constructed under an Act passed in 1856 and a contract dated 21st April 1858 containing similar provisions, in this case the lease of 99 years running on till April, 1957.

By Acts passed in 1864 and 1868 further extensions and auxiliary lines were authorized and the company was empowered to increase its capital, and to borrow money by the issue of debentures, the interest on which was guaranteed by the Secretary of State out of the Revenues of India.

The Railway as it existed in 1879 consisted of 1,548 miles of open line built and equipped at a cost of £30,650,000, of which £26,200,000 represented share capital and £4,450,000 debentures. The Government of India, which had by this time taken the place of the East India Company, exercised its right of purchase, and by agreement this purchase was also made to include the Jubbulpore extension although 2 years of the first term of 25 years in respect of that line had still to run.

The whole railway, including rolling stock and plant, thus became Government property, vested in the Secretary of State, on 1st January, 1880. The price agreed on was £32,750,000 representing the existing share capital with a premium of 25 per cent., but instead of the shareholders receiving their capital in a lump sum they were paid by means of an annuity of the amount of £1,473,750 having a currency of 73 years, the balance of the 99 years' lease referred to.

The future working of the railway was entrusted to a portion of the Annuitants holding annuities representing a capital of £6,550,000 (one-fifth of the purchase price) under a contract which would run for 50 years, *i.e.*, until 1929, unless terminated by either party with two years' notice at the end of the 20th year 1899 or any subsequent fifth year, *i.e.*, 1904, 1909, 1914, &c.

Under this contract, the revenues of the railway, after deducting the working expenses, were to be applied to paying the annuities and interest on debentures and subsequent capital raised, and the balance or surplus profits were to be divided in the proportion of four-fifths to Government and one-fifth to the Company.

The annuitants who were given control of the company and who were called deferred annuitants were to receive, in place of their annuity for the period of the contract, guaranteed interest at 4 per cent. and the company's share of the surplus profits, a sum every year depending on the prosperity and economical working of the railway. They thus had a definite financial stake in the property and a direct interest in working it on sound business principles. New capital required for extensions and improvements was to be advanced by the Secretary of State at varying rates of interest which has been as low as 3½ per cent. and which is now 6½ per cent. and by the end of the first twenty years of the contract the additional capital invested in the railway was in the neighbourhood of 5½ millions sterling, while the mileage had increased from 1,548 miles to 1,974 miles. During this period the Government had received as its share of surplus profits approximately 9½ million pounds sterling while nearly 9 millions had been paid out of revenue in extinguishing the original purchase price by means of the annuities. The return to the deferred annuitants had during the same time fluctuated considerably, the actual dividend being dependent on an unstable exchange, but while it was as low as 5 per cent. in 1884 it reached 6½ per cent. in 1898 and 7 per cent. in 1899, the last year of the contract.

The Government used the opportunity of terminating the contract in 1899 to considerably reduce the proportion of surplus profits paid to the deferred annuitants. Sir Richard Strachey was at that time chairman of the company and largely by his personal influence was able to restrain the Government from enforcing such terms as would render it unlikely that any company would undertake the working of the railway. It was eventually decided that the contract should be continued on much the same lines but that in future instead of one-fifth of the surplus profits being paid to the company, the proportion for each half-year should be one-fifth in respect of a sum of 25 lakhs of rupees and one-fifteenth of the balance, the Government taking the remainder, namely 20 lakhs of rupees and fourteen-fifteenth of the balance. It was at the same time agreed that the contract would not be terminated before 31st December, 1919, the company thus being given an opportunity of improving its position which a short term contract would not have permitted.

The Government share of surplus profits which was approximately 120 lakhs in the last year of the old contract jumped at once to 153 lakhs in 1900 and has steadily increased until in the last year of the contract, 1919-20, it reached 317 lakhs. The return to the deferred annuitants naturally showed a considerable drop in the first few years of the new contract, but a

gradual improvement took place and the former level of dividends was ultimately reached, the average yearly dividend in the 20 years which have elapsed being about 6¼ per cent.

The present contract which commenced on 1st January, 1920, and will terminate on 31st December, 1924, provides for a division of the surplus profits much less favourable to the company. The company's share is calculated half-yearly by taking one-fifth of the first Rs. 14½ lakhs and adding thereto one-hundredth of the balance. The amount thus arrived at is transmitted to England at the fixed rate of exchange of 1s. 8d. to the rupee and paid by the Secretary of State direct to the company in London.

The East Indian Railway Company's Act 1895 gave powers to the company, with the sanction of the Secretary of State, to borrow or raise money for the general purposes of the undertaking by the creation and issue of debentures with the guarantee of the Secretary of State for such amount and bearing such rate of interest and subject to such terms and conditions as might be approved of by the Secretary of State. Subsequently in the indenture made on the 26th of February, 1896, the terms on which these debentures were to be raised were agreed upon.

In accordance with this arrangement a sum of £150,000 was raised in 1895 by the Board by the issue of short term debentures (7 years) *vide* Board's letter No. 124 of 1895 (para. 3) and in 1896 and 1897 further sums of £300,000 and £500,000 were raised by the issue of debenture (8 years), *vide* Board's letters Nos. 92 of 1896 (para. 3) and 47 of 1897 (para. 9).

In 1898 the Board raised £600,000 by issue of debentures running for 3 years only, *vide* Board's letter No. 46 of 1898 (para. 17).

These short term debentures were eventually redeemed on maturity by the issue of long term debenture stock referred to below.

The indenture made on 4th April, 1899, provided for the creation of 3 per cent. debenture stock, the indenture of 10th July, 1907, for the creation of 3½ per cent. debenture stock, and the indenture of 3rd May, 1915, for the creation of 4½ per cent. debenture stock.

By these arrangements the East Indian Railway Company has from time to time raised money by the issue of long term debenture stock tabulated below, none of which have yet matured:—

			£
3 per cent.	debenture stock	1899	1,000,000
	Ditto	1900	1,000,000
	Ditto	1901	1,500,000
	Ditto	1902	1,500,000
	Ditto	1904	1,500,000
	Ditto	1905	1,500,000
3½	Ditto	1907	2,000,000
	Ditto	1908	2,450,000
	Ditto	1909	2,550,000
4½	Ditto	1915	3,500,000

It will be seen that so far debenture stock has only been raised in sterling in London and there has been no issue of debentures or debenture stock in India.

Prior to the Purchase Act of 1879 the Company had powers and for some years maintained an office for registration, &c., in India. This, however, dealt only with sterling capital raised in London but which might happen to be held in India. The Purchase Act of 1879 had the effect of taking away from the Company any power of raising capital of any sort. The Company's Act of 1895, however, restored this power in respect to the issue of debenture stock or debentures subject to the approval, and carrying the guarantee of, the Secretary of State.

The Company's solicitors see no reason why the Act of 1895, which does not expressly limit the Company's borrowing to borrowing effected in this country, should not cover the issue, with the sanction of the Secretary of State, of debentures or debenture stocks, the principal and interest whereof would be payable in rupee currency in India. They consider also that the East Indian Unclaimed Stock Act of 1885 confirms this view.

Under Section 1 of the Company's Act of 1855 the Directors of the Company were authorized to establish in India offices for the issue, registration and transfer of securities of the Company, and although these powers cease to be exercised and the Registry of Stock was finally closed when the powers to raise capital were practically taken away by the Purchase Act of 1879 and have not since been restored, the solicitors are of opinion that they might, with the concurrence of the Secretary of State, be exercised without any serious exception being taken thereto in regard to the debenture stock or debentures, authorized by the Act of 1895 if that was considered desirable.

The position appears to be, therefore, that as the Company stands at present, with the Secretary of State's sanction, Rupee debentures or debenture stock might be issued in India and entirely dealt with there, but as regards capital shares or stock it has at present no such powers.

STATEMENT No. 16 (A).

(N.B.—Maps are not reproduced.)

SUPPLEMENTARY MEMORANDUM OF EVIDENCE BY MR. C. D. M. HINDLEY, AGENT, EAST INDIAN RAILWAY.

I.—The capacity of various sections of the East Indian Railway and the density of traffic, etc., including a note on the necessity of doubling the line between Allahabad and Tundla.

1. Viewing the position broadly, it may be taken that within the limits imposed by the capacity of the line the average daily traffic throughout the system in terms of wagons, for which transport facilities have to be provided at the present time is—

	Wagons.
Coal	2,300
Goods	1,600

Of the coal traffic, the standard division arrived at by experience and laid down by the Coal Transportation Officer is—

For Upwards	1,050
For Downwards	1,250

This is taken as the minimum allotment necessary to meet, to a reasonable extent and not fully, the requirements of the railways and other industries dependent on coal.

Both goods and coal traffic are, of course, subject to fluctuation as a result of economic factors beyond our control and variations occur both in the total traffic available as well as in the direction of movement. As the movement of coal is essential in the general interests, that traffic is given preferential treatment under the orders of Government, and when the available wagon supply is insufficient to meet all demands the requirements of the Coal Districts must first be met, to the full extent prevailing conditions permit, before stock can be provided for merchandise. When, therefore, stock is short or its movement retarded by inadequate facilities, the immediate effect is partial or total suspension of the booking of merchandise.

2. During the half-year ending the 31st March, 1920, when the position was most acute the loading of general merchandise was totally or partially suspended on 149 days, as under:—

	Days.
October, 1919	16
November, 1919	12
December, 1919	30
January, 1920	31
February, 1920	29
March, 1920	31

It will be noted from the details given that during the four months December to March inclusive, booking of merchandise was continuously restricted—a position it would obviously be impolitic to allow to recur. A prolonged restriction of this kind must inevitably result in general dislocation of normal business conditions, and have far-reaching effects in hampering existing and discouraging the establishment of new industries. During subsequent months, the position has certainly improved, partly due to the more liberal return, under pressure, of wagons by other railways and partly to a change in the direction of movement of the coal traffic which is now more pronounced downwards, but merchandise traffic continues to be restricted from time to time when we are unable to meet all the demands made on us. For instance during January this year it has been necessary to limit the loading of merchandise on eighteen days and it is only too likely that within the next few months periodical restrictions will be a characteristic feature of traffic working on this system

3. The main causes of this unsatisfactory state of affairs are—

I. Inadequate facilities and accommodation on the East Indian Railway.

II. Inadequate capacity of adjoining railways.

III. Insufficient wagon stock regularly available on the home line. These three causes will now be considered in detail.

I.

4. So far as the East Indian Railway is concerned, improvements are necessary practically on every district, but our programmes have necessarily been limited to the provision of immediate essential requirements, and even with respect to these funds have not been available, with the result that the traffic is progressively exceeding our transport capacity, and our difficulties are becoming increasingly acute.

It will be perhaps sufficient for the purposes of this note to deal with the upwards traffic.

The maximum upwards loading capacity of the Coal Districts is 1,250 wagons a day equivalent to 25 trains, and in addition a fairly heavy upwards merchandise traffic has to be accommodated.

5. The following statement shews the capacity of the various sections of the line above the coalfields and the extent to which it is occupied by coal and merchandise traffic respectively—

—	Capacity in Terms of Trains.	No. of Coal Trains.	No. of Merchandise Trains.	Percentage of Capacity Utilized by Coal.
Asansol-Jhajha	18	17	1	94 per cent.
Grand Chord	11	10	1	91 ,,
Jhajha-Dinapore	21	17	4	81 ,,
Dinapore-Moghalserai	21	17	4	81 ,,
Moghalserai-Allahabad	14	11	3	79 ,,
Moghalserai-Jubbulpore	10	9	1	90 ,,
Allahabad-Cawnpore	14	11	3	79 ,,
Cawnpore-Tundla	14	11	3	79 ,,
Tundla-Delhi	11	8	3	73 ,,

6. Fortunately for traffic originating below Burdwan including Howrah and Calcutta stations, the Loop line route *via* Khana Junction, Sahebgunge and Mokameh is available and made use of, but this involves an additional haulage of 64 miles as compared with the main line route or 116 miles as compared with the Grand Chord route for traffic to Moghalserai and *via* and beyond. Roughly, four merchandise trains are despatched from Calcutta daily and are run *via* the Loop line. Of these, two terminate below Moghalserai, and two are for beyond. The former involves 128 avoidable train miles and the latter 232 train miles each way daily, the aggregate waste of transportation in both directions being 239,440 train miles per annum. The average cost of working on the East Indian being Rs. 3.35 per train mile, the total avoidable expenditure this system of diversion entails is therefore about Rs. 800,000 per annum.

7. For such traffic as must pass through the Coal Districts and for traffic originating on sections above, the statement clearly shows the small capacity available for merchandise when coal loading is up to or even near the limit. A permanent effect of this position is that work trains and van goods trains, which are used for clearing traffic in wagon loads and small lots respectively from intermediate stations can only be run occasionally, *i.e.*, twice or three times a week. This practically means a permanent restriction on the booking of merchandise from these stations. Moreover, a large number of the smaller stations were closed for goods traffic during the war and it has not been possible to re-open many of these owing to the impossibility of clearing such traffic as may offer.

As new coal areas are being opened up and important new industries established in the coal fields, the position must obviously become worse unless the capacity of these sections is substantially increased.

It has been estimated that the demand for transport of coal will double itself within the next 10 years which means that facilities must be provided for handling 4,600 wagons a day on the coal districts and carrying them over the various sections of the line.

8. The present difficulties in regard to upwards traffic are most acutely felt on the single line sections of the main line above Allahabad and on the Jubbulpore branch, where expansion is limited by the capacity of the Great Indian Peninsula Railway beyond Jubbulpore.

9. The following statement will give a general indication of the increase in density of traffic over the single line sections above Allahabad:—

	1910. Tons.	1919-20. Tons.
Naini-Jubbulpore	709,547	2,315,907
Allahabad-Cawnpore	1,729,784	3,076,896
Cawnpore-Tundla	1,531,800	2,764,154
Tundla-Ghaziabad	1,300,450	2,897,041
Ghaziabad-Delhi	1,158,906	2,082,342
Delhi-Ambala	635,738	925,489
Ambala-Kalka	149,251	148,161

It will be noted that on the Naini-Jubbulpore Section there has been an increase of roughly one and three-fifth million tons, on the Allahabad-Cawnpore one and one-third million tons and on Cawnpore-Tundla one and a quarter million tons.

It must be remembered that since 1910 the capacity of these single line sections has been largely increased by the provision of additional stations and passing sidings interlocking and train control, but the limits of the single line have now been reached and in regard to the length between Allahabad and Tundla there is no remedy but doubling.

10. A chart is attached which compares the density during the three years 1910, 1914-15 and 1919-20 and a statement (Appendix A) giving the figures in detail. In the statement and chart passenger traffic is included, the basis of conversion being 10 passengers to 1 ton, and it must be borne in mind that this traffic has been discouraged by curtailment of facilities and withdrawal of all return ticket concessions, etc.

11. The following is a brief account of works which we require to do to improve our capacity generally and in particular reference to the requirements of the coal traffic.

12. In the Jherriah field (Dhanbad District) we have to complete the scheme which was prepared after the Coal Traffic Conference of 1912, the estimates for which were seriously cut down by the Railway Board in 1916-17. The works remaining to be done under this scheme are:

(1) Doubling between Dhanbad and Katrasgarh.
(2) Additional lines at Katrasgarh and Dhanbad.
(3) Remodelling Sijua and Bansjorah and providing additional accommodation at Kusunda.

We propose to send up estimates for these works shortly.

We have at present in hand the doubling between Katrasgarh and Phularitand, and this will necessitate the provision of a better station at Phularitand, which will ultimately be developed into a depôt station. We expect to complete the doubling between Katrasgarh and Phularitand sometime during next financial year.

We also have in hand the Jinagorah-Goluckdih Branch and the traffic derived from this when completed will require some additional lines at Pathardih and possibly a passing station at Rakitpur on the Pathardih-Pradhankhunta Link.

Certain improvements and additions are also required at Jherriah, but their provision is somewhat difficult owing to the nature of the ground and this is being looked into now.

Stabling sidings for wagons are required at Gomoh, and an estimate was prepared for this, but the work has been in abeyance for some time.

13. In the Raneegunge field (Asansol District) we have to provide:—

(1) Additional sidings at Asansol and Sitarampur.
(2) 2nd up line between Asansol and Sitarampur.
(3) 2nd down line between Kulti and Asansol.
(4) Avoiding line between Sitarampur and Rupnarainpur.
(5) Stabling sidings at Ondal.
(6) Additions and alterations at Madhupur to deal with the upwards coal traffic and coal from Giridih.

On this District we have recently nearly completed the remodelling of Ondal, but the up marshalling yard and the new locomotive yard will not be completed for some months.

We have also to complete the Toposi-Baraboni Chord and provide a large number of assisted sidings of varying lengths, of which many are awaiting the provision of funds and permanent way.

14. Outside the coalfields, in the upwards direction the most important works are:—

(1) Completion of the doubling of the Grand Chord.
The formation is practically complete from Dhanbad to Bandhua and we expect to lay 30 miles track this financial year.
The works at Gya which form an important part of the doubling of the Grand Chord, have recently been estimated for and sanction is awaited.
Doubling the Grand Chord between Gya and Moghalserai which includes a second track at the Upper Sone Bridge has not yet been agreed to.
(2) New down yard at Moghalserai. The plan for this has now been settled and estimate is in hand. Sanction will be applied for very shortly.
(3) Doubling from Allahabad to Tundla.—This still awaits the sanction of the Railway Board.
(4) Remodelling of Allahabad station.
(5) Improvements to marshalling yards at Cawnpore and to the goods yard at Cawnpore Collectorgunge.
(6) Remodelling of Agra East Bank station.
(7) Conversion of Etawah into a rest station in order to shorten the present long engine runs.
(8) Strengthening of bridges on certain sections of the line to enable a wider use to be made of the new standard superheater engines.

15. Below the coalfields, the most important works in the future are:—

(1) Quadrupling between Burdwan and Gomoh.
(2) Provision of additional access to the Docks by means of a new bridge over the Hooghly at Bally.

In connection with wagon repairs, we are shortly putting forward proposals for the establishment of district carriage and wagon repair shops at Ondal, Dhanbad, Allahabad and Ghaziabad.

16. It will be understood that the above is only a rough outline of what we have in mind for our developments. We shall work steadily at the programme, and endeavour to carry out the most important works first as funds are provided. It is impossible to give an accurate estimate of the extent to which the capacity of the line for handling coal and other traffic will be increased as these new works are brought into use, but, as far as we can judge, if the commencement of the more important of these works is not unduly delayed, we should be able to overtake the expansion of traffic in the course of the next three or four years.

17. A separate note (Appendix B), dealing in detail with the Allahabad-Tundla section, may be taken as indicating the general position in respect to upwards traffic.

II.

18. As a large percentage of our freight traffic, particularly coal, is booked through to stations on other railways, it is obvious that capacity of adjoining systems must be concurrently improved. At present at several important junctions we are limited to a given number of wagons, and when traffic is in excess of this number diversion by longer routes has to be arranged or booking restricted. The more important standing limitations are:—

Jubbulpore	280 wagons a day.
Katni	50 „
Manikpur	50 „
Cawnpore	80 „
Agra East Bank	160 B.G. wagons.
	120 M.G. „

Even these limits were further modified during 1920 as under:—

Via Jubbulpore on 7 occasions.
Via Manikpur on 12 „
Via Katni on 2 „
Via Cawnpore on 10 „

while the limits *via* Agra East Bank were frequently lowered throughout the year.

19. These limits should obviously be removed and additional facilities provided at once, as apart from the detrimental effect of such restrictions on expansion, diversion means unnecessary haulage, longer occupation of wagons, and, therefore, unnecessary cost.

In order to illustrate how the inadequacy of the capacity on other railways affects the traffic on this system, I give below particulars of restrictions imposed by other railways during 1920:—

	Partial restriction.	Total restriction.
G.I.P.	9 occasions	1 occasion.
B.B. and C.I.	18 „	1 „ (metre gauge.)
N.W.R.	8 „	2 occasions.
O. and R.		3 „

These restrictions lasted for varying periods, in some cases for weeks or even months.

The practical impossibility of regulating traffic originating at several hundred stations at varying distances from the junction is obvious, and these fixed restrictions inevitably result in traffic being held up as soon as the limits are exceeded, causing detention to stock and traffic and disorganising operations over long lengths of our system.

The imposition of sudden restrictions on booking traffic by particular routes naturally tends to increase our difficulties and causes enormous waste of capacity. For instance, a stoppage *via* Jubbulpore communicated by wire means generally the holding up *en route* or at the coalfields of three or four days' traffic already booked and on the road, resulting in serious detentions to stock, disorganisation of our general arrangements, and occupation of valuable siding accommodation, all of which lead to further reduction of our capacity.

III.

20. While improved facilities and additional accommodation are absolutely essential if existing traffic is to be handled efficiently and future expansion provided for, a simultaneous increase in our wagon stock is also necessary. In this connection it must be remembered that our present stock has deteriorated seriously, and the effect has been to hamper operation very considerably. It needs no argument to establish that frequent failure of stock on running trains and in yards causes a great deal of avoidable work, disorganises yard operations, and results in longer hours on

the road, and therefore further reduces our capacity. If we are to meet the increasing demands that are likely to be made on us we must obviously have more wagons and at the same time improve our existing stock to the normal standard.

Our general programme includes—

9,500 wagons,
278 brake vans,

but, as already stated, this has had to be materially curtailed, and we are apparently to continue working with our present stock, insufficient in number and unsatisfactory in condition.

It is emphasised, however, that a liberal increase in our wagon stock will only accentuate our difficulties unless the necessary additional accommodation is first provided. The necessity for an initial improvement in the way of facilities is clearly indicated by recent results, which show a tendency for the rate of movement of goods stock to decrease as the number of wagons increases.

21. The total number of goods vehicles on the East Indian Railway on the 31st March, 1920, was—

36,404.*

Allowing for loss by absence on foreign railways, the average number of goods vehicles in effective use during the last ten half-years is as under:—

		Total number of wagons available. No. of wagons.
1915-16	1st half	32,837
	2nd half	32,783
1916-17	1st half	34,890
	2nd half	34,819
1917-18	1st half	35,096
	2nd half	31,299
1918-19	1st half	30,694
	2nd half	33,155
1919-20	1st half	31,200
	2nd half	33,327

The work done per wagon in terms of "miles run" during these periods was:—

		Mileage for each vehicle.
1915-16	1st half	8,471
	2nd half	9,553
1916-17	1st half	10,171
	2nd half	10,677
1917-18	1st half	10,571
	2nd half	11,209
1918-19	1st half	12,550
	2nd half	11,114
1919-20	1st half	11,134
	2nd half	10,405

There are, of course, other factors which affect the average mileage per vehicle per annum, but these do not materially affect the general inference drawn from the above half-years' results.

The most important of these is the frequent restriction on booking traffic to other railways which causes congestion and detention to stock and therefore reduces the mileage run by vehicles.

22. The vehicle mileage during the same half-years was as under:—

——		Loaded.	Empty.	Total.
		Miles.	Miles.	Miles.
1915-16	1st half	170,550,321	99,425,258	269,975,579
	2nd half	186,658,303	117,774,977	304,433,280
1916-17	1st half	215,335,221	130,109,582	345,444,803
	2nd half	218,449,219	143,827,303	362,276,522
1917-18	1st half	215,144,885	146,225,216	361,370,101
	2nd half	202,056,531	139,436,844	341,493,375
1918-19	1st half	216,911,154	158,508,818	375,419,972
	2nd half	213,496,295	145,232,588	358,728,683
1919-20	1st half	199,439,345	138,656,050	338,095,395
	2nd half	199,013,482	138,440,667	337,454,149

The percentage of empty to total vehicle mileage was—

		Percentage of empty to total vehicle miles.
1915-16	1st half	36
	2nd half	38
1916-17	1st half	37
	2nd half	39
1917-18	1st half	40
	2nd half	41
1918-19	1st half	42
	2nd half	40
1919-20	1st half	41
	2nd half	41

* Including 90 borrowed from other Railways.

The comparatively high ratio of empty to total vehicle mileage is mainly attributable to the unequal distribution of the traffic, but the periodical shortages which occur tend to increase empty running, because urgent demands in the coal fields necessitate the complete or partial suspension of loading ordinary merchandise, and the running of wagons empty to the colliery districts even if loads are available.

23. The deficiency of stock in the coal fields is not necessarily always due to actual scarcity of wagons but is, on occasion, attributable to uneven distribution of such supplies as are available on the system and which cannot be adjusted owing to limitations of yard or sectional capacity. For instance, the capacity of the coal districts to receive empties from the direction of Burdwan is about 1,000 wagons and from Moghal Sarai 1,300 wagons a day.

If, owing to an accident or other cause, the number of empties which can be received from Burdwan is reduced, the deficiency cannot be made up by increasing the number coming downwards or *vice versa*.

Again it may be that while the loaded traffic is moving freely to the Great Indian Peninsula Railway, that line is unable to return empties, while the North-Western Railway is in position to help, it generally means waste of capacity on one section and severe congestion on another.

It is impossible, of course, to arrange a free and even distribution of the traffic in precise ratio to the capacity of the various sections, but this makes it all the more necessary that accommodation and facilities be improved generally so as to ensure free movement in the varying conditions of the traffic.

24. Such improvements should obviously, however, not be confined to the despatching systems, because if this were so, the capacity of forwarding railways would still be limited by the capacity of receiving lines and the result would be not only that the benefit of the improvements would be lost, but forwarding railways would be further prejudiced by loss of wagon capacity, as empties would not be returned as freely as required

II. Replies to the specific questions on rates by Mr. Purshotamdas Thakurdas.

In regard to block rates, it was pointed out that on page 724 of the East Indian Railway Goods Tariff, Part I, the rate for "Cotton, full pressed" from Dhulkot to *via* Delhi for traffic to Bombay and Karachi was 7a. 1p. per maund, while the Delhi-Umballa-Kalka Railway share up to Delhi of the rate from Dhulkot to Howrah, page 399, was 5a. 10p. per maund. It was suggested that the inference was that the higher rate was charged on traffic to Bombay and Karachi in order to "block" traffic to those ports in favour of Howrah.

It was stated in evidence that the East Indian Railway was under agreement to quote to Bombay the same proportion as allowed to the Delhi-Umballa-Kalka on the Howrah rate and that therefore the entry in the rate book was an error.

This is actually the case and examination of the circular attached will show that the mistake arose owing to the entry against *via* Kalka, *viz.*, 7a. 1p. being erroneously shown against Dhulkot which immediately followed.

The rate is correctly shown in the Bombay Baroda and Central India Railway Tariff, and as freight is ordinarily collected at the receiving end, Bombay in this case, no overcharges have been made. The error has since been corrected.

It was remarked that the rates for sugar from Arrah to Agra was 8a. per maund, while the charge from Behea, 16 miles nearer, was 8a. 10p. per maund, and it was stated that it had been alleged that the difference was due to preferential treatment to European firms.

In the evidence, the allegation was emphatically denied and this is borne out by the records which show that when the rates for sugar to Agra were revised in 1907, the intention was to quote a group rate of 8a. per maund, applicable to all stations, Patna City to Buxar inclusive. This rate was based on the rates levied from corresponding stations on the Bengal and North Western Railway across the river.

There was, however, no station closely corresponding to Behea, and in preparing the table of new rates, the name of this station was inadvertently omitted and the rate remained unrevised, *i.e.*, at 8a. 10p. per maund, previously in force; while the charge from the other stations in the group was reduced to 8a. per maund.

There are no European traders at Arrah dealing in sugar, and it is believed that there never have been any. The explanation clearly indicates that Arrah was not particularly favoured, as other stations further from Agra than Arrah, namely, Dinapore, Patna Junction, Patna City also got the benefit of the 8a. rate. That Behea did not get the concession was more accident than design and as no complaint has been made and the traffic is unimportant, the omission has been overlooked. As the difference is, however, contrary to our application of the Differential Rule, the charge from Behea is being reduced to 8a. per maund pending revision of the general group rate.

III. Explanation of three specific cases of alleged delays in providing coal sidings, quoted by the Indian Mining Association.

In the course of his evidence Mr. J. H. Pattinson, Chairman of the Indian Mining Association, explained that the coal mining industry had suffered severely in the past through delays in the provision of sidings and to substantiate his statement, quoted three recent cases:—

(1) The Kasta Branch.
(2) The Rana Siding.
(3) The Chapui and Chabalpur Siding.

The following gives the history of these cases—

1. *Kasta Branch.*—This is a branch line 17 miles in length to open up a new area in the north of the Raneegunge coalfields, hitherto separated from the sidings in connection with the East Indian Railway main line by the Adjai River. The application was made in April, 1918, and after preliminary enquiries and investigations, our Colliery Superintendent went over the ground in June and arrangements were made for the survey for which an Engineer was deputed in July, 1918.

A number of different colliery companies were interested in the area and for some years before this date, suggestions had been made that a branch should be put in to serve it. The reports of our own Colliery Superintendent had, however, not been sufficiently favourable to warrant the undertaking of the construction, in view of the many other requests for railway facilities in areas where the coal had been proved and development was in progress.

The further investigation made early in 1918 did not show any more attractive possibilities, and in fact our Colliery Superintendent was doubtful whether the line would ultimately justify itself.

Two alternative estimates were prepared, one of which necessitated heavy bridging over the Adjai and the other a connection off the Ondal-Sainthia Chord and these were submitted to the Railway Board for their opinion as to which project should be proceeded with. It was pointed out at the same time that the money involved could be more usefully spent in improvements elsewhere. After this point had been carefully considered the present alignment was decided on in April, 1919, as the most suitable for the various collieries to be served.

The complete project, estimate and plans, were sent to my Board for their sanction in April, 1919, and their approval was received in July, 1919. The Railway Board were then asked to obtain sanction and this was finally received from the Secretary of State in January, 1920.

The acquisition of the land was commenced at once, but owing to the late receipt of sanction the best part of the working season 1919-20 had been lost.

The preliminary works necessary for the construction of the line were, however, put in hand and the work is now well advanced.

I may add that there has been very considerable delay in getting the local Governments to agree to the proposals of our Engineers as to the waterways to be provided and a final agreement has only recently been arrived at with the Government of Bihar and Orissa while the approval of the Government of Bengal has not yet been received.

It is hoped to complete the branch in the course of the current year.

2. *Rana Colliery.*—This is a short siding taking off the proposed Toposi-Baraboni Chord. This Chord was sanctioned in 1913 and part has been completed and is in use. In March, 1915, work was stopped for want of funds at a time when all Capital works had to be restricted to bare necessities. Three and three-quarter miles of the Chord remain to be completed and on this portion the earthwork is practically finished, but it has not been found possible to provide the permanent way materials and funds have consequently been withheld as they are more urgently required elsewhere.

Rana is 1¼ miles from the nearest point on this railway and a separate estimate was prepared for this portion but it is not possible to provide the connection until the Chord is completed.

I may mention that materials for such sidings are usually provided from second-hand materials taken out of the main line in the course of relaying. As relaying is much in arrears as the result of the War, there are now not sufficient materials for the sidings already applied for and, in fact, somewhere about 100 miles of track is required for such purposes over and above what is likely to be recovered from relaying in the course of the next 12 months.

3. *Chapui and Chalbalpur Collieries.*—An estimate for a siding to serve the above collieries was asked for in March, 1919, and sent to the applicants in August, 1919, for acceptance on the usual terms.

In the letter forwarding the estimate it was pointed out that we could not say when it would be possible to proceed with the construction of the siding in consequence of the shortage of permanent way materials.

Nothing was heard from the applicants until June, 1920, when they wrote to say they had trouble in getting a certain land or coal owner to agree to the proposed alignment but had now obtained his consent.

On July 1st, 1920, the applicants were written to with a request to deposit their portion of the cost of the siding (*i.e.*, cost of land and subgrade) on receipt of which it was explained that steps would be taken to put the work in hand.

No reply has been received.

IV. Reply to the enquiry made by Sir Henry Ledgard regarding delays in transit of consignments to Cawnpore.

With reference to my examination by Sir Henry Ledgard on 7th January when he alleged that no action had been taken to remedy delays in the transport of goods to Cawnpore until the assistance of Government had been invoked and a visit had been paid to Cawnpore by Sir George Barnes, I should like to explain that Cawnpore is served by the East Indian, the Great Indian Peninsula, the Bombay, Baroda and Central India, Oudh and Rohilkhand, and the Bengal and North-Western Railways. The mill area, however, depends largely for its railway business on what is known as the mill siding, an extension of the East Indian Railway into the heart of the mill area. There are local difficulties connected with the working of this siding, of a nature which I need not particularise, but the fact that the siding is a single line only and runs through the most crowded portion of the city will indicate that its carrying capacity cannot be improved without very considerable expenditure.

Further, the junction arrangements at Cawnpore which deals with the traffic coming from this siding, have not grown with the growing need of the traffic. This is admitted. We have proposals for improving facilities, some of which are in progress of being carried out, while others are delayed by the inevitable want of funds.

Early last year I became acquainted with the fact that there were complaints regarding delays in the matter of despatches from Calcutta to Cawnpore. The matter was at once examined and after careful study of the difficulties, certain remedial measures were introduced. The complaints, however, culminated in a letter from the Upper India Chamber of Commerce, received by me in June last, in which a large number of specific cases of delays were referred to. These individual cases were examined and we did our best to introduce various measures to improve the time taken in transit. On 1st August we started a system known as the "Nominated loading" at Howrah which we owe to the initiative of Col. Sheridan. Under this system we advertise that on certain days consignments of certain stations will be accepted, loaded on the same day and despatched in complete wagon loads to destination without interference *en route*.

For some time it was difficult to get the traders to appreciate the benefits of this system, although all possible steps were taken to make them acquainted with it. At about the same time we arranged that small consignments from Howrah to Cawnpore should be loaded in through wagons daily and sent through by fast goods train. We also came to an arrangement with the Port Commissioners, whereby packages from the jetties were similarly dealt with once or twice a week when necessity arose. I may state that during this period the remodelling of the Cawnpore Junction yard was also in progress.

The Upper India Chamber of Commerce were made aware of these measures and were asked to endeavour to forward their consignments from one depôt in Calcutta instead of despatching them from several points such as the jetties, docks, Baliaghata, Sealdah and Howrah, etc. It may be said that the improved methods which we advertised for the special benefit of Cawnpore, were fully in force by the beginning of September. Early in November, the Upper India Chamber of Commerce brought to the notice of Sir Thomas Holland that consignments to Cawnpore were suffering great delays in transit. This communication resulted in Mr. E. A. S. Bell, Member of the Railway Board, visiting Cawnpore on the 12th November, and further in a visit being paid to Cawnpore on the 26th November by Sir George Barnes, Honorary Member for Commerce and Industry.

At this visit the General Traffic Manager attended and explained clearly what was being done and what improvements had been effected. I may say that the Chamber brought forward a very long list of delayed consignments for the whole period from January until end of August, and while endeavours were made to trace and explain the reasons for delays, in many of these cases it was, I believe, recognized that in view of the measures already taken, no good purpose would be served in going into detail into the whole list. To give an idea of the size of the matter, it may be stated that during the period covered by this complaint, we carried considerably over 100,000 packages between Calcutta and Cawnpore, while the number of consignments about which complaint was made is computed to have been 3,500, that is, rather less than 3½ per cent. of the total number of packages carried.

At the instance of Sir George Barnes, the Chamber undertook to provide us with a specimen list of consignments which had taken an inordinate time in transit during the period September and October and we undertook to examine these cases in detail.

The list promised has been received and it covered about 28 cases during the period from one mill, 12 of these cases call for no comment as they got through in good time. 9 of the remainder arrived at Cawnpore Junction in good time, but there were delays in effecting delivery owing to congestion in the Cawnpore Junction and Collectorgunge yards and sickness amongst the staff and in one case to the wagon labels being missing. 4 of the cases were delayed in transit by having been improperly loaded by the Port Commissioners at the jetties. Of the remaining 3, heavy delays took place in transit owing to congestion along the line due to the causes which I have already referred to.

From information which we receive in the ordinary course of our operations I am satisfied that on the whole the despatch of small consignments from Calcutta to Cawnpore is not subject to greater delays than can be attributed to our known want of carrying capacity.

V. Employment of Indians in the supervising grades of the various departments of the East Indian Railway.

The total number of employés on the East Indian Railway on 31st March, 1921, was 121,837, of whom 4,442 were classed as clerical staff. The total number of Europeans and East Indians included in this total was 3,600.

At present there are 198 sanctioned appointments in the supervising grade on the East Indian Railway, of which 27 are held by Indians. Since 1910 114 officers have been appointed, of whom 85 were Europeans and Anglo-Indians, and 29 were Indians. Of the former, 42 were appointed in London and 43 in India. Of the latter, 9 were appointed in England and 20 in India, *i.e.*, 51 were appointed in England and 63 in India in all. The method of recruitment has been as follows:—

Engineering Department—

(*a*) Appointed by the Board in London and possessing college training and practical experience.

(*b*) Promoted from the subordinate staff, *i.e.*, permanent way inspectors, or clerks of work in India.

It is to be noted that the East Indian Railway has always aimed at maintaining a high standard in its engineer staff and the normal recruitment is from those who have had college training and some practical railway experience. Owing to war conditions it has been necessary at times in the last few years to recruit from the subordinate staff, but it is not probable that this method of recruitment will be continued, except in very deserving cases and men of exceptional qualifications or experience.

Traffic Department—

(*a*) Appointed by the Board in London with general education and, if possible, some railway experience.

(*b*) Promoted from the subordinate staff from amongst those who have had many years of railway experience and possessing the necessary educational qualifications.

(*c*) Appointed as probationers from amongst University graduates or men of good family and promoted to the supervising grade after 3 years careful training in all branches of the Department.

Locomotive and Carriage and Wagon Departments—

(*a*) Appointed by the Board in London after full professional training as mechanical engineers and practical experience of English railway locomotive work.

(*b*) Appointed as probationers under the scheme for training mechanical engineers instituted by the East Indian Railway. This scheme provides for one year's training in the Work-

railway. This scheme has only been recently introduced and the first probationer is now proceeding to take up his training in England. Two more probationers have been recently appointed.

shops in India and 3 years practical training in the workshop in England and on an English railway.

Audit Department—

(*a*) Appointed by the Board in London with qualifications as accountants and training of English railways.

(*b*) Promoted from the subordinate staff in the Audit Department.

VI. Reply to Mr. Hiley's questions on 5th January regarding comparative cost of permanent way and of wagons at pre-war and present rates.

The following is an estimate of cost of one mile of permanent way at pre-war and at present rate.

Cost of one mile of permanent way 88½ lbs.

Item No.	Description.	Permanent way 88½ lbs. with D. O. sleepers at pre-war rate.				Permanent way 88½ lbs. with D. O. sleepers at present rate.				Permanent way 88½ lbs. with wooden sleepers at present rate.			
		Quantity.	Rate.		Amount.	Quantity.	Rate.		Amount.	Quantity.	Rate.		Amount.
			Rs.	As.	P.		Rs.	As.	P.		Rs.	As.	P.	Rs.
1	Rails	10,560 ft.	1	7	6 ₱ ft.	10,560 ft.	2	0	0 ₱ ft.	10,560 ft.	2	0	0 ₱ ft.	21,120
2	Fish Plates	588 Nos.	1	7	3 each.	588 Nos.	1	13	6 each	588 Nos.	1	13	6 each	1,084
3	Fish bolts and nuts ...	1,176 ,,	23	0	0 ₱ 100	1,176 ,,	·25	9	0 ₱ 100	1,176 ,,	25	9	0 ₱ 100	300
4	D. O. sleepers complete ...	2,053 ,,	7·39	0	0 each	2,053 ,,	13	4	0 each	—	—		—	—
5	Wooden sleepers with chairs and fittings complete	—	—		—	—	—		—	2,053 Nos.	11	4	0 each	23,096
6	Laying	—	—		1,320	—	—		1,320	—	—		—	1,320
	Total	—	—		33,125	—	—		33,125	—	—		—	46,920

The estimate below compares the cost of relaying 100 miles of permanent way at present and pre-war rates.

Abstract of estimated cost of relaying 100 *miles with* 88½ *lbs. rails at pre-war rate.*

No. of item.	Description.	Quantity.	Rates. @	Rates. ₱	Cost. Cash.	Cost. Stores. To be purchased.	Cost. Stores. In stock.	Total.	Amount allocated to Capital.	Amount allocated to Revenue.
			Rs. As. P.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Rails	1,056,000 ft. ...	1 7 6 per ft....		—	15,51,000	—	15,51,000	2,36,593	13,14,407
2	Fish plates	60,200 Nos.	1 7 3 each ...		—	87,478	—	87,478	—	87,478
3	Fish bolts and nuts ...	123,600 ,,	23 0 0 per 100		—	28,428	—	28,428	—	28,428
4	D. O. sleepers complete	205,300 ,,	7·39 each ...		—	15,17,167	—	15,17,167	3,89,112	11,28,055
5	Additional ballast ...	600,000 C. ft.	50 0 0 per 1,000		30,000	—	—	30,000	30,000	—
6	Wages for extra gangs for relaying ...	100 miles	600 0 0 per mile		60,000	—	—	60,000	—	60,000
			Rs.		90,000	31,84,073	—	32,74,073	6,55,705	26,18,368
7	Contingencies at 2½ per cent	—	—		2,250	79,602	—	81,852	16,393	65,459
	Total Rs. ...	—	—		92,250	32,63,675	—	33,55,925	6,72,098	26,83,827
	CREDIT.									
1	Rails, 75 lbs.	1,056,000 ft. ...	0 10 0 per ft....		—	—	—	*6,60,000*	—	—
2	Fish plates	70,400 Nos.	0 12 0 each ...		—	—	—	*52,800*	—	—
3	Fish bolts and nuts ...	140,800 ,,	12 1 6 per 100		—	—	—	*17,028*	—	—
4	Wooden sleepers with chairs and fittings complete	205,300 ,,	2 8 0 each ...		—	—	—	*5,13,250*	—	—
	Total Rs. ...	—	—		—	—	—	*12,43,078*	—	*12,43,078*
	Net Rs. ...	—	—		—	—	—	21,12,847	6,72,098	14,40,749

Freight not included.

Abstract of estimated cost of relaying 100 *miles with* 88½ *lbs. rails at present rate.*

No. of item.	Description.	Quantity.	Rates. @	Rates. ₱	Cost. Cash.	Cost. Stores. To be purchased.	Cost. Stores. In stock.	Total.	Amount allocated to Capital.	Amount allocated to Revenue.
			Rs. As. P.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Rails	1.056,000 ft. ...	2 0 0 per ft.		—	21,12,000	—	21,12,000	3,22,170	17,89,830
2	Fish plates... ...	60,200 Nos.	1 13 6 each ...		—	1,10,994	—	1,10,994	—	1,10,994
3	Fish bolts and nuts	123,600 ,,	25 9 0 per 100		—	31,595	—	31,595	—	31,595
4	D. O. sleepers complete	205,300 ,,	13 4 0 each ...		—	27,20,225	—	27,20,225	4,10,600	23,09,625
5	Additional ballast...	600,000 C. ft.	70 0 0 per 100		42,000	—	—	42,000	42,000	—
6	Wages for extra gangs for relaying	100 miles	1,000 0 0 per mile		1,00,000	—	—	1,00,000	—	1,00,000
			Rs.		1,42,000	49,74,814	—	51,16,814	7,74,770	43,42,044
7	Contingencies at 2½ per cent.... ...	—	—		3,550	1,24,370	—	1,27,920	19,369	1,08,551
	Total Rs. ...	—	—		1,45,550	50,99,184	—	52,44,734	7,94,139	44,50,595
	CREDIT.									
1	Rails, 75 lbs. ...	1,056,000 ft. ...	0 10 0 per ft.		—	—	—	*6,60,000*	—	—
2	Fish plates... ...	70,400 Nos.	0 12 0 each ...		—	—	—	*52,800*	—	—
3	Fish bolts and nuts	140,800 ,,	12 1 6 per 100		—	—	—	*17,028*	—	—
4	Wooden sleepers with chairs and fittings complete	205,300 ,,	2·5 each		—	—	—	*5,13,250*	—	—
	Total Rs. ...	—	—		—	—	—	*12,43,078*	—	*12,43,078*
	Net Rs. ...	—	—		—	—	—	40,01,656	7,94,139	32,07,517

Freight not included.

The cost of covered and open wagons at pre-war and present rates is as follows:—

Covered Wagons.

Particulars of estimate.	Pre-war rates for 1 W. G. V. type covered wagon.			Present rates for 1 standard type covered wagon.				
	Contract amount.	Rate @ Rs. 15 per £.	Indian amount.	Contract amount.	Rate @ Rs. 12 per £.	Indian amount.	Rate @ Rs. 10 per £.	Indian amount.
ENGLISH EXPENDITURE.	£		Rs.	£		Rs.		Rs.
1. Underframes with fittings, body, and body fittings complete ...	179	@ Rs. 15 ...	2,685	436	@ Rs. 12 ...	5,232	@ Rs. 10 ...	4,360
2. Axle boxes and bearings				30	@ Rs. 12 ...	360	@ Rs. 10 ...	300
3. Bearing springs ...				30	@ Rs. 12 ...	360	@ Rs. 10 ...	300
4. Vacuum brake fittings				77	@ Rs. 12 ...	924	@ Rs. 10 ...	770
5. Wheels and axles ...	43	@ Rs. 15 ...	645	164	@ Rs. 12 ...	1,968	@ Rs. 10 ...	1,640
	222	@ Rs. 15 ...	3,330	737	@ Rs. 12 ...	8,844	@ Rs. 10 ...	7,370
6. Freight	—	@ 5 per cent.	166	—	@ 10 per cent.	884	@ 10 per cent.	737
Total English expenditure	—	—	3,496	—	—	9,728	—	8,107
INDIAN EXPENDITURE.								
7. Timber	—	—	3	—	—	—	—	—
8. Paint and oil	—	—	16	—	—	16	—	16
9. Labour and charges for wear and tear of tools	—	—	100	—	—	125	—	125
Total Indian expenditure	—	—	119	—	—	141	—	141
		Rs. ...	3,615	—	—	9,869	—	8,248
10. Contingencies at 5 per cent.	—	—	180	—	—	493	—	412
Grand total ...	—	—	3,795	—	—	10,362	—	8,660

Open Wagons.

Particulars of estimate.	Pre-war rates for 1 Sheffield-Twinbarrow type open wagon.			Present rates for 1 standard type open wagon				
	Contract amount.	Rate @ Rs. 15 per £.	Indian amount.	Contract amount.	Rate @ Rs. 12 per £.	Indian amount.	Rate @ Rs. 10 per £.	Indian amount.
ENGLISH EXPENDITURE.	£		Rs.	£		Rs.		Rs.
1. Underframes with fittings, body, and body fittings complete ...	170	@ Rs. 15 ...	2,550	426	@ Rs. 12 ...	5,112	@ Rs. 10 ...	4,260
2. Axle boxes and bearings				30	@ Rs. 12 ...	360	@ Rs. 10 ...	300
3. Bearing springs ...				30	@ Rs. 12 ...	360	@ Rs. 10 ...	300
4. Vacuum brake fittings				77	@ Rs. 12 ...	924	@ Rs. 10 ...	770
5. Wheels and axles ...	43	@ Rs. 15 ...	645	164	@ Rs. 12 ...	1,968	@ Rs. 10 ...	1,640
	213	@ Rs. 15 ...	3,195	727	@ Rs. 12 ...	8,724	@ Rs. 10 ...	7,270
6. Freight	—	@ 5 per cent.	160	—	@ 10 per cent.	872	@ 10 per cent.	727
Total English expenditure	—	—	3,355	—	—	9,596	—	7,997
INDIAN EXPENDITURE.								
7. Timber	—	—	3	—	—	—	—	—
8. Paint and oil	—	—	16	—	—	16	—	16
9. Labour and charges for wear and tear of tools	—	—	84	—	—	105	—	105
Total Indian expenditure	—	—	103	—	—	121	—	121
		Rs. ...	3,458	—	—	9,717	—	8,118
10. Contingencies at 5 per per cent.	—	—	172	—	—	486	—	406
Grand total ...	—	—	3,630	—	—	10,203	—	8,524

VII. Details of the proposed increase in the rates for the carriage of coal from 1st April, 1921.

The following is a comparison of the present with the proposed scale of rates for the carriage of coal for the public which will have effect from 1st April, 1921:—

Present.	Per maund per mile.	Proposed.	Per maund per mile.
For all distances up to 100 miles	0·15 pie	For all distances up to 200 miles ...	0·15 pie
Plus for any distance in excess of 100 miles and up to 200 miles inclusive ...	0·125 „	Plus for any distance in excess of 200 miles and up to 300 miles inclusive ...	0·13 „
Plus for any distance in excess of 200 miles and up to 700 miles inclusive ...	0·06 „	Plus for any distance in excess of 300 miles and up to 700 miles inclusive ...	0·07 „
Plus for any distance in excess of 700 miles	0·05 „	Plus for any distance in excess of 700 miles	0·06 „

A comparison of the two scales as calculated up to 1,500 miles is as follows:—

Miles.	Present scale per ton. Rs. As. P.	Proposed scale per ton. Rs. As. P.
100	2 2 0	2 2 0
200	4 0 0	4 4 0
300	4 13 0	6 2 0
400	5 11 0	7 1 0
500	6 8 0	8 1 0
600	7 6 0	9 1 0
700	8 4 0	10 1 0
800	8 15 0	10 15 0
900	9 10 0	11 12 0
1,000	10 6 0	12 10 0
1,100	11 1 0	13 8 0
1,200	11 12 0	14 5 0
1,300	12 8 0	15 3 0
1,400	13 3 0	16 0 0
1,500	13 14 0	16 14 0

CLEMENT D. M. HINDLEY,

5th March, 1921. *Agent*

APPENDIX A.

Statement shewing density of traffic during 1910, 1914-15 and 1919-20.

Names of Sections.		1910.			1914-15.			1919-20.		
		Up.	Down.	Total.	Up.	Down.	Total.	Up.	Down.	Total.
		Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Naini-Jubbulpore ...	Passing ...	401,888	135,835	—	917,573	114,498	—	1,970,282	164,060	—
	Sectional	93,884	77,940	—	76,693	73,032	—	124,266	57,299	—
	Total	495,772	213,775	709,547	994,266	187,530	1,181,796	2,094,548	221,359	2,315,907
Allahabad-Cawnpore ...	Passing ...	1,238,540	286,363	—	2,108,424	299,165	—	2,644,602	280,974	—
	Sectional	80,056	124,825	—	67,894	106,579	—	76,420	74,900	—
	Total	1,318,596	411,188	1,729,784	2,176,318	405,744	2,582,062	2,721,022	355,874	3,076,896
Cawnpore-Tundla ...	Passing ...	1,069,565	226,466	—	1,885,273	242,289	—	2,353,692	236,992	—
	Sectional	107,120	128,649	—	80,244	96,683	—	95,878	77,592	—
	Total	1,176,685	355,115	1,531,800	1,965,517	338,972	2,304,489	2,449,570	314,584	2,764,154
Tundla-Ghaziabad ...	Passing ...	858,648	175,110	—	1,386,863	294,528	—	2,313,526	324,439	—
	Sectional	115,995	150,697	—	120,763	87,093	—	114,168	144,908	—
	Total	974,643	325,807	1,300,450	1,507,626	381,621	1,889,247	2,427,694	469,347	2,897,041
Ghaziabad-Delhi ...	Passing ...	764,740	114,183	—	1,295,873	212,734	—	1,673,449	129,665	—
	Sectional	145,070	134,913	—	150,724	120,273	—	174,280	104,948	—
	Total	909,810	249,096	1,158,906	1,446,597	333,007	1,779,604	1,847,729	234,613	2,082,342
Delhi-Ambala ...	Passing ...	378,200	33,270	—	498,597	35,310	—	605,027	42,446	—
	Sectional	104,784	119,484	—	116,290	131,396	—	144,238	133,778	—
	Total	482,984	152,754	635,738	614,887	166,706	781,593	749,265	176,224	925,489
Ambala-Kalka ...	Passing ...	25,159	14,929	—	24,592	18,758	—	32,137	27,873	—
	Sectional	39,312	69,851	—	34,546	41,694	—	38,233	49,918	—
	Total	64,471	84,780	149,251	59,138	60,452	119,590	70,370	77,791	148,161

APPENDIX B.

NOTE BY THE GENERAL TRAFFIC MANAGER.—DOUBLING OF LINE BETWEEN ALLAHABAD AND TUNDLA.

Agent's Letter No. W. 14303/362-08 P.A. 1 of 8th May, 1920.

1. Before going into the subject, I would like to draw attention to the material change which has occurred in the traffic conditions affecting this question.

2. In 1915-16, when the proposal for doubling the section above Allahabad was pressed, the position was that we were being called on to handle a volume of war traffic which was greatly in excess of our capacity above Allahabad. The movement of this traffic was absolutely essential, and it was necessary to adopt immediate measures for accommodating it. Some of these were in the nature of temporary expedients, while others involved permanent improvements.

3. Among the former, the following may be mentioned:—

(i) Reduction in passenger services.
(ii) Suspension of booking non-essential merchandise.
(iii) Closing of small stations.
(iv) Discontinuance of running work and van goods trains.
(v) Diversion of excess by other routes.

4. The permanent improvements actually provided included:—

(i) Installation of train control.
(ii) Reduction of block lengths by opening block huts, etc.
(iii) Provision of direct entrance sidings.
(iv) Construction of additional passing sidings.
(v) Improvements of the yards at the changing stations—viz., Allahabad, Cawnpore, Tundla and Ghaziabad.

5. It is important to remember that when the proposal for doubling the Allahabad-Cawnpore section was dealt with in 1915-16, the decision was necessarily affected by the special conditions then obtaining and which necessitated the immediate accommodation of a large volume of additional special traffic. As laying the double line was a question of time, this measure was deferred as not affording the immediate relief required.

6. The conditions have now changed, and it is unnecessary to revive the discussion on the same lines as followed previously. In the present circumstances, I propose to establish that the volume of traffic now available, and making reasonable allowance for expansion within the next few years, justifies the permanent increase in capacity which can only be obtained by doubling the Allahabad-Tundla section.

7. An essential preliminary to a proper examination of the proposition is to determine whether the capacity of the line is to be considered in relation to the operating conditions now obtaining as a result of the temporary expedients which we are still resorting to, or under normal traffic conditions. The present position is that—

(i) Our passenger train services have not been restored to their pre-war level and are admittedly inadequate, tending to retard development of traffic.
(ii) Running of work and van goods trains is suspended when necessary to limit the traffic to within the present capacity of the sections.
(iii) Bookings of merchandise traffic in the upwards direction is restricted even when stock is available in order to leave room for coal traffic.
(iv) Movement of pilgrims and other special traffic is discouraged, necessarily restricting traffic which might otherwise have offered.
(v) Small stations in the vicinity of the larger centres are still closed in order to obtain relief by forcing short lead traffic to the road.

That is, instead of fulfilling our obligations by providing facilities for an increasing business, we have been forced to discourage traffic, owing to our inability to accommodate any more than we have been doing under the present restrictive conditions. We cannot obviously maintain this position permanently, and in considering our claim, therefore, the adverse effect of these measures on our traffic and of their removal as hastening development, must be taken into account.

8. There is one more aspect of the question, to which prominent attention must be drawn as it has exercised an important influence on our operating results, *viz.*, the deterioration of the wagon stock on Indian railways. The result of this has been to reduce the transport capacity particularly on the busy single line sections. These can only be worked to their full capacity when the running of trains can be systematically arranged. Any interruption in the regularity of the service disorganises the whole arrangements, trains are longer on the road, and the terminals are inevitably congested, with the result that fewer trains can be run. As I will show later on, this has actually occurred, neutralising the various measures, both permanent and temporary, that have been taken to increase capacity.

9. From practical experience and working under favourable conditions, that is, with restricted passenger services, and excluding work trains, the maximum capacity of the sections above Allahabad are:—

	In each Direction.		In both Directions.	
	Passenger.*	Goods.	Passenger.*	Goods.
	No.	No.	No.	No.
Allahabad-Cawnpore	5	14	10	28
Cawnpore-Tundla	5	14	10	28

*Including Parcels Express.

10. It is, of course, impossible to work up to these limits regularly and consistently as so many unforeseen contingencies arise from day to day, as a consequence of which the number of trains which can be run is reduced. These contingencies include accidents on this as well as foreign railways, insufficiency of empties in the coal fields, restrictions imposed by foreign railways and congestion at junctions, terminals and changing stations. If more than one work train is run in each direction the capacity is reduced to 12 trains each way, owing to the longer occupation of the road by these slow trains, the blocking of the sections while shunting is in progress and the delays in arranging crossings without undue detention to work trains.

11. The average results (expressed in trains) actually obtained during the last 3 years are as under. These results represent the maximum transport capacity of the sections under actual working conditions and as affected by contingencies of all kinds. The figures for 1919 are not up to those of the two preceding years, as the train capacity of the sections was adversely affected by the restrictions necessitated by the relaying operations on the Cawnpore-Tundla length, the remodelling of the Cawnpore yard and the habitual delays due to hot axles, etc., on the deteriorated rolling stock. These causes also reached on the section below Cawnpore—

	Allahabad-Cawnpore.			Cawnpore-Tundla.		
	Passenger.*	Goods.	Total.	Passenger.*	Goods.	Total.
	No.	No.	No.	No.	No.	No.
1917	10	27	37	10	22	32
1918	10	26	36	10	24	34
1919	10	23	33	10	21	31

12. In considering these figures it must be remembered that—

(*a*) they are merely averages, the actual number varying and frequently being up to maximum capacity.

(*b*) they are affected by the extent of traffic moving upwards from below Allahabad, which in the past has been largely dependent on the number of wagons available in the coal fields, and this is in turn governed by the action of foreign railways in returning empties or not.

(*c*) they are affected by the position on contiguous railways and the limitations imposed by them at junctions.

(*d*) they vary with the average number of hours on the road, which for various reasons has gone up

The main point is, and it can be confidently asserted, that having regard to the varying conditions obtaining from time to time, these figures represent the maximum working capacity, in terms of trains, of the sections from day to day.

13. If we deal with traffic capacity as expressed by number of passengers and tons of goods, the position is illustrated by the following statements showing the approximate weight of goods and number of passengers carried over the following sections during the years 1919-20 and 1918-19, the " Passing " and " Sectional " traffic being distinguished.

Sections.	1919–20.							
	Goods.				Passengers.			
	Passing.		Sectional.		Passing.		Sectional.	
	Up.	Down.	Up.	Down.	Up.	Down.	Up.	Down.
	Tons.	Tons.	Tons.	Tons.	No.	No.	No.	No.
Allahabad-Cawnpore ...	2,619,270†	257,830	13,850	8,932	253,320	231,440	625,700	659,680
Cawnpore-Tundla	2,328,628†	213,740	26,416	11,570	250,640	232,520	694,620	660,220
Tundla-Ghaziabad	2,244,690†	245,537	30,382	57,404	688,360	789,020	842,860	875,040
Ghaziabad-Delhi	1,624,267	85,987	146,200	79,652	491.820	436,780	280,800	252.960
Delhi-Ambala	594,159	32,146	51,984	43,742	108,680	103,000	922,540	900,360

Sections.	1918–19.							
	Goods.				Passengers.			
	Passing.		Sectional.		Passing.		Sectional.	
	Up.	Down.	Up.	Down.	Up.	Down.	Up.	Down.
	Tons.	Tons.	Tons.	Tons.	No.	No.	No.	No.
Allahabad-Cawnpore ...	2,938,119†	360,599	10,178	6,108	247,640	229,700	482,350	462,840
Cawnpore-Tundla	2,604,716†	288,771	45,839	28,341	244,490	212,380	659,310	676,110
Tundla-Ghaziabad	2,659,353†	395,561	18,142	74,000	634,970	604,150	598,430	635,520
Ghaziabad-Delhi	2,311,256	216,791	210,191	132,950	454,430	384,170	275,400	241,480
Delhi-Ambala	62,078	196,569	37,009	142,741	43,000	56,300	865,290	835,180

* Including Parcels Express.

† These figures do not include weight of North Western Railway Coal diverted *via* Moghalserai which is as under :

1919–20 ... 323,298 tons } approximately.
1918–19 ... 661,032 „ }

14. In regard to passenger traffic, it will be noticed that the " passing " traffic, both up and down, was slightly heavier, while in the sectional traffic a marked expansion is disclosed. On the Allahabad-Cawnpore section the aggregate up and down passengers moving on the section was 1,285,380 in 1919-20, as compared with 945,190 in the preceding year. On the Cawnpore-Tundla section the comparative figures are :—

1919-20	1,354,840
1918-19	1,335,420

and these results were secured in spite of the curtailment in facilities for passenger traffic and as there was no corresponding increase in the number of trains, the results clearly indicate inadequate facilities.

15. In regard to goods traffic, the figures disclose a contraction of about 300,000 tons in the up passing traffic due to—

(1) Fluctuation in volume of merchandise traffic (other than coal) moving upwards attributable to—
  (*a*) booking being restricted owing to shortage of wagons, &c.
  (*b*) falling off in certificated traffic.
  (*c*) fluctuations due to other economic causes.

(2) Smaller coal traffic to North Western Railway and Bombay Baroda and Central India Railway *via* Agra East Bank.

(3) Less diversion of coal *via* Cawnpore and *via* Jumna Bridge.

(4) Shortage of stock, making it impossible to meet the demand for wagons. This was the result of Foreign Railways not returning empties in sufficient numbers.

The sectional goods traffic on the Cawnpore-Tundla section was also smaller, due mainly to local merchandise traffic being shut out as explained in para. 2.

16. Notwithstanding the contraction the traffic offering was actually in excess of our capacity; this is established by the fact of our being forced to make use of the Oudh and Rohilkhand Railway route from time to time and divert trains *via* Moghalsarai when the number exceeded our capacity. The following statement showing the average number of trains diverted daily will indicate the extent of the excess :—

1917	2·7
1918	2·5
1919	1·4

The only effect of the decrease in volume was a corresponding falling off in the number of trains it was found necessary to divert. In many cases, these diversions were necessary owing to capacity being temporarily reduced by accumulation at junctions and changing stations arising from the inability of contiguous railways to accept regularly all the traffic that we were able to offer. That is, we were penalised and lost freight and the use of our stock owing to the inadequacy of neighbouring railways' arrangements.

17. Apart from this, as already pointed out, the question as to the necessity for increasing capacity by doubling the line must be considered from the point of view of more or less normal conditions and having regard to the necessity for efficient disposal of existing traffic and for an intelligent anticipation of future traffic developments. In regard to passenger traffic, I give below two statements showing for 1913-14 and 1919-20, the pre and post-war years—

(*a*) the passenger services.
(*b*) the sectional and passing passenger traffic.
(*c*) the earnings on parcels traffic.
(*d*) the sectional and passing goods traffic.

	Services in each direction.	
	1913-14.	1919-20.
Mail	1	1
Express	2	1
Passenger	2	2
Parcels Express	1	1

(b) *Traffic (Allahabad-Tundla Section).*

	PASSENGERS.							
	1913-14.				1919-20.			
	Passing.		Sectional.		Passing.		Sectional.	
	Up.	Down.	Up.	Down.	Up.	Down.	Up.	Down.
	No.	No.	No.	No.	No.	No.	No.	No.
Allahabad-Cawnpore	257,113	291,114	481,844	462,936	253,320	231,440	625,700	659,680
Cawnpore-Tundla	266,547	272,044	837,839	813,499	250,640	232,520	694,620	660,220
	1,086,818		2,596,118		967,920		2,640,220	

(c) Parcels earnings.

	Rs.
1913-14	20,47,018
1919-20	54,33,340

(*d*)

—	GOODS.							
	1913–14.				1919–20.			
	Passing.		Sectional.		Passing.		Sectional.	
	Up.	Down.	Up.	Down.	Up.	Down.	Up.	Down.
	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
Allahabad-Cawnpore	1,725,089	329,650	12,710	5,610	2,619,270	257,830	13,850	8,932
Cawnpore-Tundla...	1,506,626	241,351	24,453	43,056	2,328,628	213,740	26,416	11,570
	3,802,716		85,829		5,419,468		60,768	

PASSENGER TRAFFIC.

18. The comparative results show that the restrictive policy adopted and as represented by curtailment in services, withdrawal of return ticket concessions and enhancement in fares was successful in preventing the continued development which would have occurred in normal times. As this policy cannot be continued indefinitely, provision for expansion must obviously be made. Even to meet the current demand, we must at least revert to our pre-war standard of services, as, in spite of discouragement the number of passengers is rapidly approaching the level reached in 1913-14. With improved facilities, this number will soon be exceeded, and further additional services will be necessary. The results in respect to passenger traffic, although below those of 1913-14, are considerably in excess of the figures for 1918-19 when conditions as to train facilities and fares were much the same and there are grounds for anticipating that this rate of progression will not only be maintained but exceeded as soon as the facilities and services are improved. One, amongst other reasons, justifying this anticipation of more rapid development in the future, is the possible effect of the proposed broad gauge connection between Agra and Karachi. This, by opening up new country and affording direct trunk connection between the United Provinces and the rapidly growing Port of Karachi, is bound to lead to a rapid expansion in the passenger traffic over the Allahabad-Tundla section of this railway. Increasing industrial activity, the withdrawal of restrictions in regard to the internal movement and export of agricultural produce, and improvement in the shipping facilities are also bound to promote the movement of passengers and we are under definite obligation to make intelligent provision for meeting public requirements.

It will be noticed that the Express service, which was inaugurated mainly to promote the development of a long-lead Intermediate and Third class traffic has been reduced, and while the reduction may have been justified during the war, we cannot obviously continue this policy of curtailing facilities indefinitely, and there is no doubt that if we are to encourage further developments we must increase our services.

PARCEL TRAFFIC.

19. In regard to Parcels, if we are to be progressive and develop traffic as we are bound to, our facilities must be increased. The marked advance in earnings as shown in the statement on page 4 indicates the extent to which this traffic has grown and it is bound to continue developing, particularly in respect to such items as ice, fresh fruit, fish and other perishable commodities, as well as live-stock, motor-cars, &c. Our present single service is being worked to its full capacity and we shall have soon to consider the question of inaugurating another Parcels Express service. Taking all the factors into consideration, I estimate that during the next six or seven years—about the time it will take to construct the second line—our services over the Allahabad-Tundla section in each direction will be—

Mails	2	1 Punjab. 1 Sindh and Rajputana.
Express	2	1 Punjab. 1 Sindh and Rajputana.
Passenger	3	
Parcels Express	2	

The increase in these services will inevitably reduce the capacity for goods traffic

GOODS TRAFFIC.

20. In regard to goods, the 1919-20 figures represent an expansion of 41 per cent. as compared with 1913-14 and with increasing industrial activity, the opening up of new country, the improvement in methods of agriculture, the increase in area under cultivation as a result of irrigation, improved transport and the greater prosperity of the masses due to industrial development will ensure at least an equally rapid rate of progression. It must be remembered also that improvements are being made in other localities to meet probable growth of business, and as part of this new traffic is bound to require transport above Allahabad, failure to make adequate provision for accommodating it will have the result of unduly limiting the benefits anticipated from such improvements and developments. For instance, the question of increasing the loading capacity of the coal district is now under consideration and when these additional facilities are provided, new coal areas opened up, the Grand Chord doubled, and engine and wagon stock increased and improved, there is bound to be a continued expansion in the upwards coal traffic, and unless the demand for transport can be efficiently met, progress will be retarded instead of being facilitated by the transport agencies.

21. On the Allahabad-Cawnpore Section the up passing traffic in 1919-20 was about 894,000 tons more than in the pre-war year, while for the Cawnpore-Tundla Section the excess was but little less, being just over 822,000 tons more than in 1913-14. Assuming an increase of a further million tons during the next seven years, the volume of traffic to be operated over these sections will be—

	Tons.
Allahabad—Cawnpore	3,619,270
Cawnpore—Tundla	3,328,628

or an increase of 40 per cent. roughly on the 1919-20 figures. If the same standard of operation is maintained as in 1919-20 in respect to wagon and train loads, we shall have to accommodate a correspondingly larger number of through trains, adding to the 1919 figures the trains diverted (about three per diem, *i.e.*, 1·4 in each direction) as a temporary expedient. The number of trains to be moved will then be—

Allahabad—Cawnpore	36 trains.
Cawnpore—Tundla	34 ,,

To these must be added the van goods and work trains, which are now run periodically instead of daily as was done in pre-war days. These services are also likely to increase, and I anticipate the traffic will demand at least one more work train in each direction. The total train services will therefore be—

	Allahabad—Cawnpore.	Cawnpore—Tundla.
Mail and passenger	18	18
Through goods	36	34
Working goods	6	6
Total	60	58

These are averages, and in the busier months of the year, October to June, are likely to be exceeded and we may, on occasions, be required to run two or three additional trains in each direction. It needs no argument to establish that these figures, which are based on a moderate estimate of future traffic developments, clearly indicate the necessity for doubling the line.

22. In the past, as a temporary expedient, we have diverted the overflow to alternative routes, but such diversion is not in the general interests as except for a comparatively small proportion of the traffic such diversion involves unnecessary haulage and dislocation of the arrangements of the two railways. The traffic mainly affected is that between Moghal Sarai and below and the Punjab. I attach a North-Western Railway map variously coloured, to indicate the shortest routing from Moghal Sarai to the various sections of the North-Western Railway, which is as under—

Section A coloured green ... ... *Via* Moghal Sarai and Saharanpur.
,, B ,, pink ... ... ,, Delhi.
,, C ,, blue ... ... ,, Agra East Bank, Kuchaman Road and Hyderabad.

In regard to A, the comparative distances between Moghal Sarai and Ambala are:—

	Miles.
Via Oudh and Rohilkhand Railway and Saharanpur	571
,, Delhi and D.-U.-K.	608

In regard to B, the comparative distances between Moghal Sarai and Delhi are as under:—

	Miles.
Via East Indian Railway	485
,, Oudh and Rohilkhand and Ghaziabad	500

In regard to C, the distances by the various routes to Karachi compare as under:—

		Miles.
(1)	*Via* East Indian Railway Agra and Kuchaman Road ...	1,153
(2)	,, East Indian Railway and Delhi Southern Punjab ...	1,392
(3)	,, East Indian Railway D.-U.-K. and Ambala	1,456
(4)	,, Oudh and Rohilkhand Railway and Saharanpur ...	1,418

23. The most important traffic is, of course, coal, which is routed generally as follows:—

A. To Green area ... ... *via* Ambala.
B. To Pink area ... ... *via* East Indian Railway and Delhi.
C. To Blue area ... ... *via* D.-U.-K. and Ambala.

In regard to A, as the traffic originates on our line we are entitled to route it *via* Ambala, which gives us the best return. Moreover, owing to our operation being more economically effected the actual cost of conveyance per ton between Moghal Sarai and Ambala is less by our route, notwithstanding the longer haul, as illustrated by the figures below:—

I.

Via *East Indian Railway*.

Distance, Moghal Sarai to Ambala ... ... 608 miles.
Average cost per ton on East Indian Railway ... 1·24 pies per ton mile.
Total cost per ton Moghal Sarai to Ambala ... ... Rs. 3-14-10.

II.

Via *Oudh and Rohilkhand Railway and Saharanpur*.

(*a*)

Distance, Moghal Sarai to Saharanpur ... ... 520 miles.
Average cost on Oudh and Rohilkhand Railway ... 1·86 pies per ton mile.
Total cost per ton Moghal Sarai to Saharanpur ... Rs. 5-0-7.

(*b*)

Distance, Saharanpur to Ambala	... ...	51 miles.
Average cost on North-Western Railway	...	2·62 pies per ton mile.
Cost from Saharanpur to Ambala	... ...	Rs. 0-11-2 per ton.
Total cost Moghal Sarai to Ambala	...	Rs. 5-11-9.

That is, there is an average saving in cost of Rs. 1-12-11 per ton in conveying the traffic by our route.

(B.) Until December, 1916, traffic for stations in this section beyond Bhatinda followed the *via* Ambala route, but as the North-Western Railway declined to apply the rates calculated on the mileage by the shorter route *via* Delhi, to the longer route *via* Ambala, we were compelled to book traffic to the stations included in this section *via* Delhi (*vide* correspondence ending with Agent's docket No. 30802 T. of 29th December, 1916.)

(C.) In regard to traffic in the Blue area, which includes Karachi, the *via* Ambala route is still followed.

In connection with this traffic, it may be noted that the shortest route is not used because—

(i) It involves two transhipments, *viz.*, at Agra East Bank and Kuchaman Road.
(ii) It is unable to accommodate the traffic.
(iii) The broad gauge route, though longer, is more efficient.

24. It must be remembered also that, when the project for a broad gauge connection from Agra to Karachi materialises, this route will be much shorter than any of the existing routes and as efficient, and the suggestion to make use of the Oudh and Rohilkhand Railway route will not apply to this traffic. Although the *via* Moghal Sarai-Saharanpur route is shorter than the route actually followed, *viz.*, *via* Ambala, the Oudh and Rohilkhand Railway cannot reasonably claim this traffic as we can provide a shorter connection *via* Delhi and in any case we can carry it more cheaply as shown in the preceding para.

25. Under our agreement with the Oudh and Rohilkhand Railway, the arrangement in respect to routing traffic between

MOGHAL SARAI AND BELOW AND THE PUNJAB.

is that equal rates shall be maintained by the two routes. Under this arrangement the upwards traffic, the booking of which is in our hands goes *via* Delhi or *via* Ambala, while the downwards traffic, booked by the North-Western Railway, is routed *via* Delhi or *via* Ghaziabad. The latter gives the North-Western Railway a longer lead than *via* Saharanpur. The only traffic therefore in respect to which the Railway Board's suggestion, as to making use of alternative routes, can be applied is traffic for the Green area, for which the Oudh and Rohilkhand offer a shorter route. But even this application would be unfair because—

(i) It is in contravention of an agreement come to in 1889 under which the East Indian Railway secured this traffic by making important concessions in other directions.
(ii) The difference in distance is trifling.
(iii) Notwithstanding the longer haul of 37 miles by our route, the cost per ton is less than *via* Moghal Sarai and Saharanpur.
(iv) The arrangement would deprive us of the important and universally recognised right of the forwarding railway to book traffic by the route giving the best return, provided the public do not suffer. They do not in this case, as equal rates are maintained *via* Moghal Sarai, *via* Ghaziabad and *via* Ambala, which gives the public a treble selection.
(v) It would involve serious loss to the Delhi-Umballa-Kalka Railway.
(vi) The diversion of this traffic would not materially affect the density of traffic over the Allahabad-Tundla Section, as it is estimated that less than one-third of the traffic from below Moghal Sarai moving *via* Ambala is for stations within the green area. That is, the density figures given in the statements on page 4 for 1919-20, would be reduced by about 200,000 tons roughly. Even if, in spite of the reasons against it, the diversion of this traffic is effected, the relief afforded will be trifling and the development anticipated will soon more than make it up. It will not affect the passenger service, which we shall have to maintain in any case for the convenience of traffic originating at stations above Moghal Sarai.

26. The possibilities of development in the *via* Ambala traffic are not to be compared with the prospect of development to *via* Agra, with the probability of the Agra-Karachi trunk line materializing within the next few years and resulting in:—

(i) the opening out of large tracts of new country,
(ii) the improvement in services to other tracts, and
(iii) increasing the popularity of Karachi as the outlet for the exportable produce of the United Provinces.

27. I think we may reasonably claim to have established our case for doubling the Allahabad-Tundla Section, on the following grounds:—

(i) That notwithstanding the limitations imposed by existing abnormal conditions, the traffic is at present in excess of the capacity. That these restrictions constitute a serious handicap on the trade and industry of the country and can only be permanently removed by increasing the capacity.
(ii) That we are bound to improve our facilities in respect to both passenger and goods traffic by improving the existing and adding new services, increasing our engine and wagon stock, etc. That we can only safely do this by increasing the transport capacity so as to accommodate the additional traffic.
(iii) That developments likely to occur in the near future will result in a rapid expansion of the traffic over these sections which we must be prepared to carry.
(iv) That we have exhausted practically all the other alternatives to doubling, and

(v) If the capacity above Allahabad is not increased to meet the growing traffic it will mean that traffic over the Moghal Sarai-Allahabad section will have to be restricted to the limits of the sections above and this will mean that the full benefits which should accrue from the expenditure involved in increasing the capacity of the line below Moghal Sarai cannot be availed of.

28. In conclusion, I would remark that unless early measures are taken for increasing the capacity of the upper sections of our line, we shall probably find ourselves again overtaken by traffic developments and lay ourselves open to the usual charge of having failed to anticipate and provide for a more or less obvious expansion of traffic.

P. C. SHERIDAN,
General Traffic Manager.

CALCUTTA,
22nd September, 1920.

STATEMENT No. 17.

MESSRS. MARTIN & Co., CALCUTTA.—LETTER DATED 30TH DECEMBER, 1920.

Part I.—Management.

Question 1. On the whole we prefer Company management to State management. We consider the former more individual, in better touch with the public and especially the commercial public, more susceptible to public opinions and needs. See oral evidence, paragraphs 4170/4182.

The servants of a company-managed railway spend the whole of their service in that company, grow up with it and look to it for a direct advancement in return for good work.

Question 2. We do not, however, consider the difference in working of the two systems sufficiently manifest to justify a transference of all existing State-managed railways to company management, but would like to see officers of State railways transferred less from one system to another, and, in fact, as far as possible, kept on one system of railways.

Question 4. With regard to existing companies, we consider that the profit-sharing basis should be such as to give the shareholders a real stake in the company.

Question 3. Whether the company should have English or Indian domicile is a matter of finance. If India can raise the money (either in India or elsewhere) necessary to manage and develop her railway systems, we are of opinion that the companies should be domiciled in India.

Question 5. We do not attach very great weight to the opinion sometimes expressed that Boards domiciled in England are out of touch with Indian needs or that undesirable delay occurs, but, on the other hand, provided the financial question can be met, we are in favour of Boards domiciled in India, as India, provided she can find the money, has a right to work and manage her own railways.

Questions 7, 8. We consider that suitable Boards of Directors could be found in India, and that lack of continuity would not be great enough to prejudice their work. Government interest could be safeguarded by a Government nominee.

Question 6. We consider that each Board should consist of the Agent, General Traffic Manager, a Government nominee, and four or five members of the commercial community (Indian and European). It would probably be necessary for the Government nominee to have some powers of veto or reference to Government.

Question 7. We do not consider it necessary for the commercial members to be in any way skilled in railway work, but a commercial knowledge or experience of railways, provided the member was suitable in other respects, would be an additional advantage.

Question 9. We do not consider that a combined system of management by a Board in England and another in India would prove satisfactory for long, but some such arrangement might be come to with a view to bridging a difficult period of transference from England to India.

Part II.—The Railway Board.

Questions 10, 12, 13. Our general impression is that the Railway Board has failed to give satisfaction. How far this is due to financial stringency we are unable to say, but we are of opinion that the working of the Board is cumbersome and over-given to centralisation. We are of opinion that the Board's control is too tight, and would prefer to see a freer hand given to the heads of the different railways.

Part III.—Railway Finance.

Questions 17, 18. In our opinion want of funds is the sum and substance of all that is wrong with the railways, and funds have been inadequate under all heads. With such funds as are available it is, in our opinion, best to maintain and improve existing railways before allotting money for extensions or new projects.

Question 21. The branch line terms are satisfactory provided the guaranteed rate of interest is brought up to date with market conditions. There is, however, one serious objection when the main line undertakes construction of the branch line on behalf of the new company. The main line supplies an estimate of cost on which the new company is floated and there is nothing to prevent a series of revised estimates, following after construction has begun, until the prospects of the new company have entirely vanished before open line working commences.

Question 20. Every effort should be made to raise funds both in India and the United Kingdom and also by the encouragement of private enterprise.

Questions 28, 26 (*a*). We would advocate the separation, if possible, of the railway budget from the ordinary Budget of India. What is wanted, above all, is a steady supply of funds and a continued programme of maintenance, development and extension.

(*b*) We consider that railway rates should be raised as far as it is necessary to put the railways on to a sound commercial basis.

Part V.—General.

Question 34. We consider the carrying capacity of the various railways inadequate. Instead of being slightly ahead of requirements they are unable to meet the present needs. The commercial public sees chiefly shortage of wagons, but how far wagon shortage is due to a lack of wagons or to the lack of facilities for a proper use of wagons we are unable to determine. It is obvious that the general development of facilities such as yards, sidings, extra tracks, etc., etc., should keep pace with the increase of wagon supply.

To put things right, the chief need is an adequate and continuous supply of funds.

Question 35. Our firm is chiefly concerned with light feeder railways, and at one time these formed an important department of our business, but gradually the delays in obtaining sanction for a project became intolerable, terms offered became more and more stringent until it appeared obvious to us that Government did not wish to encourage private enterprise in this direction.

We are still, however, of the opinion that private enterprise in this direction could be encouraged to great advantage to the country and to the main systems of railways, provided suitable terms are offered.

STATEMENT No. 18.

THE MARWARI ASSOCIATION, CALCUTTA.—ANSWERS TO THE QUESTIONNAIRE.

See oral evidence, paragraphs 4198/4226.

The Marwari Association desire to express their views on Parts I and IV only of the questionnaire issued by the Indian Railway Committee.

Part I deals with the question of management of railways owned by the State. Part IV relates to the Government control of rates and fares and to the question of settlement of disputes.

Part I.—Management of Railways owned by the State.

Questions 1-9. After considering the relative advantages, financial and administrative, of the four methods of management of State-owned railways, namely, (a) direct State management, (b) management through companies domiciled in England with Boards sitting in London, (c) management through companies domiciled in India with Boards sitting in India, and (d) management through a combination of (b) and (c), the Marwari Association have come to the conclusion that taking into consideration the special circumstances of India, the method of direct State management is the most suitable for the country.

The Association are opposed to the management by companies of State-owned railways because such companies being formed entirely of Europeans, they naturally pay regard to their own interests and those of the countries they represent above, and frequently in disregard of, the interests of India and Indians who have provided the bulk of the capital invested in Indian railways. The result of such management in India has been prejudicial to internal trade and commerce and to the development of indigenous industries. Moreover, by setting up differential treatment, such management has produced discontent in the country. The Association think that management by companies domiciled in India with Boards sitting in India or through a combination of the aforesaid two systems of company management would be equally objectionable from the point of view of Indians.

In advocating State management of State-owned railways, the Association do not mean that the present system of State management meets with their approval. They advocate State management because they believe that under the reformed constitution the system will be gradually improved and modified according to the wishes and needs of the people of the country. The main grounds on which the Association base their preference for State management are the following:—

(1) It will help the development of national trade and commerce more than the system of company management.
(2) It will foster and encourage the growth of indigenous industries more than the system of company management.
(3) It will help the growth of inter-provincial trade.
(4) It will encourage the appointment of a larger number of Indians, specially in the superior ranks of the railway services than at present.
(5) It will pay greater heed to the comforts and requirements of Indian passengers.
(6) It will put an end to the present differential treatment in the matter of goods traffic as well as of passenger traffic.
(7) It will make a substantial saving in expenditure by making available to Government the amount that is now paid as companies' share of the surplus profits.
(8) It will bring the railway expenditure under public scrutiny and make it possible to introduce more economical methods of railway administration.
(9) It will make the railway administration more amenable to Indian public opinion.
(10) It will put an end to the present predominant influence in railway administration of parties whose permanent interest lies elsewhere than in India.

The system of State management of railways is in existence in some of the most advanced countries in the world where it has been a success. The Association do not understand why the system should not be a success in India also.

The Association have not mentioned any instances to illustrate their arguments. If the Railway Committee so desires, the gentleman who has been appointed to represent the Association before it will, when tendering his evidence on any point arising out of this Statement, mention, if asked, any such instances.

Part IV.—Government Control of Rates, and Settlement of Disputes.

Questions 30 *and* 31.—Government possesses very great powers over railway administrations in respect of rates and fares, but it does not appear that these powers are adequately exercised. Further, the Association do not consider that the powers delegated to railway administrations in the matter have been wisely used in the interest of the public.

Protests have been repeatedly made against the rates in force as being inequitable, unfair and unjust and as being prejudicial to the interests of trade, commerce and industries of the country. But no proper action has so far been taken by either Government or the railway administrations to remedy the evils complained of. The Indian Industrial Commission, in the Chapter on Industries and Transport in their Report, point out various anomalies of the present system of rating and support their arguments with illustrations. Sir Vithaldas Thackersay, in moving in the Imperial Legislative Council in March, 1912, his resolution for the appointment of a Committee of Enquiry to investigate the policy followed by railways in the fixing of goods tariffs and its effects on the development of Indian industries and on interprovincial traffic, dealt with the question at considerable length and quoted several instances of such rates. The Association are not aware that anything has been so far done to remove the complaints that have been made in the matter.

Question 32.—The machinery provided by the Indian Railways Act for the appointment of railway commissions to settle disputes between railway administrations and traders does not appear to the Association to be either effective or adequate. They would suggest the constitution of a machinery on the lines of that which exists at present in the United Kingdom for a similar purpose There exists in the United Kingdom a Railway and Canal Commission for the settlement of disputes in matters of railway rates and fares. A resolution published by the Government of India in 1887 stated that care would be taken to secure the same rights to the public in India as are enjoyed by the public in England by her Railway and Canal Traffic Acts. One of the important provisions of English law, as is in force at the present moment, is the control exercised over railways by the Railway and Canal Commissioners. That it was the intention of the Government of India that India should have the same rights as are enjoyed by the British public in the matter is evident from the terms of the resolution of the Government of India to which reference has just been made. In this connection the Association would like to quote an observation made by Sir W. M. Acworth in 1916 in support of this proposal. He said that "Railway rates and fares should be fixed by expert general manager, subject always to be brought before a competent tribunal and required to satisfy that in fixing any rate he has given to the study of the question the best brains he has possessed and that he has been justified by no motive which cannot be publicly avowed." The matter is, the Association considers, deserving of careful examination. A suggestion that the Association desires to make in this connection is that care should be taken so that the purposes of the machinery may be secured, as far as possible, without adding to the cost of administration. It is important not only that the administrative machinery should be as economical as possible, but that it should have an adequate Indian representation.

Question 33.—The Association would suggest that properly constituted conciliation boards consisting of representatives of the public and of railway officials be formed for considering the grievances of the public and for bringing about better relations between the public and the railways by interchange of views.

STATEMENT No. 19.

Babu Debi Prosad KHAITAN, Representative of Messrs. Birla Bros., Ltd., Calcutta.

Part I.—The Management of Railways Owned by the State.

Question No. 1.—Our experience of railway affairs extends both as members of the commercial community (our parent firm being over 40 years old) and of the travelling public. Having fully considered the question from all points of view, we can say without any hesitation that railways owned by the State should be managed directly by the State and by no other agency whatsoever. The reasons which have led us to come to this conclusion may be shortly stated to be as follows:—

The railway system is one peculiarly intended for the benefit of the country and its inhabitants no less than posts, telegraph, irrigation, etc. It is for this reason that State sanction is always necessary regarding the route, conditions, etc., before a railway line can be established, and that the State often gives necessary support and protection to all railways. If the question is considered from this basic standpoint, viz., the good of the country, we feel confident that there can be no two answers to it.

The circumstances in which eminent Indian public men—both commercial and non-commercial—have repeatedly brought this question to the fore may be divided into the following heads:—

(*a*) Ownership.
(*b*) Economic development of the country, including the growth of Indian trade, commerce and industry.
(*c*) Needs and comforts of the travelling public.
(*d*) Control of the State for public purposes.
(*e*) Employment of Indians.

(i) *Ownership.*—By its very wording the question relates only to railways owned by the State, *i.e.*, to railways the cost of which has been supplied by the State. It is a truism to say that any sensible owner would in all circumstances keep his properties under his own management. He has a right to do so, and would resent any encroachment upon it by anybody whomsoever. Such is also the feeling of the Indian community in regard to the Indian railways financed by the Government of India. Indians justly claim that they, having paid for the establishment of the railways, must be allowed to have adequate control over their management through their representative Legislative Assembly. It is, in fact, an encroachment upon their fundamental right as owners that the management of their property, which is particularly capable of adversely affecting their daily

wants and comforts, should be passed over to other hands, the more so when they find that the direction of affairs by others has been not only injurious to their economic interests, but has tended to their own humiliation and exclusion, and to an utter disregard and neglect of their comforts and requirements.

(ii) *Economic development of the country, including the growth of Indian trade and commerce.*—Sir Ibrahim Rahimtullah, when moving his resolution of the management of State railways by the Government at the Indian Legislative Council in 1915, clearly showed how management of railways by companies operated to the great injury of Indian interests, and we are quite in accord with every word that he said on that occasion.

One of the principal uses of railways is to help the economic development of the country. The most effective way in which this can be done is by developing indigenous industries.

In India the railway administration follows a policy which, rather than helping the development of industries, retards their growth. The rates that are in force are such as to encourage the import of foreign commodities and the export of raw materials out of India rather than their manufacture in this country. This prejudices the growth of indigenous industries. The proper course for the development of industries would be to afford concessions for such industries. But, instead of this, the present Railway Administration has in many instances fixed rates which favour foreign manufactures, thereby placing indigenous industries under a double handicap.

Very intimately connected with the question of development of indigenous industries is the question of development of trade and commerce. It is well known that the present system of rating has resulted in accentuating inequalities and has tended to operate to the disadvantage of internal traffic. The present low port rates are due generally to the competition between rival railway companies, each of which looks to the matter from the point of view of its own particular interest. In the case of through rates, that is, rates for traffic going over more than one railway line, the practice prevailing in India is that rates are calculated on the distance to the junction only, or, in other words, on the local distance of each railway. As the Indian Industrial Commission has pointed out, railways should accept the principle which is followed in many other countries, that a consignment travelling over more than one line should be charged a single sum based on the total distance. Mr. T. Robertson, Special Railway Commissioner, who came out to India in 1901, in his report published in 1903 pressed the same view. He observed that this was, in fact, expected by the Railways Act, but in practice it was rarely done.

Instances might be given in proof of the above statements. Those who are entrusted with the control of the railway policy and administration, being Britishers, are naturally anxious to advance the interests of the companies they represent and the country to which they belong.

(iii) *Needs and comforts of the travelling public.*—It is hardly necessary to state at any length that on the railways the needs and comforts of Indians are not properly attended to. Often, on the other hand, they are placed in a position of positive worry, and specially is this so when they compare their lot to the great attention paid to, and the lavish expenditure incurred on, European passengers. Not to speak of railway officials, even European passengers think that they are masters of the situation, and in many cases do inflict pain of body and mind on Indian passengers. We do not exaggerate when we say that railway journeys are one of the most fruitful sources of discontent and unrest and racial hatred in the country.

For Indian passengers generally there is no proper arrangement for food and drinking water, and even in the summer months drinking water is not available at a large number of stations. Lavatory and other arrangements, specially in the higher classes, are made to suit the habits of Europeans and not of Indians.

The lot of the lower-class passengers is positively miserable. There is no proper waiting-room, booking is not opened at suitable periods to enable them to buy their tickets conveniently, they are not allowed to enter the platform at convenient times, the compartments are overcrowded and dirty, and, in short, the passengers are not treated like human beings.

(iv) *Control of the State over the Railways for public purposes.*—These include Army requirements, and this head does not require treatment at any length.

(v) *Employment of Indians.*—It is a notorious fact that the higher appointments in the railways are mostly held by non-Indians. This has been so not because the services of capable Indians cannot be secured for many of these appointments, but because the railways, being either company-managed or their heads being Europeans, they are naturally anxious to help people of their own race, and when these are not available, youths belonging to the domiciled community. "It should be clearly understood," announced a resolution of the Government of India a long time ago, "that all posts in the revenue establishments of State railways are open to natives of India, and as men in every respect qualified for the superior grades are found, the Government of India will be glad to receive from Local Administrations recommendations for their employment in suitable positions." The resolution from which the above extract is quoted was issued in 1879, yet in 1913 there were only 11 Indians in the higher grades of the revenue establishments of State railways, which comprised 214 officers. Ten of them were employed in the traffic branch, which consisted of 112 officers. One of the most important among company-managed railways used to exchange passes for employés belonging to the domiciled community working in other railways with its own. But it did not issue such passes to Indian employés. We do not know whether the company referred to above still pursues this course. Such invidious distinction should certainly not be allowed to exist.

All these considerations inevitably lead to only one conclusion, viz., that in the interests of India and its people the management of railways by the State is a dire necessity. This is specially so in view of the political outlook, the awakening of Indians, the growing aspirations of Indians for control over their own affairs, and the increasing association of Indians in every branch of administration.

Another very important argument in favour of State management of railways is the saving that such a course would make to the State of the amount of surplus profits received by companies. This amount came up to Rs. 115·57 lakhs in 1916-17, to Rs. 149·16 lakhs in 1917-18, and to Rs. 189·63 lakhs in 1918-19.

One of the dangers of State management has been said to be that the Railway Administration would then be liable to political influence. We have been unable to understand clearly what is meant by political influence, and hence we are unable to deal with it at any length here. But if India can be trusted for management of certain branches of State administration under the Reform Act, it goes without saying that Indians can well be trusted to keep a branch of the administration like the railways on strictly businesslike and fairly disciplined lines.

It is urged that State management is less efficient than company management. In India both the systems are being worked side by side, but one does not notice any very striking superiority of the system of company management over the other system. Mr. Robertson, though he recommended company management in his report referred to above, put it on record that he did not think that management by companies in India was in any way superior to management by the State. If in countries such as Germany, Belgium, etc., where the system of State management has existed, it has been found possible to carry on the administration of railways with efficiency, we do not see why in India also we will not attain that standard.

State management is objected to by many on the ground that it is not possible for a Government to carry on the administration of railways on business and commercial lines. The argument seems to be a lame one. The Irrigation Department and the Posts and Telegraphs are managed by the State in India, and though everybody will agree that the administration of these departments is possible of improvement, it is undeniable that they are run as far as possible on business lines and are a success. In Japan and in several European countries the railways are administered by the State on business lines, and they have been a success. We do not see why similar results cannot be achieved in this country if attention be concentrated on the good of the country.

It has further been pointed out as an argument against State management that such system of administration is more costly than management by companies. We are not aware of any less economy in the management of State-managed railways at present, but granting that when the whole of the railway system in India is State-managed there may be a little slackness in economy, the saving of the surplus profits that have to be divided with the companies under the present system should not be overlooked.

In India the percentage of net profit on the capital invested in State owned and managed railways came up to 2·71, the highest during the three years, 1916-17, 1917-18 and 1918-19, of which figures have been supplied to us. The percentage of profits on the capital invested in State-owned and company-managed railways reached the highest figure in 1918-19, namely, 3·33. In Japan the railways are managed mainly by the State, and the figures showing the rate of profit accruing from the railways' working for nine years from 1906-07 to 1914-15 were as follows:—

	per cent.	
1906-1907	8·7	
1907-1908	8·5	
1908-1909	7·6	
1909-1910	7·6	
1910-1911	8·1	
1911-1912	9·0	
1912-1913	8·9	
1913-1914	7·8	(estimate)
1914-1915	8·8	

These figures tell their tale. They certainly prove the superiority of the State-managed system in Japan over the company-managed system in India.

The working of State railways in various countries was reviewed by the "House of Commons Paper" No. 287 of 1913, issued by the Board of Trade in England. Germany prior to the war was usually regarded as the country in which State railways were most successful. In comparing the working of railways in that country with those in England, where the system of company management is in vogue and the working under this system is claimed to be very efficient, the "House of Commons Paper," referred to above, quoted certain interesting figures. While the nett receipts (percentage of capital invested) came up to 4·31 per cent. in the United Kingdom, those in Germany came up to 5·76 per cent.

There is besides another important fact, namely, the number of employés working in railways, which is also a test of economical management. It is pointed out by a well-known writer on the subject, Mr. W. Cunningham, that while the number of employés working per mile in the United Kingdom is 26·9, the figures of Germany and Belgium are 17·75 and 21·00 respectively. While in England the system in vogue is company management, both in Germany and Belgium the railways are State-managed. Nobody can say that the fact that Germany and Belgium appointed a smaller number of men per mile on their railways showed that those railways were not efficient. There are English authorities bearing testimony to the efficient working, of course in pre-war days, of railways by the State, both in Germany and Belgium.

The management by companies should be replaced by the system of State management. We do not advocate any modification of company management, because whether the boards of these companies are domiciled in England or in India, or the railways be administered by any system which combines the principles of both the aforesaid methods of company management, such management cannot but perpetuate all the evils of the present system of company management.

Part II.—The Railway Board and the Government of India's Control.

In this connection we beg to invite the attention of the Indian Railway Committee to the decision arrived at by the Royal Commission appointed in 1916 to advise the Canadian Government as to the future railway policy of the Dominion. The Commission by a majority of votes came to the conclusion that a great extension of Government ownership was unavoidable. The Commission recommended that all railways owned by the State should be made over for management to a body of five persons. The Canadian Government has, however, accepted the principle with certain modifications.

The system introduced in Canada has been described by Sir W. M. Acworth, President of the Indian Railway Committee, in his work, "Historical Sketch of State Railway Ownership." Whether this is applicable to India or not in its entirety is a question of examination of the details. But it is essential that the Railway Board must be directly responsible to the Indian Legislative Assembly, without sheltering themselves behind any London boards; and the Railway Board should have representatives on it of the Indian commercial community.

Part III.—Railway Finance.

Prior to the war the Government of India were able to borrow according to their requirements at 3½ per cent. in this country. Borrowings for railways were restricted to the London market, but at a rate of interest higher than 3½ per cent. It is difficult to understand why the people of India were not given an opportunity to subscribe to the railway borrowings. We have no doubt that the Indian investor would be prepared to lend money for railway purposes at terms which may be required by the London money market. As to whether India can put up very large amounts like 20 or 25 crores a year for the next four or five years, granting that India cannot find this money, we feel that it is inadvisable to go on extending railways in India with money which carries dictation of terms which, as we have said above, have till now prevented the railway system from being generally conducive to the benefit and advancement of the cultivator, merchant and manufacturer in India. We therefore suggest that railways may be extended only as funds raised in India permitted, in case London will not advance on State guarantee without having a hold on the management.

Part IV.—Government Control of Rates and Fares—Settlement of Disputes.

Our views have been indicated in answer to Part I. Regarding disputes, very few merchants proceeded under Chap. V. of the Indian Railways Act, having regard to its complications, and none had the patience to wait till the final result.

Part V.—General.

The traffic has far outgrown the railway facilities. (1) The block rates ought to be removed. (2) River transport facilities ought to be made available to the public. (3) Railway facilities should be increased as funds permit.

STATEMENT No. 20.

J. J. GODFREY, Esq., representing Messrs. McLeod and Company, Calcutta.—MEMORANDUM DATED 4TH JANUARY, 1921.

Part I.

See oral evidence, paragraphs 4227/4218.

Question 1.—Primarily it is desirable that railways should be managed by companies on a profit sharing basis, or independently, subject to limited State control.

State owned and managed railways tend to develop into political machines, which are used for party purposes, without regard to the interests of the country, the public or the railway concerned.

There are, however, two classes of railways which should be State-owned and managed, *viz.*, railways built and worked for strategic purposes and those built for the purpose of opening up districts which are not productive, nor likely to render a return on the capital cost involved within ten or more years

Systems of management personally experienced—State, company, and under branch line terms.

Question 9.—A combination of a system of management by a Board in England and a local board in India would appear to be the most suitable arrangement for Indian Railways.

A board in England is essential to attract capital and to safeguard the interests of shareholders in Europe, also to keep in touch with the progress of railway administration, labour economics and finance of the world.

A local board with large powers in India would encourage support from Indian investors and would be in a position to deal administratively with all important questions which inevitably and sporadically arise and require prompt settlement.

There might be a preliminary difficulty in obtaining the right men as directors, but with the development of political reform in India the difficulty would gradually disappear and commercial men with interests in the various provinces served by the railway, would in their own interests be prepared to serve on such a board.

Part II.

Question 10.—The system of control by means of a railway board is sound.

Question 11.—The board should be so constituted that it is independent of pressure brought to bear by political parties and the president of the board should hold the portfolio for railways in the Indian Ministry. The board's subordinate officers should be selected according to merit and experience and not necessarily from State-owned or State-managed railways.

Question 12.—The functions exercised by the board appear to be unnecessarily hampered, owing to inadequate powers, the question of increasing the number of members should also be considered.

Unnecessarily detail work appears to be undertaken, as, for instance, in the case of railways worked under branch line terms, no powers are conferred on the managing agents nor boards of directors of the company, consequent needless references to the Railway Board on multifarious petty matters are made; the question of what powers should be granted has formed a subject of consideration by the board for some years, apparently without any result.

Part III.

Question 20.—It is eminently desirable that capital funds should be raised both in India and the United Kingdom.

Question 21.—The principle of supplementing by means of the branch line terms the Government of India's resources for railway construction is sound, but the actual terms offered by the Government are inadequate under present financial conditions. Interest at the rate of 3½ per cent., as now guaranteed under branch line terms, is quite insufficient to attract any capital, and under the present stringent state of the money market it is doubtful whether capital could be raised at a lower rate of guarantee than seven per cent.

In order to encourage the construction of small feeder lines, the guarantee should be based on the rate of interest paid by Government on its ordinary loans for the current year, and the basis of division of profits, now fixed at five per cent. should be enhanced proportionately.

Question 26 (*b*).—Railway rates must be raised in order to prevent railways from being a burden on the general taxpayer.

The question as to what extent rates may be raised on main lines is not dealt with here, but as regards narrow gauge branch lines the extent of increase usually depends upon the competition provided by byle gharrys or country boat traffic, and it is this factor, which must necessarily govern rates on these lines.

Passenger fares are subject to similar controlling conditions, *i.e.*, the competition of horse gharrys and country boats.

STATEMENT No. 21.

J. MACKENNA, Esq., C.I.E., I.C.S., Development Commissioner, Burma.—NOTE DATED 30TH DECEMBER, 1920.

Question No. 1.—I am inclined to think that the best system of management of railways owned by the State is that they should be managed by companies on a profit-sharing basis. I think that a board of directors is likely to take a more active interest in the productive aspects of railway administration and would probably do more to secure economy of working whilst giving the most favourable facilities to the travelling public and the trade. I have had experience of the Burma railways as a member of the travelling public both when it was a State concern and since it has come under company management, and I have no hesitation in saying that the management has been much more efficient since it was taken over by the company. I think that on the whole there is probably better discipline in a private company than in Government service, as a company has no hesitation in getting rid of an inefficient man while Government is not perhaps such a stern taskmaster in this respect. Another objection to State management is the frequent transfers of officers from one railway to another on account of leave vacancies or on promotion. I think a man is likely to take a much keener interest in a railway if he knows that he is going to be connected with it permanently. See oral evidence, paragraphs 4275/1296.

Question No. 2.—On the profit-sharing basis of management I would suggest that boards of directors be given much wider powers. At present the Railway Board seems to keep a very firm hand on administration and I understand that a board of directors cannot make an appointment on more than Rs. 250 a month without the sanction of the Railway Board, while many other unimportant matters require the sanction of the Railway Board. I think that the powers of Boards of Directors should be much increased and that they in turn should devolve their power to the local management.

Question No. 3.—I doubt very much whether it would be possible to obtain suitable men in India who would be prepared to devote their time as dircetors to the interest of railway companies. Indians so far have shown little interest in the matter or capacity for railway administration, while very few European business men would be able to spare the time which the management of a railway involves. With the spread of industrial education, however, I think an interest in railway matters will grow amongst Indians. Again, while railway stock is a popular form of investment in Great Britain the returns upon it in India are not such as to attract either European or Indian capital in India to any great extent.

Question No. 4.—I think the existing system is a suitable one and can suggest no alternative. I understand that, in the Burma railways, surplus profits are divided as 23/35ths to Government and 12/35ths to the company, this division representing approximately the capital invested by each.

Question No. 5.—I understand that in the case of most railways a director or directors from England visits the railway every year, and while there may be some delay in dealing with references it is doubtful if there is much delay in dealing with large cases which can be referred by cable. If more power devolved to boards of directors, the local management could be entrusted with greater power and delays would be avoided.

Question No. 6.—If it is decided that a railway company should be domiciled in India, the board of directors should have a general manager who is an expert in railway management, while Government should also nominate one of the directors to watch its interests. The other directors should be selected from the most substantial shareholders as is the custom on English railways.

Question No. 7.—With the general manager and a permanent chairman nominated by Government, there need be no lack of continuity, and it is not necessary that other members of the board should be skilled in railway work although it would be an advantage if some of them were.

Question No. 8.—I do not think that this is a possibiiity that need be considered.

Question No. 9.—I do not see how companies domiciled in England and in India can be combined. Such a system would lead to the most impossible situations and delays in administration.

Questions Nos. 10, 11 *and* 12.—On the whole I consider the Railway Board an advantage as it presumably can hold the balance among the claims for finance between railways and also is in a position to entertain a consulting staff to whose opinion the greatest weight must attach. There are, however, one or two disadvantages. I am informed that any appointment over Rs. 250 a month requires the sanction of the Railway Board, and as an example of the exercise of powers in unnecessary detail I believe that no leave can be given to the temporary staff except with the Railway Board's sanction. This appears to me to be an amount of centralisation which is absolutely unnecessary. I would also remark that the personnel of the Board varies more than any other section of the Government of India, and this cannot be considered satisfactory. In my opinion it would be better if the Board was more permanent, and I think it should consist of a railway engineer, a railway traffic man and an officer thoroughly familiar with the administration of a large railway and conversant with railway finance.

Question No. 13.—Further, with reference to Question No. 13, as the Board has no control over finance it cannot be said that it can deal effectively and expeditiously with matters relating to the requirements of the travelling public and of trade.

Question No. 14.—The answer is in the affirmative.

Questions Nos. 15 *and* 16.—The Railway Board would be much more useful if it had financial powers, an answer which also applies to Question No. 16.

Question No. 17.—I think it will be generally admitted that the supply of funds for railway purposes has, so far as Burma is concerned, been absolutely inadequate.

Question No. 18.—The policy hitherto adopted may be endorsed. So long as the standard of equipment of existing railways is so low as it is at present, it seems satisfactory and sound in principle to satisfy the needs of existing railways before considering further extensions.

Question No. 19. I would say that in Burma we could easily expend Rs.30 lakhs a year on railway construction, while to put our supply of wagons on anything like an adequate footing a grant of Rs.20 lakhs a year for the next five years will be required.

Question No. 20.—The capital funds required should be raised both in India and in the United Kingdom The greater bulk of the money will come from the United Kingdom or other European countries as the rate of interest which can be earned by railways is not such as to attract investors in India.

Question No. 21.—In view of the present high prevailing rates of interest I doubt if the present branch line terms are sufficiently liberal, but I am not prepared to say to what extent they should be modified.

Question No. 22.—Owing to the present low return on ordinary railway shares, it is doubtful if ordinary shareholders would agree to the issue of preference share capital, although it might be possible to raise this capital by means of ordinary shares of subsidiary companies mentioned in (*a*) (ii). I do not think there would be so much objection to the issue of debentures which should possibly be issued by the Government of India.

Question No. 26.—(*a*) I think there can be no doubt that railway improvement and development have been detrimentally affected by the general revenue position of the Government of India. (*b*) I do not see how railways can avoid raising their rates if capital has to be attracted. This is due to the high cost of materials and of labour, a cost which is affecting the world generally, and a railway must be in a position to pay interest on its loans and on its capital.

Question No. 27.—The statements in this question seem to favour State-owned and company-managed railways as against State-owned and managed. The figures are certainly very satisfactory from the point of view of the State, but it is absolutely impossible to estimate the indirect advantages to Government of the construction of railways. It may be noted, however, that State railways are frequently constructed for purposes other than trade, that is for military or strategic reasons, and often in consequence have to run through vast tracts of country which provide little, if any, traffic, with the result that their balance sheet shows a poor return. On this account it is not easy to make a comparison between State-managed and company-managed railways.

Question No. 28.—I have always looked upon the " lapse " system in the Public Works Department as unsound, and I do not think it has anything to commend it in the case of railways. I think that any sums not actually spent during the financial year should be carried forward to the following year, and I am inclined to doubt the statement that any lapsed grant is really re-allotted.

Question No. 29.—It is understood that this question refers to allotments for purchases of stores, but modifications of procedure will follow the recommendations of the Stores Purchase Committee which contemplates purchase to a greater extent in India.

Question No. 30.—The answer is in the affirmative.

Question No. 32.—There seems to be no objection to the appointment of Railway Commissions to settle disputes between railways and traders, but I doubt if the necessity for it often occurs in Burma.

Question No. 34.—The carrying capacity of the railway is not adequate to the requirements of the country. The Burma railways require stronger permanent way, improved terminal, siding and other accommodation, and also additional rolling stock. The remedy lies in the provision of funds. I would also suggest that in Burma, where there is only one gauge, large traders might be allowed to have their own trucks. I understand that there are objections to this such as the technical difficulties of shunting and loading, especially the length of time occupied in loading timber, and that experience has shown that private stock is apt to become obsolete and that sufficient attention is not paid to its repair. These do not seem to be insuperable difficulties.

STATEMENT No. 22.

THE COMMISSIONERS FOR THE PORT OF CALCUTTA.—LETTER DATED THE 4TH JANUARY, 1921.

See oral evidence, paragraphs 4365/4398.

With reference to your circular letters Nos. 2 and 15 R. C., dated the 2nd and 19th December, 1920, which were considered by the Commissioners for the Port of Calcutta in Meeting on the 3rd January, 1921, I am desired by them to reply as follows.

2. The questionnaire consists altogether of five parts, dealing respectively with I. Management, II. Control, III. Finance, IV. Rates, fares and disputes, and V. General questions. Of these five parts, the Port Commissioners as such are not concerned with Part IV and as regards the others they propose, instead of attempting to give replies *seriatim* to each of the questions placed before them, to indicate their views in a more general way, since in their capacity of Port Commissioners their interest in the welfare and progress of Indian railways is for the most part of a general kind and only a minority of their number are possessed of intimate and detailed knowledge of railway working.

3. In their opinion the whole problem of the future management of Indian railways centres round the question of capital finance. The country is fortunate in that there has been little difficulty, even with the comparatively low schedules of rates and fares in force, as regards revenue finance; as shown by the figures included in your questionnaire, both State-managed and company-managed lines have as a whole been able, after meeting working expenses and interest charges, to show a fair margin of profit, although the great increase in working expenses due to enhanced salaries and the higher cost of coal and of other materials will undoubtedly reduce this margin considerably, and a reasonable enhancement of rates and fares will probably be found necessary in order to increase the nett profits. It is in regard to capital finance that difficulty has always been experienced; it is understood that, save in abnormal years, such as 1818-19, when expenditure on capital account was necessarily restricted, the amount expended has always exceeded the net profits of the whole of the Indian railway system accruing to Government, while the amounts which the railways have *desired* to spend and have included in their capital demands would have involved a very much larger excess over this net profit. Moreover, the probable requirements of Indian railways for the next few years will, it is understood, be unprecedently high. It follows, therefore, that the amount of the net profits, even if this were definitely ear-marked as to be expended on improvements and extensions, would still require to be supplemented by borrowed monies, and the question is from what source this borrowed capital is to be obtained in the future. The Commissioners, while they believe that the solution of practically all the problems before your Committee depends upon the answer to this question, themselves find it a matter of the greatest difficulty to indicate with any confidence what that answer should be. In the past, capital has been obtained partly in India by means of the borrowing of the Government of India, and partly in England either by direct borrowing on account of the Secretary of State or by this method, supplemented by borrowing through the agency of some of the large companies domiciled in England. That the accumulated wealth of India is considerable and is increasing there can be no doubt, but the demands for other purposes are also great and much of the available wealth is not likely to be invested in securities of the kind now in contemplation without marked changes in the habits of its holders; in many parts of the country banking facilities and investments in securities are hardly understood or are not so attractive as other methods of investment of older standing. At the same time, the programme of extensions to be made by the Imperial Bank may have important results, and there is little doubt that the status and prestige of the large railways, particularly throughout the districts which they traverse, stands high. Hence it is possible that a quite important body of capital may be forthcoming as the result of offering an attractive rate of interest secured direct on the well-known lines. If these hopes are fulfilled, the Commissioners think it will be necessary to arrange for increased representation in India of the interests of shareholders resident in this country, which could be done by means of local committees at the Indian headquarters of the railways concerned. But on the whole the Commissioners feel grave doubts as to this source proving sufficient, at all events in the near future, when the financial resources of India remain incompletely developed and the requirements will be unusally heavy and they consider that it will be necessary for some time at least in the future, as in the past, to look outside this country for a portion of the necessary capital.

4. If this view be correct, it seems to follow that borrowing in London will be necessary, not so much in the hope of obtaining the sums required at more favourable rates but because otherwise the whole of the amount desired may not be obtained at all. Not only is London the financial centre of the United Kingdom, but it is also the financial centre of the Empire, if not of the world, and securities offered there under the best auspices appeal to a wider circle than is the case anywhere else. And if the probability of borrowing in London must be borne in mind, they believe that it will be effected only if the control of Indian railways asking for capital remains, as at present, in England. In their opinion, it must be recognised that the recent changes in the Government of this country have not inspired additional confidence in financial circles in Great Britain and they entertain the gravest doubts as to whether the large financial interests would make or arrange investments of capital in Indian railways which were entirely controlled by Boards sitting in India and which were themselves domiciled in India. In this connection the question of income tax is of great importance, and though they think it certain that money cannot profitably be invested in Indian railways if the proceeds of such investment are automatically subject to the payment of English income tax, they consider that the anomalies and burdens of the existing scales of tax and super-tax must meet with early recognition and reform.

5. It will be understood that the Commissioners feel unable to express definite opinions as to management and control until the financial problem has been solved or definite lines of policy in this respect have been enunciated. They would not advocate a general extension of direct State management as at present conducted, because it would lead to a highly centralised bureaucratic system, which would, they think, be unworkable and generally unacceptable. As to the best method of decentralisation, the Commissioners would a short time ago have certainly endorsed the opinion of the Bengal Chamber of Commerce expressed in 1918 in favour of company management, and although the position has recently undergone some change as the result of the less

favourable financial conditions in the United Kingdom, the altered political situation in India and the precedent of the new East Indian Railway contract, they are disposed to think that no sufficient reasons have yet been shown for modifying that opinion, and that the most promising of the alternative courses put forward is that of management by companies domiciled in England and having independent powers of obtaining their capital requirements in both countries. It is clear in any case that if the capital finance as well as the management of Indian railways is to be made over to the companies, whether in England or in India, their responsibilities will be markedly increased, and that their interest in the lines which they are to manage must be of a substantial and not of a purely fractional character; such companies would be called upon to raise large sums of money to provide them with this substantial interest in their lines which sums could be devoted to improvements and extensions, and, as stated above, it is doubtful whether sums of the size required could be raised in this country until its financial status has been improved and developed. Again, the system of companies domiciled in England has the advantage of utilising the ripe experience and ample leisure of many well-qualified officials, constituting a class not to be found in India among the European community, and with whose help continuity of policy and knowledge of personnel is ensured, while the English boards can also be made to include representatives of large financial interests able to control additional capital. These are factors of importance, and particularly so when regard is given to the best-known type of Indian boards, such as that of the Calcutta Port Trust itself, where continuity has been found difficult to secure. Thus, while the Commissioners would not regard the formation of purely Indian companies with Indian boards as being entirely out of the question, they are disposed to think that the difficulties to be encountered in this direction are greater than adherence to the system of English companies, coupled with the increased representation in India of Indian capital which has been suggested above, even if the matter be considered apart from the financial problem, which has been dealt with in the preceding paragraphs.

6. As to the future of the Railway Board and its position *vis-à-vis* in the Government of India, it will be clear that the transfer of financial control, within certain limits, to the boards of the railways, if decided upon, would have an important bearing on the future functions of the Railway Board and also on its relations with the Government of India. The restrictions of its financial powers now so severely felt would automatically cease, but there would remain its guardianship of a large national interest and its surveillance of methods of working and of the physical condition of railways in the interest of the travelling and trading public. It would remain the authority to which the different lines would submit for approval of their budgets, both capital and revenue, and would be responsible for these being suitable and adequate in the circumstances of each case; it would be responsible for the auditing of railway accounts, and it would continue the present system of inspection and enquiry into serious accidents by Government inspectors.

7. Generally speaking, the points which the Commissioners desire to emphasise are: that as a body they are directly interested in the progressive management of the three main railways serving this port; that to secure this end they consider an ample supply of capital to be essential, and that this should be secured independent of the Indian Budget; that any net profits resulting from operation should be devoted to improvements and extensions, but would require to be supplemented by large borrowings; that the future management and control of Indian railways should depend ultimately upon the financial policy decided upon by the Government, and that the demands of the future are so great as to make it extremely doubtful whether India alone can meet the requirements of the case.

8. The Vice-Chairman will attend before the Committee at 11 a.m. on the 8th January, as suggested in the second of your letters under reply.

STATEMENT No. 23.

Mr. S. C. GHOSE.

See oral evidence, paragraphs 4399/4409, 4441/4454, 4478/4504.

I admit I was at one time in favour of Company Management; but after nearly 2½ years of careful consideration, since 1917, I came to the conclusion that my previous views, not being based on complete information, were not right from the point of view of the interests of the Indian people. The reasons for my becoming convinced that State Management was necessary in the national interests of the country have been given in the pamphlet dated the 8th June, 1919 (paras 9 to 46) and in the booklet, which is a reproduction of my speech at the last Joint Session of the Indian Industrial Conference and the Commercial Congress held in Bombay in January, 1920. Both the pamphlets have already been submitted to the Committee.* My firm conviction now is that (although in some cases individual Company-managed lines might show better statistical and other results than State-managed lines) if all the State-owned railways are treated as one undertaking (though for purposes of working they would be divided into several administrations, the same as the Local Governments and the present State railways are) and one policy governs them, *viz.*, the interests of India for the benefit of which the railways were made—the railways would eventually achieve the object for which they were made.

II. The Indian Railways (trunk lines mainly) are the property of the State. The Indian Government is the owner and the lessor of the lines. The railway companies are the working agents or lessees.

III. The railway companies have comparatively a smaller account of share capital, on which they receive interest at 2, 2½, 3 and 3½ per cent.

IV. The railway companies receive a share of the surplus profits (after deducting all expenses of working, interest on capital, etc.). The surplus profits are shared between the Government and the company generally in ratio of the share of capital held by each.

V. The Government are interested in seeing that the property of the company, of which they are the owners, is kept in good condition and repair, and that all fresh capital proposed to be spent on a railway is to the interests of the Government and of the Indian people.

* The documents quoted by Mr. Ghose in this statement have not been reprinted by the Indian Railway Committee.

VI. The policy of the Indian Government in making the railways was for the benefit of the Indian people (*vide* last para. on page 5 of " A Monograph on Indian Railway Rates " by me and first para. of page 6, as well as the 2nd and 3rd paras on page 19 of the same publication).

VII. Through the railways, the Government apparently intended to protect the interests of the British rule in India, to further the interests of the Indian people, by developing the resources of their country and by improving the welfare and contentment of the country generally. But, on the other hand, the main interests of a railway company would be to make the most of the railway as a dividend-earning concern, during the term of lease. Therefore, the interests of the company and of the Government may not be identically the same in all respects.

VIII. It is manifest that the introduction of the companies was primarily to obtain capital for the construction of railways in India and perhaps liberal terms were given to the companies for this purpose, but it is also evident, at the same time, that had it not been for the fact that the Government eventually wanted to own the railways they (the Government) would not have insisted on the eventual purchase of the railways by payment of 20 to 25 p.c. premium, over and above the share capital of each railway company. When the East Indian Railway was purchased by the Indian Government in 1880 they paid to the company over and above the capital of £26,200,000 a sum of £6,550,000 (in the way of premium) which at Rs. 10 to a £ (sterling) amounted to over 6½ crores of rupees. But it is seen that as each railway was acquired by the Government it was given back to the company, for purposes of working. There may be good reasons advanced for this action, perhaps, financial considerations were the foremost.

IX. It may be advanced as an argument on behalf of company management that if the Government took over all the railways for working it would be difficult for them to provide all the capital required. Therefore, it may be necessary to examine the present position a little. I am not a financial expert, and I know that I may not be correct in what I say in this connection, but I will endeavour to put down what my impression is, although I do not at all claim that I am in the right.

X. After each railway was acquired by the State, the State assumed all ownership, naturally, but the company, in each case, was allowed to retain some share of the capital—a comparatively smaller amount—having regard to the total capital representing the whole cost of the undertaking. My notes show that, for instance, in the case of the Bombay, Baroda and Central India Railway on 31st December, 1911, the capital, after purchase by the Government was fixed as follows:—

	£
Secretary of State's (Government) capital ...	28,000,000 (preferred capital).
,, ,, ,, ,, ...	10,500,000 (deferred capital).
Company's capital	2,000,000 (preferred capital).

After this date (31st December, 1911) the additions of capital were to be kept on, as far as possible, in the ratio of £28,000,000 of the Secretary of State and of £2,000,000 of the company, so that by far the largest amount of capital would be that of the Government. If the Government could arrange to provide the big sums, which represent their share, they should also be able to find the other and the comparatively smaller amounts. If I am correct in my information, each railway company raises its share of the capital in England either by (*a*) guaranteed debenture stock or (*b*) by guaranteed debenture bonds or by (*c*) guaranteed ordinary stock. It is to be observed that in every case, there is the guarantee of the Secretary of State. In the case of ordinary stock, there is the guarantee of the Secretary of State and in the case of the debenture stocks there is the mortgage of the railway property (the largest share of which is held by the Government of India) and, in addition, the guarantee of the Secretary of State.

XI. Therefore, if after all, the guarantee of the Secretary of State is necessary in each case of money raised by the railway Company I fail to see why the Secretary of State cannot raise money by mortgaging State property (the railways) himself or by direct loans or bonds.

XII. Opportunity should be afforded to India to invest money in the bigger Indian lines and debentures issued in India by the Government for lines like the East Indian Railway, Bombay, Baroda and Central India Railway, Bengal Nagpur Railway, etc. I should think that when the present financial crisis is over, and then, if the Government want to raise purely railway funds, at the same rate of interest as the other Government loans at the time, for railways like the East Indian Railway, Bengal Nagpur Railway, Great Indian Peninsula Railway, Bombay, Baroda and Central India Railway, as State lines in the way of railway debenture stock there should be no difficulty. If in addition to the interest a small share of the surplus profits is offered things would be very much easier. Even if these loans cost more than the loans in England it will be all for the good of India, because the Indian people will have then direct interest in trunk railways of India and they would benefit by the loans. The loans for railways like the East Indian Railway or the Great Indian Peninsula Railway or the Bengal Nagpur Railway would be far different to the shares of new branch lines and people should readily come forward to buy loans or shares for the bigger and paying systems.

XIII. My experience, a few years ago, was that money was readily found in India for branch railways with 3½ per cent. positive guarantee of the Secretary of State. Messrs. Killick Nixon and Company, also had, I understood, at the time no difficulty in raising funds in India for their branch line companies.

XIV. Although I was aware from my conversation with late Mr. Lionel Abrahams (Sir Lionel Abrahams afterwards) when he was in Calcutta in January, 1914, that there were difficulties owing to the objections of Railway Companies in London in the matter of branch lines as the main line companies themselves wanted to start subsidiary branch line companies in India (*vide* " Statesman " of 13th February, 1914) and that the Secretary of State had to contend against the influence of Railway companies, in such cases, I did not realise what company management meant to India until I went to the Railway Board office (1917-1919) and had the opportunity to go through the important despatches and records for years past,

because I had to go through them to get facts for my book on railway rates. I would quote but a few instances.

(*a*) The Government of India promised the same rights to the Indian people in the matter of railway rates and facilities in the 1890 Act, as enjoyed by the people in England. This Act was being revised at the time the promise was made (*vide* penultimate paragraph on page 256 of Monograph on Indian Railway Rates and Government of India Resolution 1887, see supplement to " Gazette of India " No. 52, dated 24th December, 1887, page 1638), but the eventual result was that exactly the same rights were not secured for India, as it was in the 1873 English Act. The law of " Undue Preference " was no doubt introduced but without permanent or periodical Railway Commissions so that the law was practically a dead letter as admitted by the late Mr. Robertson, Special Commissioner for Indian Railways, in the last four lines of paragraph 61 of his report of 1903. One of the difficulties seemed to be that at the time the present Act was revised railways like the Great Indian Peninsula, Bombay, Baroda and Central India, Madras, were guaranteed lines and there were objections on that account on account of the contracts.

(*b*) In order to encourage despatches of traffic by a certain route, booking of traffic to certain ports and their subsequent carriage by country boats has been intended to be discouraged by agreements, say between the British India Steam Navigation Company and the South Indian Railway Company *vide* clause (*iii*) on page 196 of my " Monograph on Indian Railway Rates." This agreement was made in England and the terms were never disclosed to the Indian public before agreement was approved of.

(*c*) Under the influence of the same South Indian Railway Company Tirumalavasal Port was closed simply in order to enable the South Indian Railway to carry the rice traffic for long distances, obviously to the detriment of the interests of private boat owners who had their service to and from Tirumalavasal. Why should it have been necessary to close the port? Apparently because the railways could not carry the traffic otherwise (see paragraph 3 on page 198 of my " Monograph on Indian Railway Rates ").

(*d*) It was through the influence of the railway company in England that the character of the roads in India was altered. The roads ceased to be built for through communication and since the advent of railways were constructed for feeding the railways. The railway companies, through the Government Director in London, made applications for roads to be built in order to feed the railways. Naturally, if large sums were to be spent on feeder local roads, through roads could not be built out of limited funds. If there were many through roads in India to-day, instead of mostly local roads, industrial cars could be engaged even for long distances when the railways were unable to carry the traffic.

(*e*) It would be seen from paragraph XVII of this statement that the Secretary of State did not (perhaps was not able to) put in similar clauses in the contracts of the more influential (or bigger lines) in the matter of undue preference as was done in the case of smaller lines like, say, the Rohilkhand and Kuman and the Assam Bengal Railways, etc.

(*f*) That there must have been some difficulty in the matter of financial assistance to branch lines to company-worked main lines is apparent from Government of India Resolution No. 457 R.P. of 14th November, 1913 in paragraph 3 (vii), of which it is stated that financial assistance in the way of rebate can only be promised by the Government of India " where the main line is worked by the State; but the Government of India will, in other cases, endeavour to arrange on behalf of the branch line company a similar agreement with the company working the parent line." Therefore, if it is a branch of a State-worked main line a promise of rebate can be made by the Government while in the other cases (*viz.*, of company worked State lines) the Government can only make an endeavour in this respect. The aforesaid Resolution of the Government of India will be found on pages 572-573, etc., of Railway Department, Government of India, Administration Report for the year 1914-15.

(*g*) Another factor in favour of State management is that while in the Railway Board office, I was able to learn that the State Railway had the policy of giving Indians chance in the higher executive appointments from a very long time. There were executive engineers on Indian State railways for many years past, but neither the Great Indian Peninsula nor the Bengal Nagpur Railway or the East Indian Railway have yet got an officer in that capacity. Similar remarks apply to the district traffic superintendents in actual executive charge of traffic districts. There are some district traffic superintendents on the Eastern Bengal State Railway now, but none yet on the Bengal Nagpur Railway or East Indian Railway holding actual charge of a district. Mr. Halder was deputy traffic manager on the North-Western State Railway, a railway of nearly 5,000 miles. He was recognised as one of the very able traffic transportation officers. Mr. Rala Ram was chief engineer on the Eastern Bengal State Railway—the highest position yet attained by any Indian on the trunk lines of India. The company-managed trunk lines have not so far got any Indians in these capacities. If it were possible for State railways to get and train such men it should have been possible for the company lines to have done the same from a long time. As a Department of the State, the State Railways have necessarily to follow fully or partly the recommendations of any Service Commission or the rule or policy of the Government of India in other Departments, such as the Public Works Department, in the matter of appointment of Indians in the higher grades.

XV. As I have said, I would prefer management of State lines by the direct agency of State. The management should be somewhat on the same system, as, for instance, on which the North-Western or the Eastern Bengal Railways are managed to-day with such modifications or re-adjustments of systems that may be necessary in order to obtain efficiency of management. The State Railway agents have (at least used to have) more powers than the company-worked railway agents. The State railway agents are not subject to dual control as the company-worked line agents are, *viz.*, to the control of the Railway Board and of the Board of Directors in England, and if the Railway Board is sufficiently strengthened it will be able to exercise an effective control. In this connection, I would invite attention to paragraphs 34 to 46 (pages 15 to 20) of my pamphlet entitled " A Few Preliminary and Rough Notes for the Information of the Railway Committee," dated 8th June, 1919. I am of opinion that if Indian Railways are treated as one system, economy and efficiency in management would come in the long run. Interchange of rolling stock, standardization, etc., then would be easier.

Railway Board.

XVI. I am in favour of retention of the Railway Board, but I would recommend that it should be strengthened. I have given some suggestions on this point in paragraphs 65 to 73 of the pamphlet referred to in paragraph XV above. The Board should have not less than two more members (if not four more, *vide* paragraphs 47 to 49 of the same pamphlet), and there should be in additional experts in each branch of railway work. There should also be divisional or provincial advisory boards. This is the sum and substance of my suggestions.

Control of rates, through rates.

XVII. My impression is that the control exercised by the Government in respect of rates over all railways is not as it might be. In the case of State-worked State lines, if the interests of India or its trade or industries are affected the Railway Board can at once effect a change in the railway rates, but it cannot in many cases of company-managed lines order such a change even if it were convinced of its desirability. The Railway Board have no powers to finally deal with cases of " undue preference " or unreasonable rates in the case of some of the bigger systems such as the Great Indian Peninsula, the Bombay, Baroda and Central India, the Madras and Southern Mahratta, whereas it has in the case of others (*e.g.*, Assam, Bengal Railway and Rohilkhand and Kumaon Railway). If there was a case of undue preference, say, on the Rohilkhand and Kumaon Railway it could be remedied by the Board but not against the Great Indian Peninsula Railway. The terms and conditions of the contract are not the same in all cases. I have shown this clearly on pages 254 and 255 of " Monograph on Indian Railway Rates " and I would draw special attention to paragraph 4, on page 255, which commences with " such clauses as referred to above are absent from the contracts, etc., etc."

I would also invite attention to page 247 of the same publication. The Railway Board should have similar functions to those of the Board of Trade in London under the "English Railway and Canal Traffic Act," and in the same way as the Board of Trade submit returns of cases of public complaints dealt with by them to Parliament, the Railway Board should submit similar returns to the Imperial Legislative Assembly. I mean that the powers, similar to those exercised by the Board of Trade under Clause 31 of the " English Railway and Canal Traffic Act," should also be exercised by the Railway Board and provision should be made in the Indian Act to this effect.

XVIII. Then, another very important factor is the application of rates on through distance. If all the main trunk lines of India were treated as one system (which would be very easy if the railways were State-managed lines) and the various scales of rates were applied on through distances, then the charge on long distance traffic would not be high. I have dealt with this point on pages 222 to 227 of " A Monograph on Indian Railway Rates " and would invite attention to pages 225 and 226, particularly to the illustration on page 226. The Railway Board cannot enforce application of such rates on through distance, but if the railways were State-lines worked by the State or there was a permanent Railway Commission, which could be approached by the public at a small cost, the position would be better.

XIX. There should be a permanent Railway Commission either by carrying out the suggestions of late Mr. Robertson, Special Commissioner for Indian Railways (*vide* paras. 61 to 63, page 19, of Mr. Robertson's report of 1903) or by some other means. Cases like the " Broach Block rates " (*vide* pages 187 to 190 of the " Monograph on Indian Railway Rates " particularly para. 2 on page 189 and the lines in italics on page 190) or the closing of, say for instance, the Tirumalavasal Port should be typical cases for a permanent Railway Commission.

Railway facilities and additional rolling stock.

XX. In connection with the question of increased facilities to remove congestions and delays to traffic there is the demand for a large number of wagons, and also for additional facilities in the way of double lines, sidings, marshalling yards, more crossing stations, more facilities at terminal stations, etc. I am unable to say much on the situation on the different lines at the present moment, but I beg to draw attention to the following cases that come to my notice.

For instance, there is congestion on the line between Allahabad and Tundla on the East Indian Railway. If this line was doubled there would be (it was said in 1918) 26 trains in each direction instead of 19 and the number of wagons that would be cleared by 26 trains would be about 1,155 in each direction against only 680 now on single line. I dealt with this point in my report to the Railway Board in January, 1919 on the direct broad gauge line from United Provinces to Kurachee. There was a proposal on the part of the Bombay, Baroda and Central India Railway to build a railway from Cawnpore to Gangapur (near Agra) in connection with the proposed Agra-Kurachee broad gauge line. I showed in my report in January, 1919, that while a broad gauge line from Agra to Kurachee would be required in view of the increased volume of traffic to Kurachee from Northern India there was no apparent need of a new railway from Cawnpore to Gangapur (near Agra) for the doubling of the Cawnpore-Tundla (Agra) line would meet the requirements of through traffic (in fact more adequately as a double line would carry traffic more than two single lines lying separately would). Moreover, I pointed out that any relief on the length Cawnpore to Agra would not be quite adequate unless relief was also afforded on the length Allahabad to Cawnpore.

Facilities seemed to me to be necessary on the North-Western Railway in the matter of movement of wagons—*vide* remarks on pages 526, 527 and 528 of the book entitled " A Monograph on Indian Railway Rates."

XXI. A few years ago (4th February, 1917) I wrote at the request of the then President of the Railway Board, a pamphlet on the policy to be adopted on the question of development of the United Provinces by means of extended railway communication. This was a non-official report written by me as a private individual. This was before I went to the Railway Board. I enclose 14 copies of this note for the information of the Railway Committee.

XXII. Then, in connection with the question of increased rolling stock, there is the point as to whether there should be many wagons of high capacity. I lately had a discussion with the Agent of one of the Western lines. He disagreed with me when I said that it is wrong

to have wagons of very high capacity in large numbers. Whereas another gentleman, who was lately the Acting-Agent of one of the big Indian railways, holds a different view and agrees with the quotations given on pages 287, 288 and 289 of "Monograph on Indian Railway Rates." I am not a transportation expert and I have been out of touch with the railway work for some time and I would not like to say much or authoritatively in this connection. There will be experts to give evidence before the Railway Committee both on the question of additional rolling stock and extended facilities, and I therefore refrain from saying anything in this connection beyond drawing attention to certain facts and figures.

STATEMENT No. 24.

J. H. PATTINSON, Esq., Chairman, Indian Mining Association.—MEMORANDUM, DATED 7TH JANUARY, 1921.

See oral evidence, paragraphs 4410/4440.

The coal trade is handled almost entirely by the E.I and B.N. Railways, the only two which serve the coalfield, so my Committee have to be guided in expressing their opinions on the question of State versus Company management more by their experience with their other interests than by coal, and are of opinion that Company management of commercial lines is to be preferred. State management cannot offer the same encouragement to individuality and enterprise, being largely determined by Government traditions, rules and regulations, with the same fear of the Finance Department in the background.

We further favour the company system because we are convinced that practically the whole of the handicaps under which the coal trade has suffered for years, are more or less directly due to transport difficulties and delays, and that these in their turn are almost entirely due to railway finance. That being so, there is no remedy except money, which the Government of India have not seen their way to allot, and therefore it should, in our opinion, be raised in the markets of the world, and this can best be done in London.

Question No. 5.—London directors, wisely chosen and wisely re-elected, should not be out of touch with Indian railway conditions any more than are the heads of many of our largest coal concerns. It would be in our opinion a lesser evil to have an odd director possibly somewhat out of touch, but supplied with funds and influenced by up-to-date directors, than to have directors in India, knowing the wants, but sitting down under them powerless for the want of capital.

Questions Nos. 10, 11 & 12.—We think far too much importance is attached to the magic word "control" on behalf of Government. What is wanted in the interests of efficiency and despatch is less control, less fear of Simla, and more co-ordinated individual enterprise and *esprit de corps* on behalf of each railway. Many a sound proposition for railway improvement is killed in its inception, because the officers concerned feel sure Government will not sanction the expenditure, and therefore it is a waste of time to go into it and put up a comprehensive scheme. In successful commercial enterprises of any magnitude, the capital is nearly always found one way or another for any scheme which can be proved to save or earn a good return on its cost.

Questions 17/26.—We most emphatically consider that the supply of funds for railway purposes has hitherto been hopelessly inadequate. The whole system of doling out what happens to be available from the public revenues is wrong. The practice should be to consider desirable schemes on their merits, to calculate their cost, and having regard also to the cost of the necessary temporary or permanent capital, improvements should be embarked upon if profitable.

It is difficult to over-estimate the ill effect on the coal industry through insufficiency of railway finance. There have often been times when raisings have had to be curtailed owing to the accumulation of stocks due to want of wagon facilities. Invariably wagons can be seen waiting idly in sidings, which goes to show that it is not only a shortage of actual wagons but a deficiency in the means of turning them round. It is also a common sight to see coal trains hung up on the main line, which shows there is a shortage of receiving lines in assembling yards, as for instance Asansol, Dhanbad, etc.

As regards shipment coal, if nothing but low-sided wagons were supplied, it would enable the Port Trust to erect tipping plants at the docks and so wagons could be turned round quicker, and a more regular supply of wagons at the collieries would enable them to instal loading plants and shorten the loading period.

The industry has suffered severely in the past for want of sidings to the collieries and the prospects for the future are far from bright. There are very many instances of collieries being fully equipped but unable to despatch coal as they have no siding and at present no hope of getting one within the next year or so.

To instance this:—

A siding to serve the Kasta Field was applied for in April, 1918. It was started in 1920 and will probably be ready towards the end of 1921. The delay in putting in this siding has caused about 30 lacs of coal companies' capital to lie idle as the development is impossible until the siding is completed.

A siding to serve Rana Colliery was applied for in 1914 and has not been sanctioned yet, Rana Colliery is ready to despatch coal at once.

A siding to serve Chapui and Chalbalpur Collieries was applied for in March, 1919, and has not been sanctioned yet. Coal is being carted from Chapui, about 1 mile across a river.

These are by no means the only cases which could be brought forward to prove the deterrent effect the present railway facilities have had on the development of the coal industry and all the above instances are due to want of railway capital.

In the past the industry has been greatly handicapped by the exceptionally low price which has been paid for coal, and practically none of the companies have been able to put aside sufficient money for development on modern lines, but on the other hand there has been no incentive to them to do so as the railway have never been able to remove the entire output.

The price of coal nowadays and the prospect of being able to obtain electricity within the next year or so has altered the position very considerably, and there is no doubt the output of coal can be materially increased by the use of mechanical coal cutters and loading plants.

Unless, however, the transport facilities are greatly improved, any developments which may be made will only result in large accumulations of stocks at the collieries.

The accompanying chart* shows the monthly raisings, despatches, and stocks of a group of collieries under the same managing agency from January, 1915, to November, 1920:—

The actual figures over the period from January, 1915, to December, 1919, on the average per month are:—

Stocks.	*Raisings.*	*Despatches.*
77,423 tons	78,352 tons	74,404 tons

Thus showing that the average raisings were in excess of despatches and the group had on the average to carry a full month's raisings always in stock.

Any effort on their part to materially increase their raisings would simply mean carrying more stocks

With the sidings applied for and full wagon supplies together with the installation of electricity (intended as soon as current is available) the output of coal in a few years should be very considerably increased.

This applies to practically every colliery in the field. The use of mechanical coal cutters in the large collieries would free a large number of the present miners to go to the smaller collieries which could not afford to instal electricity. Given good transport facilities, there is no reason to doubt that within the next decade the output of Indian coal should be double the present output.

The present demand for Indian coal is in excess of the supply and with the possible development of Indian industries in the near future, together with the increased demand for Indian export coal, there is no reason to fear that, if the transport facilities were increased to an extent to enable the railways to handle 40 million tons per annum, the entire output could be disposed of. There may be some doubt as to the accuracy of the figure of 40 millions, and some may be inclined to argue that this figure cannot be reached in this period. In 1910 the total output was 11,387,716 tons and the return of labour engaged below and above ground was 105,285. In 1919 the figures were 21,759,727 and the labour 190,052. This shows that the actual work return of the miner has not improved at all in the ten years, as a certain amount of the coal raised in 1919 was cut by machinery. The average miner works only about three days a week throughout the year and for this in 1919 he raised say 20 million tons. With the general use of electricity the coal cutting machines will work six days a week and supposing they only produce the same amount of coal per day on the average, you would get double the output at once. It is a known fact, however, that a machine can cut considerably more coal than the Indian miner, so in estimating for double the output a very free allowance is made for a number of collieries which will not be able to instal electricity. The main object of development of practically all the collieries now is to install electricity, so unless very considerable facilities for transport are taken in hand at once, the development of the coal output will far exceed the transport and the result is obvious.

Question No. 26*b*.—By all means raise the rates to cover the cost of adequate services rendered. We hold very strongly that it matters comparatively little to any branch of trade whether the rate is Rs. 10 per ton or Rs. 10/8 for an efficient service so long as all competitors have to pay the same. What does annoy a merchant is to be quoted a Rs. 10 rate on paper which by reasons of delays or inefficient handling may eventually cost him another rupee or two in unforeseen charges and turn an apparently profitable line of business into a loss.

Question No. 25.—A very greatly increased trade is waiting to be done in the various hands through whom it passes, and out of each profit on it, Government would receive a share in the shape of taxes. Yet it is strangled by a narrow policy which fears that the raising of loans for railway necessities might interfere (more than other commercial issues) with the success of ordinary Government borrowings.

Question No. 27.—In view of our answer to question No. 17, it follows that we cannot consider the results shown in this paragraph as satisfactory either to the State or the public.

Question No. 34.—Answered in the above.

STATEMENT No. 25.

THE BENGAL NATIONAL CHAMBER OF COMMERCE.—LETTER, DATED 30TH DECEMBER, 1920.

See oral evidence. paragraph 4455/4470.

With reference to your letter No. 15 R.C., without date referring to the Questionnaire issued by the Government in connection with the evidence to be submitted to the Indian Railway Committee requesting for an expression of the views of the Chamber on the points raised therein, I am directed by my Committee to submit the following statement *seriatim* with reference to the Questionnaire.

The Assistant Secretary to the Chamber, Mr. Biswesswar Sen, will appear before the Committee and explain to them any point in connection with the statement of my Committee with reference to which further elucidation might be wanted.

Part I.—The Management of Railways owned by the State.

My Chamber adhere to the principle laid down in their letter No. 161, dated the 18th June, 1918, to Government (copy enclosed) that both the State and Company management of railways have their advantages and disadvantages and a combination of the two systems will have the effect of removing or rather neutralising to a great extent the defects and deficiencies under which each of them labours and the general result will tend to the advantage of the public at large.

Question 1.—The management of railways should be by company under proper State control Such an arrangement will ensure proper economy. The policy that should guide any scheme for the better management of railways in India, is the stimulation of healthy competition and the free development of Indian trades and industries on natural lines, and in that view every facility in rates and conveyance should be afforded to the public.

* Not reproduced.

Question 2.—The Railway Board should be reconstituted providing for the adequate representation of important trades and industries specially by Indians for the purpose of proper control over management with the above view. If the State provides sufficient funds for the construction of sidings and equipment there would be less complications arising out of the pooling system and it would eliminate delays in making over and taking charge of wagons at junctions. In this way through traffic may be expedited to a considerable extent.

Question 3.—For the purpose of raising funds in England for proper financing of Indian railways, purchasing stores, and securing services of experts there should be a London Board supplemented by an Indian Board with executive powers for the proper administration of railways. The latter being on the spot would be in a better position to dispose of the various questions and quickly meet difficulties which might arise in the working of the railway. The former would be able to raise loans at cheap rates, act as an agency for the purchase at fair rates of railway stores which are not at present available in any large quantity in the Indian markets and also secure services of properly qualified experts.

The Local Board should be composed of a Government Director, experts in railway management, and members representing the commercial, industrial and other interests, having knowledge of the needs and wants of the country. There should be a strong element of Indians in the Board. Hitherto the railway administration has been practically conducted more in the interest of foreign enterprise in the country. This is due mainly to the fact that the Indians have practically no hand in the management of railways.

The management by a board of representatives of different interests will ensure commercial and other public interests being properly looked after and eliminate the chance of high-handed and reckless administration.

The rates of freight should generally be revised and settled, periodically, at a conference of the Railway Board reconstituted on the lines suggested above, with the representatives of the commercial, industrial and general public interests of the local Boards.

Questions 5 *and* 6.—The delay which occurs in the settlement of references by the London Board could be remedied by the appointment of a local Board with executive powers as stated above.

Question 7.—There may be some lack of continuity, which, however, may be avoided to a considerable extent by proper representation of Indian representatives on the Board. There would be sufficient continuity if a permanent Chairman be appointed which should be done by the Government. The other members need not be railway experts, but must have commercial experience.

Question 8.—The difficulty apprehended would be minimised, if different commercial and industrial interests are properly represented in the Local Board.

Part II.—The Railway Board and the Government of India's control.

The Railway Board should be reconstituted making room for the full and proper representation of the interests of the important branches of Commerce and Industries of the country. Such representatives should be nominated by the recognised leading Commercial and Industrial Associations of the different provinces. It should be so arranged that there may be a strong element of Indians in the Board. The reconstitution of the Railway Board on these lines is essential for the exercise of proper control over the management of railways.

The Government should, for the growth and development of the different branches of Trade and Commerce and specially of the indigenous industries of the country, retain and exercise proper control on the management of railways specially with reference to rates of freight, use of the rolling stock, determination of the routes of transport, &c. This control is to be exercised by the reconstituted Railway Board.

Part III.—Railway Finance.

This is a serious point. Main lines must all be owned and financed by the State for which funds should be raised by loans payable within a limited number of years. Considering the present position of the money market, it is to be presumed that there is no likelihood of a great falling off of the rates of interest in the near future. By loans payable in a limited number of years the raising of funds will be facilitated. Arrangements shall have to be made for raising funds for railway financing both here and in England. More vigorous attempts should be made to raise funds here and it is to be hoped that funds will flow in larger volume than hitherto, if loans are raised with conditions similar to those of the War Bonds.

ENCLOSURE.

Copy of letter No. 161, *dated* 13*th June*, 1918, *from the Bengal National Chamber of Commerce to the Railway Board.*

I am directed by the Committee of the Bengal National Chamber of Commerce to acknowledge the receipt of your letter No. 188-F-16, dated the 4th/5th April last, referring again to the question of State *versus* Company management of Railways in India. As a solution of the difficulties pointed out in our letter dated the 8th November, 1916, arising out of the Boards of Management of several Railways in India being placed at a long distance in London it has been suggested that the best arrangement would be to have an Indian Company with Board of Directors in India, constituted on the lines of the Home Board having a Government Director with the power of veto and members consisting of the representatives of the Commercial Communities both European and Indian in Calcutta and Cawnpore. A doubt is entertained, in view of the fluctuation in the personnel of the European Commercial Community, whether a sufficiently strong Board could be constituted in India in the event of the control of the East Indian Railway being transferred to an Indian Company, and the views of the Chamber are invited on this particular point as also on the relative merits of a Board in London and a Board in India having regard to the advantages and disadvantages of either system.

The question is beset with difficulties. The Committee have given their best consideration to the subject and desire to submit the following observations:—

For the purpose of efficient management of an important railway, the Board of Management should have amongst its members experienced administrators and financiers, business men and railway experts of proved merit. In the matter of raising loans for railways the Government will find it difficult to obtain that amount of help from the Directors in the proposed Board in India as they are getting now from the present London Board. The Committee, while they recognise the advantage of developing railways in India with Indian capital, have doubts as to the present financial capacity of the country to undertake the task. They do not believe that there is any large unutilised wealth lying hoarded anywhere in the country and that Government will be able to raise loans in India sufficient for the proper development of railways in the country at 3½ per cent. or at such moderate rates of interest for a long time to come. Under the circumstances the restriction of connection with the London money market by the transfer of the Board of Control of Railways from London to India has its risks.

There is a paucity of railway experts in the country. Experts for the Board, if it be formed in India, will have to be recruited from abroad. Such a course will involve additional expenditure.

Another argument in favour of the London Board is that it acts as an agency for purchasing railway stores and equipment in the cheapest market. In the event of an Indian Board being formed, an agency will have to be retained in London for the purchase of railway materials which also will involve extra expenditure.

Finally, the fluctuations in the personnel of the European commercial community will now and then raise difficulties in the way of maintaining the strength of an Indian Board up to a high level of efficiency.

On the other hand an Indian Board of Management has its peculiar advantages. The formation of an Indian Board with representatives of Indian and European commercial communities will ensure in time a steady flow of Indian capital for railway undertakings and may help to create a situation favourable for eventually obtaining the capital necessary for railway development in the country. It will ensure proper representation of Indians in the higher administrative staffs of railways and thereby make provision for a proper number of railway experts being always available in the country for the successful administration of railways at a less cost with indigenous agency. The Board, being on the spot, will be able to dispose of more expeditiously various cases of difficulties which frequently arise in the working of the railway. The members of the Board being mostly business men, representing both the Indian and Eurpean commercial interests and having personal knowledge of local requirements and conditions will be in a better position to conduct the administration and give directions as to the lines on which the railways should be developed with a view to utilise the natural and industrial resources of the country.

The Committee think it will not be out of place here to quote from Mr. Bell's "Railway Policy in India" (page 32) a passage which is very relevant in this connection. He was not without hope that, "native capital would be induced to enter this field, and that he should regard such a movement as an important factor in the practical education of the people. If ever the natives of this country are to be schooled in the first requirements of Self-Government, it is desirable that they should be encouraged to act for themselves in such matters, rather than they should rely always upon that coercive philanthropy which insists upon doing everything for them."

In the event of Government deciding not to disturb the present arrangement, the Committee would suggest the formation of Local Subordinate Boards with representatives of Indian and European Commercial Communities or constitution of Local Committees like that of the East Indian Railway, which is now merely a consulting and advisory body, vested with power for controlling establishment, transportation of goods, passenger traffic, rates, etc. Such a system is calculated to effect an improvement upon the present arrangement and make the railway administration in various ways more popular and subservient to the interests of the country.

STATEMENT No. 26.

A. W. BAXTER, Esq., Representative of the Narayanganj Chamber of Commerce.—LETTER DATED 11TH JANUARY, 1921.

I have been asked by the Narayanganj Chamber of Commerce to represent it, in reply to your invitation to give evidence on any subject affecting the Chamber and the Railways. See oral evidence, paragraphs 4505/4513.

I. The point I have been asked to press is that the scarcity of wagons for conveying coal from the Bengal coalfields to the jute districts for the different jute baling firms, etc., has been so acute throughout the year (1920) that there was a fear of business being stopped and/or interfered with during the past busy season.

I am informed that there is likely to be great difficulty in getting sufficient coal for next season.

The jute crop of 1920, I would point out, is according to the final Government forecast, a little more than half what it will be in normal years and interference with the free marketing of this article alone means a great loss and hardship to the ryots over and above what is caused to the Balers up country and in Calcutta and to others concerned.

The best time to lay in sufficient coal is from now to July, when flats are available to carry the coal from Calcutta to the districts before the heavy jute season carrying commences.

II. Then again there is a great scarcity of wagons for despatching jute to Calcutta from up-country in Bengal. This has hampered trade for years and unless immediate steps are taken to increase rolling stock, lines, etc., the position will become much worse when there is a normal crop of over 100 lakhs of bales to deal with instead of a short one of 60 lakhs of bales this year as per Government forecast.

STATEMENT No. 27.

Mr. K. CHAUDHURY, East Indian Railway Passengers' Association.—MEMORANDUM DATED 13TH JANUARY, 1921.

See oral evidence, paragraphs 4520/4531.

I represent the East Indian Railway Passengers' Association formed about 11 months ago to protect the interest of suburban passengers exceeding 15,000 who are subjected to many inconveniences. Let us take the third class passengers, who comprise over 75 per cent. of suburban passengers. His contract with the railway company by virtue of the monthly ticket purchased in advance is violated by the company in many cases. He takes hurried meals to catch morning trains and marches to the station only to find hardly standing room in the train and experiences jolting and shaking that make him giddy, not to talk of the insanitary, dirty and uninviting condition of the compartments. Instead of rest after hurried meals and after quick march to the station, he arrives at Howrah mentally and physically disturbed before beginning his office work. The third class accommodation of Indian railways, which brings in over 75 per cent. of passenger income, is a standing disgrace to the Indian railway system. The railway authorities allege that they have not sufficient carriages—the old parrot cry—but if they have not, why should they sell monthly tickets almost *ad infinitum*. Surely it is time to see that the customers get good value for the money they spend. Instead of lavish expenditure on new projects which may bring new customers, why not please the old customers you have got and not hoodwink them, because of the monopoly the railway company enjoys and because there is no other alternative but to yield to all kinds of discomfort. Even from the point of view of fares, third-class suburban passengers, *e.g.*, from Serampore station, are made to pay 20 days' single fare for a monthly ticket, whereas second-class passengers pay only 13 days'. In this time of crushing rent in Calcutta and mad speculation on lands, the railway company should not only encourage suburban passengers, but offer every inducement to rent-paying residents of Calcutta to go out and live in the country by reducing monthly ticket fares to a reasonable minimum and guaranteeing reasonable accommodation.

The overcrowding in second class is equally bad, whereas most of the first class compartments almost go empty; ½ per cent. are first class, 3 per cent. second class, 20 per cent. inter class and 76½ per cent. third class. I am in favour of abolishing the first class compartments on East Indian Railway suburban trains or giving general permission to second class suburban ticket holders to use first class whenever accommodation is available.

The ordinary third class passengers' plight is even more miserable. He has to undergo all sorts of hardship, *e.g.*, at Howrah station for purchase of his ticket he is treated with contempt by the booking office ladies. Frequently his change is wrong, or he is given a wrong ticket. The rush for purchase of tickets is so great at times that there is a regular trial of physical endurance to purchase a ticket. There should be more booking offices. The compartment he goes in is insanitary; the lavatory is filthy; and in many cases he cannot get drinking water on the stations during the hottest days of summer.

It is high time that all further projects be suspended until and unless the third class passengers who constitute the working backbone of the nation get decent and sufficient accommodation and feel that they are not treated any longer as cattle but self-respecting human beings.

I am in favour of abolishing the second and inter class accommodatiion altogether. It will expedite the democratisation of the country which is essential for the development of the country. Railways are said to have helped in the break up of caste system, but they have encouraged the system of class by running at loss superior carriages in the train and maintaining superior waiting rooms on the station for second class passengers whereas third class passengers are almost considered intruders.

As regards State management *versus* Company management, there seems to be a consensus of opinion by Indians that the State must gradually displace the Company management. The advantages of State management seem to outweigh those under Company management. Financially, the surplus that goes to the pocket of British shareholders amounting to nearly 190 lakhs of rupees as in 1918-19 under private management will swell the State revenues under State management. Under State management, employment of Indians is secured on equal footing with members of other nationalities—better mechanical training is secured for Indian apprentices as *e.g.*, in Kanchrapara. Under company management, Jamalpur, the biggest mechanical workshop in India, does not encourage Indian apprenticeship and is the home of training for Europeans and Anglo-Indians. Superior posts, such as that held by Mr. Rala Ram, late Chief Engineer of Eastern Bengal Railway, is available for capable Indians. Passengers' chances for remedies are theoretically better under State management, as public control is more easily exercisable. Another important item in favour of State management is the pay and prospects of workmen and employees. We had a good many railway strikes or threats of strikes on the Bengal Nagpur Railway, East Indian Railway, and elsewhere, but Eastern Bengal Railway employees bargained and got quickly what they wanted. It is true that, in State service, a lot of inefficient officers thrive, but it is equally true that under private management employees are dismissed or degraded without strong reasons. Inefficiency and incompetence of State railway officials will disappear as the railway administration comes more and more under the close criticism of the public. It is my deliberate opinion that the employees under State management will have advantages unknown to the company employees. It is only patent that the Company managers have to work whole-heartedly in the interest of shareholders in England whereas the State works in the interest of the State, the employees, and the public.

Lord Dalhousie wrote the famous Railway Minute in 1853. Sir William Hunter says in his biography, "This was Lord Dalhousie's masterly idea—not only would he consolidate the newly annexed territories by his railways and immensely increase the striking power of his military forces. but he would use a railway construction as a bail to bring British capital and enterprise to India. The unprecedented impulse which Lord Dalhousie gave to Indian trade may be gathered by the following figures. During eight years of his rule export of raw cotton doubled and general merchandise from 13½ millions to 23 millions The imports of merchandise

and treasures increased from 10½ to 25½ millions in 8 years." Lord Dalhousie's Minute shows one of the objects which it was intended to serve was the promotion of British Trade and Commerce with India. That policy must no longer dominate the railway administration in India.

I have omitted to mention that Indian women compartments in third and inter-class must have prominent outside signs for immediate recognition. The lights in the stations should be better. and names of stations on the glass must be painted on each and every lamp.

STATEMENT No. 28.

INDIAN MINING FEDERATION.—LETTER DATED 11TH JANUARY, 1921.

Part I.—The Management of Railways owned by the State.

See oral evidence, paragraphs 4532/4552.

Our experience is limited mainly to the working of the E.I.R. and B.N. Railways both of which are company-managed. We feel that the railway administration of the country should better be made entirely responsible to the Government of India, *i.e.*, to the people of this country, and controlled by them through the Legislative Assembly and should be free from foreign control which at present is being exercised by the London Board of Directors of several company-managed lines.

The actual management work of the different important lines should have separate Managing Boards, composed of an Agent or a Director to be appointed by the Government, railway experts and representatives of important commercial and industrial interests to be nominated by the important commercial and industrial associations of the provinces served by the line. The Managing Boards should be so constituted that there might be a strong element of Indian in the Board. The State management would ensure uniformity of rates and freights, uniform policy in the working, and the wagons not being earmarked for particular railways would offer facilities for the working of the pooling systems eliminating the cause of delay at the junctions for taking charge of wagons and remove all grounds for putting block rates into operation and forcing consignment unnecessarily to go over a longer route. The administration being made responsible to the people would speedily adjust itself according to the requirements of the people. It is also desirable in the interest of the development of indigenous trades and industries. It might be necessary sometime to reduce rates of freight for particular commodities even below the paying line for the purpose of developing indigenous industries of national importance.

Part II.—The Railway Board and the Government of India's control.

The Railway Board should be reconstituted by making room for the representation of the interest of principal trades and industries of the country. Such representatives should be nominated by the leading commercial and industrial associations of the country. It is absolutely necessary that there should be a strong element of Indian both in the Railway Board and in the Managing Board of the different railways as mentioned before, otherwise the interest of the indigenous trade and industry conducted by the Indians will continue to suffer.

Part III.—Railway Finance.

The railways should be financed by the Government and vigorous attempt should be made to raise loans in India for financing railways as far as it can possibly be got. For that also it is necessary that in the actual management and in the Board of Control Indians should be associated. If the whole amount of money required cannot be raised here the Secretary of State should arrange to raise loans in the London market.

The loans should be made payable in a limited number of years. This is necessary in the present temper of the money market, both for the success of any floating of loan and also for being in a position to repay loans carrying a high rate of interest, when the money market shall become easier as it is hoped to be after a few years.

Part IV.—Government Control of Rates and Fares: Settlement of Disputes.

Under the present system of company management it is not practicable for the Government to exercise sufficient amount of control over rates and fares. The members of the Indian Mining Federation, *i.e.*, the Indian section of the coal-mining industry, have their special grievances. They have been experiencing all these years that preferential treatment is accorded by one or other system of preferential supply to other than the Indian section in the trade. For instance, it was agreed in the Coal Traffic Conference held in 1912-13 that supply of wagons will be allotted to collieries in a quarter of a year *pro rata* according to the raisings of the colliery in the previous quarter. In practice it was subsequently ruled that wagons will be given extra by rakes to a colliery having comparatively large basis for allotment at first for bringing coal to the Kidderpore Docks. Subsequently this extra supply was given for all purposes to any destination. So larger collieries, besides getting their legitimate larger share of wagons on *pro rata* basis, took away a considerable portion of the balance of available wagons under the rake system.

Special supply is being all along given for Government purposes, loco., and for public utility. The coal which was being despatched under all these special supplies was again taken into calculation in determining the *pro rata* basis of the colliery concerned. In these cases, for the same coal, wagons are given in duplicate, once in full and again by the *pro rata* according to raisings. The larger collieries in this way got the advantage of special supply against the smaller collieries. This matter was being persistently put before the Railways concerned, E.I. and B.N. Railways and the Railway Board and the Honourable Member for Commerce; but no action was taken till the 13th January, 1920, when in a conference under the presidency of Mr. E. A. S. Bell, C.I.E., Member of the Railway Board, a settlement was arrived at that half of the coal despatched by special supply to a colliery in a quarter would be deducted from the raisings of the quarter in determining the basis for the next quarter. But this resolution remains practically a scrap of paper. The major portion of the wagons are being given under Special Supply.

Sidings.—In obtaining a siding an Indian experiences almost insurmountable difficulties and oftener it takes years to get the siding and that at a considerable loss. For a typical instance,

the following may be cited. There is a colliery property in Manbhum district under Dhanbad Sub-Division called Dharmaband, covering an area of 1,533 bighas. There is 4½ feet thick first class coal (17 seam) besides there are five or six mouzahs, first class seams within workable depth. Application for siding for it was submitted in 1908, but objections were raised by the B.N. Railway, under the jurisdiction of which the property is, that an Indian would not be able to develop the property. The firm of Messrs. D. N. Ghosh and Bros., which owns the property, is a financially strong firm. The firm offered to keep a deposit with a bank, any reasonable amount which the railway authority would name as necessary for the development of the property, and also offered to pay all the expenses for the siding, whether it be treated as private siding or be given on assisted siding terms. In this way correspondence continued. In the middle of 1911, one, Mr. H. A. Pingle, a mining engineer, approached the party and offered to arrange to get the siding for the party if the party would agree to part with half of their property, *i.e.*, 766½ bighas for only a nominal sum of Rs. 12,000, though for acquiring the property the party had to pay Rs. 41,000. The offer was accepted in June, 1911, and within six months the siding was obtained and was being worked.

For the purpose of proper prosecution of the war a system of control was introduced on the coal trade and on the supply of wagons for coal, by which after having taken all the coal required for Government and locomotive purposes the wagons available were distributed to different purposes according to a scale and importance determined by the Coal Controller. After the war had ceased in November, 1918, the Indian Mining Federation persistently appealed to the Coal Controller and to the Railway Board and the Honourable Member for Commerce and Industry for the withdrawal of the above-mentioned preferential supply called the Special Indent System. This preferential supply helped certain industries to get all the coal they required at a very cheap rate and kept the other industries, though very important in public interest, meagrely supplied with coal and this at a time when the large industries had made during the war fabulous profit, and in some cases declared 300 per cent. dividend besides carrying a huge reserve.

The Special Indent system affected the coal trade generally in a serious way. The industries which were getting first supplies, *i.e.*, under X class were generally large consumers of coal, they dictated terms to the coal trade which were hardly paying to the collieries. The collieries had to accept the terms on the certainty of getting wagons for despatch of a portion of their accumulating stock. If these wagons, instead of being given on Special Supply, had been allotted on *pro rata* basis, the demand being in excess of the carrying capacity of the railway, the coal trade would have got a paying price, and this fact taken with the laws of supply and demand and the transport capacity of the railways would have gradually readjusted the raisings; but as the above-mentioned war measure continued in operation for a length of time, both the coal trade and a large number of small but important industries continued to suffer. This matter was discussed with the Honourable Member for Commerce and Industry on the 31st March, 1919, by the representatives of the Bengal National Chamber of Commerce and the Indian Mining Federation, and as a result the Coal Controller declared in the following month:—

> "That (1) with the approval of the Government of India he was arranging gradually to withdraw the control on coal and to abolish the Coal Special Indent system. He stated that the Special Indent system would be withdrawn from 1st August, 1919, and supplies would be given to collieries on the pre-war basis.
>
> "(2) The post of the Coal Controller would cease to exist early in May but the work would continue to be carried on by the Deputy Coal Controller, Mr. F. C. Legge, C.I.E., under the designation of Coal Transportation Officer, Railway Board, who in this capacity would deal with all matters connected with the Coal Special Indent system, and with the distribution of coal generally and would co-operate with the Mining Engineer to the Railway Board in the distribution and transportation of coal for Government and railway purposes. The Coal Controller observed that the withdrawal of the coal Special Indent system application for coal supplies in case of extreme urgency might be made to the Coal Transportation Officer, while his appointment lasts, but consumers as a rule must look to their collieries for supplies and not to the Coal Transportation Officer, who would intervene only in cases of extreme difficulty."

The Special Indent system ceased to be operative on the 1st August, 1919, but was re-introduced on the 15th August, 1919. This action was strongly protested against by the Indian Mining Federation, and the Government announced that the system would be withdrawn finally on the 31st December, 1919. But, strangely, instead of the Special Indent system a system of special supply was forthwith introduced by the Coal Transportation Officer from the 1st January, 1920, by which almost all the wagons available for coal were being taken up for giving Special Supply. Arrangement for allotting wagons under Special Supply was made by the Coal Transportation Officer in December. This latter system of preferential supply is by far the worst of the two. Because under it neither the collieries nor the consumers do know their position and the Indian section in the trade whether suppliers of coal or consumers felt hard hit by the system. As colliers they do not get their legitimate share of available wagons for coal proportionate to their raisings and as consumers they do not get coal in adequate quantity, though they are agreeable to pay reasonable price, and the industries in which the Indian public are particularly interested for the necessaries of life such as food and housing accommodation remain paralysed.

For all the circumstances mentioned above, we think that if the actual management of railways be conducted by boards constituted with representatives of commerce and industry taken from both the Indian and the European commercial community with safeguards that the former is strongly represented in the boards, there might be some chance of a fair and equitable treatment being obtained by the Indian section in the trade. With such an arrangement the railway cannot be worked by a Company, the State shall have to take up the management.

For the purpose of exercising proper control over the management, the Railway Board should be enlarged by making room for the representation of the Indian and European commercial and industrial interest. Such representation should be secured by authorising the representative commercial and industrial associations to nominate such representatives.

Risk Note.—At present the railways are taking freight on coal in advance, and coal is booked under a system known as "Owner's Risk," by which the railway transfers all its responsibility with regard to the safe delivery of the goods placed at its custody over to the shoulders of the owner of the goods, *i.e.*, the consignee. Recently a notice has been issued by the E.I. Railway that they will not generally accede to the request of the owner to re-weigh the coke and coal sent under "Owner's Risk." It is common knowledge that coal and coke, specially the latter, is even in open day pilfered by the railway menials when placed in railway custody. Under the circumstances it is rather curious that the railway concerned, as public carrier, should refuse to recognise its responsibility and would try to avoid it.

STATEMENT No. 29.

Mr. T. R. NOLAN, Acting Agent, Assam-Bengal Railway.—REPLIES TO QUESTIONNAIRE.

Question No. 1.—I do not consider Indian Railways should be nationalised, that is, that they should be owned and managed by the State. I consider the management of State-owned railways by companies on a profit-sharing basis has proved an eminently successful method of meeting the conditions under which railways have been developed in India. See oral evidence paragraph 4553/4574.

The objections to the nationalisation of railways have been so frequently stated it seems hardly necessary to detail them. The chief objections which present themselves to me are:—

The creation of an immense State Department and the conversion of the vast army of railway employees into servants of the State or in other words into officials.

Such officials in the higher grades would be subject to frequent transfers involving loss of continuity of policy in matters of detail, loss of time in learning the necessities of districts to which they are posted on transfer, loss of touch and sympathy with the public, loss of interest in their work and a general loss of intimacy with the capabilities, merits and needs of their staff.

In the lower grades these officials with the status of servants of the State could only with difficulty be removed from the service for slackness or inefficiency and such removals would be subject to appeal to the highest authority.

All such officials both in the higher and lower grades would probably receive promotion on a regular system mainly based on seniority. Such regular promotions, largely regardless of merit, must inevitably develop in many a lack of zeal and interest in their work.

A great State Railway Department capable of managing and developing all the existing railways of India and of constructing new trunk and branch lines would in my opinion lead to excessive centralisation and excessive standardisation in methods of construction and working. It would deprive the railways of the healthy emulation and competition which exists under the company management and of the experience and mature advice of the Boards in London, a large proportion of whose members are men of long experience in Indian railways and commerce. It would further deprive railways of the advantages of the technical advice and initiative of a large number of consulting engineers of world-wide experience of railway construction and railway working.

In matters where the interests of the public clashed with the management the appeal for the public would be to the State against the State. State management involves in fact a union of executive with judicial powers which in other spheres is held in such abhorrence.

With the organisation of labour in India a new argument against State management arises. Every labour movement would be an action against the State. With the example before us of the recent labour troubles in England, which have been accentuated by State control of industries, I do not think India should adopt State management. The union of all Indian railways under one management must emphasise and accelerate the union and power of labour against the State. In England this union and power has almost accomplished a dictatorship. The railway men's demands, whatever they are, are conceded in whole or in part regardless of the interests of the railways and the taxpayer.

There is the possibility of the interests of railways and the public at large being prejudiced in favour of local interests or for political reasons.

It is generally admitted that railways must be worked and developed on commercial lines and it is difficult to see how a great State Railway Department could be so worked in view of the many inherent difficulties to be contended with. It is argued that the existing State railways give a good return and are well managed, but the conditions would be greatly altered if all railways were State-managed.

Question No. 2.—I advocate the continuance of company management. I consider the existing system is generally efficient, but improvements in detail are no doubt possible.

Question No. 3.—The ideal would be that Boards should be located in India, but I consider this is not practicable.

Question No. 3 (*a*).—There is not a sufficient number of suitable men to draw on for directors and of those available many are Europeans whose tenure of office would be too short to ensure any continuity of policy or of interest.

Question No. 4.—This system is, I consider, generally suitable, but were the companies to hold a larger share of the capital it must tend to induce great interest and efficiency.

There are, however, railways built to develop backward districts or for strategical purposes which cannot on the most optimistic estimate produce for many years a return equal to the guaranteed interest, much less any surplus of profits for division between Government and the working agency. In such cases a real and immediate incentive to economical working is lacking. Such railways have to struggle on for years against adverse circumstances whilst the districts they traverse slowly develop. The revenues of these districts improve from the start whilst the railways inducing these increased revenues are starved in grants for development and are generally looked upon by the Railway Board as an unavoidable nuisance. Such railways should, I consider, from the first receive some adequate encouragement and be given a real and early realisable incentive to economical working. This incentive might be given in the form of a bonus for good management. This might take the shape of a payment from net earnings of a small percentage

on the whole capital cost of the undertaking on a sliding scale fixed in relation to the ratio obtaining between gross earnings and working expenses. If the relatively small proportion of the capital held by the managing companies, now approximately one-tenth, should continue to hold good, and it is unlikely greatly to increase, a very small payment from the net earnings of the whole undertaking would give a substantial percentage to the working company. These bonuses might be made to merge in the portion of surplus profits payable to the company when such profits were earned.

Question No. 5.—So far as my experience goes the directors of companies' railways domiciled in the United Kingdom are not out of touch with Indian conditions and requirements. That undesirable delay does sometimes occur in settling references cannot be denied, but there are few instances which have come to my notice where such delay has occurred in matters of great urgency; much delay arises out of the dual control exercised by the Railway Boards and the Home Boards and much of it could be avoided if the Home Boards were given larger powers.

Question No. 6.—I am unable to suggest how suitable boards of directors could be formed in the event of the Companies' Boards being transferred to India.

Question No. 7.—I consider there would be great lack of continuity in a board domiciled in India and I do not think the nomination of a permanent Chairman by the Government would be sufficient; it might secure continuity of policy but a Board so constituted would be liable to become ineffective and the Chairman to evolve into a sort of super-general Manager or Agent.

Question No. 8. I certainly think that in the case of companies domiciled in India that the impartiality of drectors, actively and largely interested in particular industries, might be prejudiced.

Question No. 9.—The suggestion that a system of management by companies domiciled in England combined with companies domiciled in India might be evolved presents many difficulties. I understand this suggestion has been made with a view to providing a means of raising rupee capital in India to be utilised in the extension and development of guaranteed railways. My Board have always held that the most economical way of providing for development is for the parent line to undertake the work itself. In this way if a branch line is profitable the parent line receives the whole of the benefit of the profit, while if the branch line should prove unprofitable the parent line at least secures an extenson without having to provide at a loss any special profit for the branch line company.

But assuming that the scheme proposed by the Government of India be discussed on its merits there are practical difficulties in the way of its application. It is assumed that the proposed company domiciled in India would be formed to undertake the construction of all new branches of a parent line, but many parent lines have already many associated branch line companies owning branches worked by the parent line. On the Assam-Bengal Railway we have the Mymensingh-Bhairab Bazar Railway, the Chaparmukh-Silghat Railway and the Katakhal-Lala Bazar Railway all distinct undertakings. The Mymensingh-Bhairab Bazar Railway Company contemplates further development and is to all intents and purposes in practical possession of our most promising field for development, that is, Eastern Bengal. Unless the proposed Indian company were to absorb the Mymensingh-Bhairab Bazar Railway and the other branch railways associated with the Assam-Bengal Railway, it is difficult to see where they could operate. There are no doubt some proposed extensions in Assam, but if these only were taken up by the proposed Indian company the main object of the scheme would not be attained.

As regards the financial relation between the parent company and the subsidiary company domiciled in India it is suggested that the rupee share capital should rank in all respect with the sterling capital of the London company both in respect to guarantee and in distribution of profits earned by the combined undertaking. It is difficult to see how such an arrangement could be acceptable to a parent company already well established and earning good dividends. New branches and extensions cannot in their early years be expected to give much return, and I should not think such old established lines would be inclined to share their earnings during the period of growth of the branch lines. On the other hand in the case of a railway such as the Assam-Bengal Railway, which is not earning its guaranteed interest, there would be nothing to share and there would be no inducement to offer to the subsidiary company to raise capital. In this particular case it would follow that some other plan for financing the scheme would have to be found, and such a plan might most conveniently take the form of a suitable modification of the existing branch line terms under which an adequate return on the branch line capital would be secured by guarantee or by way of rebate on interchanged traffic, the surplus revenue being divided between the branch line and the parent company in some agreed proportion. The Assam-Bengal Railway would cordially welcome any scheme which would secure a speedy and systematic construction of branch lines together with the development of industrial undertakings which might well be included in any scheme formulated. There is scope in India for a company which would not only promote extensions and develop their main system, but which would examine and assist in promoting commercial undertakings generally. In a newly opened out Province, such as Assam, there is undoubtedly room for new commercial undertakings, and such undertakings if closely associated with a railway in their initial stages, would be in a better position than if promoted by private enterprise and the railway would at the same time gain by the profits on extra traffic. Heretofore railways in India have not, as in some other countries, been permitted to undertake any commercial enterprise other than transport; anything of such nature being held in India to be an interference with private enterprise. But in an undeveloped country private enterprise is often powerless to act or unable to see for itself sufficient prospect of profit. These conditions would be improved and development accelerated if a railway were allowed to extend its activities in assisting in the investigation and promotion of such commercial undertakings. As an instance of such a combination I may point to the Assam Railways and Trading Co., which has done much to develop local industries in Northern Assam.

The formation of such a subsidiary company domiciled in India, as suggested, for the extension and improvement of guaranteed companies' systems in India would necessarily be

accompanied by the assignment to the parent company of a definite geographical area of operations and in the case of the Assam-Bengal Railway this area should, as has always been claimed, be the country the natural boundary of which on the west is the Brahmaputra river.

Questions Nos. 10 & 11.—I consider a system of control of railways by means of such a board as the Railway Board is necessary, but the constitution of the board is open to question and their powers in regard to finance are too limited.

Question No. 12.—I consider the functions exercised by the Railway Board in practice are applied in too great detail and involve numerous useless references; a greater devolution of powers would tend to greater efficiency and economy. This applies specially in dealing with matters of establishment where the powers given to companies' boards and agents in India are too restricted.

Question No 13.—I consider the Railway Board possesses adequate powers of control over Railway Administrations in respect of matters relating to the requirements of the travelling public and of trade.

Question No. 14.—In connection with the Assam-Bengal Railway it has been held by my board that certain decisions of the Railway Board have not been in the best interests of the public of the districts served by this railway. I refer more specially to the question of the transfer of the Dacca-Mymensingh Railway from the Eastern Bengal Railway to the Assam-Bengal Railway. The question of this transfer has been argued at length between the Assam-Bengal Railway, the Government of India and the Bengal Government, and in 1914 the principle was definitely approved of by the Government of India that the transfer would take place as soon as circumstances permitted. Unfortunately a change of personnel in the Railway Board reversed this decision. My board hold most strongly that this decision is not in the interest of the public or of the Assam-Bengal Railway or railways in general in the districts of Eastern Bengal.

Question No. 15.—The powers of the Railway Board as regards the financing of railways would appear to be "Nil" as they are wholly dependent on the Finance Minister and as the prosperity of the railways in India depends upon adequate financial arrangements I consider an enlargement of the Railway Board's powers in this direction is essential.

Question No. 17.—I consider the supply of funds for railway purposes has been inadequate for new construction and for the improvement of existing railways; the provision for maintenance, so far as my experience goes, has generally been adequate.

Question No. 18.—I consider the policy adopted is sound in principle and most suitable in view of the inadequacy of the funds available.

Question No. 19.—I consider there is hardly any limit to the funds which could be profitably employed on development of railways in India and Burma, but I would not venture to fix any amount which should be provided annually; this is a question needing special and detailed enquiry.

Question No. 20.—I consider capital funds should be raised both in India and in the United Kingdom and I do not think sufficient funds for the proper development of Railways can be raised in India alone.

Question No. 21.—I do not consider the existing arrangements for supplementing India's resources for railway construction under the branch line terms are adequate. I consider the guarantee terms should be modified to bring them into line with existing conditions, which means offering terms sufficiently attractive to bring in capital. But if such terms are offered, rupee capital could no doubt be equally well raised by the parent line, thus eliminating all the complications of branch line agreements and working arrangements, whilst at the same time, as already pointed out, giving the parent line the benefit of all the surplus profits when earned.

Question No. 26.—I do not consider the existing system of financing railways is adequate and I hold that it has been detrimental to railway improvement and development.

Question No. 26 (*b*).—I consider that in view of the increased rate of interest at which capital can be raised and the increased cost of working expenses railway rates must generally be raised to meet this increased cost as I hold that railways should be worked on a commercial basis. The essence of this is that they should be self-supporting and not a burden on the general taxpayer.

Question No. 27.—I cannot give any estimate of the indirect advantage to Government attributable to railways through the development of the areas served by them, but it should not be a difficult manner to arrive at a rough figure. The late Mr. Thomas Robertson, C.V.O., in his Report on the Administration and Working of Indian Railways, published in 1908, discusses this point and he sums up by stating "that every rupee which is spent on railways comes back many times over to the country." A glance at the figures for the increase in the trade and revenues of India during the past 20 years shows what the railways have done to increase revenue, as this enormous increase could not have been attained without the development of internal transport.

Question No. 28.—The Annual Budget System in my opinion is a most unfortunate one, involving lapses at the end of the financial year and a carry over of commitments on stores against the grants for the following year. For works executed in India it creates many difficulties; fixed contracts with contractors cannot be entered into, with the result that the bulk of the work is carried out on contracts which amount to little more than "work orders" based on scheduled rates per unit of work and terminable by the railway on very short notice. Such contracts lead to difficulties with contractors who naturally demand higher rates than they would ask if they felt confident the work they are undertaking would be carried through to completion regardless of budgets.

It is well known that when "lapses" are anticipated on one railway additional funds are offered to others. This results sometimes in work being hurriedly taken up and rushed through without sufficient consideration and at rates higher than those at which it might possibly other-

wise have been done. With the " lapse " system in force and the knowledge that if the grant for the current financial year is not all expended by the 31st March, there is always a rush to spend as much as possible within the last few months of the financial year and to pay contractors fully up to the hilt—a procedure which does not always lead to satisfactory results. With this system in force it is difficult to formulate and adhere to any real programme of development, as one never knows from month to month what funds will be made available or what curtailment may be imposed.

Question No. 30.—I consider Government have adequate powers of control over railway administrations in respect of rates and fares, but I consider that in certain cases these powers are not always used in the best interests of the public.

Question No. 32.—The machinery provided by the Indian Railways Act, Chapter V, for the settlement of disputes between railway administrations and traders appears to me cumbersome, and I am not sure if it has ever been made use of.

Question No. 34.—In view of the notable deficiency in the carrying capacity of railways in regard to coal traffic it would seem hardly necessary to give any reply to this question, the failure, it would appear, evidently lies with the provision of inadequate funds for development of the railways concerned.

STATEMENT No. 30.

BENGAL MOHAJAN SABHA.—LETTER DATED 11TH JANUARY, 1921.

See oral evidence, paragraphs 4575/4593.

I have the honour, by desire of the Committee of the Bengal Mohajan Sabha, to acknowledge the receipt of your letter No. 15 R.C. dated 27th December, 1920, inviting an expression of their views on the subjects referred to in the questionnaire forwarded therewith and in reply thereto beg to submit the following observations.

My Committee have as requested nominated their Honorary Secretary, Mr. Tarit Bhusan Roy, M.L.C., to give oral evidence before the Railway Committee. For the sake of convenience the Committee propose to deal with the questionnaire part by part instead of taking each question separately.

Part I.

The relative advantages and disadvantages of State and Company management, so far as railways in India are concerned, has for some time past been the theme of a keen controversy in this country. The appointment of the Indian Railway Committee has followed as a necessary sequel to the discussion of this vital question in the Imperial Legislative Council in 1919. It is no use disguising the fact that until lately public opinion in India had practically been silent. This cannot be regarded as an acquiescence on the part of the people in the continuance of Company in preference to State management of railways. A discussion of State versus Company management is not possible without considering the question of their relative aims. The aim and object of a railway policy should be the development of trade and industries, the provision of cheaper facilities for transport, increment of revenues, the reduction of the direct taxation of the people and of railway rates to a minimum. The true policy should be to make the railways subservient to the development of the country. The period between 1853 to 1870 was one when railways in India used to be carried on through the agency of English Joint Stock Companies under a guarantee from the Government of India. In 1869 Lord Lawrence, the then Viceroy of India, expressed his deliberate opinion that the direct agency of Government would certainly be more economical than that of railway companies and he felt no hesitation in declaring that he viewed the enormous inflation of the capital accounts of some English railway companies with great concern The result was that in 1870, railways in India became vested in the State. It is a matter of common knowledge how the policy inaugurated by Lord Lawrence eventually came to be reversed by Lord Ripon. My Committee are inclined to think that if such reversal had been attempted now instead of 40 years ago it would have evoked a storm of opposition from the people of India.

It is interesting to note that in many advanced countries such as Japan, Australia, Germany and Austro-Hungary where the experiment has been tried the verdict has been in favour of State ownership and management. The present Prime Minister of England in the year 1908 as president of the Board of Trade paid a glowing tribute to the great economy and efficiency of State management. Coming to India, the following comparative table for 1878 furnishes some evidence of the advantage of State over Company management :—

	Madras (guaranteed).	Rajputana (State).
Gauge	5-6	Meter
Meanage (years)	14¾	4
Length in miles	857	419
Gross earnings per mile per week	149	137
Gross earnings per train mile	3·08	2·99
Working expenses per train mile	2·34	1·85
Percentage of profit on capital	1·44	3·99

There is no reason to believe that the compilation made by no less an authority than Sir Guilford L. Molesworth, K.C.I.E., is anything but accurate.

My Committee are convinced that State ownership and direct State management would unquestionably be for the benefit and welfare of the people of India for the following amongst other reasons.

(1) The State Railways serve chiefly the public interests of traffic, of commerce, of the circulation and transport of commodities and passengers and they aid the public treasury and in any event they promote only public interests.

(2) State management will secure unity and consolidation of management which means large savings in official salaries, substantial reduction of the army of employees in the tariff and accounting offices and avoidance of waste in haulage by circuitous transportation.

(3) It would stop the economic drain, however small, on the Indian exchequer as every rupee of the surplus profits goes out of India for the benefit of the shareholders.

(4) State management is tantamount to management by the people themselves and this, in the opinion of my Committee, constitutes its paramount claim for preference. India needs nothing more nor less than entire management by the State under the direct control and direction of the Reformed Councils.

(5) State management is capable of being remodelled under the wholesome influence of the Legislative Assembly.

(6) In view of the fact that the companies receive only a fraction of the surplus profits my Committee fail to comprehend how they can support their claim for retaining the management in their hands. As companies subsist for the benefit of the shareholders and are primarily concerned with their own profits, more than power, the real incentive to development, reduction of tariffs, speculative extensions and provision of comforts for passengers must be lacking in their case.

(7) The application of nett profits to the amortization of capital until the entire railway system should become free of debt will certainly lead to great reduction in passenger fares and freight rates. In concluding their observations regarding the advantages of State management my Committee venture to submit that the salvation of India lies in emancipating her railways from the grip of company management. Sir James Caird had justly observed that the Government of India had no interest to consider and recognise but that of India. If that was true in 1884 how much more so is it to-day after the enforcement of the recent Government of India Act. My Committee feel tempted to quote in this connection the following opinion of Major Conway Gordon, R.E., Deputy Accountant-General and Under-Secretary to the Government of India, P.W.D. " If you ask me the point directly I may say that all monopolies like railways are better in the hands of the public, that is to say, in the hands of the Government, than in the hands of commercial companies."

Part II.

My Committee regret to observe that the present Railway Board have failed to satisfy the equirements of the public and to inspire public confidence and they feel inclined to suggest at it should be discontinued. The manner in which the Indian travelling public including the spectable womanhood of the country are packed almost like cattle in ordinary trains not to eak of pilgrim specials consisting most often of goods-wagons and trucks is sufficient to warrant e belief that the Railway Board have signally failed to justify their existence. It is needless say that the Board ought to be above the faintest suspicion of partiality. It is difficult for y member thereof to preserve an attitude of rigorous impartiality if he has the prospect of an ttractive seat on the London Board of a company in view after retirement from Government rvice. The resignation of the Chairmanship of the Railway Board by Sir Frederick Upcott with view to assume the Chairmanship of the East Indian Railway and the appointment of Sir . Wynne, a member of the Board as the Managing Director of the Bengal Nagpur Railway aturally tended to create some misgivings in the public mind.

Part III.

Regarding the financing of railways in India my Committee beg to observe that with a redit behind them the State would be in a better position than a company to find capital within dia. The Committee do not approve of any borrowings with any fetters upon the management. the whole of the requisite capital cannot be found in India the cheapest foreign market should en be resorted to.

Part IV.

With regard to the Government control of rates and fares my Committee do not think that is adequate or effective—the gulf between the maximum and minimum rates being very wide.

The machinery provided by the Indian Railway Act (Chapter V) for the appointment of ailway Commissions to settle disputes is too complicated and so far as my Committee are aware has seldom been resorted to by the Indian Commercial Community. A simpler method should erefore be substituted.

In conclusion my Committee beg to submit the following general observations. They regret point out that so far the companies as well as the State have done very little for ensuring the mforts and conveniences of the Indian travelling public and to provide better and sufficient ansportation facilities. The public have so long endured the inconveniences and privations of ilway journeys with patience in spite of the callousness of the management to remove them ut the fact remains that it has engendered the deepest discontent in the country. The companies armed as they are with great powers can, if they so desire, easily strangle the indigenous nterprises through the medium of the minimum and maximum rates. It is a pity that no ttempts have been made, in any event, to provide decent and comfortable travelling accommodation for Indian passengers rich and poor. The practice of permitting railway servants to travel n congested passenger trains although the parcels express is meant solely for them is one of the laring instances of the evils of existing management.

STATEMENT No. 31.

INDIAN JUTE MILLS ASSOCIATION.—MEMORANDUM DATED 12TH JANUARY, 1921.

See oral evidence, paragraphs 594/4600.

The purpose of this memorandum is to show how the shortage of wagons on the railways serving Calcutta affects the jute mills situated on the banks of the Hooghly. They are affected in the three following ways:—

(*a*) through scarcity of wagons to bring down their supplies of coal;
(*b*) scarcity of wagons at certain seasons of the year for bringing down jute from up-country;
(*c*) scarcity of wagons for despatching the mills' manufactures up-country in order to bag wheat, seeds, and other country produce.

2. The following figures show the extent of the mills' interests:—

(1) Capital value of the mills (approximately), £40,000,000.
(2) Average annual consumption of raw jute, 1,170,000 tons.
(3) Stocks of jute at the mills, £17,500,000.
(4) Workers employed, 280,000.
(5) Daily consumption of coal about 4,000 tons, requiring 240 wagons daily.
(6) Coal consumption for six days working, 24,000 tons, or 1,250,000 tons annually.
(7) Coal consumption for five days working, 20,000 tons, or 1,000,000 tons annually.

3. The following figures show stocks in the mills' compounds at the end of each month during 1917, 1918, 1919 and 1920:—

	1917.	1918.	1919.	1920.
January	45,403	56,008	176,822	50,270
February	31,059	56,166	173,642	47,799
March	45,903	38,091	145,765	64,713
April	68,000	29,385	127,175	48,364
May	94,149	39,907	143,835	47,290
June	101,164	59,210	137,266	55,106
July	97,300	72,855	136,131	55,511
August	84,066	76,859	129,737	40,414
September	97,668	89,369	131,757	28,397
October	109,114	133,799	126,525	27,221
November	86,995	173,273	104,805	19,616
December	66,372	189,260	78,267	19,120

4. It should be noted that stocks were high towards the end of 1918, and throughout practically the whole of 1919, because the mills were working for not more than four or five days weekly for most of that time. It is considered by the mills to be essential that they should always have at least one month's stock of coal in their compounds, or say about 100,000 tons. But, as will be seen from the figures, the stocks at the end of December had dropped to 19,000 tons, and at the moment they are down as low as 17,000 tons. In other words the mills, instead of having one month's supply in hand, have sufficient for only about four or five days. And in point of fact these stocks are unevenly distributed, with the result that several mills have been compelled to shut down their machinery, and to throw their workers out of employment, for want of coal. It will be seen from the annexed copy of a telegram from the Indian Jute Mills Association to the Government of India that, during the last fortnight, five mills—employing over thirty thousand workers—have been standing for varying period.

5. Fourteen new mills, and extensions to existing mills, are at the present time under construction; and the existing mills are working for only five days weekly, instead of six days. Even so they are, as has been shown, very short of coal; and it is difficult to see how it will be possible to obtain coal in sufficient quantity to provide for the needs of the new mills and extensions, when these are completed, more especially if the existing mills resume full time working.

6. A statement is annexed showing the delays that occur in the carriage of coal from the mines to the mills; and it ought to be possible to effect some improvement in the way of speeding up the transit of wagons. It will be observed that the statement gives particulars of wagons despatched by each of three different routes:—

(1) *via* the Bengal-Nagpur Railway only:
(2) *via* the East Indian Railway only; and
(3) *via* the East Indian and Eastern Bengal Railways.

The delays are, it will be noticed, more pronounced in the case of wagons that are brought over the East Indian and the Eastern Bengal Railways.

7. The second matter to be considered is that of the scarcity of wagons in the jute districts. This has been less severe in recent years than it formerly was. But even now complaints are still heard, particularly with reference to Northern Bengal where jute dealers state that they cannot get sufficient wagons to send their jute to Calcutta as, and when, they require to send it. In the years preceding the war when the jute crop averaged from 80 lakhs to 100 lakhs of bales, the scarcity of wagons recurred regularly every season. And the improvement which is now visible is not due to the fact that the supply of wagons has increased, but that the quantity of jute offered for carriage has, on account of shortage of crop, been reduced. It is understood that the Eastern Bengal Railway have been able to lend their wagons to the East Indian Railway. But when the jute crop rises again to its pre-war level they will certainly not be able to do this, unless their stock is greatly augmented in the interval; and the general position will presumably tend to become worse.

8. The last matter is that of the scarcity of wagons for the carriage of jute manufactures up-country. Mills experienced, particularly at certain times of the year, great difficulty in obtaining sufficient wagons to move their manufactured goods. It should be borne in mind in this connection that the great bulk of the jute goods to be exported by sea are despatched to the Kidderpore Docks, not by rail but by river. It is only a relatively small proportion of the production which is despatched up-country. But even this small quantity cannot be carried without delays at certain seasons of the year.

ENCLOSURES.

Copy of Express Telegram dated 5th January, 1921.

From the Chairman, Indian Jute Mills Association, to the Secretary to the Government of India, Department of Commerce, Delhi.

Reference conference coal position held Bengal Chamber 3rd December position of mills rapidly becoming impossible. Alliance, Alexandra, Balliaghatta, Kamarhatty and Reliance Mills employing over 30,000 workers have had to shut down for want of coal although they have unfulfilled coal contracts largely in excess of requirements. Other mills are on the point of closing down and some are being kept going only by boating coal from depôts in Calcutta and vicinity. Please wire what action has been taken on conference recommendations.

(1) *Bengal-Nagpur Railway.*

B. N. Ry. wagons.	From Colliery.	Date of despatch.	Date of arrival.	Days in transit.	Destination.
2	Mudidih ...	7th Dec. ...	12th Dec.	5	Lawrence Mills.
2	do. ...	8th „ ...	13th „	5	do.
2	do. ...	9th „ ...	17th „	8	do.
2	do. ...	10th „	24th „	14	do.
			17th „	7	do.
2	do. ...	12th „	18th „	6	do
			17th „	5	do
2	do. ...	14th „ ...	26th „	12	do.
2	do. ...	16th „ ...	26th „	10	do.
2	do. ...	19th „	26th „	7	do.
			23rd „	4	do.
2	do. ...	22nd „ ...	27th „	5	do.
6	do. ...	27th „ ...	1st Jan.	5	do.
2	do. ...	31st „ ...	7th „	7	do.
3	Katras ...	23rd „	28th Dec.	5	do.
			29th „	6	do.
3	do. ...	27th „ ...	3rd Jan.	7	do.
7	do. ...	31st „ ...	7th „	7	do.
			Or average of about ...	9 days.	

(2) *East Indian Railway.*

2	Choitodih ...	4th Dec. ...	10th Dec.	6	Dalhousie Mills.
3	do. ...	6th „ ...	15th „	9	do.
3	do. ...	7th „ ...	18th „	11	do.
3	do. ...	8th „ ...	18th „	10	do.
2	do. ...	9th „ ...	17th „	8	do.
1	do. ...	9th „ ...	18th „	9	do.
3	do. ...	11th „ ...	21st „	10	do.
3	do. ...	12th „ ...	21st „	9	do.
3	do. ...	13th „ ...	21st „	8	do.
1	do. ...	14th „ ...	28th „	14	do.
2	do. ...	14th „ ...	21st „	7	do.
1	do. ...	16th „ ...	29th „	13	do.
3	do. ...	19th „ ...	28th „	9	do.
3	do. ...	20th „ ...	11th Jan.	22	do.
3	do. ...	23rd „ ...	29th Dec.	6	do.
3	do. ...	31st „ ...	8th Jan.	8	do.
1	do. ...	10th „ ...	18th Dec.	8	do.
1	do. ...	10th „ ...	30th „	20	do.
1	do. ...	10th „ ...	18th „	8	do.
5	Bankola ...	4th „	1 wagon 8th	4	do.
			4 wagons not received ...	—	do.
2	do. ...	5th „ ...	31st Dec. ...	26	do.
2	do. ...	6th „ ...	13th „	7	do.
2	do. ...	7th „ ...	13th „	6	do.
2	do. ...	8th „ ...	13th „	5	do.
2	do. ...	9th „ ...	13th „	4	do.
2	do. ...	10th „ ...	19th „	9	do.
2	do. ...	11th „ ...	19th „	8	do.
2	do. ...	12th „ ...	19th „	7	do.
2	do. ...	13th „ ...	19th „	6	do.
2	do. ...	15th „	1 wagon 22nd Dec. ...	7	do.
			1 wagon not received ...	—	—
2	do. ...	16th „ ...	25th Dec.	9	do.
2	do. ...	17th „ ...	22nd „	5	do.
2	do. ...	18th „ ...	25th „	7	do.
2	do. ...	19th „ ...	15th „	6	do.
1	do. ...	19th „ ...	26th „	7	do.
1	do. ...	20th „ ...	25th „	5	do.
2	do. ...	21st „ ...	25th „	4	do.
1	do. ...	21st „ ...	Not yet received ...	—	do.
1	do. ...	22nd „ ...	26th Dec.	4	do.
1	do. ...	22nd „ ...	Not yet received ...	—	do.
1	do. ...	23rd „ ...	27th Dec.	4	do.
2	do. ...	24th „ ...	29th „	5	do.
1	do. ...	24th „ ...	Not yet received ...	—	do.
1	do. ...	25th „ ...	28th Dec.	3	do.
2	do. ...	26th „ ...	29th „	3	do.
1	do. ...	26th „ ...	Not yet received ...	—	do.
1	do. ...	27th „ ...	30th Dec.	3	do.
2	do. ...	28th „ ...	3rd Jan.	6	do.
2	do. ...	29th „ ...	3rd „	5	do.
2	do. ...	30th „ ...	3rd „	4	do.
2	do. ...	31st „ ...	3rd „	3	do.
1	do. ...	31st „ ...	6th „	6	do.
1,	do. ...				

(3) *East Indian and Eastern Bengal Railways.*

E. I. Ry. wagons.	From Colliery.	Date of despatch.	Date of arrival.	Days in transit.	Destination.
7	Teetulmuri ...	4th Dec.	10th Dec.	6	Clive Mills.
			14th „	10	do.
7	do. ...	5th „	10th „	5	do.
			13th „	8	do.
			21st „	16	do.
			14th „	9	do.
7	do. ...	6th „	14th „	8	do.
			13th „	7	do.
			20th „	14	do.
7	do. ...	7th „	19th „	12	do.
			23rd „	16	do.
			26th „	19	do.
7	do. ...	8th „	23rd „	15	do.
			19th „	11	do.
			26th „	18	do.
7	do. ...	11th „ ...	21st „	10	do.
14	do. ...	12th „	21st „	9	do.
			29th „	17	do.
10	do. ...	13th „	23rd „	10	do.
			26th „	13	do.
			5th Jan.	23	do.
14	do. ...	15th „	2 not yet received.		
			26th Dec.	11	do.
			23rd „	8	do.
5	do. ...	19th „ ...	29th „	10	do.
5	do. ...	21st „	2nd Jan.	12	do.
			5th „	15	do.
5	do. ...	26th „	2 not yet received.		
			5th Jan.	10	do.
10	do. ...	30th „	3 not yet received.		
			5th Jan.	5	do.

As it is only a two days' journey from the coalfield to Calcutta, the figures given above call for investigation into the causes for these excessive delays. To complete the above references the following particulars of indents and supplies are given:—

Indents and Supplies during December, 1920.

—	—	Indents.	Supplies.
Clive	Teetulmuri	197	108
Dalhousie	Choitodih	77	38
„	Bankola	61	59
Lawrence	Katras	48	13
„	Mudidih	60	24

STATEMENT No. 32.

BENGAL CHAMBER OF COMMERCE.—MEMORANDUM DATED 12TH JANUARY, 1921.

See oral evidence, paragraphs 4601/4661.

It is the object of this memorandum to define briefly the views held by the Bengal Chamber of Commerce regarding the terms of reference to the Indian Railway Committee 1920.

2. It will be convenient to deal first with Part III—Railway Finance. And with regard to this subject it must be stated at once that the Bengal Chamber of Commerce has for many years past consistently urged the imperative necessity for a more liberal allotment of funds for expenditure on the Indian railway system. For example—to quote one of many representations—the Committee of the Chamber had no hesitation, when addressing the Indian Railway Finance Committee of 1908, "in expressing their deliberate opinion that the amounts allotted in recent years for railway "construction and equipment in India have not been sufficient for the needs of the country, and "the development of its trade." And they went on to say that if they were asked to support this statement by evidence they would point to the difficulties which some of the main lines were experiencing in handling, with speed and efficiency, the traffic offering. "For many years past", the Committee contended, "there have been grave complaints of inadequacy of the railway "facilities for the carriage of coal from the Bengal mines to Calcutta. Periods of scarcity of roll-"ing-stock have recurred almost annually since 1894, and the grievance has harassed colliery-"owners, manufacturers, and railways alike. Shippers have had constant trouble in fulfilling "their contracts, and have borne heavy losses in demurrage. Mills and factories have been unable "to count upon regular supplies of coal and sometimes have had seriously to contemplate stopping "their machinery owing to want of stock."

3. The general situation in respect to railway transportation is worse to-day than it was when the above-quoted words were written. For only within the last week or so some of the jute mills in the neighbourhood of Calcutta have been forced to shut down their machinery for varying periods for want of coal. And it is admitted by the Government and the railway authorities that for at least six months, from the 1st January current, there will be a shortage of facilities for the carriage of coal to the extent of no less than 525 wagons daily. The movement of general

merchandise has been for months past, and is still being, greatly delayed and hampered for the same reason. Those concerned with the buying and selling of manganese, sugar, salt, piece-goods, and seeds—to mention only a few of the commodities in which Calcutta is interested—have all experienced, and are experiencing, difficulty in moving their goods as and when they are required to be moved.

4. The Chamber of Commerce has been for years, and is still, of the opinion that the only way to overcome these difficulties is to equip the railways more completely for the work that is required of them. It is scarcely within the province of a Chamber of Commerce to specify the particular improvements that are necessary; for that is of course the business of experts in railway management. But, for example, it is obvious that the supply of rolling-stock is deficient; that the lines in many parts need to be doubled; that the number of junctions ought to be increased; and that accommodation at despatching and terminal points is inadequate. In fact, looking at the matter from the standpoint of the trader, it would seem that what is wanted is an all-round enlargement of the carrying capacity of the lines, to enable them to cope with the increasing trade of the country. They should be, that is to say, so equipped as to permit of their moving the traffic offered to them with reasonable promptitude and efficiency. Large industries are rapidly being developed, and the Chamber has grave doubts as to the railways being in a position to deal with their requirements without seriously prejudicing the interests of others.

5. If this be admitted it follows that very heavy capital expenditure will have to be incurred. It is difficult for the Chamber to give a useful opinion as to the actual amount that will be required. But it may be recalled that the Indian Railway Finance Committee of 1907-08 recommended an annual programme of expenditure of £12.5 millions. In view of the existing high level of prices of plant and material it is not probably unreasonable to double this estimate now. And indeed it has been suggested that no less than £30 millions (Rs. 30 crores) ought to be raised annually for the next few years. This figure may, or may not, be correct. But, accepting it in the meantime as an approximate estimate, the next point is as to how the money is to be found.

6. Three methods at once suggest themselves to the Chamber:—

(1) That Government should continue borrowing for general purposes and allot what can be spared to railways for capital expenditure.

(2) That Government should raise money required for railway expenditure by the means of special railway loans.

(3) That the companies should be given the responsibility of raising the money required for their capital expenditure.

The first alternative, the Chamber considers, may be dismissed. It is the procedure that has previously been adopted, and it is to a great extent responsible for the present unsatisfactory state of railway development. In the view taken by the Chamber the Government of India did not succeed in the past—when money could be borrowed at low rates of interest—in providing adequately for the capital needs of the railways. Surely, therefore, it would be more than ever unwise to persist now—when financial conditions are so unfavourable—in the policy of giving to the railways such sums only as the general financial position of the Government may make available. For if the railways are ever to be fully developed they must obviously be supplied with the funds necessary for that purpose. And past experience suggests that this end will not be achieved so long as they are dependent on what may be described as doles. To enable them to take their proper share in the task of extending the commercial and industrial development of India, they ought to be so fully equipped, and to be so efficient, as to be ahead of, rather than—as they have been for many years—behind the requirements of trade.

7. The second and third alternatives suggest a similar procedure, namely, that money should be raised from the investing public for railway purposes only. And the question to consider now is, firstly, whether this should be done by the Government of India or by companies; and secondly, whether India can produce the required amount, or if it will be necessary to go further afield. With reference to the first part of the question, the Chamber has grave doubts as to whether the Government of India sufficiently possess the confidence of investors to raise the necessary amount of capital for railways, in addition to that required for general purposes. The Chamber considers that it is supported in this opinion by statistics showing the amounts raised during the last few years by Government loans, and the capital of new industries raised by commercial bodies. It must be remembered that the large amounts raised by Government were greatly due to powerful appeals to individual patriotism during time of war; and the Chamber feels that in normal times the difference between the capital-raising power of Government and that of companies will be more greatly marked. It must also be remembered that Government, when considering how new loans can be made attractive, have to consider the danger of depreciating their existing securities. As regards the second part of the question, the Chamber hesitates to give a definite opinion. It seems, however, that the sum to be raised will be so large that it will be dangerous to circumscribe the field, especially as a large body of wealthy Indian investors prefer more speculative investments than railway stocks. The Chamber is, therefore, of the opinion that an attempt should be made so to frame the Indian Railway policy as to attract investors from the whole Empire or even the whole world.

8. Influenced by these considerations the Chamber would recommend that in the future the lines should not be, as they are now, dependent exclusively on Government capital. This was the view taken by the Railway Finance Committee of 1907-08; and the Chamber agrees with that Committee that the development of the Indian railway system would be expedited if the lines, which at present depend on the Government for their capital, were allowed to supply their capital needs without Government intervention. The Chamber does not propose to elaborate this recommendation further than to say that it would be a move in the direction of a new policy in accordance with which the Indian Railways, while still being owned to a large extent by the State, would be gradually commercialised. For the Government would doubtless continue to retain its present very large holding, as was proposed by the 1907-08 Committee. But future capital would be raised by the companies, and their interest in the profits would be correspondingly enlarged. It would be for the companies to determine the methods by which they would raise their funds. Clearly, however, those methods would have to be in a form most

attractive to the investing public. And it would not be prudent to lay down hard and fast rules on this subject; for the reason that terms which might be attractive at one time, might be less attractive at another, or, on the other hand, might be more favourable than was necessary.

9. In the event, which the Chamber would deplore, of it being decided that the railways must still look to Government for their capital funds, the proposal for the separation of railway finance from the general finances of the country may perhaps be worthy of further investigation. This proposal was discussed by the Chamber as long ago as 1907, when the Government of India objected to it on the ground that the difficulties in the way of raising money were real difficulties that could not be avoided by any mere book-keeping device. The Indian Railway Finance Committee likewise rejected the proposal, their reason being that " as long as the money required " for railway purposes has to be provided by or on the credit of the Government so long must " the supply of money depend on the Government's general situation at the time." Despite these adverse opinions the Chamber is still inclined to suggest that the proposal be re-examined. Matters have gone from bad to worse in respect of the railways since 1908; and no possible avenue to an improved condition of things should be neglected. A protest may be recorded at this point against the continuance of the system of " lapse." This system has admittedly so many obvious and serious disadvantages that it should certainly be discontinued. Periods of at least three years should be budgetted for rather than one year, as is now the practice.

10. From what has been written above it will be evident that, as regards Part I of the Indian Railway Committee's terms of reference, the Chamber is antagonistic to the system of State management. The general question of the advantages of State, as opposed to Company management was fully discussed by the Committee of the Chamber as recently as 1916—letter No. 2112, dated 18th October, 1916, to the Railway Board. There is no need, therefore, to repeat the arguments which were then advanced against an extension of the principle of State management. But it may be useful to quote the conclusions at which the Committee of the Chamber then arrived. These were:—

(*a*) They (*i.e.*, the Committee of the Chamber) consider that the existing policy, the essential feature of which is State, or part State-ownership united to commercial administration, should be adhered to and persisted in;

(*b*) They maintain that the experience of the past shows that this policy is better adapted to the needs and circumstances of India, and is calculated more rapidly to advance the material prosperity of the country than a policy which would provide for general State-working in addition to State-ownership;

(*c*) They further hold that the company lines are, on the whole, more efficiently, more economically, and more satisfactorily managed than the existing State-worked lines and

(*d*) They would strongly condemn any such enlargement of the existing bureaucracy as would be unavoidable if the principal railways in the country were managed by the State.

11. If the principle of State management be rejected, the question of whether the leasing companies should be domiciled in the United Kingdom or in India remains for consideration. The answer to this enquiry must depend to a large extent on the power of India to supply the required funds. When examining this subject in 1918, the Committee of the Chamber expressed a preference for the continuance of the system under which the boards of the companies are located in London, and it is still the opinion of the Chamber that the supreme control will have to be in London. For capitalists in the United Kingdom and in other parts of the Empire are, in the opinion of the Chamber, less likely to invest if the control is in India. At the same time, it is admitted that the general tendency in commercial concerns at the present time is in the direction of Indian domicile. And local boards with wide executive powers will certainly have to be established in this country. The precise extent of these powers will require careful consideration, but it would seem that broad questions of policy only would need to be referred to London. An objection to local boards of directors in this country is the want of continuity of membership, which is very difficult to avoid, except, of course, in the case of the Indian members. The Chamber considers that the appointment of a chairman skilled in railway work would be essential, while railway knowledge and experience on the part of other directors would not be necessary. Indian representation on the local boards should be in accordance with the amount of the Indian capital subscribed.

12. In respect of Part II. of the terms of reference—Railway Board and the Government of India's control—it is not the intention of the Chamber to remark at length. It is clear, however, that as the Government is now, and is likely to be for many years, the largest shareholder, a considerable measure of State control must be exercised over the railways. But this control should be, the Chamber considers, limited as far as possible, seeing that official control is so apt to circumscribe and to hamper commercial enterprise. In the event of any body such as the present Railway Board being continued, the Chamber suggests that some of the existing inconveniences might be avoided if the President were given a casting vote over his colleagues, and possibly appointed a member of the Executive Government. The Chamber would oppose any form of control modelled on the lines of the control exercised over the English railways by the Ministry of Transport. On the contrary, it should be such as to permit of the largest possible measure of independence being given to the leasing companies.

13. With regard to Part IV. of the terms of reference, it requires to be mentioned that the Chamber has been a consistent opponent of the principle of applying to all Indian railways uniform minima mileage rates. This principle was objected to by the Chamber on its introduction thirty years ago, and again in 1905, and for a third time in 1912, when the following resolution with respect to it was unanimously adopted by the members of the Chamber in special general meeting:—

> " Resolved that the members of the Bengal Chamber of Commerce strongly endorse the protest that they made against the continuance of this system in their letter dated 12th September, 1905, to the Government of India, and that they reaffirm their conviction that the device of uniform minima mileage rates ignores the natural advantages attaching to any particular line of railway; that it presses with undue and unnecessary severity upon the eastern ports, such as Calcutta, which are served by railways working at low cost, inasmuch as it forces these railways to charge needlessly high rates of freight; and that it consequently gives an unfair and unjustifiable preference to the western ports, which are served by railways working at high cost, but which enjoy lower rates of sea freight to Europe."

14. If the Chamber's recommendations regarding the raising of capital funds by companies are adopted, the question of branch line terms becomes unimportant. The Chamber have no wish to decry the utility of the inception of branch and feeder lines by independent companies, as this forms a useful sphere of activity of several of the Chamber members. They recognise that the present terms are entirely out of date, and they are willing to recommend that they should be made more attractive if it is considered that by so doing a new field for raising capital funds could be opened out. They are, however, of opinion that branch lines should be built and worked as an integral part of existing railway systems.

15. It should, perhaps, be added that purely strategic lines are excluded from consideration by the Chamber in recommending the extension of the principle of commercial management. Strategic lines must be, of course, always constructed and managed by the State.

STATEMENT No. 33.

THE INDIAN ENGINEERING ASSOCIATION.—LETTER DATED 12TH JANUARY, 1921.

I am directed by the Committee of the Indian Engineering Association to submit, for the consideration of the Indian Railway Committee, the following observations in connection with the present enquiry. See oral evidence, paragraphs 4662/4674.

The Management of Railways owned by the State.—In connection with the previous enquiry in 1916 this Association expressed the opinion that the system of Company working is, on the whole, preferable to State Management, their experience being that Company working is more accommodating as regards trade requirements and the public convenience than State working.

The Committee are still in favour of company management and are of the opinion that management through companies domiciled in India, with the Board in India only, would be the most advantageous.

Direct State management, however, will still be necessary where railways serve strategic purposes principally, and in districts which are not in themselves productive but which require opening up in the general interests of the country.

The Railway Board and the Government of India's Control.—In the opinion of this Association the powers and scope of the Railway Board should be very considerably extended. At its head should be a President who should be a member of Council. The President should be responsible to the Governor-General for the efficient working of his department. Under the President there should be a Board to deal with all the railway business of the Government.

Railway Finance.—The question of the adequate financing of the railways is one regarding which the Association feels itself unable to put forward any definite proposals. It is considered, however, that a considerable change in the present policy is essential if railways are to expand with the requirements of the country. The admission of the responsible heads in India of two of the most important railways, viz., the East Indian and Bengal Nagpur, at a recent meeting at the Bengal Chamber of Commerce in connection with the acute wagon shortage, affords conclusive evidence of the need for a thorough investigation of the financial position, and the framing of measures whereby the railways will be supplied with funds sufficient to enable them to meet all legitimate demands, both for upkeep and expansion. The Agents of the railways are reported to have said that they expect the year 1921-1922 to be a bad year in which no progress can be made at all. Money would be so short that the railways could only just be able to carry on without advancing. No more damaging evidence of the paralysing effect of economising at the expense of efficiency could, the Association consider, possibly have been given.

The encouragement of private enterprise is highly desirable and a much more liberal attitude towards such is necessary in order to attract capital for railway developments, in view of the high rate of interest obtaining for Government loans.

General.—The question of the provision of funds for railway equipment is of direct interest to the Indian Engineering Industry. In the matter of wagons and in manufactured work generally a far larger proportion of the orders should be placed in India; the money is then spent in the country, and assists in the development of important industries which, in their turn, contribute to the railway revenues in freights for raw materials and finished goods. Railway prosperity is bound up with the industrial prosperity of the country; if industries languish, the railways must suffer in consequence, it being one of the principal functions of a railway to develop and help indigenous trade and industry. What this Association desires most strongly to urge is the provision of adequate funds for the railways, however managed, and that as far as possible these funds should be expended in India.

STATEMENT No. 34.

THE COMBINED GOVERNMENT OF MADRAS.—MEMORANDUM DATED 10TH JANUARY, 1921.

The Railway Board in their Resolution No. 405/F-19 of 9th October, 1920, communicated their terms of reference in connexion with the railway committee which has been appointed by the Secretary of State to advise Government on certain matters connected with the administration of railways in India. They subsequently issued a questionnaire and invited the Government of Madras to place their views before the Committee when they visit Madras. See oral evidence, paragraphs 4675/4731.

The Government of Madras wish to submit to the Railway Committee before their arrival in Madras the following considered views for the future administration of Railways in India.

2. The Government of Madras propose:—

(1) The abolition of company management.
(2) The separation of railway finance from the finances of the Government of India.
(3) That the railways be worked solely in the interests of the public as essential communications and not as commercial undertakings.
(4) That the railways be grouped into systems of reasonable size for operation and administration, each group having definite functions to perform without competition.
(5) That each group be controlled by a local Board of Directors with powers similar to those of the Directors of an English Railway, but subject to a veto on the part of the Government Director.
(6) That the Railway Board be abolished and a Director-General or Minister of Railways with a technical staff be substituted. The Director-General or Minister of Railways to be a Member of Council.
(7) Government ownership of all goods stock.

3. The reasons for suggesting the above proposals are given briefly below:—

(1) *Abolition of Company Management.*—The people of the Madras Presidency have suffered for years from the effects of Company management on commercial lines. The complaints against and defects of the South Indian Railway are numerous and well-known and the Madras and Southern Mahratta Railway is also a defective system. Complaints from the public regarding the incapacity of the two Companies to deal with interchanged traffic at Arkonam, Jalarpet and Katpadi Junctions have been received, and the South Indian Railway Administration have even suggested that certain traffic should be diverted by an *all* South Indian route which might mean one hundred miles or more of extra lead to be paid for. Cases of this nature have been referred to the Railway Board.

The South Indian Railway have failed in many respects to provide adequate facilities for the public. Their track is of too light carrying capacity to deal with heavy traffic, and they appear to be satisfied with out-of-date standards as regards rails and bridges. Their junction stations generally are insufficient to meet requirements. Defects which have been repeatedly brought to notice by Government Inspectors have not been rectified.

There is a shortage of both passenger and goods stock on both railway systems. Although the ton mileage carried by the two railways in the ten-year period from 1908 to 1918 has increased by 87 per cent., the number of goods vehicles has increased by only 13 per cent. Both the railways are earning at present 9 per cent. or upwards.

The Boards which sit in London are composed largely of gentlemen who are not as a rule in touch with modern conditions in India, which necessitates prolonged correspondence between London and India causing much delay.

(2) *Separation of Railway Finance.*—It is unsatisfactory that railway finance should be entirely dependent on the finances of the Government of India. Railways can never carry out a steady programme of improvements if the monies allotted to them are dependent on the receipts and expenditure of other departments of the Government of India. Funds originally granted are frequently withdrawn in the course of a financial year and at times additional funds are offered during the closing months of the year. The result is considerable waste, as the difficulties of spending money to the best advantage are increased and there is a tendency to spend lavishly at the end of a financial year on objects which may not be of prime importance.

The present financial system has resulted in Southern India being starved as regards both new construction and improvements to existing lines. There is no short direct route between Madras and Ceylon; there is still only a single metre gauge line from Madras Beach southwards, a line which for the first 15 miles carries a very extensive suburban traffic in addition to the long distance mail passenger and goods traffic. A number of junctions and bigger stations possess inadequate yards to meet the growing traffic; Erode, Podanur, Madura and Tiruppattur may be quoted as examples. Several additional lines are required to open up new country and to form direct routes, *e.g.*, Panruti-Trichinopoly-Ramnad Railway, Bangalore-Salem-Trichinopoly Railway.

It is estimated that an expenditure of some 30 crores of rupees is required to bring railway communication in Southern India to a state of reasonable efficiency.

The Government of Madras propose that railway finance should be entirely separated from the finances of the Government of India, and that for capital expenditure on railways additional money should be raised. To avoid competition in the money market the Directors of Groups should call upon the Government of India to supply the capital required, and if the Government of India should be unable to do so, the Directors should then be authorised by the Government of India to raise the necessary funds in England or in India, but preferably in India. Any such loan should be secured by debentures, shares or stocks bearing fixed rates of interest; there should be no ordinary shares.

If the Government of India desire to add to the revenues of India by taxing transportation, this can be done by placing a tax on tickets and a surcharge on goods.

(3) *Railways to be Worked in the Interests of the Public.*—The disadvantages of working railways as commercial concerns are clearly shown in the results of working the railways in India in general, and particularly of the South Indian and Madras and Southern Mahratta Railways. In the year 1918-19 the net working profit from State Railways, after meeting interest and other miscellaneous charges, etc., yielded a revenue of 11 millions sterling. Efficient communications are essential to civilisation and progress, and means of communication should be worked so as to cover expenses, including interest on capital expended on construction and equipment, and earn no more than sufficient profit to enable the necessary capital to be raised for improvements and extensions.

The management of railways on commercial lines in Southern India has resulted in public requirements being neglected and inadequate provision being made to cope with the traffic.

(4) *Indian Railways to be Grouped.*—The two main systems in Madras are too small and are inconveniently divided, and, in addition, the variety of gauges is detrimental to efficient railway working. It is suggested that the railways in India be grouped into eight systems of reasonable size with distinctive functions to be performed without competition. The railways owned and worked by native states are excluded, but it would be advantageous to those railways to be amalgamated with the groups.

The groups might perhaps be composed somewhat as follows:—

(i) *Madras Group.*—Including most of the lines in the Madras Presidency with a mileage of between 4,000 and 5,000 miles.
(ii) *Bombay Group.*—About 5,500 miles.
(iii) *Bengal and Orissa Group.*—A little over 4,000 miles.
(iv) *Punjab and Sind Group.*—Between 5,500 and 6,000 miles.
(v) *Rajputana Group.*—About 4,000 miles.
(vi) *United Provinces Group.*—About 4,000 miles.
(vii) *Bihar Group.*—About 5,000 miles.
(viii) *Burma Group.*—About 1,500 miles.

It is not suggested that these groups should be rigidly confined to the provinces which give them their names.

(5) *Control of groups.*—Each local Board of Directors or Trustees might be composed somewhat as follows:—

(*a*) Government Director.
(*b*) Managing Director.
(*c*) Financial Expert. (The head of a Presidency bank or other bank.)
(*d*) Nominee of Local Legislature.
(*e*) Nominee of European Chamber of Commerce.
(*f*) Nominee of Indian Chamber of Commerce.
(*g*) Industrial Representative.
(*h*) Agricultural Representative.
(*i*) Labour Representative.

The method of selection to avoid duplication of interests will require detailed consideration. The Government of India, as owners of the railways, must approve all selections, and the Government Director must have the power of veto. In the case of the Punjab group a Military Director may be necessary. There should be sufficient inducement for such a Board to work the railways efficiently and economically, as they will have to pay interest on the capital from whatever source supplied, and their ability to extend and improve communications will depend on the financial condition of the system.

The directors should be given a very free hand and a wide range in rates. When a group extends sufficiently it can be subdivided into Grand divisions, as is done in America.

(6) *Railway Board to be abolished.*—The Railway Board has not earned the confidence of the public during its existence. Its powers are too limited, since in practice it apparently often receives its instructions from the Finance Department and its orders from the railway companies. It has failed to insist on the railways in Madras under company management being worked to the public advantage. It has failed to obtain sufficient funds to meet public requirements, and appears to have remained content with whatever money the Finance Department have thought fit to supply.

The attached statement compares the capital expenditure of the South Indian and Madras and Southern Mahratta Railways with that of other State railways.

The Board have also failed to initiate a policy of railway construction or to make steady annual progress in construction, with the result that there are no main lines south of Madras, and lines have been constructed without regard to future developments.

The question of gauge has not been satisfactorily settled, and the country is now saddled with a mixture of gauges, causing much inconvenience. During the 14 years prior to the appointment of the Railway Board 1,200 miles of new railway were built in this Presidency, but in the 14 years of the Railway Board's existence only 535 miles of new lines were opened, of which some 200 miles were in course of construction when the Board was formed, and 142 miles were constructed by district boards or other agency, leaving an annual average of about 14 miles constructed through the agency of the Board.

The Board has failed to compel the Madras and Southern Mahratta and South Indian Railway Administrations to supply sufficient rolling stock to meet public requirements.

It has also failed to obtain satisfactory terms from the South Indian Railway regarding the construction and working of the Karaikudi-Arantangi Railway, amongst other instances.

A single responsible head is much more satisfactory than a Board, but he must have a proper status as a Member of Council. It might be better to combine railways, roads, canals and harbours under a portfolio or department of communications, but this would only affect the position of the Director-General of Railways, and not the railway organisation.

The Director-General or Minister should have under him chief directors of the various technical branches, such as engineering, traffic, finance and loco. They would only deal with general questions affecting railway policy throughout India, such as standard dimensions, gauge, rates, standardisation, distribution of goods, stock, etc., etc.

Two essential branches are necessary under the chief director of engineering, namely, (i) a branch to supervise and advise on new projects, so as to ensure that a regular policy is pursued and lines are constructed on a pre-arranged system; and (ii) a technical branch to carry out experiments of all kinds (*e.g.*, timber for sleepers), to publish reports and papers on technical subjects, and to advise in the capacity of consulting engineers.

(7) *Government ownership of goods stock.*—A central control of goods stock would be advantageous to the country, and should eliminate the disadvantages of the present system of pooling.

Depôts would be established in each railway group area, and a comparatively high daily charge would be made whilst a wagon remains on a system. This would stimulate groups to get the stock off their system or back to the depôts when not required, and so encourage expeditious transport and handling.

APPENDIX.

Statement comparing Capital Expenditure on State Railways in India and on the South Indian and Madras and Southern Mahratta Railways during 1909 *to* 1918–19.

Year. (1)	Total route mileage of State Railways. (2)	Total capital outlay on final heads on State Railways during the year in thousands of rupees. (3)	Outlay per mile of State Railway in thousands of rupees. (4)	Total route mileage of South Indian Railway system. (5)	Capital outlay on South Indian Railway during the year in thousands of rupees. (6)	Capital outlay per mile of South Indian Railway in thousands of rupees. (7)	Route mileage of Madras and Southern Mahratta Railway system. (8)	Capital outlay on Madras and Southern Mahratta Railway during the year in thousands of rupees. (9)	Capital outlay per mile on Madras and Southern Mahratta Railway in thousands of rupees. (10)
1909 ...	24,282·64	1,25,694	5·17	1,446·02	5,040	3·49	2,873·96	6,104	2·12
1910 ...	24,465·19	89,482	3·66	1,446·02	5,175	3.58	2,880·75	4,427	1·58
1911 ...	24,822·43	1,22,053	4·92	1,446·02	3,480	2·33	2,880·75	4,573	1·55
1912 ...	25,125·15	1,31,646	5·24	1,446·02	5,775	3·99	2,880·81	2,609	·90
1913–14 ...	25,831·95	1,71,660	6·64	1,504·01	9,350	6·22	2,880·81	4,619	1·60
1914–15 ...	26,174·33	1,69,796	6·53	1,505·58	5,387	3·57	2,879·61	4,175	1·45
1915–16 ...	26,261·88	92,925	3·54	1,505·58	3,192*	2·12	2,895·47	3,619	1·25
1916–17 ...	26,401·03	45,701	1·73	1,505·58	2,680†	1·77	2,895·49	2,371	·82
1917–18 ...	26,262·68	27,812	1·06	1,505·58	1,317	·87	2,878·14	980	·34
1918–19 ...	26,415·65	41,127	1·56	1,505·58	— 285‡	—·19	2,897·60	1,571	·54

* Rs. 11,12,000 represents outlay on Native State Section, Tinnevelly-Quilon Railway.
† Rs. 18,16,000 " " " " " "
‡ An expenditure of Rs. 55,000 during the year refers to the Native State Section of the Tinnevelly-Quilon Railway.

STATEMENT No. 34 (A).

GOVERNMENT OF MADRAS.—LETTER DATED 1ST FEBRUARY, 1921.

With reference to my letter No. 4 Ry., dated 10th January, 1921, forwarding copies of a Memorandum on the railway policy advocated by the combined Government of Madras, I am directed to forward for the information of the Indian Railway Committee the following statement of the views of Government as modified in the light of subsequent further consideration of the issues involved. They would propose:—

(1) The abolition of company management at the earliest possible date consistently with the necessity of providing funds for immediately essential improvements to existing lines.

In order to expedite the termination of existing agreements, it is recommended that the Companies be approached with a view to a compromise being arranged on the basis of the conversion of profit sharing capital into debentures with fixed interest.

(2) The separation of railway finance from the finances of the Government of India.

(3) That the railways be worked primarily in the interest of the public as essential communications and not solely for commercial profit.

(4) That the railways be grouped into systems of reasonable size for operation and administration, each group having definite functions to perform without competition.

(5) That the existing Railway Board organization be abolished and replaced by a Director-General or Minister of Railways with the status of a Member of Council, assisted by
(*a*) a body of technical experts, and
(*b*) a Council adequately representing all interests concerned which shall be entitled to receive information and make suggestions, and shall be consulted on questions of policy.

(6) That each group be administered by a local organization similar to that recommended in the previous paragraph (5).

(7) That in the event of unavoidable delay in the abolition of company management, representative councils on the lines contemplated in proposal (5) and (6) be brought into being at once.

STATEMENT No. 35.

Lieut.-Colonel C. L. MAGNIAC, Agent, Madras and Southern Mahratta Railway Company.

Part I.

Question No. 1.—State *versus* Company management.

Comparing the existing systems, their relative advantages may be considered under the following heads:—

(1) Finance, *i.e.*, relative powers of the State as compared with a public company to raise capital. Also practicability of separating railway finance from general finance of

Government of India and the probable comparative rates of interest demanded in England and India respectively to attract capital.

(2) System of control by the State and by companies' boards respectively over the allotment of distribution of funds in order to carry out
(*a*) Important new projects including feeder lines.
(*b*) Betterments and additional facilities and convenience for the public, and
(*c*) General revenue expenditure.

(3) Competition.

(4) Relations between the controlling boards and their officers and employees.

(5) Effect of political pressure on railway policy.

(6) Delays due to the domiciling of companies' boards in London.

As regards (1) with the present conditions of the money market, it is essential to utilise all possible avenues for raising capital at reasonable rates, but at the moment it would be difficult to attract capital in India without a substantial Government guarantee or other equivalent inducement, and it is probable that the rate of interest demanded would be higher than that in England. This point is dealt with, however, further under Part 3.

As regards (2) it is considered that companies' boards have better opportunities for judging the relative priority between various new projects and the rate of expenditure on betterments, etc., than a State railway board, since a company's board must have a more detailed local knowledge of its own undertaking.

As regards (3) there is every likelihood of less competition between lines controlled by the State than between separately administered Company-managed lines. State control is likely to have less elasticity in dealing with rates and fares. State lines also likely to be compelled by public demand to introduce a similar scale of conveniences and facilities for public travel on all their lines, irrespective of the density of traffic or rate of interest paid, which would involve some diversion of capital from more important requirements. State lines likely to have less power to differentiate fairly between the various public demands and interests. Preferential treatment thus likely to be given to the wealthier and more densely populated districts and areas to the detriment of expansion in important tracts of country with less power of representation.

Closer control likely to be exercised by the State over their agents and traffic managers with reduced power for local initiative.

As regards (4) the relations between a State board and its officers and employees not likely to be so intimate as between companies and their officers. Under present system, State lines keep one list for officers of each department and transfers are made between all State lines. Similar pay and concessions granted on all. Right of appeal of all State officers and employees to Viceroy, Railway Board, etc., renders it difficult to dispense with the services of anyone on account of inefficiency only. Powers of a State board for selection are thus more restricted than in the case of companies, and there is less incentive for good work on the part of specially capable men since promotion ordinarily is governed mainly by seniority. Further in the case of temporary vacancies in the higher administrative grades there is a tendency to transfer officers from one line to another to avoid temporary supersession.

As regards (5) . . . . . Railway interests liable to be adversely affected by local outcry from public when railway development affects any individual private industrial undertaking irrespective of its advantages from the point of view of general welfare of country.

As regards (6) under the present system, companies boards are domiciled in England. This has the advantage of promoting direct access to Secretary of State, free consultation with Boards of other companies and with London Consulting Engineers on technical matters. Also a larger market for recruiting suitable technical directors and chairmen to serve on Boards. It has the disadvantage of the delay inseparable from obtaining replies by letter, but with the free use of the cable and provided the company's agent in India enjoys the full confidence of his Board and is given full powers to act in emergency, delays are usually unimportant and not greater than those involved in references to the Government of India or Local Governments on important matters.

I have had personal experience as a Railway Officer of the North Western Railway as Assistant Engineer, Assistant Traffic Superintendent, Assistant District and District Traffic Superintendent also, on the Eastern Bengal State Railway as Assistant Traffic Superintendent, District Traffic Superintendent and Deputy Traffic Manager, my State line experience extending from 1897 to 1908. I have had experience of a company's line as Deputy Agent and Agent from 1908 to 1914 and from the end of 1919 to date. Experience in France as D.A.D.R.T., A.D.R.T., and D.D.R.T. from September, 1914, to February, 1919.

Question 2.—This question has not been answered as it is dealt with in my replies to questions Nos. 1, 3 and 9.

Question 3.—Advantages and disadvantages of domiciled companies boards in India or in the United Kingdom.

I recommend that companies boards should continue to be domiciled in the United Kingdom. The relative advantages of the proposed alternative depend to a considerable extent on

(*a*) The relative resources of the money market for raising capital in either country and
(*b*) Practicability of obtaining a fully qualified Chairman and Secretary and the required number of suitable Directors for a Board domiciled in India.

As regards (*a*) it is considered that the location of the Board must be governed to a large extent by the country in which the shareholders' capital is raised. So long as the whole or even the greater portion of the company's own capital is held in England, a Board domiciled in England will be necessary in the interests of the shareholders.

It is, I think, the case that many large business firms and banks working in India are domiciled in the United Kingdom and only maintain agencies in India and yet find no difficulty in carrying on their business. In the case of railway companies their capital is not raised in India, their shareholders are very largely domiciled in the United Kingdom and their contract is with the Secretary of State.

As regards (*b*) this point is considered in detail in replying to question 6, but it is in my opinion self-evident that a Board must be composed of technical, commercial and financial representatives and must have a Chairman chosen for his technical qualifications assisted by a whole-time Secretary.

As regards other relative advantages and disadvantages, the work required by the Board will be similar wherever domiciled and its powers will be similar so long as State control remains unaltered. The work of a Board includes, in addition to the control of the general policy of the company and other matters, the following questions:—

(*a*) Control over capital and revenue expenditure, sanction to new projects and important estimates, terms for working feeder lines and design of rolling stock.
(*b*) Increase in establishment, recruiting of superior staff, pay, allowances and concessions to staff.
(*c*) Stores, placing of contracts, inspection and shipment.
(*d*) Raising of capital, distribution of interest to shareholders, supervision and transfer of stocks and shares.
(*e*) Contracts with Government, preparation of accounts and reports.

Questions grouped under (*a*) demand both technical knowledge and practical experience. Boards domiciled in London have the advantage of the services of retired railway officers of long experience and also of first hand intercourse with eminent London Consulting Engineers.

The matters grouped under (*b*) require for their proper disposal an intimate and up-to-date knowledge of the working of a railway and of details and conditions of railway service. Boards in London, in addition to being able to obtain experienced railway officials as directors, have direct access to the Boards of other companies and can thus secure a desirable uniformity in the matter of the grant of concessions to their staff.

As regards (*c*) the placing of contracts for English stores and material and arrangements for inspection and despatch, insurance, etc., will still require to be arranged through the representatives in London with whom an Indian Board could not be in immediate touch.

The work referred to under (*d*) and (*e*) is influenced by the extent of the capital held in either England or India.

It is understood that the disadvantages of Boards domiciled in England as compared to India have been represented to be the following:—

(1) They are not in close touch with actual Indian requirements.
(2) Their knowledge of changing conditions is limited to what is disclosed in official reports.
(3) They are inaccessible and delays are caused by the necessity of references to London. and
(4) They are not sympathetic to proposals for construction of feeder lines.

(The above criticisms are referred to again in question 5 but are dealt with in answering this question.)

With regard to (1), since the Chairman and a proportion of the Directors are men retired from Indian railways with a wide knowledge of Indian conditions and many years active experience of Indian railway working in all its details, there should be no difficulty in arranging for the Board to keep in close touch with the Indian situation and requirements by means of sending out representatives periodically to India as is now generally done. Further, the information at the disposal of Boards in England is not limited to official reports. The Agent sends weekly a large number of demi official and confidential letters as well as a private weekly letter and is encouraged to keep the Board posted with all essential details. Careful attention is also paid to the Indian Press and copies of important journals are forwarded weekly.

The company's senior officers when on furlough or other leave in England visit the Board's office and are encouraged to ventilate their ideas on matters affecting their own department. The Agent can communicate by cable all important matters. Such delays as occur are not considered to be appreciably greater than those arising from reference to the Government of India and Local Governments on important matters.

As regards feeder lines, my experience does not bear out this criticism. The justification for the construction of feeder lines and District Board lines should rest, I consider, on the prospect of a reasonable return on the capital outlay, *i.e.*, on being a sound financial undertaking. Cases do arise where local Governments put pressure upon Companies Boards to offer special favourable terms for working feeder lines, which, if accepted, would result in an annual loss of revenue to the Company. It is submitted that a refusal to accept Government proposals under such conditions cannot be held to prove want of sympathy. A Board of Directors domiciled in India would not be likely to take a more liberal view when considering the financial interests of the Company under their control.

As mentioned in replying to question (1) Boards domiciled in England have a considerable advantage in being able to refer direct to the Secretary of State; since presumably Boards domiciled in India could only do so through the Railway Board and Government of India.

Question 4.—I consider that the existing system has worked satisfactorily in the past and that the administration by Companies Boards has proved to be both efficient and economically sound. If a system could be introduced by which the existing share of the capital owned by the Company could be increased this would be of advantage, but Government must continue to be the predominant partner, and the Company's total share should not, I think, exceed 40 per cent. of the total capital of the undertaking.

So long as the annual percentage on the Company's capital, as obtained through the net earnings exceeds the Government's guarantees, the present system is an effective one in giving the Company an interest in their undertaking. Should this percentage fall below the Government guarantee the interest of the Company in their undertakings would be weakened. An objection to the present system is the relatively small amount of capital which Companies are allowed to hold.

Under Clause 11 of this Company's contract the Company can only increase its share of capital provided the Government share is increased in the same ratio as originally contributed so that this Company can never receive more than 4/13ths of the surplus profits.

It would seem desirable that equal treatment should be given to the Company and the State in regard to additional capital raised by either. That is to say that money raised by the Company by means of debentures or otherwise should rank as capital for the division of surplus profits in the same way as advances made by the Secretary of State.

Question 5.—See reply to Question 3.

Question 6.—It is considered that constitution of a Board of Directors domiciled in India should include—

(*a*) A Chairman selected for technical knowledge and experience who should be in a position to devote a reasonable portion of his time to the Company's interests.
(*b*) One at least and preferably more Directors with practical technical experience.
(*c*) A technical Government representative selected by the Railway Board.
(*d*) One or two Directors selected from the mercantile community, *i.e.*, from among leading merchants, shipping firms or employers of industrial labour.
(*e*) One or two Directors with financial experience and
(*f*) A whole-time Secretary with technical experience.

It might also be desirable to include a representative of the most important of the local Trades' Associations.

In India it is considered that it will be very difficult to obtain the services of the required number of technical experts, and as referred to in replying to Question 8, there would be considerable difficulty in obtaining impartial Directors of commercial experience.

As regards safeguarding Government interests there should be no difficulty in arranging for this through the medium of the Government Director, who might possibly be the Senior Government Inspector.

Question 7.—I do not consider there need necessarily be any lack of continuity in a Board domiciled in India provided the serious difficulty of obtaining suitable directors, *vide* my reply to Paragraph 6, can be surmounted. It is suggested that a suitable chairman could be obtained only by appointing the agent of a railway to act in the dual capacity of Chairman and Agent, but this would necessitate an increase in his office establishment and some considerable modification in the existing system of administration.

A permanent Chairman nominated by Government, that is presumably a Government official, is considered to be open to objection as this would, in effect, convert the so-called Company's Board into a State Board, and must tend to curtail the powers of the Board and cramp its initiative. In replying to Question 6, I have mentioned that I consider that the Board should include three representatives skilled in railway working, but I am unable to suggest how these could be obtained.

Question 8.—I consider it very necessary to consider this point. The larger Indian railway systems serve more than one Presidency and Province and while it is believed that directors could only be obtained from among men whose headquarters are identical with that of the railway company, it is clear that such men, or at any rate those selected from the mercantile community would not be conversant with the needs of other provinces. For instance, Calcutta merchants can usually have little knowledge or sympathy with the interests of Cawnpore and Delhi. The interests of the Madras and the Bombay Presidencies are by no means identical, nor are those of Bombay and Central India. A far wider degree of impartiality is believed to be obtainable with the existing system of London Boards of Directors than with the proposed Indian Boards. The responsibility for giving due consideration to the claims of all the various areas served by a big railway company would be likely to devolve in the case of Indian domiciled Boards on the Chairman and the Government Director, and this might result in unpopularity and disagreement with the other members of the Board.

Question 9.—At first sight this proposal appears more attractive than that of the system of management by a Company through a Board domiciled in India only. The difficulty in formulating a workable system lies in differentiating between the powers to be exercised by the Board of each Company respectively. For the reasons given in answer to Questions 3 and 8, I am of opinion that the Board of the English Company should continue to exercise the same powers as at present, and since it would not be practicable to grant similar powers to both Boards, I advocate that the functions of the Indian Board should be consultative only. The Indian Board might give useful opinions on questions affecting the comfort of passengers, construction of local feeder lines, local changes in rates and fares, proposals for local municipal taxation, alterations in time tables, etc., and would deal with the raising of capital in India, distribution of interest to their Indian shareholders, transfer of stock and shares and their own special contract with Government.

They should not, however, have any power to sanction estimates, to decide terms of working of new lines or to interfere with questions affecting the pay of the staff and concessions granted to them or to give orders to the Agent. In times of emergency, however, they might be consulted by the Agent and kept in touch with the situation, but the Agent should retain full powers as delegated to him by the English Board, to whom alone he would be responsible for all decisions taken.

The above suggestions are likely, however, to prove difficult to carry into effect. As the Indian capital increases, the Indian Boards would demand increased powers and even in the case of a purely consultative Board, due weight would require to be given to its opinion. The Agent might find it difficult to reconcile the orders of his home Board with the opinion of his Indian Board and his position would not be an easy one.

Part II.

Question 10.—I consider the existing system of control by means of a Railway Board generally satisfactory, but that certain modifications are necessary.

Question 11.—I am of opinion that the present constitution of the Railway Board with a president and a certain number of members is a suitable one, but that the Board requires strengthening.

It is impossible for a Board of three members to be acquainted with the details of even the more important requirements of all the railways in India. The work required of the Board must have increased very largely during the past five or six years, apart from various political questions affecting railways and the interest taken in railway matters by Indian Members of Council.

The Railway Board should include among its members men who are acquainted with the principal parts of India and Indian railways might be divided conveniently into four main groups. The Board should include one representative from each group and at least two of its members should be from companies' lines. An objection to the present constitution is the preponderance of State railway officials. Two of the three members and both the secretaries are State railway men. Appointments to the Railway Board should only be made by selection of the very best men obtainable, of expert knowledge and independent views, and the rule limiting the appointment to five years should be abolished.

To attract such men the present rate of salary requires to be increased and should be not less than Rs.5,000 for a member and Rs.6,000 for the President, with the right to join the State Railways' Provident Fund.

To enable the Board to keep in touch with important projects it should include two specially selected officers to act as inspectors. Men of about 20 years' service should be suitable and they should be given an adequate salary, *e.g.*, Rs.2,500.

In addition to the Railway Board's Chief Engineer, the services of a traffic expert with special experience of rates and fares are, I consider, essential.

In the case of the subordinate officers, special care should be taken to select as secretaries men of the highest class and the salary should be made an attractive one. The assistant secretaries should not be kept too long and their appointments should be limited to five years as a maximum.

I do not advocate obtaining men from England to serve on the Railway Board. There is good material in India, while English railwaymen are not conversant with Indian conditions and difficulties, and this knowledge cannot be acquired at Government headquarters. What is required is to make the appointments attractive and not to restrict the selection to men approaching retirement. At the same time the powers of the Railway Board should not be hampered by financial restrictions and railways should not be placed under the control of the Commerce and Industry Department (*see also* my reply to Question 16).

The present system, whereby each member of the Board has equal powers with the President, is an eminently sound one in my opinion and is conducive to dealing with all questions with reasonable despatch. I deprecate strongly a reversal to any system of a Director-General of Railways with separate Technical Directors for Engineering, Traffic, Mechanical, Accounts, Stores, etc. Since the majority of the important questions before the Railway Board are bound to overlap and contain subject matter concerning two or more separate technical departments, the last-named system must result in an interminable round of noting, each director making remarks on the notes of his fellow directors. In my opinion it is undesirable that there should be a Director-General with power to over-rule a considered technical opinion of any of his directors. The Railway Board's rulings and decisions should be the considered and agreed on opinion of the Board as a whole or at least of a majority of its members, any individual member disagreeing being permitted to record his dissent.

Question 12.—I consider that the Railway Board has generally exercised its functions satisfactorily, but that on occasions there has been a tendency to go into unnecessary details.

It is impossible for a Board consisting of a President and two members to be acquainted with local requirements and the relative priority of demands from all the railways in India and I am of opinion the powers of the Board in regard to the distribution of the available funds for capital expenditure between the various companies and State lines have not always been exercised fairly. There has been a tendency, I think, to give a larger share of capital funds to the richer lines serving the most important Presidency towns and ports in response to public clamour. When the Railway Budget Grant is cut down a *pro rata* distribution between all lines encourages inflated future demands.

* * * * * * * * *

The functions as now exercised by the Railway Board extend to unnecessary detail. An examination of the Schedule of Powers granted to boards of companies shows that this might be simplified usefully. I would mention items 1, 2, 5, 5a, 8, 26, 28 and 45. An extension of powers would save correspondence.

Question 13.—I consider the Railway Board possesses adequate powers of control over railway administrations in matters relating to requirements of the travelling public and of trade. The capacity of railway administrations for dealing effectively and expeditiously with such matters is largely governed by the funds at their disposal. Until such time as sufficient capital can be raised to admit of the Budget Grants being sanctioned in full, public trade and public travelling must continue to be hampered by the inadequacy of railway resources to meet all demands.

In matters affecting the travelling public the provision of special facilities in the shape of better accommodation, lighting, dining cars, provision of refreshment rooms, etc., can safely be left to individual administrations, who are more conversant with local conditions and needs than the Railway Board.

As regards rates and fares, *see* reply to Question 30. The Senior Government Inspector, who is the Railway Board's representative, is in a position to know what are the requirements of the travelling public, and whether any additional special trade facilities are necessary.

Question 14.—This is principally a matter for public bodies to express an opinion on. So far as this company is concerned, the complaints from the mercantile community and traders generally have been confined to insufficiency of rolling stock and delays in meeting all traffic requirements, particularly during the busy season, which has been aggravated by the special difficulties caused by the War, and has been explained to them. Objections have appeared in the Press to the raising of fares and in a few minor instances to the raising of rates, but the railway case is so strong that any action taken can be more than justified, and I am of opinion that the rise already brought into effect has not yet gone far enough.

In the case of the travelling public, special facilities have been granted to Indians, *e.g.*, accommodation for pilgrim traffic, introduction of Indian refreshment-rooms, waiting-rooms for Gosha ladies, etc.

Questions 15 *and* 16.—Yes. In regard to the existing arrangements for financing railways, the finance of railways should be separated from the general finance from India and should bear some relation to the earning powers of railways. The provision of adequate capital has become a question of vital importance to the efficiency of railways. I am of opinion that the railways of India are now important enough to stand by themselves and be considered separately from commerce and industry, and that they might be made into a new Transport Department.

Part III.

Question 17.—No; the supply of funds has not been adequate.

As regards (*b*), maintenance funds are usually provided, but there was considerable difficulty in obtaining material for renewals during the War, with the result that this company is considerably in arrears on its renewal programme.

I enclose two statements, showing deferred balance at end of 1919-20 for rail renewals and rolling stock respectively as compared with our programme.

As regards (*a*) construction, the following figures show the demand made by this company for capital purposes, that is, for construction including improvements:—

	Demand by Railway. Lakhs Rs.	Sanction by Railway Board. Lakhs Rs.
1912-13	36·84	32·70
1913-14	58·31	53·62
1914-15	47·70	47·70
1915-16	68·92	29·93
1916-17	62·00	17·89
1917-18	73·05	33·06
1918-19	159·29	54·55
Total	506·11	269·45

It will be seen that in these seven years the Railway Board have only granted 53·24 per cent. of this railway's demand. In 1919-20, however, this railway's demand was for Rs. 136·95 lakhs, and a grant of Rs. 154·60 lakhs was sanctioned. It was not possible to spend all this owing to delay in receipt of material, and there was a lapse of Rs. 29·12 lakhs.

In 1920-21 the demand was for Rs. 144·83 lakhs and the sanctioned grant was Rs. 161·37 lakhs, but this included an anticipated throw forward of Rs. 134·43 lakhs on English indents.

For next year, 1921-22, the demand was for Rs. 164·11 lakhs, and the preliminary sanction is for Rs. 66·85 only.

This necessitates stopping all new projects. It is not conducive to economy, and renders it impossible to make up the existing arrears.

Question 18.—Yes. I consider this policy entirely sound. The most vital necessity now and for some years to come must be to improve the facilities and equipment of existing lines. All lines, both State and companies', are believed to be in arrears on their actual requirements for locomotives, wagons, coaching stock, and require considerable outlay on junctions and for renewals and strengthening of bridges and permanent way, improved watering arrangements, and in many cases considerable extensions to their locomotive and carriage and wagon shops.

To build new lines before properly equipping the existing ones would tend merely to aggravate the difficulties of the present position by throwing additional traffic on to railways already overburdened, and would thus still further impair their efficiency.

Question 19.—I am unable to give an estimate of total annual requirements, but not only are there considerable accumulated arrears to make up, but the cost of both material and labour has increased very largely. The pre-war estimate thus requires to be largely increased.

So far as this railway is concerned, I estimate that for the next five years a capital grant of about 200 lakhs a year is required to meet our requirements, which may be divided approximately as follows:—

	Lakhs.
Locomotives	25
Coaching stock	32
Goods stock	55
	—112
Works	88

Question 20.—I consider that there are decided advantages in raising a proportion of the capital funds required by railways in India. Under existing conditions, with all the shareholders in England, there are no members of the Indian public financially interested in railways, with the result that in cases of dispute between railways and their employees, pressure is put upon Government to avoid a strike on account of its prejudicial effect on mercantile, industrial and public interests, and due consideration is not paid to the railway side of the case. With Indian shareholders there would be a section of the public ready to support Government and railway administrations. Similarly, Government and railway administration would find their hands strengthened when notifying any increases in rates and fares.

There are, however, certain difficulties; the first, viz., the appointing of a suitable board of directors, and the powers to be granted to it have been dealt with in some respects in replying to Question 6.

There is another important point and that is the probable difficulty of borrowing in India on terms similar to those granted to the existing English Company. With the present state of the money market a Government guarantee of about 6 per cent., if not more, appears likely to be demanded and we should thus have the anomaly of English capital raised under a 3½ per cent., and Indian capital under a considerably higher guarantee. Apart from other difficulties. the question has to be faced of how to deal with the case of a year in which the net interest falls below the guarantee to the Indian Company. The loss would in any case require to be borne wholly by Government.

For this reason preference shares or debentures appear to be preferable but may prove less popular than a Government guarantee.

Question 21.—No. I consider some further inducement to be necessary; but this is a financial question which I do not feel competent to deal with.

Question 22.—I am not conversant with details of the present financial situation but generally speaking I consider that ordinary share capital with a Government guarantee would be the most promising method for attracting private capital in India. Under present circumstances such guarantee would probably require to be a high one, not less than 6 per cent. It might, however, be varied with the bank rate. For instance, it might be made 1 per cent. lower than the average bank rate for the year.

As an alternative, preference shares appear to offer the next best inducement.

Question 23.—No.

Question 24.—No.

Question 25.—Not answered.

Question 26.—In regard to Part B. I am certainly of opinion that a more or less general percentage of increase in railway rates is justified, but will require to be applied gradually. As regards passenger fares a higher maxima rate is, I consider, desirable, but I am not in favour of raising one class of passenger rate without making a proportionate increase in the other classes. I consider the maxima might be raised as follows:—

	Pies.
1st Class	30
2nd Class	15
Inter Ordinary	6
Inter Mail	7½
3rd Ordinary	4
3rd Mail	6

and it might be left to railway administrations to adopt such increases within this maxima as they consider to be justified.

As regards goods traffic the present time is not an auspicious one for a general increase in rates as the export trade has fallen off and goods traffic generally is slack. So far as this administration is concerned we have done nearly all that is possible in regard to the cancellation or modification of special rates and it is necessary now to consider a rise in the classification of certain articles particularly of those which have increased most in value since the war. I consider that the existing class rates might be modified and that an increase of some 20 to 33 per cent. in the maxima should be found practicable. This does not mean that all railways will raise all their rates by this percentage but that they will have the power to alter the rates for such commodities as they consider desirable.

Question 27.—Not answered.

Question 28.—I do not think existing arrangements are satisfactory. In the first place the Budget is made too early in the year to be made with any degree of accuracy; secondly, the present system of money not spent lapsing to the Railway Board is wrong; and thirdly, the present restriction on transfers between ordinary, coal, and special renewals and between India and England is a handicap on money being spent.

(ii) In regard to the first point the July Forecast is prepared a year in advance, for instance for this year (1920-21) the July Forecast was due with the Railway Board on the 15th July, 1919. To be submitted by Agents on that date it has to be prepared earlier by departments and although the Railway Board receive this document in July, 1919, they pass no orders on it until December, 1919, and even then the orders passed are only tentative. In January, 1920, a preliminary issue of the Budget estimate for 1920-21 is sent forward based on the tentative figures given by the Railway Board on which final Budget orders are telegraphed about the end of March, 1920, and the final order prepared and submitted about May, 1920.

(iii) In addition to this, in October, 1920, a six months' estimate for the year 1920-21 is submitted to the Railway Board followed by a revised estimate for the same year. In the following December this is followed again by a preliminary issue of the Revised Estimate for the year 1920-21, and the Budget Estimate for the following year 1921-22 is submitted in January, 1921, while modifications in the grants for the year 1920-21 are not wired until February, 1921. The system is too elaborate.

(iv) As regards the second point the present system under which money not spent is lapsed to the Railway Board is wrong, as money once sanctioned should not lapse. With our present Budget sanctions with a currency of one year only, and, modifications of sanctions not coming out until February with the year ending on the 31st March following, Railways have not sufficient time to get out indents, submit indents to the United Kingdom, let contracts in the United Kingdom, and, despatch stores to India within the period allowed. It is one constant rush to be in time whereas with a 3 or 6 years currency of sanction a regular working programme could be organised which would facilitate work and stop lapse in grants.

(v) In regard to the present system of non-transfer between certain heads, once the Railway Board sanction certain money to any railway, it is considered that the control of the Railway Board should finish in that respect. It is presumed that once money is sanctioned Government are prepared that such a sum of money should be spent, during the period, by each particular railway, and it should be left to the officials of that railway how best to spend the money in the true interest of the railway concerned. At present, although an Agent sees he cannot possibly spend his grant under any particular head, he is not allowed to spend it under another head without the Railway Board's sanction. Take for instance a sanction for Programme Renewals when because of labour trouble materials cannot be obtained. The Agent may receive a favourable offer for coal in excess of his Budget grant under that head for that year, but is not allowed to purchase coal out of Programme Renewal money. Yet coal is wanted for the next year and the purchase this year would result in less purchase next year and more money being available for Programme Renewals next year when materials might be obtainable.

(vi) It is difficult to follow the statement made by the Indian Railway Finance and Administration Committee in 1907 that in deciding on the allotment to be made in any year for railways the Government take account of any improvement in the finance position owing to the occurrence of lapses, in the face of the following statement:—

Year.	Railway Demand.	Railway Board Grant.	Amount of outstanding indents at beginning of the year.
	Lakhs. Rs.	Lakhs. Rs.	Lakhs. Rs.
1912-13	36·84	32·70	23·91
1913-14	58·31	53·62	49·90
1914-15	47·70	47·70	32·85
1915-16	68·92	29·93	29·64
1916-17	62·00	17·89	15·75
1917-18	73·05	33·06	14·96
1918-19	159·29	54·55	35·17
1919-20	136·95	154·60	33·87

It must also be remembered that the Railway Board make their provisional Budget allotment in December when the exact lapse at the end of the following March is not known.

Question 29.—I have no criticism to offer on the present arrangements for regulating expenditure in England. The reasons for forbidding the transfer of sanctions between England and India are not known.

Part IV.

Question 30.—I consider the powers exercised by Government over rates and fares to be adequate, but I consider the manner in which these have been used in the past is open to criticism. For example, the Railway Conference attempted to draw up a complete uniform classification of goods on all railways. In so doing the highest class in which a particular commodity was placed on any railway was not always adopted, certain railways agreeing to waive the highest classification. This uniform classification was sanctioned at first by the Railway Board, but was subsequently cancelled owing to the fact that class rates for certain commodities had to be raised.

As an instance of the unfairness of the present classification, it may be mentioned that the G.I.P. Railway are permitted to charge ·80 pies per maund per mile for cotton full pressed, whereas this railway is only permitted to charge ·50. This commodity can stand the higher rate, and the reason for this distinction is not understood.

Question 31.—I consider the powers delegated to Railway administrations have been wisely used in the interests of the public, and instances can be quoted in which public requests have been met. On this administration we have recently offered a special low rate for the carriage of cement and stone to Bezwada. We granted for many years a special rebate to the Sandur Manganese Mining Company, special rates are given to Messrs. Parry & Co., for their factory at Ranipet and for tile manufacturers on the West.

We have had two local cases of exception being taken to our quotations, viz.:

Firewood.

Betel leaves.

In the case of firewood the rates were raised in the busy traffic months, keeping the low rate for the off season. The traders appealed to the Madras Government to continue the lower rate throughout the busy season, but it was pointed out that the greater proportion of traffic was carried at the time the higher rate was in force, and it was for this reason that the lower rates were cancelled.

In the case of betel leaves the enhancement was generally agreed to by all important company-worked railways excepting the South Indian Railway, and it is the general opinion of traffic experts that this commodity can well stand the enhanced rates. The traffic in the commodity has increased after the enhancement was made.

Question 32.—I have had no experience of any case in which a Railway Commission was appointed for the settlement of any dispute between railway administrations and traders.

Question 33.—No.

Question 34.—There is a marked variation between the demand for goods traffic in the busy and off seasons in India, and it is impracticable for railways to provide sufficient rolling stock and other facilities to meet all the busy season demands without delay. On this railway it is impossible to comply in full with all demands of merchants for wagons from about the beginning of March to the end of June, and on certain other sections public demand cannot always be met.

The position has been aggravated by the difficulties caused by the War which has made it impossible to obtain the rolling-stock, material and machinery required, and has necessitated a considerable curtailment in the annual budget expenditure. Until this is made up it will not be possible for railways to provide adequately for all the requirements and needs of the industries they serve. Under the present circumstances, on existing main lines it is the trade of the country which forces the development of railways and not railways which develop the trade of the country.

STATEMENT A.

Engineering Department—Broad and Metre Gauges. Statement of Rail Renewals.

Description. Basis.	Programme. 1914–15 Miles. Budget.	1915–16 Miles. Budget.	1916–17 Miles. Budget.	1917 18 Miles. 3 years programme.	1918–19 Miles. 3 years programme.	1919–20 Miles. 3 years programme.	Total Miles.	Actuals. 1914–15 Miles.	1915–16 Miles.	1916–17 Miles.	1917–18 Miles.	1918–19 Miles.	1919–20 Miles.	Total Miles.	Balance deferred at end of 19–20.	Anticipated to be done in 20–21.
88040																
Broad Gauge.																
Renewals of Rails...	16·50	14·25	9	55	54	45	193·75	16·09	18·85	7·94	—	—	32·31	75·19	118·56	30·25
Metre Gauge.																
Renewals of Rails...	51	50	66	65	55	55	342	36·50	14·40	52·48	8·19	0·58	18·50	130·65	211·35	58·0

STATEMENT B.

Locomotive and Carriage and Wagon Department.—Statement showing details of Renewals actually undertaken from the commencement of the War to end of 1919–20 as compared with the provision in the three and ten years Programmes, etc.

Item No.	Particulars. Basis.	Number as proposed. 1914–1915. July Forecast.	1915–1916. July Forecast.	1916–1917. 10 years programme.	1917–1918. 10 years programme.	1918–1919. 3 years programme.	1919–1920. 3 years programme.	Total.	Number actually completed. 1914–1915.	1915–1916.	1916–1917.	1917–1918.	1918–1919.	1919–1920.	Total.	Balance representing deferred renewals.	Number provided for 1920–21 against arrears of previous years.	Programme for 1920–1921.	Balance at the end of 1920–1921.
	Broad Gauge :—																	Rs.	No.
1	Locomotives	6	6	6	6	6	6	36	—	—	—	—	—	—	—	36	12	12·73	24
2	Boilers	8	18	18	12	15	12	83	1	18	10	3	5	6	46	37	12	2·50	25
3	Coaching Stock (Single Units)	36	15	4	28	28	31	142	—	9	4	8	16	12	28	114	67	6·68	47
4	Goods Stock (Single Units)	104	104	101	100	161	100	670	27	—	3	—	5	31	62	608	160	8·51	448
5	Machinery ... Rs. Lakhs.	0·50	0·50	0·50	0·50	0·50	0·50	3·00	0·31	0·13	0·36	0·46	0·27	0·27	1·82	1·18	0·80	0·80	Rs.0·38
	Metre Gauge (including Mysore State and W.I.P. Railways) :—																		
1	Locomotives	—	—	5	5	5	5	20	—	—	—	—	—	—	—	20	22	5·53	—
2	Boilers	26	26	15	10	10	10	97	13	26	9	—	5	5	60	37	10	1·60	27
3	Coaching Stock (Single Units)	81	92	28	52	109	58	420	—	53	47	27	10	26	163	257	110	5·66	147
4	Goods Stock (Single Units)	8	63	58	50	345	99	623	8	—	2	16	—	28	595	383	11·18	212
5	Machinery ... Rs. Lakhs.	0·25	0·25	0·25	0·25	0·25	0·25	1·50	—	0·16	0·06	0·19	0·14	0·01	0·56	0·94	0·75	0·75	Rs.0·19

Broad Gauge :—33 Coaching Vehicles completed in 1914–1915, 25 in 1915–1916 and 4 in 1917–1918 pertain to pre-war period and have not been shown in this statement.
Metre Gauge :—54 Coaching and 8 Goods Vehicles completed in 1914–1915 and 1 Goods Vehicle in 1915–1916 pertain to pre-war period and have not been shown in this statement.

STATEMENT No. 36.

THE MADRAS CHAMBER OF COMMERCE.—MEMORANDUM DATED 5TH JANUARY, 1921.

The Chamber will not attempt to deal with the questions seriatim, but will confine itself to a short expression of its views on the five main heads of the questionnaire.

See oral evidence, paragraphs 4827/4872.

Part I.—The Management of Railways owned by the State.

Broadly speaking the Chamber is in favour of the existing policy being maintained, that is to say the railways now owned or partly owned by the State should be worked by companies.

Madras is not perhaps in the best position to express an opinion in this matter, because both the railways serving the Presidency are company managed, but on the broad question the Chamber adheres to its views as expressed in its letter to the Railway Board dated 11th August, 1916, which were in favour of company management. The Chamber is of opinion that company lines are on the whole likely to be more efficiently, more economically and more satisfactorily managed than State worked lines.

As regards the point of management by companies domiciled in India or the United Kingdom (Questions 3 and 5-9) the Chamber is rather attracted by the suggestion in Question 9 "that the systems of management by companies domiciled in England and by companies domiciled in India might be combined." This notion is a new one, and ought to be explored. In an advisory and consultative capacity, and with powers of action in certain directions without reference to London, a Board in India might be a useful adjunct to a main Board in London. But the Chamber fears such a plan would hardly be found workable, and much the same general objection applies to a Board wholly domiciled in India. On the whole the Chamber is in favour of companies being controlled by means of boards in London. There should be intimate relationship between such boards and the management of the lines, and the latter should have large powers of dealing with questions of current management without necessarily referring to London. Further, it should be a recognised thing that a majority of the members of a home board should have recent Indian experience, and that by means of regular visits by a deputation of its members the board should be kept in close touch with conditions in India.

Part II.—The Railway Board and the Government of India's Control.

Speaking generally the Chamber is of opinion that the system of control by a railway board as at present constituted is satisfactory. But it can hardly be said that the Railway Board has altogether come up to public expectations. It would seem as if the Board required strengthening and enlarging. The method of limiting appointments to five years does not seem to give the best results and the Chamber would advocate the appointment of suitable men who are still in the midst of their Indian career, and who may serve on the Board for much longer periods than five years. If necessary the scale of salaries should be raised in order to attract men of the highest class, not only as regards the Board but also as regards secretaries, assistant secretaries, etc.

The Chamber would like to see a permanent member on the Board with special experience of South India and its needs. In this latter connection the Chamber is under the impression that South Indian interests have often suffered in the distribution of funds for capital expenditure. There is a very general belief in these parts that those larger and richer lines, nearer to Simla than Madras is, seem always to be more favoured in the allocation of funds. The Chamber would like such an impression removed and would welcome an assurance that the Northern lines and those serving the ports of Karachi, Bombay and Calcutta do not receive a more liberal share of funds than we do in the South.

Part III.—Railway Finance.

The Chamber is strongly of opinion that the supply of funds for railway purposes has hitherto been utterly inadequate.

The Chamber would answer Question No. 17 emphatically in the affirmative. The utter inadequacy of the Government annual grant and consequent inability of the railways to keep their lines and rolling stock up to the mark (arrears have greatly increased owing to the war) makes it a vital necessity for several years to come to confine all energies to improving the facilities and equipment of open lines.

Construction of new lines should be held in abeyance for the present. Funds are urgently required on a much larger scale than hitherto, but the Chamber is not in a position to name any approximate amount. Neither does the Chamber think it necessary to discuss the different methods of raising capital. There is no reason why funds should not be raised both in India and the United Kingdom, unless there be anything objectionable in having two rates of interest. It is almost certain that a higher rate of interest will be required in India than in the United Kingdom.

The Chamber sees little hope of borrowing in India at much under 7 per cent. income tax free.

Separate borrowings for railway purposes (Question No. 25) would undoubtedly be likely to interfere with the success of ordinary Government borrowings. If from the latter sufficient funds can always be allotted to railway purposes, the Chamber would rather not see separate borrowings for railways. But if this cannot be guaranteed then there should be separate arrangements for railway finance.

In regard to Question No 26 (*b*) the Chamber agrees that railway rates should be generally raised if necessary so as to prevent railways from being a burden on the general tax-payer.

As regards Question No. 28, the Chamber considers that the Budget system of annual "lapses" should be abandoned in favour of ordinary business methods. A railway should be able to depend on adequate funds to carry out its programme of works and not be hurried or harassed by the fear of "lapses" in any one year.

Part IV.—Government Control, etc.

The Chamber has no particular remarks to offer under this section, save to say, as regards Question No. 31, that its relations, and so far as it is aware the relations of the trading community generally, with the railways serving the Presidency are of the most amicable and satisfactory character.

Part V.—General.

Question No. 34 must be answered emphatically in the negative. But in saying this the Chamber has in mind the difficulties and arrears caused by the war, and is not taking serious exception to the normal state of the railways prior to 1914. There was room for improvement even then, and as traffic has steadily increased since 1914, and the general volume not likely to grow less, it is an urgent and vital necessity that the wartime leeway be made up before there is any new construction.

In conclusion the Chamber would call attention to the present low rate of interest allowed on capital for feeder railways. It is altogether impossible now to attract capital at 4 per cent., and when the time comes to push the construction of feeder railways the Act will require to be amended and something like ordinary market rates will have to be offered.

Mr. J. F. Simpson, Sir Gordon Fraser and Mr. A. P. Symonds are available to give evidence, on the foregoing, if required.

STATEMENT No. 37.

M. AHMED BATCHA SAHIB, B.A., Representative of the Southern India Skins and Hides Merchants' Association, Madras.

See oral evidence, paragraphs 4873/4892.

I propose to deal mainly with the question of direct state management of the Railways in India; the views expressed in this memorandum may be taken to be the views of practically all the members of the Association.

2. I am fully and categorically in favour of direct state management of the railways in India. The question of State or Company management has been, I believe, raised even in the Western countries, but, in my view, there cannot be two opinions as to which is preferable so far as India is concerned. Of course, I am viewing the question as an Indian from the point of view of the Indian people and the utility and convenience to them.

3. I have experience and knowledge only of the two principal railway systems connecting South India, namely the South Indian and M. & S.M. Railways. Both of these systems are under the management of companies floated in Great Britain with a board of directors sitting in London. I consider that the real test of success of railway administration is the comfort and convenience provided to the travelling and trading public and not merely the making of profits at the expense of the public. The railways, in my opinion, are a national asset and they ought not to be worked purely on commercial lines as they are now worked by private companies which are anxious only for their own profit, whose actions and policies are determined by self interest.

4. I may give a few illustrations. It is the third class passengers that contribute the largest income to the railways, but the way in which they are treated is most deplorable and heart rending. Particularly is this so in the South Indian Railway. It is not merely during the time of war and the subsequent years thereto when the want of rolling stock may be advanced as an excuse; it was also in the previous normal years. Protests and agitation have constantly been made with no effect. I think the local Government has no means of compelling the railway administration to do the right thing, and whatever powers the Government of India may possess in theory they have in practice, judging from the results, given a complete carte blanche to the companies. Third class passengers have been and still are treated by the South Indian Railway Co. worse than cattle, and it is a most pathetic and heart rending spectacle to see thousands of people subjected every day to the worst humiliations and the greatest inconvenience imaginable. I am using these epithets very guardedly. I would suggest that the members of the commission ascertain the fact at first hand without previous notice to the authorities of their intention. The evil is only accentuated by the company holding in practice at least a complete monopoly of one of the most fertile and populous parts of India. The continuance of such a state of affairs cannot and will not be tolerated if the people of this country have any voice in the matter, nor would it prevail if the railway is under the direct management of the State. It exists only because the companies managing the railway do not care for the convenience and comfort of the people so long as their pockets are not directly affected. On no other basis can I explain the inhuman treatment meted out by the South Indian Railway Company to the vast majority of the people from whom they derive practically the whole of their income.

I may take another instance. Madras city has been getting more and more congested. With a view to relieving congestion, suggestions have been made for extending the city in the suburbs where there are excellent areas available for habitation; but railway facilities are very poor. There has been a proposal to open an extra line to facilitate quicker communications between Madras and Pallaveram or Chingleput; but nothing has been done because, I believe, the company has not been enthusiastic about the matter. The company consider a matter like this, which is of the greatest importance to the welfare and development of the city from the purely selfish point of view as to whether it is likely to pay them or not. Under State management, questions like these affecting people are bound to be considered from the broader point of view of public convenience and utility.

Then again incidentally, I may say, that far less scope is, under company management, afforded to Indian talents and Indian enterprise. I believe I am correct in saying that in the higher Indian railway services there are proportionately far less Indians than in the various departments of the State.

The industrial, commercial and economic life of the people of this country can, in my considered view, be properly developed only if the railways are under the direct control of the State.

Labour troubles and difficulties of which there is increasing evidence can be solved more satisfactorily by the State than by private companies.

I consider that India should, as far as practicable, be independent in matters affecting its industrial and commercial life. The control of railways by foreign business corporations is an obstacle to the achievement of this ideal.

I am not in favour of management by companies even though the companies are floated in India, but I certainly prefer them to companies floated outside India. I do not believe that State management must necessarily be less efficient than Company management.

I suggest that whatever capital may be required for railway enterprise is to be raised in India and in India only by means of loans at a fixed rate of interest. Of course, just as in the case of the Government War Loans and business floatations in this country, persons of any nationality can subscribe to any such loans. I do not believe that capital in India is shy and will not come out for even such an object of universal convenience and utility as the railway. India is a poor country, but, for an object like this, the benefits of which are directly enjoyed by all the people, not merely the educated and wealthy classes, but even the masses and the ryots will freely come forward if they are guaranteed a reasonable rate of interest, and they have the assurance that the railways will be so worked as to bring about the maximum benefits to the people of this country. This is possible, I submit, only if the railways are under the direct management of the State, which as is now admitted on all hands is bound to become increasingly responsible to the people of this country.

I have carefully considered whether, in view of the fact that the affairs of Government are now being carried on by a soulless machinery incapable of admitting enterprise or initiative, such a vast business organisation as the railway, the success of which depends very largely on business capacity and originality can be worked satisfactorily by the State. But there is no insurmountable obstacle and the problem to me appears as only a problem of ways and means. A separate department may be organised, based on current business principles, but these are matters of detail. I believe that with the present rates of fares, Indian railways can, under proper State management, be worked at a profit. I would suggest a retrenchment of the comparatively high salaries paid to higher railway officers in this country if the railways are worked at a loss. I believe that in the higher railway services as in other services, India is paying far larger salaries than other countries. Retrenchment of these high salaries should, in my opinion, be carefully considered whenever economies have to be effected If under State management the railways are still worked at a loss the deficit may be made up by income from other departments of Government and the people would not grumble any more than they would grumble for expenditure incurred by the State in connection with roads, canals and other objects of general public utility and convenience.

I have not entered into details of arrangements by State because, in my opinion, they are to be considered after it is decided that the State management is, in the conditions of India, the best course to be adopted.

STATEMENT No. 38.

THE SOUTHERN INDIA CHAMBER OF COMMERCE, MADRAS.

See oral evidence, paragraphs 4893/4923.

Introduction.—This Chamber's experience of railway matters is confined to the two railway administrations in Southern India, the Madras and Southern Mahratta Railway and the South Indian Railway. The South Indian Railway Company, Limited, has been a member of this Chamber since 1913. The subjoined statement is based on the experience thus gained.

Management of Railways owned by the State.—In the year 1916-17, the Railway Board instituted an enquiry into the practical side of railway working, founded upon everyday experience of those commercially interested in railways, in order to determine whether State or Company management of railways had rendered better service to the public. This Chamber was then asked to state its opinion, and we then said that the management of railways by the State would result in the public being better attended to and served; that such management would attract a better-educated class of men for service, thereby ensuring greater efficiency and public satisfaction. We also added that our experience led to the conclusion that in the despatch and delivery of goods, in the matter of attending to complaints and to the convenience of third-class passengers, State management of railways was in every way better than management by companies. The experience we have further gained confirms us in this view.

We are of the opinion that railways owned by the State should be directly managed by the State. State management would be distinctly to the advantage of the country as a whole. For one thing, the management of a railway by the Government would bring it under the influence of public opinion. Company management lacks this necessary corrective. In the second place, traffic facilities, both for passengers and for goods, would be more easily obtained in a system of State control and management than in any system of Company management. In the third place, the industrial development of the country would be better secured by means of State management of railways. In the next place, by gradually eliminating wasteful extravagance on the one hand and ruinous economies on the other, State management would conduce to the promotion of efficiency and economy in the administration. We may also add that the army of railway employees would find their lot happier as servants of the Indian public than of a company. In any case, we see no good, in the present state of educated opinion in the country and of the national temper, in perpetuating a system of working and managing the railways of the State by the representatives of stock and shareholders, sitting thousands of miles away from the actual working of the concerns, without the wants, wishes and the voice of the public of this country, who are the predominant partners, determining what is best for the country as a whole and for the people by means of the

growing representative institutions of the country. Railways should no longer be run as mere commercial concerns to the best advantage of alien stakeholders, whose stake is only a small fraction as compared with that of the State, but to secure the material development of the country, to advance its trade and industries, and to promote the comfort and convenience of the general population. As it is, notwithstanding the enormous sums of the taxpayers' money invested in the State railways, they are run as private concerns by companies, who are only zealous of earning more profits so that they may have their share of it every year; and the Government, for their part, are satisfied that railways give them more and more revenues so that they may have enough to spend for purposes which appeal to them most, with the result that real railway requirements are starved. We are anxious, therefore, that the whole policy of railway administration should change, and every opportunity afforded by the termination of a running contract with a working company should be availed of to substitute State management and control for the present Company management.

As the contract with the Madras and Southern Mahratta Railway has yet about 16 years to run, and that with the South Indian Railway about 24 years, we submit the following tentative scheme for the better management of these two railways during the pendency of their contracts. A Provincial Advisory Board should be constituted, composed of officials and non-officials, with the Senior Government Inspector of Railways at the head of the Board. The non-official members should be the representatives of the interests of trade, industries, finance and of the general public. It should be the duty of this Board to enquire into all railway grievances; to use their best offices and influence in the settlement of claims against the companies and of disputes between the employers and the employees; to offer its considered opinions on proposals for branch and feeder railways, for changes in rates and fares, for improvements in train services, for additions to rolling stock, etc.; and, in short, to ensure the more efficient working of the railways and the convenience and comfort of all classes of the population and the several interests served by the railways. The proceedings of this Board should be regularly recorded and communicated to the Government of India for information and further action should that be necessary.

If these two companies are not agreeable to shift their home boards to the centres of their actual operations, they may at least be urged to constitute auxiliary local boards to consider and decide all matters as they arise, subject to the final sanction of the home boards in certain reserved matters. It would be well if these local boards, when formed, have the interests of the people also represented in them.

The Railway Board.—We consider that the system under which the Railway Board now controls State railways worked by companies is unsatisfactory. So far as the commercial or the general public are concerned, even the existence of the Board, not to speak of its intervention in railway matters, is not appreciated. It is particularly so in Southern India. The average business man here doubts whether the Railway Board exists to help the working companies or the public at large. We think this system should be ended, as it is not capable of being mended. If, as we propose, the working companies should at the end of their lease of life be replaced by State management, the system of controlling railway working by the agency of the Railway Board cannot usefully be continued. We propose that the system in force prior to 1905, by which the Government of India controlled railway working by the agency of their own departments, be immediately restored. We should prefer the control being vested in the Commerce and Industry Department with a fully-equipped Railway Branch, with an expert staff to manage the control in the traffic, construction and stores departments. The member in charge should be directly responsible for the conduct and management of railways. In constituting the Railway Board in 1905 on the recommendations of the Special Commissioner for Indian Railways, Mr. Robertson, the Government of Lord Curzon stated " that the central idea of a Railway Board was that there should be a body of practical business men entrusted with full authority to manage the railways of India on commercial principles, and freed from all non-essential restrictions or needlessly inelastic rules." The result of the policy underlying this statement, during the past 15 years the Board has been in existence, has been to emphasise the commercial aspect of railway management to the prejudice of the larger interests of the country and the people as a whole, and to safeguard and advance the interests of working companies rather than those of the general public. In fact, the members of this Board are erstwhile company agents, and there is a free interchange of places from the companies to the Board and *vice versâ*. Naturally the interests of such a personnel are one-sided. In our opinion, the powers of control over railway administrations which the Railway Board possesses under the Acts of 1890 and 1905, have not been sufficiently exercised in public interests and so as to serve the requirements of the travelling public and of the trade of the country. We are for the abolition of the Railway Board, as we consider that it serves no useful purpose, and that railway administration, on the whole, should be better without this needless, expensive, ill-conceived agency.

Railway Finance.—In our opinion, in view of the present depressed conditions of trade and finance the world over and in India in particular, the time has come when we should cry halt for new construction unless pressed by the most urgent necessity for military or strategical considerations. Provision for open line requirements is the immediate necessity, and such capital as may be required therefor should be raised by open borrowing in this country, or if need be in England, within the limits of anticipated requirements every year, on such terms and conditions as may be best suitable under the circumstances of each year. We should think, as far as possible, all expenditure on open lines should be met from railway earnings, and any capital borrowed for this purpose should be short-dated loans to be repaid from the annual earnings. It is our opinion that all borrowings, even for maintenance of open lines, should for some time be limited to what can be saved out of the earnings, and that additions to capital outlay should not otherwise be made. Private enterprise and capital for construction of new lines are only other names for privileged foreign companies and the neglect of national interests. We are, therefore, for nationalising railway enterprise in this country and for steadily working towards this goal.

We are in favour of the policy of the separation of railway finance from the general finance of the country, as the gross railway receipts and expenditure swell the budget figures of general revenue and expenditure in a confusing manner. We are also against the present budget system of lapses. The Railway Budget will have to be framed for a longer period than one year. We

should prefer a programme and allotments for about three years ahead. We are in favour of railway borrowings being separated from general borrowings, and every railway loan being declared to be for railway purposes only. This course should attract a better class of investors in the country and outside. We have no objection to railway companies raising loans for developments, subject to the sanction of the Secretary of State for India and within certain defined limits, provided, however, the terms of the running contracts with the companies are not varied on that account so as to give the companies any greater control than they have now in the management or to prolong their lease of life.

Rates and Fares.—The existing Government control over the railway administration in respect of rates and fares is, in our opinion, neither adequate nor satisfactory. The freedom given to the administrations to work within the maxima and minima rates is not exercised in the interests of the public. Within the last three or four years rates on goods traffic have been generally raised, and we would instance in particular the increased rates levied by the South Indian Railway on kerosine oil, groundnuts, piece-goods, including twist and yarn, and grains and pulses generally. The higher rates have been prejudicial to trade in these articles, and we have not been able to discover the causes of the increase in each case. In fares, the South Indian Railway recently raised the fares for two of its through passenger trains to the limit of its mail fares. We do not see the justification for this increase, seeing that these through trains do not even run the same speed as the mail train.

We commend for the consideration of the Committee the general principles enunciated by the Indian Industrial Commission in Chapter XIX of their Report, headed " Industries and Transport." We desire to impress on the Committee the necessity for a change in the rate fixation policy as recommended therein, and we desire to emphasise the general principle recommended by the Commission to be followed in railway rating, so far as it affects industries, that internal traffic should be rated as nearly as possible on an equality with traffic of the same class over similar distances to and from the ports.

Complaints are frequently made regarding inexplicable routing of traffic which are not in the interests of trade. We may give a very recent instance. We believe even at present considerable quantities of goods destined to stations south of Tanjore, Madura and Tinnevelly, from Madras Beach and Egmore, on the South Indian Railway, are booked from Royapuram on the Madras and Southern Mahratta Railway via Arkonam Junction.

There have been frequent complaints against the system of levying two sets of rates—one for railway risk and the other for owner's risk. Without assuming any liabilities for loss or damage, railways charge full freight rates practically under this system, and we commend to the Committee a full enquiry into the technique of these two different rates.

General.—The railway workshops should be utilised as the training ground, without racial distinctions, for the youth of the country with mechanical and industrial aptitudes to become the future loco-foremen, mechanics, engine-drivers, carriage builders, electricians, fitters, etc. These workshops should be so equipped as to be capable of furnishing almost all necessaries and stores required for railway working, and to dispense with as many articles as are now imported from outside the country, excepting those that are indispensable absolutely.

The administration of the railway should be carried on as much as possible through indigenous agencies, affording opportunities for the educated young men of the country to hold superior and responsible posts in the service of railway administration.

The inadequacy of passenger and goods vehicles to cope with the traffic offering in Southern India is the subject of long-standing and serious complaints. The congestion in passenger trains is enormous, and practically no regard is shown to the maximum limit of passengers for a compartment. The scramble for goods wagons has led to extensive corruption, and we have heard of as much as Rs. 50 being paid to secure a single wagon for loading. Complaints are also made of preferences shown in the distribution of wagons. It will be for the Committee to ascertain how far the increase in ton-mileage has been met by increase in goods vehicles.

We desire to call attention to the anxiety of railway companies to kill all competitive traffic by waterways, in view eventually to be free to levy their own rates when they have secured a monopoly of traffic. For instance, the East Coast Railway line of the Madras and Southern Mahratta Railway has killed all traffic by the Buckingham Canal route, and the result is to-day that rice, chillies and firewood have to pay heavier rates by railway than they would have to if they had the choice of the canal and the railway routes. Again, the South Indian Railway and the British India Steam Navigation Company have entered into an agreement regarding the carriage of the grains traffic of the Tanjore delta, whereby both the companies have combined to eliminate competition to the advantage of both. The B.I.S.N. boats that once used to load at the subordinate ports of the delta no longer do so, leaving this traffic open to the railway company, and notwithstanding some agitation in the Local Legislative Councils, it has not been possible for the public to know the exact terms of this agreement.

The South Indian Railway corridor carriages are abhorred by the public, and should they have to be used at all, should be used only for suburban traffic or short distances. Long-distance passengers using them find themselves miserable.

STATEMENT No. 39.

M.R.Ry. Diwan Bahadur Mocherla Ramachandra Rao Pantulu Garu, B.A., B.L., M.L.C., President, District Board, Kistna.

I am the President of the District Board, Kistna, which owns the Bezwada-Masulipatam Railway. The above Board has had also two more projects for railway construction, the Nidadavole-Narasapur Railway and the Gudivada-Bhimavaram Railway of the total mileage of 87·91. As a member of the Pilgrim Committee appointed by the Government of India for this Presidency I have had the opportunity of travelling over the two railways' systems in this Pre-

See oral evidence, paragraphs 4966/4979, 5022/5057.

sidency and acquainted myself with the conditions under which the Pilgrim traffic in South India is dealt with. I have been a member of the Madras Legislative Council since 1910 and during this period many questions relating to railway administration and development came up for consideration in the Council.

2. I do not propose to deal with all the points raised in the questionnaire, but shall confine myself to a few broad questions of railway policy and administration and to the position created by company management in Southern India.

Secretary of State's Control.

3. The first point to which I should like to refer is the position of the Secretary of State in Council in regard to the administration of railways in India. At present the Secretary of State in Council is the final authority with whom the Boards of management of the various railways enter into contracts. Whatever may be the justification in the past for this control of all railway policy and administration by an authority who is at a distance of 6,000 miles from all current of Indian public opinion, it will no longer be possible to maintain this position. It is very necessary to bear this point in view in a consideration of the problem. Under the terms of the Government of India Act, the Railway Budget will have to be submitted to the vote of the Legislative Assembly except probably to the extent to which such portion of railway expenditure that may be classified by order of the Governor-General in Council as "Defence." Except therefore in regard to strategic railways on the frontiers the whole of the Railway Budget of the year, its distribution and the destination of the grants to the various railway administrations will come up for detailed discussion and the distribution of funds can only be made with the approval of the Legislature. Similarly all loans raised in India either for railway or otherwise would have to be embodied in the budget of the year. It will no longer be expedient for the Secretary of State to conclude agreements with the railway companies in England over the head of the Government of India and of the local Governments and if he does so notwithstanding the reservation of certain powers to the Governor-General in financial matters, he cannot in the normal course of things hope to obtain the assent of the Legislative Assembly. This aspect of the question should, I venture to think, be placed in the forefront of the deliberations of the Committee.

The Government of India.

4. The Government of India must therefore in the nature of things be hereafter the primary authority with whom all questions relating to railway development, railway finance and administration will have to be settled. It is desirable, therefore, to lay this down definitely. Unless this position is accepted there is a great likelihood of the Secretary of State coming into conflict with the Government of India and the Indian Legislature which will have the power of voting the funds required for the annual Budget. The Secretary of State cannot ordinarily supersede the decision of the Indian Legislature in these matters. I also believe that in the altered circumstances the continuance of management by boards domiciled in the United Kingdom with advisory boards in India will not conduce to the smooth working of the Indian railways. If it should be decided by the committee to recommend the continuance of company management, all contracts with the railway companies either domiciled in the United Kingdom or in India must be entered into by the Government of India. I would suggest that such contracts should be concluded by the Government of India only after obtaining an affirmative resolution of the Legislature in India. These precautions are necessary in the interests of the people of India when contracts extending sometimes for 30 or 40 years are made by the Government for the working of Indian railways. It has been said in justification of the present powers of the Secretary of State that he is able to raise loans for railway development in the United Kingdom. If it is necessary for the Secretary of State to perform this function he can do this as the Agent of the Government of India and now that there is a High Commissioner for India for agency work, I believe that that functionary may do this work equally well for India. The company management of railways through the boards domiciled in England is sought to be justified on the ground that the boards are instrumental in securing English capital for Indian railways. The facts are, however, the other way. The Secretary of State has raised £370,180,560, while the company have contributed only £41,398,548.

The Railway position in South India.

5. The evils of the present system will be apparent from the position in Southern India in regard to railways. The contract with the South Indian Railway was made in 1910 by the Secretary of State against the wishes of the Local Government and the people of this Presidency and can only be terminated in 1945. This is a fitting illustration of the influence of the railway boards in England who have direct access to the Secretary of State to force a decision against the expressed wishes of the authorities in India and of the people of India. Similarly in the case of the Southern Mahratta Railway, the contract can be terminated by the Government only in 1937. The Government are the owners of the lines leased to these companies and are also the holders of the great bulk of the profit sharing capital in the new companies formed for working the lines. Nevertheless the Government have not reserved to themselves any effective power to terminate these contracts on reasonable notice and subject to the payment of suitable compensation. The power reserved can only be exercised in the almost impossible event of utter failure of the company to fulfil its obligations. The result is that these two companies are in a position to dominate the whole situation in South India in regard to railway development and to block up all new extensions by any other agency.

District Board Railways.

6. This brings me to the subject of District Board Railways in the Presidency. The District Boards in Madras have shown a commendable public spirit in undertaking the construction

of feeder lines. This is the only province where local bodies have attempted railway undertakings of some magnitude The district board railway projects existing and projected are mentioned hereunder:—

Board. 1.	Miles opened. 2.	Miles projected. 3.	Capital cost in lakhs. 4.	Net income in lakhs 1919–20. 5.	Percentage. 6.	Accumulated cess in lakhs at the end of 1918–19. 7.
Coimbatore	25·04	40·90	E. 11·39 D. 18·44	1·33	11·7	7·07
Guntur	21·50	86·75	E. 14·88 D. 41·47	0·54	3·7	4·90
Kistna	51·80	87 91	E. 22·53 D. 54·27	2·63	11·7	25·69
Salem	3·86	45·16	E. 4·74 D. 20·33	0·31	6·6	7·70
Tanjore	135·06	42·73	E. 54·43 D. 24·52	4·23	7·8	32·12
North Arcot and Chingleput	60·00	20·50		Not known.		
South Arcot	—	39·33	14·12	—	—	11·22
Canjam	—	76·30	41·95	—	—	1·90
Codavari	—	27·36	25·16	—	—	3·95
Canara, South	—	14·28	10·70 10·50 13·28 13·06	—	—	—
Kurnool	—	21·13	10·00	—	—	6·33
Cuddapah	—	8·82	8·82	—	—	1·59
Madura	—	55·19	22·91	—	—	8·20
Nellore	—	46·85	28·42	—	—	4·27
Ramnad	—	12·43	7·68	—	—	8·26
Tinnevelly	—	71·18		Not known.		
Trichinopoly	—	52·16	24·71	—	—	4·27
Vizagapatam	—	35·0	28·18 21·81	—	—	3·70
	263·2	909·4				

E. Existing. D. Under discussion.

It will be seen from the above statement that there are schemes for the construction of 909·4 miles of railways in the various districts in the province. Most of these schemes have been under consideration for very many years and the progress of many of these schemes has been held up on account of objections raised by the South Indian Railway, who have consistently opposed the construction of some of these lines, though desirable from the public point of view, on the ground that they will affect their traffic. In one case, the Manargudi-Tirutaraipundi Railway, the company even refused to agree to the decision of the Railway Board that no protection to the company was necessary. Sometimes unreasonable claims for compensation for short circuiting have been set up, greatly delaying the progress of the schemes. I am therefore of opinion that no improvement is possible until the present dominant position of these companies is cut down. If it is possible under their existing contract to terminate them, this must be done. If it is not possible to do so negotiations may be carried on for the purpose, and if the financial liability is not unreasonable an attempt may be made to bring the railways in South India under State control. It is impossible to carry out the present programme of district board railway projects in this Presidency. or any other development schemes until the difficulties created by the existing rights of the railway companies are removed. The district boards are also obliged to accept whatever terms are offered by these companies both for construction and working of the district lines. I believe the State will deal with these questions from a broader standpoint than the companies have done in the past. In acting as they do the companies are looking not only to their own interest but to the interests of Government who are the predominant partners in these concerns. But my point is that the action of these companies for working the lines has considerably retarded the development of the railways in Southern India. I would also strongly urge that whether the contracts of these companies are terminated or not, means should be devised for constructing and working of the district board lines already projected without any further delay and on reasonable terms. The railway board has taken no interest in pushing these projects through. I do not think there will be any more difficultiies in financing these schemes as I understand that the Local Government has been allowed to place the funds required by the boards on the Provincial Loan Account.

State versus Company Management.

7. On the broad question of State versus Company management, I am of opinion that in existing circumstances the State management is likely to serve public interests in India much better than the Company management. In Southern India, during the last 20 years, many railway grievances have been brought to the notice of the Local Government in the Legislative Council by interpellations and resolutions, but in most cases the Local Government is not in a position to afford any redress. The questions relating to platforms, waiting rooms, refreshment rooms, siding, shortage of wagons, over-bridges, overcrowding of passengers, opening of new railway stations and booking offices, supply of drinking water, food supply, sanitary arrangements, and many others have been repeatedly pressed on the attention of the companies through the Local Government, but nothing tangible could be done, as the Local Government has very little power over the railway administration. The Railway Board, which is the controlling authority, has done

very little to assert its authority and to remove many long-standing complaints even of a trivial character. Many important suggestions have been made by the Pilgrim Committee appointed for each province in regard to various questions relating to Pilgrim traffic. For a detailed statement of the suggestions made for removing these complaints, I would invite attention to the reports made in the various provinces by these committees. It would be interesting to find out how many of these suggestions have been given effect to. In Madras, where I was a member of this committee, the South Indian Railway denied that there was any overcrowding of trains in dealing with this class of traffic, and it was also denied that passengers were carried in open trucks. It was with the utmost difficulty that the committee could pursue their investigation which eventually led to the establishment of this fact. So far as I know nothing tangible has been done to effect any improvement in the existing position, and I do not think that any improvement in the existing position would be effected so long as the ultimate control is vested in the Railway Board sitting at Delhi. Local Governments are now deprived of their legitimate sphere of influence and control in the interests of the well-being of their own province.

Wider Employment of Indians.

8. Another equally important ground on which I support the State management of railways is that Indians have better prospects of employment in the superior services of State railways than on the Company-managed lines. A reference to the distribution list of officers on railways in India would fully bear out the statement that on Company-managed lines the number of Indians employed in superior posts in almost negligible.

8 (*a*). The following statement will show the position of Indians in the railways in India:—

Names of Railways.	In June, 1918.		Percentage of Indians to the total number.
	Number of Europeans in superior service.	Number of Indians in superior service.	
State Railways worked by the State.			
North Western Railway	209	45	17·7
Eastern Bengal Railway	130	31	19·2
Oudh and Rohilkhand Railway	45	15	24·6
State Railways worked by Companies.			
Bengal-Nagpur Railway	135	17	11·2
Bombay-Baroda and Central India Railway	129	7	5·2
East Indian Railway	188	23	10·9
Great Indian Peninsula Railway	210	13	5·8
Madras and Southern Mahratta Railway	113	9	7·4
South Indian Railway	83	3	6·7

The Indians employed are generally on the lowest grade of the appointments. From a newspaper account of Colonel Magniac's evidence, I find that his objection to State management is that the Government is committed to the employment of Indians on superior posts on State railways, whereas the company-managed lines are not so committed. He seems to object to this commitment. On the identical ground urged by Colonel Magniac, I prefer State management to Company management, and would commit the Government to a policy of wider employment of Indians in superior posts in all railways, whether company-managed or otherwise. I would urge this both on grounds of economy and efficiency. The whole of the superior staff now employed on the Company-managed lines is European in its composition, and human nature being what it is, I do not expect any railway company managed by boards in England to desire the employment of Indians in superior posts.

The Railway Board.

9. I am entirely in favour of the abolition of the Railway Board as at present constituted. The centralisation of the control of railway administration in a single authority for the whole of India is incompatible with the present policy of decentralisation, and will not contribute to the removal of the various local grievances relating to railway administration in the provinces. I am in favour of the constitution of Provincial Boards on the lines suggested by the Government of Madras, with substantial financial and administrative powers for the management of railways. It may not be possible to constitute immediately these boards in view of existing obligations, and if they cannot come into existence till after the termination of the contracts, the existing system of control over these companies through the medium of the Railway Board should not be continued any longer, as it has failed to justify its existence. Such of the powers of control and supervision as are now possessed by the Railway Board to safeguard the interest of the travelling public should be vested in the Local Governments and administrations, except in regard to matters where central control is necessary and desirable. In regard to these matters the Government of India should directly exercise these powers. Unless the Local Government are given substantial powers, I do not think it will be possible to expect any improvement.

I will summarise my views as follows:—

(1) The Secretary of State should no longer possess any powers to make arrangements with railway companies in England, and all administrative financial powers now possessed by him should be transferred to the Government of India.

(2) Even if he seeks to exercise his powers of control and supervision, there is a great likelihood of his coming into conflict with the Indian Legislature which will have the power of voting the funds placed on the Railway Budget. The Secretary of State cannot ordinarily supersede the decisions of the Indian Legislature.

(3) Under the altered circumstances, the continuance of boards of management in England will not conduce to the smooth working of Indian railways, and that these boards will have to look to the Government of India much more hereafter than in the past. They will have to be in India hereafter if company management is desirable.

(4) State management of railways is preferable to company management.

(5) In Southern India the two railway systems have tended to block enterprise by district boards for railway expansion, and, if possible, the contracts of these two railways should be terminated.

(6) Under any circumstances, means should be devised to carry out the present railway programme of district boards.

(7) The Railway Board should be abolished, and replaced by Provincial Boards.

(8) If the constitution of Provincial Boards is not feasible immediately, the Local Governments should have the powers of the Railway Board over the railways within their jurisdictions, except in matters that may be reserved to the central authority.

(9) There must be a more equitable distribution of funds, and that South India should get its legitimate share.

STATEMENT No. 40.

THE TRUSTEES OF THE PORT OF MADRAS.—LETTER DATED 17TH JANUARY, 1921.

As requested in your letter No. R.C. 15, dated the 30th December, 1920, I have the honour to submit the views of the Trustees of the Port of Madras. **See oral evidence, paragraphs, 4980/4998.**

Part I.

The board are of opinion that, except in the case of purely strategic railways, the management should be by companies on a profit-sharing basis. In their opinion, the incentive to give an efficient service run on economical lines is greater with a company, who have a more personal interest in the result, than with Government management.

The board consider that companies should hold a larger proportion of the capital than they do at present.

Part II.

The board are of opinion that the Railway Board requires strengthening and enlarging and that each group of railways should be represented on it, as it is practically impossible for three men to be personally conversant with the requirements of the whole of India.

Part III.

The Board are of opinion that the funds provided for railways are utterly inadequate.

The Board are of opinion that, if the railways show a deficit on working, the rates should be raised to prevent the railways being a burden on the general taxpayer.

Part V.

The board do not consider that the carrying capacity of the railways serving Madras is adequate. Improvements should be made by duplicating congested portions of the line, by providing more rolling stock, and by making greater use of the existing stock.

2. The chairman will attend before the Committee at Madras at 11 o'clock on the 24th January, 1921, to give any further evidence that may be required.

STATEMENT No. 41.

THE RAILWAY PASSENGERS' ASSOCIATION, MADRAS.

The object of my Association is to protect the interests of the passengers in the railways of South India, especially the South Indian Railway, and the third-class passengers in particular who form the large bulk of the travelling public. **See oral evidence, paragraphs, 4999/5021.**

We have no experience of the State-managed railways, nor have we given, as a body, our attention to all the questions raised in the first part of the questionnaire published by the Committee. But my Association feel very strongly that under the system in which the South Indian Railway is at present worked, the interests of the Indian passengers, especially of the third class, are neither consulted nor cared for, and a great deal of racial discrimination is shown both in the services and in the treatment of passengers. The needs and the conveniences of the travelling public have not only been not sufficiently attended to, but also their complaints, representations and requests have generally been treated with indifference. In the services the Anglo-Indian officials in the lower grades are being treated with such marked favour that even their rude and overbearing treatment of the Indian passengers receive, little attention at the hands of the management. The higher branches of the service have been kept as a monopoly for the Europeans, thus resulting in the creation of a body of officials at the top of every department who are either unable to understand the needs of the Indian passengers or do not care to study and understand them. Indian officials will naturally do both. In these circumstances, my Association is driven to the conclusion that these and other evils cannot be totally removed until the people of the country secure the means of influencing the railway policy in all matters administrative and financial. With this end in view, my Association supports the suggestion that while in some matters where uniformity is required the control may be with the Government of India, in all matters affecting the travelling public, the Local Governments and their Legislature should be endowed with powers of control in regard to the State and Company managed lines alike, so as to enable them to afford relief to the public, Provincial Railway Boards

should be constituted, and a good deal of the powers of control possessed by the present Railway Board transferred to them. Also, with regard to the whole of the railway policy, the Government of India should be the deciding authority, and not the Secretary of State.

Under State management my Association believe, for several reasons, that things will improve. First of all, my Association believe that the State management in the nature of things looks to the interests of the public, while the company management looks primarily to the profits. Next, the profits made by the State are used for the benefit of the public, and could be more easily made available for the benefit of the travelling public. Thirdly, the Government management will not be partial to Europeans as the companies are. Lastly, the State management will be under the control of the Provincial and Imperial Governments, and these can be influenced more easily by the representatives of the people. We do not, however, suggest that everything will right itself even then, as we believe this will not be possible until the people get an effective control of the affairs of the State. We only state here our belief that things will improve greatly under State management.

Finally, we only wish to state that whatever the Railway Committee may propose with regard to management and control of railways, something must be done to safeguard effectively the interests of the passengers. If control is not given to Local Governments and Local Legislatures, then we want as a small beginning in this direction an independent committee of officials and non-officials to be appointed by the Government for each section of the railway; for instance, one for the metre gauge section of the South Indian Railway, and another for the broad gauge lines in South India, with a staff of inspectors under them to protect the interests of passengers and improve the conditions of travelling. It will be a vigilance department without any powers to interfere directly with the railway management except through the departmental heads or the Agent. But they will co-operate with them in rendering assistance to passengers. They will have also power to move the Government on any matter affecting the interests of the travelling public. A complaint book should be kept with the guard of every train for the use of the passengers, and these should be sent to the Vigilance Committee, with the remarks of the officers of the departments concerned, every month. There should also be inspectors specially deputed to look to the interests of the passengers travelling by each of the long-distance trains, and sectional inspectors to supervise the passenger traffic by the local trains. We desire that it should be the special concern of the members of the Government in charge of railways to see that each railway management frames a programme every year for effecting improvements in different sections of the railway and these are carried out within the period. At present the Government Inspector of Railways seems to be unable to do anything effectively in this direction.

As I have mentioned already, my Association do not propose to enter into the technicalities of railway management, control, or finance. The Association only wish to bring to the notice of the Committee that the usual excuse of the South Indian Railway for not effecting the improvements most urgently needed is want of funds, and request the Committee to give its best attention to the question of providing sufficient funds for improvements in the existing lines. We do not feel the need for opening up new lines so great or so urgent as providing the existing lines with better sort of rolling stock, a larger number of passenger vehicles, quicker and better train services, and greater conveniences at railway stations.

My Association beg to bring to the notice of the Railway Committee some of the most crying needs that require the immediate attention of the railway management. We simply enumerate them as most of them are admittedly so.

Accommodation and Services.

The most crying evil is over-crowding. Want of bare accommodation for passengers exists not only in the suburban trains but also in the long distance trains. The train services are slow and insufficient. A quicker train service is specially and urgently needed by the suburban passengers. At present it is not unusual for some of the shuttle trains that run between Pallavaram and Madras Beach, a distance of about 12 miles, to take two hours to cover the distance. A double line service between Egmore and Chingleput with quicker and a larger number of trains running between them can alone meet the demands of the suburban passenger traffic. There should also be a larger number of passenger vehicles and locomotives than there is at present available for daily traffic and a reserve to meet the demands of festival and marriage seasons.

We beg also to point out that but for over-crowding in trains, the casualities at the time of accidents should be much less than at present.

The third class carriages of the Indian Railway should be better designed especially for the long distance train services to give the passengers a more convenient sitting posture. The seats at present are narrow and the backs too straight. This is specially so in the new corridor carriages. The carriages are mostly leaky and in the summer they become extremely hot inside. The third class carriages should be provided with hooks and pegs for hanging coats, turbans, etc. Better provision should also be made to deposit the personal luggage of the passengers. These arrangements are much better in the M. & S.M. Railway than in the S.I.R. Railway.

The carriages reserved for females are particularly unsuited to their needs. It should be borne in mind that many of these often have babies in arms or are expectant mothers. The seats should be certainly broader and arranged always breadth-wise and more sitting accommodation must be given to each individual.

My Association also wish that an intermediate class must be introduced in the South Indian Railway to suit the convenience of the travelling public.

II.—Special Convenience to Passengers.

At many of the stations the third class waiting rooms are small, dirty and unprotected by proper walls and windows. They are mostly verandahs or covered sheds open on two sides.

There should be special smoking carriages attached to every train.

The corridor carriages with central corridors are no doubt convenient for the suburban traffic but they are a new and intolerable nuisance in the long distance trains, especially to people travelling with ladies and children. Side corridors may be a convenience but unless the corridors are kept free from any obstruction they become a worse nuisance.

It should be possible for third class passengers in through trains to reserve their seats single or any number beforehand. At present there is no guarantee of accommodation and railway journey has become quite uncertain.

At some of the stations the over bridges have no coverings, for instance Basin Bridge, Perambur and Tiruvallore. In the hot noon it is an actual torture to be compelled to walk over them. They become very hot. In the rainy season they are dangerously slippery.

Even second class station platforms have no covering. In the rain and in the sun, the children, women and old people have to shift for themselves as well as they may.

The platforms at some stations are not long enough to receive all the carriages in long trains and at many stations it is the usual practice to receive trains at the crossing time on a side line without any platform and people have to cross the line nearest the platform indiscriminately at all points, and take train on the loop line standing in the dangerously narrow space between the two lines. This is particularly dangerous during nights as there is no lighting arrangement on the loopline side.

At most of the stations there is no provision to supply water to the passengers. In a country like this a free supply of water at all stations is an imperative need. There should be at least a well and a tap with a pump, attached to it wherever possible, and at all important stations, there should be three or four taps on the platforms accessible to the passengers.

Return tickets even without any concession should be issued between all stations for the convenience of passengers of the third class.

Return tickets at concession rates should be issued to people going in parties and to places of pilgrimage.

The Indian refreshment rooms generally are neither decent nor convenient and the food supplied in them is far from satisfactory. Without an eye to the profit that these may bring to the management, the contracts for these must be given to a more respectable class of contractors than mere hotel-keepers, and rooms of the kind available for Spencer & Co., for their refreshment rooms should be made available for people messing in the Indian style. Or they should be managed departmentally.

All long distance trains should contain buffets where besides light refreshments for scheduled prices, drinking water would be supplied to passengers free.

Tickets are never issued even at important stations during all hours. The windows are kept open but tickets are not issued till a short time before the departure of a train. There is always a rush at the booking office and the excuse is want of sufficient hands to attend to the public.

The rush at the booking office is intolerable during festivals and special arrangements are but rarely made to meet these demands.

III.—Sanitation.

The third class carriages, the lavatories in them, and the waiting sheds at the stations are generally kept in a very insanitary condition. These should be swept, disinfected and cleaned regularly.

The trains should be cleaned at all junction stations especially the lavatory. And there should be a scavenger travelling by every long distance train.

The water tanks in third class carriages are generally emptied before the train runs a part of the distance. They should be filled regularly.

The design of the lavatories in the third class carriages has to be improved to keep them more sanitary.

Passengers suffering from infectious diseases should be segregated.

There should be provision in every long distance train for the accommodation of the people who may suddenly become sick and compartments should be specially provided when required for the convenience of the sick passengers if previous notice is given.

First aid should be available in all long distance trains and the guards and the other railway servants should be trained to giving first aid.

When a passenger travels partly by the main line and partly by a branch line and takes a through ticket by the main train, he is charged the mail rate throughout, but if he takes a separate ticket for the branch line he is charged a lower rate. This is unfair.

The practice of charging a registration fee for booking I and II class seats in the South Indian Railway is also unreasonable as the seats are not booked until tickets are purchased.

V.—Racial Discrimination.

European and Anglo-Indian third class passengers are given special reserved accommodation in all trains including the suburban shuttle trains. They are provided with more room than they strictly need, even when the trains are overcrowded. Besides they are not prevented from travelling by compartments other than those reserved for them. This has become intolerable to the self-respecting travelling public. Whatever occasion there might have been for such a reservation in the past, such preferential treatment only tends to create racial animosity. It is therefore strongly felt by the travelling public that anything like an insidious distinction ought not to find favour with railway managements.

Preference is also shown to Europeans in providing retiring rooms to them alone. If not in words in deed, preference is shown to these classes of people in the matter of providing refreshment rooms and dining cars. People living in Indian style have to go without these conveniences or with conveniences of a much inferior nature.

VI.—General.

At all junction stations there should be arrangements to send out in a few minutes' notice, special break-down trains to places of accident carrying immediate relief.

All railway servants should receive a training in giving relief when accidents occur. It is also necessary that the staff of the company should be men of better culture.

At all enquiries held to investigate the causes of accidents, an Indian non-official should be included in the Committee of enquiry and it should be open to the public and the press.

My Association only wish to add that in providing better conveniences for Indian passengers and in seeing that the railway management do not neglect their duty in this direction, the Government of this country are under a special obligation for more than one reason.

The railways in this country to a large extent belong to the Government and are constructed at the expense of the general tax-payer. Also there are no competing lines to induce the management to make travelling by their line specially attractive to the travelling public. Thirdly the Indian travelling public, the third class passengers especially, are mostly illiterate and unable to understand or assert their rights. Lastly the companies, wherever the management is in their hands, are in the hands of foreigners thousands of miles away, who cannot in the nature of things appreciate and understand the needs of the passengers.

In conclusion my Association are of opinion that the Railway Committee should propose a plan by which sufficient funds will be available for the management of railways to get rid of the difficulties arising from lack of funds, for attending to the improvements in the directions stated above, whatever may be their proposals regarding management, control and finance.

The Association are also of opinion that over and above all this the control and supervision of the Government, even when the State is not the managing body, ought to be more real than what it is, and they should see to it that justice is done to the claims of the passengers especially the third class passengers who are the real patrons of the railways. The Government should take the public into their confidence and have their comforts properly attended to. And it should be made possible for the public to bring pressure on the Government through the Legislative Councils whenever it may become necessary for them to do so for the redress of their grievances.

STATEMENT No. 42.

The Rice, Grain and Sugar Merchants' Association, Madras.

See oral evidence, paragraphs 5058/5067.

The Rice, Grain and Sugar Merchants' Association, Madras, having considerable stake in the ultimate results of the Railway Committee now sitting in Madras, propose to submit its views to the Committee on a few items of its terms of reference which concern them most intimately. The Association proposes to delegate the following gentlemen to give evidence in support of the views herein expressed: Messrs. Janoo Hussan, Hajee Habib, Peer Muhamad, Tar Muhamed Ayoob, Haji Jamal, Noor Muhamed, Tar Muhamed Janoo and Mr. Pooran Lall. The Association further begs to send herewith three copies of rules for information of the Committee.

2. Regarding items I, II and III of the terms of reference of the Railway Committee, the Association is in entire agreement with the views expressed by the Madras Government in their memorandum on the railway policy to the Committee. The Association emphasises on the abolition of company management, on the separation of railway and the Government finances, on the division and organisation of suitable groups and sizes of railways, on the establishment of local boards of directors largely represented by the traders and people at large whom the railways are recognised to serve, on the abolition of the present Railway Board, and so on.

3. The Association lays special stress on the rigidity and wooden character of the present system of control by Government regarding the rates, fares, and the machinery, as well as its mediation between the traders and the railway companies in settling disputes. The Government of Madras rightly, but only partially, have pointed out the inadequacy or incompetency of the Railway Board in dealing with such questions. The Madras Government have plainly stated the error of the railway authorities (S.I. Ry.) in having sacrificed the public interest wherever they ought to have been more careful towards it and less vigilant to their dividends. Mr. Moir goes even further in his evidence in exposing the corruption and negligence of the lesser folk of the company, but mildly suggests the negligence of duty of the superior authorities of the said railway.

4. The Association submits to the Committee that the present system of administration in the Traffic Department is highly undesirable, unjust and supremely corrupt. The railway companies as at present staffed in this Presidency are a menace to the traders, and effectively cripple the free flow of goods from one place to another. From the moment goods are brought to the despatching station up to its delivery in the destination to the purchaser, the number of catastrophes to which the goods are subjected reduce the merchant to utter poverty, never more to think of trade any longer. This state of irresponsibility of the railway staff, who inflict heavy loss on the traders, is encouraged by the existing rules of the company. The risk note forms from A, B, C up to H, for instance, help the lower subordinates to a number of vagaries which the authorities cannot deal with adequately owing to defective rules. The Association begs to place on record a few of the vagaries of the railway authorities for the information of the Committee. For instance, bad storage, both in the despatching station and at the destination, of goods transported; mostly open sheds, and often no sheds at all, are provided for goods brought and waiting for delivery. The goods are thus exposed to wet and dry weather. The merchants often receive complaints from purchasers that goods are damaged, and this means loss to the sender. During transport, or even before it, during the period goods wait at the destination for delivery, immense loss is sustained in the quantity of goods sent (foodstuff). All the bags, for instance, do not reach the destination; oftentimes full bags do not reach; mostly bags are carelessly huddled and handled, causing immense waste. Secondly, the risk note forms are so disadvantageous to the traders that they always meet with injustice and loss at the hands of the superior authorities. The company does not hold itself responsible for any damage or loss, even were such caused by the negligence and theft of the companies' servants. In such cases the traders are advised in all earnestness to seek legal aid for redress. It is hard in practice to take legal measures always and to succeed therein if persisted and launched. Thirdly, the railway risk form as against owners' risk does not work in practice. The rates for the former (railway risk) are nearly double that of the latter. Naturally, the whole trade mostly is carried on at owners' risk, which means irresponsibility on the part of the clerks and staff. The maximum owners' risk rate that existed before the war ought well be the railway risk rate in the future. This will be conducive to good trade fairness and justice. The scarcity of the wagon supply is well recognised by the Madras Government and Mr. Moir, the late Director of Civil Supplies. It seems easier to find foodstuffs in times of scarcity, but merchants have to look for the station master and his staff for wagon supply before they could organise their goods for despatch. The mamool for wagon supply ranges from Rs. 10 to 50 per wagon. This chance of securing it depends on preference and money value. It is more or less subjected to auction. Delays in transhipment, high cost of changes in various gauges, enormous damage, slackage loss, weigh heavily on the merchant classes.

5. The Association humbly begs to state that the risk note forms be modified entirely, and framed in such a way as to ensure the safety of the public and the traders.

6. The Association humbly begs to place on record its protest against the present rates of tariff of goods.

7. The Association begs to submit that the third-class passengers are put to great inconvenience and hardship for the heavy railway fares they are paying.

8. The Association hopes to know when and where its representatives should be present to offer evidence before the Committee.

9. The Association hopes that the Committee will record these views.

STATEMENT No. 43.

The Agent, H.E.H. the Nizam's Guaranteed State Railway.—Memorandum dated 24th January, 1921.

See oral evidence, paragraph 5139/5186.

Question 1.—Railways should be managed to provide transportation at the lowest possible cost, consistent with the kind of service required of them and to effect this object railways should be managed in a similar manner to other successful industrial enterprises. The best results are most likely to be obtained when railways are worked by companies directly interested in the profits, because, in this case, the principle of payment by results is applied to the principal officers of the company and also important questions of policy and management are decided by a board of directors composed of individuals who have attained success by reason of their aptitude for dealing with similar general problems.

The interests of the State are not entirely served by obtaining transportation at the lowest possible cost because it is not possible to define accurately the kind of service required. Those interests of the State which are likely to reduce profits (and therefore eventually increase the cost of transportation) should be safeguarded by a body distinct from that responsible for managing the railways as concerns for selling transportation at a profit.

Usually, the interests of the State are identical with those of a company working railways to yield the maximum profit and it is therefore reasonable to adapt to railway management the methods found to be successful for managing private enterprise. When interests diverge, the most satisfactory settlement is likely to result when the efficient use of the machine and the requirements of the State are separately represented.

My experience has been gained as a railway man employed by a company working their own lines and also working the lines of His Exalted Highness the Nizam on a profit sharing basis.

Questions 2 & 4.—The ideal system of company management of State lines is to make the interests of the working company identical with those of the State. The company's profits should be assured in such a way as to give the company strong inducement to work and maintain the railway efficiently and to advocate its improvement, development and extension whenever the results would pay for the cost at market rates. The company should provide an adequate guarantee to compensate Government for any failure on the part of the company to carry out the terms of the contract. The improvement, development and extension of railways, not directly justified by the profits yielded, should be the concern of Government.

For the above reasons I consider that the capital of a working company should be paid to Government as a guarantee liable to forfeiture, in part or whole, as damages, in the event of the company failing to maintain or work the railways in accordance with their contract. The company should be paid for services rendered, a sum depending on the surplus profits and connected with them by a suitable sliding scale. The capital of the working company should be fixed from consideration of the possible loss to Government, but should be sufficiently large to attract suitable interests.

I am not aware of any case on the N.G.S. Railway of undesirable delay caused by the Board sitting in London nor has it been found difficult to keep the Board in touch with local conditions. In recent years one Director has usually inspected the line each cold weather. In some cases Directors at a distance are able to form a better judgment on the dry facts of the case, uninfluenced by local prejudice, than they would if they were personally acquainted with some of the conditions.

Question 3.—The working company should be domiciled in the country where the most suitable board of directors can be found and where the necessary capital can be raised. I am uncertain whether suitable boards could be formed in other parts of India, but I do not think it would be possible to find a suitable board in Hyderabad. I consider the management by a London board satisfactory.

Other considerations being equal I would certainly advocate Indian boards to manage Indian railways but it is not in the interests of the State to risk the efficiency of the railways for sentimental reasons.

Question 5.—The functions of a board of directors is to decide questions of general principles and policy and important questions of operation and also, by reviewing the results of the work, ensure that their principal officers are running the business satisfactorily. They are not called upon to deal with matters of detail management but to decide questions demanding exercise of judgment of a high quality. The type of direction necessary can be given by successful business men, who are able to spare the relatively little time required for the duties, but it is desirable that some members of a board have practical experience of railway management and preferably of the local conditions on the particular line. A director's judgment is formed on carefully prepared reports submitted by the executive staff not on personal observation.

Question 9.—Apart from the necessity of avoiding payment of English income tax on rupee capital, the utility of an Indian board could be investigated by the formation of subsidiary Indian working companies subscribing part of the guarantee but having the right to withdraw from the undertaking, the Indian board having the status of a committee of the London board. The success of this organisation would probably lead to increased authority being given to the Indian board from the London board and eventually lead to purely Indian working companies.

I am not able to say whether the above arrangement would render the London company liable to be taxed on the profits paid to the Indian company or to suggest a plan to relieve the London company of this liability.

Questions 10 & 11.—I should prefer a much larger board of an advisory character, responsibility being vested in a single officer. I consider the board should be more representative, consisting of permanent technical officers, representatives of business and financial interests and of the general public. The Chief Engineer should exercise functions analogous to those of the Chief Inspector of the B.O.T. Special subjects should be dealt with by suitable committees and the entire board need meet only seldom.

Question 12.—The railway system in the Hyderabad State would have been benefited by a more consistent policy on the part of the railway board, and in certain cases I think more favourable treatment would have been obtained had their case been considered by a more representative body

The control exercised over technical matters by the Railway Board through the Senior Government Inspector, is not sufficiently uniform nor stable as regards practice and policy.

Question 27.—The total revenue of the Hyderabad State has increased from 3½ crores in 1899 to 6½ crores to-day. It is estimated that the indirect benefits accruing from the railway accounts for over one crore of rupees per annum. During the same period the gross earnings of the railway have increased by 98 lakhs, approximately the same figure as the estimated indirect benefit of the railways to the State. In one particular district the land revenue has increased from 13½ lakhs in 1900 to 19½ lakhs to-day. The earnings of the railway stations serving this district have increased in the same period by nine lakhs. In addition to the land revenue of this area it is estimated that the Customs and Excise have certainly doubled in the same period. It appears from these figures that the increase of Government revenue resulting from the railway is roughly equal in amount to the increase in the gross earnings of the railways.

Question 34.—Traffic is regularly restricted at certain of our junctions owing to the inability of the adjoining line to take the traffic as it offers.

STATEMENT No. 44.

THE CHAMBER OF COMMERCE, BOMBAY.—LETTER DATED 23RD DECEMBER, 1920.

See oral evidence, paragraphs 5187/5237.

I am directed to refer to your letter No. 1, dated the 13th November, 1920, in which my Committee are invited to consider the main issues involved in the Terms of Reference of the Indian Railway Committee, and, in reply, to address you in regard to each specific term in the order in which it appears in the Railway Board's resolution, No. 405 F.—19, dated the 9th October, 1920.

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

(*a*) direct State management;

(*b*) management through company domiciled in England and with a board sitting in London;

(*c*) management through company domiciled in India and with a board sitting in India;

(*d*) management through a combination of (*b*) and (*c*);

and advise as to the policy to be adopted as and when the existing contracts with the several railway companies can be determined."

My committee prefer to regard the question of direct State management as a separate subject, as, in their opinion, the other methods of management permit of joint consideration. In that connection, they are of opinion that, from the standpoint of administration, State management cannot be regarded as advantageous, as it tends to remove the element of competition so necessary, from the public point of view, to the development of railways, and introduces what may best be described as the political element into the administrations concerned. Under such management, my committee feel that decisions affecting important questions of staff management, such as appointments and promotion, are liable to be influenced, in the first case, by extraneous political considerations, and, in the second, by the seniority of the individuals rather than their efficiency.

The relative advantages of the two methods from the financial point of view have also been considered, but my committee can observe no undue advantage on either side.

My committee, for the reasons above indicated, favour the adoption of the principle of company rather than State management in the case of all railway administrations in India, with the exception of any railway serving a strategical frontier, such as the North-Western Railway.

With regard to the question of the location of the board of directors in the case of company-managed railways and the alternatives suggested in Sections (*b*) (*c*) and (*d*), my committee are of opinion that a combination of (*b*) and (*c*) is to be preferred.

The exact manner in which the two methods should be combined has been the subject of considerable discussion, and my committee are disposed finally to recommend the adoption of the following scheme:—

(1) The retention of a board in London of the same strength as at present.

(2) The institution in India of an executive board or committee.

(3) The powers to be delegated to the Indian board may be generally described as those relating to questions of local policy—other than those connected with new construction—and administration.

(4) The personnel of the Indian board to consist of the agent, one of the directors of the Home Board, and a suitable representative of the community of the place in which the board is located.

My committee are of opinion that the value of such a board in India as above described will be particularly apparent in the settlement of labour disputes, the recurrence of which for some time to come is to be feared. They attach also considerable importance to the directors of the Home board serving on the Indian board in rotation, partly because of the difficulty likely to be experienced otherwise in finding suitable members locally, but more especially for the reason that there will always be a member on the Home board whose experience of Indian conditions is of reasonably recent date. In this way the principal argument against a board located at home, namely, that it is out of touch with Indian conditions, will lose a great deal of its force.

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

With the object of establishing a control which will ensure a more confident and enterprising policy of railway expansion, an improvement in administrative methods, and a rapid disposal of business, my committee consider that it is essential that the Railway Board should be endued with fuller authority to manage railways on commercial principles, and that it should be freed from all unnecessary restrictions, especially in regard to railway finance.

In the opinion of my committee, therefore, the first step necessary is to give the Railway Board complete control, under the Government of India, of the arrangements for financing railways, both as regards capital and revenue. My committee realise that such a step will entail the removal of all control by the Finance Department of the Government of India of the Railway Budget, but as the result will be the utilisation of surplus railway earnings for railway development to a greater extent and in a more enlightened manner than at present, they are definitely in favour of the change.

On the assumption that the Railway Board will be granted complete financial control as envisaged above, and with a view to the recognition of the paramount importance of railways in the development of India, my committee consider that the President of the Railway Board, as head of the railways, should have an extensive knowledge of railway policy and practice, and that he should be a member of the Viceroy's Executive Council. They consider, further, that the President should be supported by a board composed of men selected for their technical capabilities and representing the various branches of railway administration, and that, if necessary, the number of members of the board should be increased to allow of such representation.

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

Before proceeding to consider the various specific means by which the capital required for railway development may be raised, my committee desire me to state, as their unanimous and considered opinion, that in view of the serious deterioration experienced on Indian railways on account of the war and the urgent need for improved facilities and new construction, no source from which such capital may be raised should be neglected.

Subject to the conditions noted below, my committee desire to recommend the adoption of the following methods of raising the capital required for financing railways in this country, in addition to the utilisation of surplus railway earnings for railway purposes:—

1. By the State ... ... By Government Loans.
2. By the railway companies ... ... By (*a*) the issue of sterling capital in London.
   „ (*b*) the issue of rupee capital in India.
3. By private enterprise.

As a condition precedent to the adoption of the foregoing methods of borrowing, my committee desire strongly to urge that a programme of the requirements of railways for a period of not less than five years be drawn up.

Secondly, with regard to 1, my committee are strongly of opinion that in the event of Government raising the money themselves as a part of their general borrowings, the proportion to be raised for railway purposes should be fixed beforehand and credited *in toto* to the railway account and held available to be drawn upon as required under the programme. The sole authority for the disposal of such money would then be the Railway Board as reconstituted in accordance with my committee's previous recommendations.

With regard to 2, my committee desire me to point out that if permission is granted to railway companies to raise sterling capital in London, such a contingency would be a point in favour of the retention of the London boards.

In connection with 3, my committee are of opinion that the utilisation of private enterprise and capital for the construction of new lines should be encouraged, and that to this end the terms granted to promoters should be revised in accordance with the altered conditions of the present value of money.

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

My committee consider that the present control by Government over rates, involving as it does the fixing of maximum passenger fares and the classification of the various items of goods traffic, together with the maxima and minima to be charged for those classes, is adequate, and they are unable to suggest any modifications in respect thereto.

My committee are also of opinion that the existing machinery for deciding disputes between railways and traders is satisfactory, and they feel that if the Railway Board were given more power of control it would only result in the Board having to deal with a number of appeals, the majority of which, it would be found on investigation, ought not to have been referred to that body. Such procedure would not only hamper their administration, but would also increase the expenses of their office. In arriving at the above decision, my committee have taken into consideration the fact that, in ordinary cases, the courts of law are open to the claimants when the latter feel they are not

able to obtain satisfaction from the railway, and that recourse to the Commission for which provision is made in Chapter V of the Railway Act is only necessary in such cases, comparatively few in number, as cannot be disposed of in the courts of law.

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

My committee are of opinion that the whole ground of the present enquiry is covered by their recommendations in regard to the preceding terms of reference, and they do not desire to make any further suggestions under the above head.

STATEMENT No. 45.

Khan Bahadur ADARJI MANCHERJI DALAL, B.A., President, District Local Board, Broach, Chairman of the Railway Committee of the District Local Board, Broach, and President, Broach Merchants' Association, Broach.

See oral evidence, paragraphs 5238/5263.

With reference to your letter No. 15/R./C., dated Calcutta, 31st December, 1920, enclosing a copy of the questionnaire of the Indian Railway Committee, I beg to state my views on the subject as below:—

Part 1.—*Management of Railways.*

At the outset I must confess that the question can be discussed both for and against according as one is disposed to take broad or narrow views. It is true that it is a difficult question to answer off-hand and dogmatically. But if we eschew narrow grounds and focus our attention on a policy which should be decided on general, political and financial considerations, then a correct answer can be given. On broad principles we should unhesitatingly vote in favour of State management as against Company management which, consciously or unconsciously, aims at profit-earning considerations which are not in the interest of the State or the public. It is their duty, as company-paid management, to get as much out of the State or the public. However able and conscientious a company management may be, it cannot, if it is true to its salt, work in the interest of the State or the public. On this broad fundamental principle, State management, even though it may prove bureaucratic, and in the beginning less efficient, is better than Company management. When once this main fundamental principle is conceded, we come to actual and practical working whether the State working will be as economical and as efficient as company management. In the beginning, when the railways were built by private companies, they had the right to manage and develop their own traffic and prospects, and by accumulated experience the management became expert, to which the State could not have laid any claim. As times advanced the question of nationalising railways came to the surface, and gradually all the world over the railways owned by private companies passed into the ownership of the State, with the result that the latter or the public became owners of most valuable assets the profits of which went to the State and the people, and the benefits of accumulated experience, enterprise and expert knowledge of private companies accrued to the State. Some time elapsed in this transition stage, and the question arose whether the profit-sharing concern of the State and the private companies should not be dissolved and the State should or should not assume absolute control of the profits or the management, or both. This gradual evolution of private companies and proprietorships, and the second stage of part-proprietorship and profit-sharing covenants, and then the nationalisation of the railways, was quite in the fitness of things. The war then intervened, and political considerations compelled the States and Governments all over the world to assume control of the management of the railways for the prosecution of the war, which had paramount urgency and priority over other commercial and economic considerations. Whether the State managed the railways well or ill during war times should not be considered purely from the commercial or economic points of view while the war lasted. But now that the war has terminated and the world is bent on reconstruction and economic recuperation, the question arises whether the State should or should not in public interest permanently control the management and dissolve the profit-sharing partnership between the State and the private companies or enter into a fresh agreement whereby better advantages could be derived by the State. We have now to consider the details and the *pros* and *cons* of company management as against the State. Without recording a dogmatic opinion from a study of the question and from experience acquired of so many years, and especially of the five years of the war, I am inclined to vote in favour of State management. Whoever is the owner and proprietor of railways holds a virtual monopoly, and it is preferable everywhere, and more so in India, that that monopoly and privilege and power should be in the hands of the State rather than in the hands of private persons or companies. The State alone, both in theory and practice, has in its power to bestow on the people, to a far greater degree than private companies could do, the maximum advantages which railways could give by means of lowest tariffs. The only disadvantage which can be apprehended from State management is inefficiency and wastefulness from want of experience and paucity of trained and expert hands. But this argument is not wholly correct. Some of the best, most experienced and expert hands in the company management belong to the State lent by Government, and there is no cause of apprehension that the State cannot find as trustworthy and competent hands to work the railways on its own account as private companies. Granting that the State cannot have the same opportunities of selecting fit and trained men as the private company directors on account of their being in constant association and touch for a number of years in railway surroundings, there is nothing to prevent Government from taking over the present staff to manage these railways on their own account. In that case, the principle being the same, the servants now belonging to the companies who are too apt to lean to the interests of their employers who are dividend-earning syndicates, will throw all the weight of their influence and intelligence on the side of the State. It is also argued that in Europe and America during the war the State mismanaged the railways to the detriment of public interests, and therefore the private companies could be relied on to manage their own business. But in studying the question more deeply, we find that in Europe the Continental State managements of the railways showed better results in trade and development of industries, facilities and conveniences to the public than by private companies, and especially so when we compare the German and the Belgium State management with the management of the railway companies in England. From my study, earnest into tion, I find that it is due to the excellence of German railway tariffs imposed by the St and others coal, iron and other industries of Germany have been so marvellously developed as comp additional costly system of tariffs of British railways managed by English private companies. railway development of iron, pig, coal and textile industry, sea and water traffic, both goods and pass for was also developed in Germany, and this has contributed to the enormous growth and deve ous ment of their iron industry, so much so that, in spite of a longer distance of their mines from the seaboard, thereby costing more in transport charges than in England, which is geographically more favourably situated, Germany could compete with England by laying down cheaper rails and engines at the very door of England. England, by pursuing a mistaken and antagonistic policy to sea and water traffic, prevented the development of the latter and converting it as feeders to the railways, lost that advantage which Germany seized. A number of managements of private companies are necessarily expensive, and there is hardly any chance of uniformity, simplicity and smoothness which contribute to economy and efficiency. In India we find the same English ideas of management of throttling sea traffic by a short-sighted policy, with the result that some British ports and sea traffic declined and was attracted to the native States, which had sea communications with their hinterland railways, by a system of judicious tariffs by the native States. The B.B. and C.I. Railway Company from its commencement tried to kill the sea traffic of the Gujerat ports, which, if allowed to develop their natural resources, could have been large feeders to the main parent line running parallel to the sea. In Germany, on the other hand, we find on the Rhine railways running on both sides of the river, and, between the two, big steam-propelled steamers, launches, crafts are plying, carrying an enormous traffic. Both the tariffs should be so fixed as to be beneficial to each other. In trying to cut one, both suffer, because the resources of both have no scope of development. Now, if the State were to manage such a railway, it would not sacrifice the interest of its own people, and as a result Broach, Surat and other Gujerat ports would have been vastly developed. The State will not sacrifice the interest of a community or industry, however small, for the sake of profit, which cannot be expected from a private company. Messrs. Killick, Nixon and Co. introduced steamer service between Broach, Bombay, Karachi, etc., and the traffic of the Broach port, which had gradually dwindled down to vanishing points from its pristine prosperity, began to revive. Geographically, Broach and Surat ports are favourably situated for the interchange of traffic from distant places by direct sea communications from Arabia, the gulf, the Malbar ports, and the Kathiawar, etc. In pre-British times such a traffic flourished, which the company-managed railway ruined. Of course, in the natural course of trade a railway will necessarily capture some of that sea traffic, but to deliberately throttle and kill its natural traffic by imposing unwise and injudicious tariffs can only be perpetrated by the privately-managed company for its own benefit. The B.B. and C.I. Railway imposed block rates for the ports of Broach to drive away the steamer company from Broach, which the railway company, morally or legally, had no right to do, and in doing so succeeded in forcing Killick, Nixon's boats to abandon the port of Broach. But even after achieving that object the company persisted in maintaining that inequitable tariff for the extinction of the indigenous river traffic with one flimsy and paltry excuse or another for several years, until the Government of Bombay intervened, and the Railway Board were obliged to restore the *status quo*. In the interval most of the traffic was diverted to the Kathiawar ports which should have naturally come to Broach and Surat. Strong protests were made by the public and the Press, but the privately-managed companies defied public opinion, and even defied Government. The latter attached too much weight and importance to the opinion of railway people, and the Railway Board either could not or would not remove such a scandalous perpetration of injustice. Sir Robert Gillan, late chairman of the Railway Board, be it said to his credit, removed this obnoxious tariff through the influence and ability of Sir Dinshaw Watchha, who was then in the Imperial Legislative Council, and who convinced Sir Robert of the disabilities which the public in general, and Gujerat merchants in particular, had been suffering at the hands of the railway company.

The following are some of the results of State management in foreign countries which would accrue to India if the Indian railways were managed by the State:—

(1) The profits from the railways are used in the service of the State for the common good, instead of going to private capitalists or shareholders.
(2) Appreciable reductions are made in passenger fares and rates for goods to give an impetus to trades, industries and facilities of the country.
(3) Unfair rates and differential tariffs are avoided.
(4) In spite of heavy indebtedness incurred in nationalisation, the State-owned and State-managed railways have proved a financial success.
(5) State being the manager, the railways are taken out of politics.

We notice these results in Germany, Belgium, Austria, France, Japan and America, and the Colonies and India can carry out the policy with greater success than any other nation, because the private companies are alien, and draw away all the profit of the country which would remain in India to fructify.

Some of the disadvantages of company management in India are as under:—

(1) The interests of third class passengers are not properly watched as they should be.
(2) Injury to Indian trade and industries.
(3) The annual drain of crores of rupees from India.
(4) Indians are prevented from occupying posts of responsibility and high emoluments on the railways.
(5) Manufacture of railway equipment and material is not attempted in India.
(6) The influence of Indian public opinion is not felt by the private companies and Indian interests suffer.
(7) Preferential rates and treatment of European merchants and manufacturers.
(8) Killing of waterways competition and retarding their natural growth and development.
(9) Wastes of multiplied managements.

Company management of railways is thus retarding the social, industrial, economic and political progress of India.

able to obtain

Part II.—*The Location of Boards.*

sion is made of company management being the largest profits and dividends for their own number, ers—Indian or British—regardless of the interests of the State, it is immaterial whether ards are located in India or England. The transfer of location is not likely to reverse the and object. England being the centre of industries, finance and power must remain the ace for location although it may be desirable to have it located in India. But when the State assumes the management the boards disappear and instead of the boards railway committees of experts and experienced railway men should be formed, whose location should be in England and India, half the members in rotation to visit India and work in India for six months. It should be one committee, purely advisory, to work under the railway board.

Part III.—*The Railway Board.*

The present system of control by the Railway Board is very unsatisfactory, owing to the centralisation in its general administration. It should be reconstructed and contain the ablest Government experts to protect the interests of Government, and a full representative element should be introduced to represent the commercial, textile, and jute interests, and the Indian and European Chambers of Commerce, and other industrial concerns. Such a constituted Board should have wide powers given by legislature in finance to raise loans, frame tariffs and to disburse money for repairs, renewals and extensions, etc. It should elect its own chairman, who should have a direct representative on the reformed councils, both legislative and the Council of State. The Board should have complete control over railway finance both as regards raising capital and expenditure. Capital should be raised either in India or England where money could be obtained cheap, but as far as possible preference should be given to Indian capital by paying a slightly higher rate of interest than in England, and the Board should always remain in touch with the London Consultative Committee. On the Board Indian representatives should be adequate. In short the constitution should be such as to keep in view the central aspect, *viz.*, the interests of the Indian people from the national, economic, and financial points of view. The Board was originally formed with the object of adjusting the different interests of different companies without sacrificing the interest of the State and the public. But in course of time the Board became a partisan organization to watch the interests of the companies of England only, whose chief agents and engineers were appointed to the Board and who aspired to the membership or chairmanships of the Home Boards. Civilian and military members were appointed on the Board, but they had no experience and their views could not prevail over the combined opinions of other members whose sympathy, naturally, was on the side of their own companies which they had served. Exigency of public service and retirement brought about constant changes, and the civilian or the military member had no opportunities of acquiring thorough experience, or as soon as he proved efficient and experienced he has to make room for a successor. In this way the company representation becomes all powerful. All these should be thoroughly overhauled, and we should aim at State ownership and State management in the first place, and secondly, to the creation of a portfolio in the Government of India for a Minister of Communication and Transport responsible to the elected Legislature and assisted by a Board on which popular representatives shall be in a majority, or at least equal to the permanent officials. Let us infuse in the present system of the Boards, which are more or less an interested body, a spirit of public conscience and amenable to public opinion and criticism.

Part IV.—*Railway Finance.*

The Railway Board, as newly constituted, should be allowed to raise money where it could borrow cheap, either in India or England, preference being given to India, with the help and advice of the London committee for extensions and improvements. It is true that the Indian Government have to raise loans for other public purposes, and therefore if the Railway Board were allowed to enter the Indian money market, Government might not successfully float their other loans and public works might suffer. This is only partially true, because when the railways are owned by the State and when all the profits and control go to the State, there is no reason why the choice of the venue of raising money should be restricted, for railways are as important and as urgent as any other work. Again the policy of Government to absorb the entire net surplus receipts of the railway in the general revenue is neither fair nor business like. They must act as private firms and joint stock companies do, *viz.*, carry balances after setting apart a certain sum for debentures or loan payments, sinking funds, for repairs, renewals, depreciation and for further extensions. Many a time deficits in Indian budgets are balanced by surpluses from railway profits, and the railways are starved, its permanent way and rolling stock inadequately equipped, without any chance of extensions. It is due to this that for a large continent like India with such valuable profit-earning assets, the resources of the company remain undeveloped. It is a serious flaw in the budget and the system should be changed. If railway net surpluses are ear-marked in future for railway repairs, depreciations and extensions, the Railway Board and the public will not have to complain bitterly of congestion and inadequate transports. To absorb all the railway profits in the general revenue, and then to dole out grants often quite out of proportion to the railway needs and the company's demands is a very bad policy for the country. Government have fortunately borrowed in past years at 3½ to 4 per cent., and therefore all the surplus profits over that percentage should go to depreciation and renewals and extension in certain proportions. It is difficult nowadays when Government cannot borrow either in England or India at less than 6 to 7 per cent. to raise money for railways, but by an adjustment of the railway profits and ear-marking the surpluses, it will be possible for the Government to attend to renewals and depreciations which have been wholly neglected especially during the war and the rolling stock almost worked to death. Had this policy been pursued long ago, we should have been in possession of a highly efficient and adequate rolling stock and even spared money for extensions. All are crying for more transport facilities, wagons, engines, more trunk lines and still more feeder lines, but the huge surpluses being absorbed in the general revenue of the State, funds for further development cannot be supplied. We all admit that the country badly

wants a large increase in the number of wagons, engines, materials, etc., for existing railways and for further extensions. We all know that the country has entered in right earnest into industrial enterprises such as coal, hydroelectric, iron and steel, textile and others too numerous to mention, and that in course of the next few years for this additional output, the equatei of wagons and hundreds of engines, steel rails and sleepers and railway materials will be required, and if the Government and the public would not make provision for money, the results would be most serious for industrial growth. In order to move this enormous output, both the State and corporations and industrial magnates should co-operate. It is not fair that Government alone should be blamed. In the present state of the money market, Government cannot borrow unless the rate of interest is still further increased, which would enhance the cost of haulage and react on the cost of production. By co-operation the question can be solved and money raised. Government setting apart all surpluses over 4 per cent. specially for railway needs, and the interested industrial agencies and companies to borrow as best they could, either to invest in railway trucks and engines to be made use of for their own requirements or handing them over to the Railway Board on certain conditions of deferred payments with interest. There is no reason why the jute and coal and other industries should not raise a few crores for carrying their own manufactured or mined articles and the iron and steel syndicates can also afford to invest for the transport of their own goods. In the same manner textile and other industrial concerns should raise capital for their own requirements. Large export and import firms such as Messrs. Ralli Brothers, Grahams, Forbes Campbell & Co., and others should also provide money for the transport of their goods. Again the terms on which private companies have been hitherto allowed to float companies for feeder railways should be revised. District boards and corporations should be helped to enable them to raise money to build narrow-gauge railways by guaranteeing them to earn a better rate of dividend than now and Government should also share profits and losses with them, because district boards and public corporations are all State agencies and whether the profits are large or small, the State is the ultimate gainer or loser. All the old ideas that borrowings should be done by the State alone should be revised and re-adjusted in view of altered circumstances. If the public and interested industrialists want money for railways they must shoulder a part of the responsibility. Government on the other hand should release railway surpluses for being used for railway requirements only, and in this way the railway programme should be framed so as to put the existing railways into a thoroughly efficient state and enable the State to build more and help private companies and corporations to build feeder railways by granting them more advantageous terms. The present railway policy of increasing tariffs all round to pay the enhanced working cost is the result of adopting the policy of the State having to do everything without the public co-operating and taking its share of the burden. By the State taking over the management from the private companies, considerable savings could be made by a uniformity of management, strict control on expenditure and the Railway earnings will show better financial results than now. If this question is not seriously tackled now, the growth of the country will be retarded in its industrial, agricultural, and economic aspects on progress. Enhanced cost of transport means enhanced cost of production, which in its turn will prejudicially affect the present and future growth of the wealth of the country.

Part V.—*Control of Rates and Fares.*

The newly constituted board should so control rates and fares as to have no differential or preferential rates for goods moved from one town and place to another, and there should be no favour to importers of foreign goods which are disadvantageous for our indigenous industries. There should also be a provision in public interest that rates should be revised every three or five years or less, such a statutory provision and special machinery being devised for that object. Railway tariffs as now fixed are unfavourable for the new industries indigenous to the country. Just as in taxation a certain protective tariff encourages infant industries, so in railway tariff particular attention should be paid that purely indigenous industries and especially new industries such as Indian mining, agriculture, textile, tea, indigo, iron and steel should have fair and equitable tariffs erring on the side of leniency, and rates for luxuries which are imported into India should bear its share of increased tariffs. I have shown in Part I how the powers vested in the present railway companies and in the Railway Board to frame tariffs without any check or control by the Government and in defiance of public and Government remonstrance have crippled water and sea traffic of ports from a short-sighted and mistaken policy. I am of the opinion that the Railway Board or railway companies should not be allowed to frame risk notes to suit their own interests which are against public interest and public conscience. On the strength of these risk notes they evade their responsibilities to pay damages. This is a crying evil and one of the greatest blots on the railway administration. They shelter themselves under their spurious risk notes which the merchants are compelled to sign because without them they cannot move their goods. It gives loop-holes to railway managements to be perfunctory in their management and responsibility and is the cause of enormous thefts, pilferings and deterioration in goods which could be avoided if the whole risk is borne by the company as carriers.

Individual merchants and companies become powerless on account of this absolute power possessed by a railway official or agent, which even the commissioner of a division does not possess. Again in matters of facts and assessment of damages, much public time and public money are wasted. Assessment committees or arbitration boards should be appointed in important centres so that claims could be settled expeditiously and economically between the railways and the public. On these committees proper representations should be allowed to merchants to deal fairly in the interest of both parties.

I beg to enclose with this memorandum a printed copy* of the Railway Report which the District Board have adopted and submitted to the Government of Bombay in regard to narrow-gauge railways for the district of Broach, and I beg to invite the Committee's attention to the Foreword to that Report which expresses my views generally on railway expansion for India, especially narrow-gauge railways.

* Not reproduced.

STATEMENT No. 46.

Mr. A. C. RUMBOLL, C.I.E., Agent, Great Indian Peninsula Railway.—NOTE DATED 4TH JANUARY, 1921.

See oral evidence, paragraphs 5264/5311, 5503/5524, 5539/5551.

Question 1.—My view is that the public interest is best served by running railways primarily as business undertakings, and consequently that they should be managed by companies and not directly by the State. I would except such frontier railways as may be required to be managed by the State on military grounds. The profit-sharing basis is suitable. My reasons are that a State Department is unfitted constitutionally for the detailed conduct of a business concern. I think this has been the experience of most countries where it has been tried. The tendency is to make promotions, except with rare exceptions, by seniority; to discourage enterprise; and to prefer inertia to a really active policy. A Department of Government is also open to undue political pressure and may be compelled to act on political opinions, which may be transient and shared only by a minority.

On financial grounds, I incline to the view that Government may be compelled to widen and modify the existing method of financing railways and may have to rely more on share capital raised by companies.

My experience of 34 years has been in the traffic department of company managed railways, that is, the Indian Midland and G.I.P. Railways. During the last few years I have on several occasions acted as Agent.

Questions 2 *&* 3.—I am in favour of management by a Company domiciled in United Kingdom with a Board of Directors in England and in the event of capital being raised in India, a subsidiary board in India representative of such capital. My reasons are:—

(1) The impossibility of obtaining a suitable Board in India.
(2) Boards in London are not subject to undue pressure from political or local influence, as a Board in India might be.
(3) If Government decide to make more use of companies to raise capital, a board situated in London would be in touch with the money market there.

Question 4.—Yes. I think the principle of co-partnership is sound but I am strongly in favour of extending its application by allowing the companies to raise new capital which would share *pro rata* in the proceeds of the undertaking.

Question 5.—This can be and is now avoided by directors making visits to India. It is a matter for consideration whether a Board of Directors appointed in India, who would have little or no railway experience and little time to spare from their business to acquire it, would not be even more out of touch with the conditions than a board in London constituted to some extent of railway men with a practical knowledge of railways. The delay complained of has been caused more by lack of finance than by the fact that the board is located in England. In matter of urgency the cable is freely used. I consider that such delays as occur would be greatly increased if the reference were to a Government Department acting as a court of first instance. I do not, however, think that public or railway interests have been prejudiced to any extent worth mentioning by the alleged delays on the part of Home Boards.

Questions 6 *&* 7.—It would be most difficult to get suitable and efficient Boards of Directors in India, more particularly in the case of those railways not having their headquarters in Bombay, Calcutta or Madras. The best men available are those most occupied with their own business who would not have the time to devote to a railway directorate. Further, in the case of European representation there would be constant changes, which would militate against their efficiency and the interests of the railway to which they were connected.

If one may judge from other appointments made by Government the appointment of a permanent Chairman by Government would lead to the reverse of continuity. If the posts, as they would have to be, were well paid they would be claimed and obtained by senior officers of Government whose stay in India is likely to be short and who find themselves in need of more frequent leave than younger men.

Question 8.—It is a possibility which should, I think, be borne in mind.

Question 9.—See reply to Question 2.

Question 10.—I consider that the principle of control by a qualified body such as the Railway Board is sound and should be continued, if present defects are removed.

Question 11.—The Railway Board should consist of a President, and three members, who, while acting as a consultative body with the President on questions of policy, should each be responsible for a particular portion of the work, for example there should be one member strong in engineering, one in operation and another in finance. The President to have power of decision in matters when there is a difference of opinion. Each of the members should be supported by efficient secretaries, assistant secretaries and office for the work he has to perform. Promotion to the presidency should not be seniority on the Board, but suitability for the position. The salary attaching to members should be such as will attract the best men. The Board has suffered in the past from the fact that it has not always been able to get the best men. It is, I think, essential that the President and Board should be men of mature railway experience.

Question 12.—I do not think the Railway Board at present interferes too much in detail, but where it, in my opinion, has failed is that it has not initiated and guided the railway policy of the country in certain matters of vital importance to the efficiency of the working of railways as a whole. I would instance the introduction of the vacuum brake. This is probably due to the Board not being sufficiently represented on the operative side.

Question 13.—Yes.

Question 14.—Yes. The difficulties that the Railway Board have had to contend with are mainly due to insufficient capital, and the complaints of the public will be found in a great measure due to that.

Question 15.—I consider that their financial powers and powers of delegation should be greatly increased.

Question 16.—The Railway Board should be a Railway Department with the President on the Executive Council, the members having the status of a Secretary to Government. Railway matters cannot be adequately represented in Council when in charge of a member who has little or no direct knowledge of railway work and its requirements.

Question 17.—Sufficient funds have not been provided for either new construction, improvement of existing railways or renewals. Maintenance has, I think, been sufficiently provided for in the past but the position is changing and unless means are given of raising more revenue the standard of maintenance will deteriorate.

Question 18.—Yes. It is of little use constructing a network of railways as was done some years ago in the Central Provinces, until the main line is developed to carry the additional traffic It only adds to the traders' charges if railways cannot move the traffic as it offers.

Question 19.—It is difficult to state what amount should be provided annually for capital purposes. Wages and the cost of material have gone up so considerably that money provided does not go so far as it did. Given regular annual grants and an adequate spending organisation the railways could for some years probably spend all the money that could be raised for them. For the G.I.P. Railway, I estimate provisionally that we ought to have in the next 10 years at least 40 crores for major capital and programme revenue works (I do not distinguish in this behalf between capital and programme revenue) and housing. Minor capital works are difficult to estimate but might be put provisionally at 1½ crores in the same period.

Question 20.—Yes. They should, I think, be raised wherever they can be obtained most cheaply. I am not impressed with the argument that India should not have external creditors when money so raised and spent on railway development will return indirectly many times the dividend actually paid on it.

Question 21.—The present terms are not suitable. A rebate from the earnings on interchanged traffic will have to be given by the main line so as to permit under present conditions of a dividend of 6 to 6½ per cent. or a similar interest will have to be guaranteed, with a share in the profits beyond that figure. The working railway should be paid 55 per cent. of the earnings.

Question 26.—(*a*) Yes I think the result has been vicious in that the lack of railway development has reacted on the general revenue position of Government.

(*b*). Railway rates must be raised so as to provide a reasonable return on the capital. The conditions differ on various railways according to the cost of working. It is not easy to say what the percentage of increase should be. The G.I.P. have proposed to the Railway Board that the maximum class rates for the carriage of goods traffic should be increased as under:—

—	Present.	Proposed.	Increase.
	Pie per maund per mile.	Pie per maund per mile.	Per cent.
Class I	·333	·44	33
" II	·500	·66	33
" III	·666	·88	33
" IV	·833	1·00	20
" V	1·00	1·25	25
" X	1·500	1·875	25

Proposals have also been submitted for an increase of the classification for certain commodities and an increase of 25 per cent. in the rates for the carriage of parcels. I am not sure that these measures, when coupled to the increased revenue to be derived from the enhancement of rates within existing powers, will suffice. Much will depend on the further trend of wages and prices of material, etc.

Question 27.—The figures as represented by a return of nett profits on capital point to Company managed railways being more advantageous that State managed railways. If the other charges for interest, etc., include the money paid towards the redemption of the annuities issued in payment of the purchase of Company managed railways they would be still more to advantage of the Company managed lines. It stands to reason that, under the conditions now existing, the officials of a Company managed railway will take more interest in the development of a railway on which they may have to spend their whole career and on whose prosperity their future mainly depends than the officials of a State managed railway, who are here to-day and there to-morrow and whose future depends more on seniority than merit.

The nett profits on capital are, I consider, satisfactory to Government and the public. They show that railways have been able to provide considerable direct revenue for the welfare of the country.

Question 28.—Railways require to know well in advance what money will be allotted to them during a particular year so that they may make the arrangements necessary for the spending of it, and to have the assurance that funds will be provided in subsequent years so that works commenced in one year may be carried to completion. Under the present system it is only known four months before the commencement of the year what grant is likely to be given in the following year and then it may be reduced before the year starts. With the railway finance amalgamated with the general finances of the country, the claims of railways are considered with those of other departments and the funds granted for railways are liable to be drawn on for other purposes. It is understood that in other countries it has been arranged that the railway funds shall be kept separate from the other finances and perhaps some arrangement of that sort can be made in India. Railways make money for the State, if not by their earnings, by indirect means such as by increasing the land revenue and the prosperity of the people, and therefore their development, if well ordered, will provide Government with the means of meeting demands from other sources. What railways need more than anything else is regular and even allotments.

As regards the N.B. to this question, it may be that there are no lapses in theory, but in practice there are. The following communication received from the Railway Board four months from the close of the year will illustrate this:—

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

Two facts are brought out in this letter (1) the granting of a capital grant at the close of a year, when it is next to impossible to spend it and (2) the commencement of the construction of a railway, when the prospects of being able to continue the same are uncertain.

In connection with the second point, I would like to draw attention to the Itarsi Nagpur Railway (238 miles) which is ultimately to form part of the connection between the United Provinces and Punjab on the one hand and Madras and Southern India on the other. The construction of this Railway was started in 1908 and the grants given yearly together with capital spent in each year since is given below:—

Year.	Grant.		Capital expenditure against grant for year.	Capital expenditure to end of year.	Total interest paid to end of each year.	Percentage of interest on capital expended to end of each year.
	Applied for.	Sanctioned.				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1908–09 ...	...	9,83,000	9,79,262	9,79,262	13,426	1·37
1909–10 ...	58,50,000	21,07,000	20,82,196	30,61,460	78 026	2·55
1910–11 ...	66,00,000	50,69,000	48,51,643	79,13,105	2,64,303	3·34
1911–12 ...	95,45,000	43,26,000	43,23,782	1,22,36,885	6.20,266	5·07
1912–13 ...	83,00,000	46,32,000	43,52,516	1,65,89,401	11,38,178	6·86
1913–14 ...	53,37,000	38,25,000	39,79,228	2,05,68,629	18,37,439	8·93
1914–15 ...	54,41,000	32,50,000	33,47,365	2,39,15,994	26,75,546	11·19
1915–16 ...	53,82,000	33,10,000	30,56,409	2,69,72,403	36,21,399	13·43
1916–17 ...	20,00,000	3,97,000	3,29,497	2,73,01,900	46,55,075	17·05
1917–18 ...	1,00,000	1,34,000	84,420	2,73,86,320	56,98,591	20·81
1918–19 ...	3,00,000	1,84,000	4,32,676	2,69,53,644	67,37,844	25·00
1919–20 ...	3,65,000	3,32,000	2,65,700	2,72,19,344	77,63,939	28·52
1920–21 ...	10,00,000	10,00,000	...	...	...	...

NOTE.—The estimated cost of completing the Chord line is 43 lakhs.

Up to the present the line has only been opened between Itarsi and Parasia (134 miles). The section between Amla and Nagpur (104 miles) still remains uncompleted. Allowance must be made for the war, but even when this is done, the disadvantage of constructing a railway without being able to see ahead that money will be available for its completion is very prominently brought out before the war period. It is not necessary to labour on the increase under certain heads that is thereby made to the capital cost of the railway by such a policy, but I would lay stress on the system of accounting which treats interest on such unproductive capital as a standing charge against the nett earnings of the undertaking and omits it from the capital cost of the line. It is better not to commence the construction of a railway than that it should be made by the methods described.

Question 29.—Yes. Regulation seems unavoidable and I think the present system is satisfactory.

Question 30.—Yes.

Question 32.—The machinery has not been used. Experience has shown that most disputes are capable of settlement, if not through the medium of the Law Courts, by representation to the railways themselves or to the Railway Board. The contracts between the companies and the Secretary of State might include a clause to the effect that the decision of all questions of undue preference shall rest with the Secretary of State. If the capacity of railways were brought up to requirements the cause of many disputes would be removed.

Question 34.—No. The question is mainly one of finance and in some cases the opening up of new railways before the main lines have been sufficiently developed for the new traffic. Given more capital, and this entails the provision of sufficient revenue to pay a reasonable return on such capital, the capacity of railways could be brought up to requirements.

Question 35.—An analysis of the complaints against railway working as at present constituted whether by the State or by companies will show that they are caused by the development of railways being behind requirements, in other words through lack of funds. The difficulty is mainly one of finance.

The alleged inattention to the needs of 3rd class passengers on the part of railways worked by companies is common to all railways both State and Company worked. Government provides the capital, and railways can only use it to the best advantage for the development of their system. Overcrowding exists due to want of carriages both for adding to existing and provision of new services. The situation has been aggravated by the War. It must not be overlooked that the railway companies have no power to raise money themselves except with the authority of the Secretary of State. Notwithstanding the drawbacks that railways have had to suffer, much progress has been made in ameliorating the conditions of travel for 3rd class passengers. Improved carriages have been provided, and also better waiting accommodation.

Again the complaints of unequal treatment generally arise owing to traffic not being moved as it offers and this is due to either want of rolling stock or facilities.

STATEMENT No. 46 (*a*).

(SUPPLEMENTARY INFORMATION PLACED BEFORE THE COMMITTEE by Mr. RUMBOLL, Agent, G.I.P. Railway, when giving oral evidence.)

DETAILS OF CAPITAL AND REVENUE EXPENDITURE, ETC.

Total Capital Expenditure.

—	G.I.P.	I.M.	Total.
31-12-1900	28,37,81,554	10,31,35,002	38,69,16,556
31-12-1910	38,70,57,310	12,42,18,805	51,12,76,135
31-3-1920	(for the undertaking)		68,92,90,236

G.I.P. Railway Company's Share Capital ... £2,575,000

Secretary of State's Capital ... ...Rs. 65½ crores approximately.

Debenture Stock £3,500,000

Annuity payment for purchase by Secretary of State of original Company's Capital (£34,859,217-17-6)=Rs. 2 crores.

Length of Line.

—	G.I.P. (undertaking).	Worked lines (5′–6″ gauge).	Total.
	Miles.	Miles.	Miles.
1900	2,344·42	329·24	2,673·66
1910	2,419·33	482·22	2,901·55
1919–20	2,561·62	559·45 201·37*	— 3,322·44

* 2′–6″ gauge.

(*Revenue Account of the Undertaking including State Lines.*)

—	Gross Earnings.	Working expenses.	Per cent. on gross earnings.	Nett earnings.	Per cent. increase over 1900.
1900 ... 1st half ...	1,91,80,343	94,34,379	49·19	97,45,964	—
1900 ... 2nd „ ...	1,91,81,888	1,10,00,409	57·35	81,81,479	—
1910 ... 1st half ...	4,15,00,689	2,00,86,271	48·40	2,14,14,418	78·36
1910 ... 2nd „ ...	3,15,08,250	2,09,46,529	66·48	1,05,61,721	78·36
1919–20 ... 1st half ...	6,50,49,923	4,29,40,611	66·01	2,21,09,312	184·71
1919–20 ... 2nd „ ...	7,12,43,141	4,23,11,459	59·39	2,89,31,682	184·71

Traffic.

—	Passenger Miles.	Per cent. increase over 1900.	Ton Miles.	Per cent. increase over 1900.
1900	*794,738,737	—	797,910,634	—
1910	*1,653,678,161	108·01	1,852,730,198	132·20
1919–20...	*3,230,258,12)	306·45	3,03J,922,177	280·98

* These figures include all coaching traffic on passenger basis.

Rolling Stock.

—	Coaching (in terms of 4-wheelers).	Per cent. increase over 1900.	Goods.	Per cent. increase over 1900.	Locomotive.	Per cent. increase over 1900.
			(in terms of 4-wheelers.)			
1900	1,786	—	7,926	—	747	—
1910	3,186	78·38	14,666	85·03	988	32·26
1919–20	3,356	87·90	19,556	140·73	1, 35	65·33

Rolling Stock sanctioned but not yet put on Line.

Engines.	Coaching Stock.	Goods Stock.
—	(in terms of 4-wheelers.)	
47	161	1,873

Rolling Stock for which Estimates have been Submitted and Sanction is Awaited.

Engines.	Coaching Stock.	Goods Stock.
—	(in terms of 4-wheelers.)	
...	840	4,467

Details of Rolling Stock and Passenger and Goods Traffic 1910-1919.

(Figures taken from Administration Report.)

—	No. of passengers carried.	Passenger (in terms of bogies) stock.	Passenger engines.	Goods traffic (tons).	Goods stock (in terms of 4-wheelers).	Goods engines.	Engines duplicate stock.
1910	25,641,111	1,431½	343	3,294,544	14,477	624	21
1911	26,477,586	1,158½	351	3,103,167	15,809	659	15
1912–13 ...	28,570,163	1,203½	351	3,842,450	16,568	659	24
1913–14 ...	30,590,740	1,265½	372	5,491,281	17,556	701	27
1914–15 ...	28,025,957	1,292	387	4,491,009	18,321	758	33
1915–16 ...	28,473,672	1,331	415	6,317,351	18,695	777	38
1916–17 ...	30,998,202	1,410½	405	5,713,842	18,703	790	36
1917–18 ...	28,458,028	1,447	405	5,583,728	18,715	790	40
1918–19 ...	31,051,120	1,441½	405	5,826,319	18,725	790	41
1919–20 ...	37,047,635	1,440	405	5,428,362	18,704	790	40

NOTE.—Engines for mixed traffic have been shown in the statement.

⅓ passenger engines.
⅔ goods engines.

In column 3 the figures are for stock actually carrying passengers and do not include such coaching stock as mail vans, brakes, etc.

Number of Employees on G.I.P. Railway.

Officers, December, 1920.

—	1 Total No. of officers.	2 Indians. No.	2 Indians. Percentage to total No.	3 Anglo-Indians. No.	3 Anglo-Indians. Percentage to total No.	4 2 and 3 in relation to 1.
Agency	8	—	—	2	25 %	25 %
Engineers	84	9	10·7 %	4	4·8 %	15·5 %
Traffic	45	4	9 %	13	28·8 %	37·8 %
Locomotive	35	—	—	3	9 %	9 %
Carriage and wagon	9	—	—	2	22 %	22 %
Audit	17	2	12 %	7	41 %	53 %
Medical	10	3	30 %	—	—	30 %
Stores	9	—	—	3	33 %	33 %
	217	18	8·28	34	15·67	23·95

Subordinates, 1918-19.

		Per cent.
Europeans	1,453 =	1·41
Anglo-Indians	1,313 =	1·27
Indians	100,577 =	97·32
Total ...	103,343	100·00

GREAT INDIAN PENINSULA RAILWAY.

(Incorporated in England.)

Statement showing capital and programme revenue demands as put forward in the July forecast as sanctioned in the budget orders, modified grants as they stood at end of the year and the actual expenditure for the G.I.P. and lines under construction.

(Figures in thousands.)

Year.	G.I.P. Railway open line and lines under construction excluding State lines.	Demands as put forward in the July Forecasts.				Demands as actually approved by Railway Board and incorporated in the budget grants.			Modified grants as they stood at the end of the year.			Expenditure in each year.			Remarks.
		Open line.	Construction.	New lines.	Programme revenue.	Open line (*a*).	Construction (*b*).	Programme revenue.	Open line.	Construction.	Programme revenue.	Open line.	Construction.	Programme revenue.	
		1	2	3	4	5	6	7	8	9	10	11	12	13	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1905–06...	...	1,29,40	21,93	—	—	73,00	17,00	—	69,12	18,34	—	78,28	14,79	—	
1906–07...	...	1,87,39	6,67	—	—	1,09,70	26,67	—	61,98	22,80	—	66,72	28,35	—	
1907–08...	...	1,54,05	22,00	34,00	—	1,19,09	11,27	—	1,71,12	13,18	—	1,70,40	11,71	—	
1908–09...	...	2,26,83	13,70	26,00	—	1,31,70	7,00	—	1,68,28	16,63	—	1,93,17	13,76	—	
1909–10...	...	2,23,72	58,50	10,50	—	1,58,78	27,50	—	48,84	20,76	—	48,10	22,18	—	
1910–11...	...	2,18,13	70,00	—	—	1,53,22	44,00	—	1,17,96	52,65	—	1,21,96	50,81	—	
1911–12...	...	1,67,25	99,34	2,00	—	1,29,88	63,94	—	1,40,06	44,26	—	1,23,31	43,68	—	
1912–13...	...	1,43,37	83,00	15,00	—	1,20,02	68,00	—	2,20,82	52,32	—	2,08,87	50,35	—	
1913–14...	...	2,57,43	80,39	—	—	2,88,89	38,39	—	3,12,26	45,74	—	3,04,55	46,81	—	
1914–15...	...	3,38,09	65,99	15,00	—	2,27,93	46,00	—	2,70,51	36,36	—	2,71,18	37,22	—	
1915–16...	...	4,16,03	83,82	—	1,75,65	2,90,15	69,00	89,49	2,17,31	52,10	76,84	2,11,55	49,37	69,87	
1916–17...	...	2,60,47	37,00	—	80,36	57,72	10,00	19,93	64,02	5,61	27,23	55,04	3,65	22,94	
1917–18...	...	75,14	3,00	—	34,93	76,74	3,00	25,94	87,85	1,64	13,14	77,66	·55	8,03	
1918–19...	...	1,17,85	5,00	—	30,30	64,22	5,00	46,92	75,57	2,84	24,15	72,67	4,92	20,03	
1919–20...	...	68,26	4,15	—	47,98	3,74,15	3,65	1,71,17	1,68,89	2,63	29,45	1,65,01	1,93	18,68	
1920–21...	...	4,71,95	17,50	—	2,42,31	1,36,07	10,00	1,81,59	—	—	—	—	—	—	

NOTE.—Grants in connection with proposals under "New lines" are included under construction in column 6 and 9 when sanctioned. The requirements under the programme revenue figures were only entered in the July forecast from 1915–16.

For explanation of differences between the budget grants and actual expenditure under open lines and constructions, please see statements "B" and "C."

Explanations of differences under "programme revenue" cannot be given as they are not recorded.

(*a*) Includes budget grant for Indian Midland Section.

(*b*) Includes Warora Belapur Extension, I.N. Railway and Harbour Branch Extension.

GREAT INDIAN PENINSULA RAILWAY.

(Incorporated in England.)

Statement of explanation of differences between Budget grants and actual expenditure on lines under construction for the years 1905 *to* 1920.

(Figures in thousands.)

Period.	Construction. Budget.	Construction. Account.	Difference.	Explanation.
	Rs.	Rs.	Rs.	
1905–06	17,00	14,79	— 2,21	Outlay to the extent of Rs. 6,98 on Harbour Branch without budget grant and less expenditure amounting to Rs. 9,19 was incurred on Warora-Chanda Bellarpur extension.
1906–07	26,67	28,35	+ 1,68	*Less*—Expenditure about Rs. 5,22 on Harbour Branch and increased expenditure about Rs. 6,89 on Warora-Balarshah extension.
1907–08	11,27	11,71	+ 44	*Less*—Outlay to the extent of Rs. 4,72 on the Harbour Branch and excess outlay about Rs. 5,15 on Warora-Balarshah extension, the net result being an increase of Rs. 44.
1908–09	7,00	13,76	+ 6,76	Outlay incurred on Itarsi Nagpur Railway was without budget grant.
1909–10	27,50	22,18	— 5,32	*Less*—Work on Itarsi Nagpur Railway.
1910–11	44,00	50,81	+ 6,81	Due to works in connection with "Formation" and "Bridge Works" on Amla Hirdagarh section having been pushed forward.
1911–12	63,94	43,68	—20,26	Lapse was due to late receipt of sanction to the construction of Division No. 4, Itarsi Nagpur Railway.
1912–13	68,00	50,35	—17,65	Materials were not available to full extent of the original budget and work on Division No. 1 Itarsi Nagpur Railway was approaching completion
1913–14	38,39	46,81	+ 8,42	Land debits on Itarsi Nagpur Railway were not anticipated and outstanding debits for permanent way materials were raised.
1914–15	46,00	37,22	— 8.78	Due to anticipated land debits not raised in 1914–15.
1915–16	69,00	49,37	—19,63	Due to closing down of works due to material not being available.
1916–17	10,00	3,65	— 6,35	Due to more stores returned from Itarsi Nagpur Railway, to less debit raised on account of Harbour Branch and to the adjustment of credit of rent of acquired property at Masjid.
1917–18	3,00	55	— 2,45	Due to large credits to Itarsi Nagpur Railway for released material and to Harbour Branch for rent recovered for Masjid property for which no provision was made in the budget.
1918–19	5,00	— 4,92	— 9,92	Due to credits afforded to Itarsi Nagpur Railway for released permanent way material and to Harbour Branch extension for rent of buildings at Masjid.
1919–20	3,65	1,93	— 1,72	Due to less expenditure on earth work than anticipated.

GREAT INDIAN PENINSULA RAILWAY.

(Incorporated in England.)

HARBOUR BRANCH EXTENSION RAILWAYS' CONSTRUCTION.

Statement showing grants asked for, grants actually sanctioned, modified grants as stood at the end of the year and expenditure against the same year by year and to-date and also the interest paid to Government year by year on the Capital expenditure and charged to the G.I.P. Railway Undertaking.

Year.	Harbour Branch Railway Extension. Grants asked for.	Grants actually sanctioned.	Modified grants as stood at the end of the year.	Expenditure. For the year.	Expenditure. To the end of the year.	Interest paid to Government and charged to G.I.P. Railway Undertaking.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1905–06	15,00,000	6,00,000	6,00,000	7,48,097	7,48,097	8,037
1906–07	27,02,000	13,02,000	7,49,000	7,02,276	14,50,373	43,123
1907–08	11,58,000	11,00,000	3,86,000	3,73,901	18,24,274	61,915
1908–09	30,00,000	19,00,000	19,00,000	18,80,859	37,05,133	95,067
1909–10	16,00,000	7,00,000	1,64,000	35,420	37,40,553	1,51,077
1910–11	2,00,000	2,00,000	30,000	(c) — 29,176	37,11,377	1,48,913
1911–12	2,00,000	2,00,000	— 1,00,000	(c) — 59,139	36,52,238	1,47,903
1912–13	50,000	—	— 69,000	(c) — 72,917	35,79,321	1,43,908
1913–14	7,50,000	3,00,000	—	—	—	—

Year.	Itarsi Nagpur Railway Construction. Grants asked for.	Grants actually sanctioned.	Modified grants as stood at the end of the year.	Expenditure. For the year.	Expenditure. To the end of the year	Interest paid to Government and charged to G.I.P. Railway Undertaking.
	Rs	Rs.	Rs.	Rs.	Rs.	Rs.
1908–09	—	—	9,83,000	9,79,262	9,79,262	13,426
1909–10	58,50,000	27,50,000	21,07,000	20,82,198	30,61,460	64,600
1910–11	66,00,000	40,00,000	50,69,000	48,51,643	79,13,103	1,86,277
1911–12	95,40,000	60,00,000	43,26,000	43,23,782	1,22,36,885	3,55,963
1912–13	83,00,000	62,00,000	46,32,000	43,52,516	1,65,89,401	5,17,912
1913–14	53,37,000	25,37,000	38,25,000	39,79,228	2,05,68 629	6,99,261
1914–15	54,41,000	35,00,000	32,50,000	33,47,365	2,39,15,994	8,38,107
1915–16	53,82,000	(a) —	33,10,000	30,56,409	2,69,72,403	9,45,853
1916–17	20,00,000	3,00,000	3,97,000	3,29,497	2,73,01,900	10,33,676
1917–18	1,00,000	1,00,000	1,34,000	84,420	2,73,86,320	10,43,516
1918–19	3,00,000	3,00,000	— 1,84,000	(b)—4,32,676	2,69,53,644	10,39,253
1919–20	3,65,000	3,65,000	3,32,000	2,65,700	2,72,19,344	10,26,095
1920–21	10,00,000	10,00,000	—	—	—	—

Note.—Interest calculated at 3½ % per annum on the Capital drawn up to 31st March, 1915, at 4¼ % per annum from 1st April, 1915, to 31st March, 1918, and at 5½ % per annum from 1st April, 1918.

(a) In April, 1915, the Railway Board sanctioned a grant of Rs. 50,00,000.
(b) Credits due to heavy return of stores.
(c) Due to rents collected and sale proceeds of demolished buildings of Masjid properties of Harbour Branch Extension

GREAT INDIAN PENINSULA RAILWAY.
(Incorporated in England.)

Statement showing the interest, year by year, from the commencement of the work, on the Divisions Nos. 3 and 4 of the Itarsi Nagpur Railway Construction. to end of 1920 (not yet open for traffic).

Years ending.	Amount of interest. Rs.
31st March, 1918 ...	3,16,243
,, 1919 ...	3,14,787
,, 1920 ...	3,01,713
Total ...	17,31,349

GREAT INDIAN PENINSULA RAILWAY.
(Incorporated in England.)

Statement showing the Capital and Programme Revenue Expenditure of the G.I.P. Railway undertaking, excluding native or non-budget lines from 1st April 1901, to 31st March, 1920 (i.e., since the amalgamation).
(Figures in thousands.)

	Capital Expenditure.																		Capital and Programme Revenue.												Total.	
	1901-02.		1902-03.		1903-04.		1904-05.		1905-06.		1906-07		1907-08.		1908-09.		1909-10.		1910-11.		1911-12.		1912-13.		1913-14.		1914-15.		1915-16.		1916-17.		1917-18.		1918-19.		1919-20.			
	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	Capital.	Programme Revenue.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
G.I.P. Railway (*a*) ...	29,73	—	29,36	—	71,11	—	1,12,72	—	78,28	10,86	66,72	2,97	1,70,40	54	1,93,17	18	48,10	4,04	1,21,96	2,96	1,23,31	7,69	2,08,87	1,41	3,04,55	1,27	2,71,18	1,52	2,11,55	10	69,87	—	77,66	71	22,94	—	1,65,01	27	24,11,39	35,21	1,39,55	—
Agra-Delhi Chord Railway.	—	—	—	—	—	—	—	—	24	—	1,10	—	1,23	—	1,12	—	1,15	1,39	92	—	98	31	78	51	82	—	46	—	15	—	—	65	—	1,74	68	—	—	24	—	16,70	5,24	2,86	—	—
Bhopal State Railway	2,06	—	2,73	—	1,40	—	86	—	24	—	1,10	—	1,23	—	1,12	—	1,15	1,39	92	—	98	31	78	51	82	—	46	—	15	—	—	65	—	1,74	68	—	—	24	—	16,70	5,24	2,86	—	—
Baran-Kotah Railway	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cawnpore-Banda Railway.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	31,79	2,06	32,09	2,73	72,51	1,40	1,13,58	86	89,38	10,86	70,79	2,97	1,72,17	54	1,94,47	18	54,68	4,04	1,25,84	2,96	1,32,29	7,69	2,11,57	1,41	3,06,64	1,27	2,73,16	1,52	2,12,45	10	69,87	—	80,79	71	22,94	—	1,66,24	27	24,71,40	35,21	1,39,55	—

(*a*) In 1911-12 the accounts of the G.I.P. and I.M. Railways were amalgamated; the expenditure shown against G.I.P. Railway under the years 1901-02 to 1910-11, however, includes the Capital expenditure of the I.M. Railway.
Prior to 1915-16 Programme Revenue was not specially shown in the grants.

Programme of Works which will be required during the next ten years.
(Figures in thousands.)

	Rough Cost.
Staff quarters (10 years programme)	3,00,00
Dadar-Matunga Estate	44,00
Bridge renewals, etc. (10 years programme)	3,00,00
Station remodelling (small) (10 years programme)	1,00,00
Station isolation, etc.	20,00
Sungam Bridge	14,78
Electrification	4,00,00
Crossing stations, S.E. Line	14,04
Lengthening platforms along the line	3,00
Nasik—Removal of Locomotive and Carriage shops	4,50,00
Relaying	8,08,00
REMODELLING SCHEMES.	
Mazgaon remodelling	54,00
Poona ,, ...	38,00
Dhond ,, ...	43,00
Lonavla ,, ...	30,00
Bhusaval ,, ...	32,00
Manmad ,, ...	42,50
Kalyan ,, ...	12,00
Gwalior ,, ...	25,00
Itarsi Traffic Yard	29,00
Itarsi Locomotive Yard	15,80
Sohagpur—Removal of Loco. Depot	3,00
Ghorpuri Transhipment Yard	2,80
Nagpur remodelling	28,50
Victoria Terminus Station	29,50
,, ,, Station buildings	25,00
,, ,, Washing sidings	4,00
,, ,, Stabling sidings	3,00
Jhansi remodelling	4,50
Jhansi (station building)	1,70
Chalisgaon remodelling	6,15
Igatpuri remodelling	33,87
Nasik Road remodelling	6,45
Banapura ,, ...	1,05
Gadarwada ,, ...	11,00
Delhi—Additions, etc.	1,48
Sholapur—Loco. Depot	14,44
DOUBLING.	
Jubbulpur—Itarsi—152 miles ...	2,05,20
Agra—Delhi—122 miles	1,64,70
Poona—Dhond—48 miles	64,80
Itarsi—Bhopal—48 miles	1,12,00
NEW LINES.	
Amraoti—Morsi—Narker	87,50
Warora—Pisgaon—Rajur	22,53
Kurla—Trombay Line	12,50
Itarsi—Nagpur	40,00
Mumbra—Panwell—Belapur Light Railway	21,25
Removing Reversing Station Bhore Ghat.	44,00

	Rough Cost.	
WATER SUPPLY.		
Bhusaval—Water supply	10,00	
Ghangapur—Water supply	1,00	
Badnera—Water supply	6,00	
Manmad—Water supply	6,00	
Baroti—Water supply	1,50	
BRIDGES.		
Manmad overbridge	2,60	
Nasik overbridge	2,40	
Regrading between Igatpuri and Bhusaval—		
Miles 101 —102 -0·08 ...		
,, 110¾—111½-0·08 ...		
,, 111½—112½-0·34 ...		1,52
,, 119 —120 -0·27 ...		
,, 124¾—126¼-0·30 ...		
,, 143½—144½-0·18 ...		
Regrading between Bhusaval and Itarsi—		
Miles 337 —338 -3·02 ...		
,, 340 —341¼-4·03 ...		
,, 364½—366 -6·06 ...		17,15
,, 381½—382½-2·02 ...		
,, 438½—439 -2·02 ...		
Regrading between Itarsi and Jubbulpur—		
Miles 567—568 -3·02 ...		8,07
,, 590—591⅓-5·05 ...		
DRAINAGE.		
Bhusaval—Drainage scheme ...	3,00	
Nagpur—Drainage scheme ...	42	
Dhond—Drainage scheme	50	
HOSPITALS.		
Bina	2,50	
Jhansi	2,50	
Bhusaval	2,50	
Alma	2,00	
Sholapur	2,00	
Lonavla	50	
Small dispensaries	2,00	
SCHOOLS.		
Sholapur	86	
Bhusaval	1,06	
INSTITUTES.		
Dhond	1,00	
Bhusaval	1,00	
OFFICE.		
Poona—District Engineer's Office ...	0,45	
Bhusaval—Joint Offices	2,50	
Manmad—Joint Offices	1,40	
WIDENING OF TUNNELS.		
Thull Ghat	60,00	
Bhore Ghat	90,00	
Total ...	39,58,47	
Rolling Stock	5,00,00	
Grand Total ...	44,58,47	

Summary showing number of tons of Public Merchandise hauled during half year ending 31st March, 1920. BONUS

Particulars of traffic.	Number of tons.					
	Up.	Percentage.	Down.	Percentage.	Total.	Percentage.
Special Rates	2,052,673	75·76	558,357	58·23	2,611,030	71·18
First class	387,978	14·32	195,328	20·35	583,306	15·90
Second class	155,387	5·74	96,444	10·05	251,831	6·83
Third class	67,411	2·49	71,132	7·41	138,543	3·78
Fourth class	22,520	0·83	15,069	1·55	37,589	1·03
Fifth class	23,340	0·86	23,180	2·41	46,520	1·28
Total ...	2,709,309	100·00	959,510	100·00	3,668,819	100·00

STATEMENT No. 47.

Messrs. KILLICK, NIXON & Co., Bombay.

1. *Management of Railways owned by the State.*

See oral evidence, paragraphs 5312/5339.

With the exception of railways serving a strategical frontier such as the North-Western Railway, we favour management through companies domiciled in England with Boards sitting in London combined with the creation of local boards in India.

We favour company as opposed to State management because:—

(1) We consider company management tends to greater efficiency.
(2) State management removes the element of competition necessary to effective management and development of railways.
(3) Under State management appointments are liable to be influenced by political considerations and promotions by seniority rather than by efficiency.

We favour London boards acting in conjunction with local boards as opposed to boards in India because we do not consider the large amounts which will have to be borrowed for renewals, development and improvement of existing railways and the construction of new lines can all be found in rupees in India. London boards are therefore a necessity if access is to be obtained to the world's money markets.

We regard it as most important that local boards should be created in India and that considerable powers should be delegated to such boards particularly in matters of local policy, certain establishment questions and in the settlement of labour disputes. The advice of local boards would also be of value in the event of companies being permitted to raise rupee loans in India.

We consider a suitable personnel for the local board would be (1) the Agent of the Home Board, (2) a Director of the Home Board, serving in rotation if possible, (3) a nominee of the local Government, (4) a suitable representation of the local community both European and Indian. If Directors of the Home Board served on the Local Board in rotation it would remove one of the main objections to boards sitting in London, *viz.*, the lack of touch with existing conditions in India.

2. *The Railway Board and the Government of India Control.*

We consider that the control of railways should vest in a Railway Member of the Government of India assisted by technical advisers representing the various branches of railway administration.

In other words, in view of the extreme importance of railways to the development of India, we would create a separate department of the Government of India for Railways which would not be under the control of the Finance and Commerce and Industry Departments.

3. *Railway Finance.*

We consider that the supply of funds for railway purposes has hitherto been totally inadequate and that it will continue to be so so long as railway revenues are merged in the general finances of the country and the railway capital programme depends entirely on the power of the Government of India to provide funds either by borrowing or from its general balances.

As regards expenditure out of revenue it is generally recognised that renewals have been neglected during the War and that revenue, which should have been expended on keeping lines up to standard or in the alternative been put to a special reserve to be expended when found possible, has gone into the general coffers of the State.

This, of course, must cease and would naturally do so if the procedure we advocate of divorcing the railway earnings from the general revenues of the country is carried out.

But in as much as large amounts of money have disappeared in this way and that revenue will not now be capable of bearing all the arrears put upon it we suggest, ample provision being made annually for ordinary maintenance, that the money necessary for arrears of renewals be found by means of special short term loans of ten, fifteen or twenty years duration, raised by the companies themselves for this purpose, repayable as to capital and interest out of revenue, a similar procedure being followed by the State in the case of State managed lines.

Until these renewals have been taken in hand no good will in our opinion be obtained by raising large amounts of capital for improvements and extensions. We suggest that no good purpose will be served by spending money on more wagons and additional sidings until the existing lines are brought up to date and made fit to carry the heaviest locomotives and train loads. We go further and say that, unless measures of this nature are taken, the profits at present obtainable from the railways will tend to diminish rather than increase.

As regards capital, provided the steps indicated for renewals and maintenance are taken, the amounts required for improvements to existing railways and new construction will be large, and we are of opinion that no borrowing source can be neglected whether it be in rupees in India or in sterling in Europe or America.

We suggest capital programmes for a period of years be drawn up and that capital necessary be borrowed (*a*) by the Railway Department raising the amount necessary by rupee loans in India and by sterling loans in England and allotting the money among the various companies, or (*b*) that each company be allowed to arrange for its own requirements subject, of course, to the supervision of the Railway Department, and that if and when necessary these borrowings should be assisted by guarantees from the Government of India or (*c*) by a combination of both.

We are of opinion that all the capital that can be obtained by these means should be devoted to the improvement and development of existing lines and the construction of railways of major importance, private enterprise and capital being utilised for the financing of branch lines and lines of minor importance.

Provided what are known as branch line terms are revised to correspond with the current value of money, we are of opinion that all the capital for financing necessary feeder railways is available and can be raised by promoting firms in India.

The branch line terms referred to we regard as satisfactory generally, but investment in companies promoted under them would be further encouraged by a more liberal interpretation of detail. We further consider that a larger mileage could be made available for finance and construction if Government were prepared to encourage the grant of additional guarantees by Local Governments or other bodies.

4. *Government Control of Rates and Fares, Settlement of Disputes.*

We consider the existing control adequate and satisfactory.

5. *General.*

We have no further remarks to offer.

STATEMENT No. 48.

THE INDIAN MERCHANTS' CHAMBER AND BUREAU, BOMBAY.—LETTER DATED 17TH JANUARY, 1921.

See oral evidence, paragraph 5363/5396.

With reference to your letter No. 15-R.C. of the 31st December, 1920, enclosing a copy of the Questionnaire of the Indian Railway Committee, I am directed by the Committee of this Chamber to send hereby their views on the subject.

Question 1.—My Committee are of opinion that railways owned by the State should be managed directly by the State. My Committee draw your attention in this connection to the representation they addressed to the Secretary, Railway Board, dated 1st December, 1916, a copy of which is herewith enclosed marked Appendix A for ready reference, in paragraph 3 of which they gave all the reasons, why the management of Railway Companies should be by the State.

(*a*) The management by companies has been proved to be adverse to the interests of Indian trade and industry, as was evidenced by statistics given in their speeches by Sir Vithaldas D. Thakersey, Sir Ibrahim Rahimtulla, Mr. Vijiaraghavachariar, and others who moved resolutions in the Imperial Council.

(*b*) Companies are after all out to make profits, and they naturally manage railways entrusted to their charge purely in the interests of their shareholders and the ultimate interests of the country as such thereby suffer.

(*c*) Even with regard to management on business lines, my Committee fear that undue prominence and attention is given to foreign trade at the expense of the indigenous trade and industries.

(*d*) The experience of War has shown, as in England, that company management is not suitable for mobilising the resources and energies of a country. India has, at present, to carry on a serious struggle for the development of her trade and industries, and if this struggle is to succeed, railways should contribute a large quota to it. This, however, will not be possible while they are managed, as at present, by foreign companies with but an indirect interest in the development of India's resources.

(*e*) The absolute indifference evinced by the present railway management to the grievances of third-class passengers is a scandal which would not have been tolerated in any other country for so long a time, bearing in mind specially the fact that it is these passengers who contribute the largest passenger income to the railways. The chronic over-crowding of third-class passengers and their treatment by the railway staff as if they were cattle is in itself a grave condemnation of the present management.

(*f*) The Committee have always noted with a deep concern the closing of all the doors of employment in higher grades in railways to Indians. This is a grievance to which the attention of the Government has been drawn time after time by leading Indian publicists, but apparently nothing has been done in the matter. While the Indianisation of services is going on all over the country, it is surely an anachronism to find railways being kept as a sacred preserve for Europeans and Anglo-Indians. Such an Indianisation of railway services will not be possible till the management is taken over by the State. In short, the reversal of Lord Lawrence's railway policy of state construction and management has been, as Sir Gilford Molesworth observed, disadvantageous, and the continuance of such a reversal is, in the interests of the people of India generally, to be strongly deprecated. My Committee have got experience of company management of railways, which supports them on what they have observed above.

Question 2.—My Committee are for absolute direct State management and are not in favour of any modification being introduced in the system.

Question 3.—My Committee are not in favour of company management at all whether the domicile be in India or the United Kingdom. The evils of company management with their domicile in the United Kingdom have been detailed above. My Committee believe that there will be no amelioration in these conditions even if companies have their domicile in India. What is wanted, in fact, is a management which will look to the interests of this country as a whole. Sir Ibrahim Rahimtulla, moving his resolution in the Imperial Council, observed, "the interests of India demand that the centre of control of the management of the entire system of railways should rest with the Government of India, and that they should be worked primarily in the best interests of the people of India," and that, "though nobody disputed the fact that the railways should be worked on a commercial basis, what we objected to was that they should be worked *purely* on a commercial basis irrespective of every other consideration."

Questions 4, 5, 6, 7, 8 *and* 9.—My Committee have not answered the above questions as they are against any compromise being made with regard to the retention of the present most harmful and unjust management of railways by companies.

Questions 10 *and* 11.—(*a*) My Committee do not approve of the system of control by the present Railway Board as satisfactory. It consists entirely of railwaymen who are out of touch with Indian commercial people and specially with Indian public opinion.

(*b*) My Committee urge that the Railway Board should be reconstituted and should have in future four members and a chairman, that is, in all five members. Of these at least three should be Indians, one of whom should be a representative of the Indian commercial community.

In this connection my Committee point out with regret that even such an acknowledged authority on railway matters as Mr. S. C. Ghose, who was appointed as special officer to the Railway Board, was not taken as a member of the Board, showing how the present Railway Board is entirely oblivious of the claims of Indians and of the interests of India.

Question 12.—My Committee have not much experience of this, but from what they have seen of the relations and inter-relations between the railway companies and the Railway Board, they think that the present exercise of its powers by the Railway Board with regard to railway companies is extremely weak. This evil will, however, be eliminated when the management is taken up entirely by the State, and the Railway Board will then be able to exercise all its powers with regard to railway management.

Question 13.—In matters relating to the requirements of the travelling public and of trade, it has been seen on all occasions that the Railway Board hardly interferes with the different railway administrations in the exercise of its powers. The result is that representations from the public to the Railway Board against railway companies remain unheeded and unattended to.

Question 14.—The powers of control in such matters already possessed by Government have not been sufficiently exercised in the public interests.

Question 15.—The powers entrusted to the Railway Board should be ample and broad to allow them to exercise complete jurisdiction over the entire Indian railway management when it is taken up by the State.

Question 16.—The Railway Board is at present under the Department of Commerce. My Committee are of opinion that the Member for Commerce should always be an Indian. If, in future, railways are placed in charge of another department, say a department of communications, as has been suggested in some quarters, the member in charge of this should likewise be an Indian. My Committee believe that the railway department is of so vital an importance to this country that it should always be in the charge of an Indian member of the Executive Council of the Government of India.

Question 17.—My Committee do not consider as satisfactory the present system of financing by making railway finance depend on the exigencies of the general budget of the country, which is altogether wrong and unbusiness-like. The supply of funds should depend upon the needs of the railways whether for new construction, for maintenance, or improvement of existing railways.

Question 18.—Although there can be no dispute about repairs and renewals being a first charge on available funds, my Committee would like to emphasise that the present policy of delaying very necessary extensions just because there is no money is wrong and unbusiness-like. If such extensions can be satisfactorily shown to be profitable and advantageous to the country, the money ought to be found by loans raised for the purpose, even at a higher rate than that current for Government borrowing.

Question 19.—It is difficult to fix the approximate amount that could be provided annually for capital purposes; this will entirely depend upon the resources for the time being, but there is no doubt that the need is very great.

Question 20.—The capital funds required should be raised in the cheapest market, preference being given, other things being equal, to India.

Question 21.—My Committee do not consider that the existing arrangement for supplementing by means of the branch-line terms the Government of India's resources for railway construction are satisfactory, they will have to be modified owing to the changed conditions in the monetary market, in order to induce capitalists to invest in railway constructions, liberal terms should be offered. Such new companies should always be Indian with Indians as agents and more than half the number of their shareholders must be Indians.

Question 22.—The method should be by debentures raised by the Railway Board and in India as far as possible. In the present state of the world's finance and the great depreciation suffered by non-redeemable loans, people will more readily take terminable bonds redeemed by a suitable sinking fund created for the purpose.

Question 23.—Nil.

Question 24.—As the War has made people familiar with big issues, it should be possible to raise at least ten crores annually in this country and ten million pounds a year in England. England even in pre-war days invested 200 million pounds abroad annually, and a very considerable share of it went to South American countries whose political as well as financial position was not very sound. There is no reason why India should not get money in London, provided it pays the price, *viz.*, the market price of money for the day.

The Government have so far adopted the short-sighted policy of refusing to pay more than 3½ or 4 per cent. and strangled railway development in spite of the knowledge that on the whole we were earning over 6 per cent. and on many sections more. This is not business. Any good merchant would borrow even at 5 per cent. if he knew the venture would return him more than 6 per cent., and this ought to be the policy for our railways, which are a business venture, and the financing of it ought to be treated in a business-like way.

Question 25.—The raising of a separate loan for railway purposes will not, we believe, adversely affect the general loan proogramme of the Government, because if we look more closely into the matter we find that the main capital purposes for which loans have had to be issued in the past have been railways and irrigation. If these two requirements are satisfied very little further loan capital is required, and it ought to be possible to raise such small sums as may thus be necessary without any difficulty. There is, of course, an occasional budget deficit to be considered, but it is bad finance to provide for such deficits by permanent loans. Current expenditure ought always to be covered by current revenues, and when a deficit occurs, it ought to be covered by sufficient additional taxation in the following year, the deficit being temporarily covered by ways and means advances.

The Railway Loan here advocated is a loan issued by the Government of India on account of the Railway Board and primarily secured on the revenues of the railway and generally on the general credit of the country as the railways are a business venture of which the proprietor is the country.

Question 26.—The railways are the one item of public utility from which the general taxpayer most widely benefits as either producer or consumer, and so it is a mistake to talk of "burden on the general taxpayer" for the interests of a section of the people.

Any increase in rates is sure to work detrimentally to the trade and industry of the country as well as to agriculture, which very largely depends on railways to reach profitable markets. Therefore, *there should be no increase until a deficit is proved.*

It should be remembered that the bulk of the money has already been secured at 3½ per cent., and Government is not going to pay 6 per cent. on it to-day, therefore *present* interest rates do not affect the *bulk* of the present investment. Further, it is by no means certain that interest rates will remain as high as they are to-day. We had heard similar arguments about commodity prices, and commodities are falling rapidy to normal. The level of prices determines the total volume of finance required at any given moment, and so with a return to normal commodity values the strain on the money markets of the world will be appreciably relieved and money should become appreciably cheaper. The principle to be followed, therefore, in an increase of rates, should be similar to that for, say, the Port Trust; *i.e.*,

(i) Rates should be such as to cover current liabilities with a reasonable margin in hand for further development.

(ii) The increase should be higher on luxuries and lower on necessities either of life or of industries, *e.g.*, coal; because increases on such prime necessities work up with cumulative effect and unduly inflate the cost of the ultimate product.

(iii) Such increase should be preferably in percentages on present tariff *in the form of surtax* so that when the development of revenues justifies it such surtax might be easily reduced or struck off.

All efforts should be directed to the best development of our railway property to get the largest revenue out of it not by increased rates, but by greater efficiency. Any one can raise rates and get more revenues from a thing like railways, because they are the greatest monopoly in any country, and the people are *absolutely at its mercy* particularly so in a country like India, where other competing forms of transportation practically do not exist. In America and England, where the railways are mainly private property, the permission to increase rates is most grudgingly given and only on indisputable proof of its necessity. Here the principal owner is the Government itself, and so any increase should be still more carefully considered and avoided as long as possible.

Question 27.—The statements are altogether misleading. The only relevant figures are those of column 2nd showing nett earnings on capital. The 3rd, 4th, and 5th columns only show how the profits were used by the proprietors, and have no relevance to the question in hand.

Nett earnings of 6¼ to 7¾ per cent. (averaged as they are of good and bad results) cannot but be called very satisfactory for a thing like railways.

The present accounting is faulty. There are thousands of miles of railways built primarily with an eye to the defences of the country. If they do not earn enough, the deficit *ought to be charged to the military budget*, and such lines ought not to be a burden on the productive lines. The present procedure does serious harm by showing the earnings to be less than they actually are and thereby discouraging further development.

It is not possible to say without a much further inquiry than is possible to us at what figure we should put the additional advantage to Government. However, it may be useful to note the more important aspects of this question.

(1) Military advantages:—

(*a*) efficiency of mobilisation of men and of stores.

(*b*) the cheapness of transportation of same.

(2) Revenue advantages:—

(*a*) increase of land revenue at periodic settlements. (This primarily depends on the enhanced value of the products of the land, and such values again depend upon greater market ability and greater facility of contact with world markets.)

(*b*) increase of such other revenues as depend on the *volume* of the country's trade and of its commercial transaction, *e.g.*, customs and stamps. Excise also depends considerably on it as it bears a direct relation to the general prosperity of the population.

(*c*) Famine Relief:—

An appreciable saving in cost of movement of food and fodder.

Question 28.—It has already been pointed out above that grants from the budget, lapse of grants, and "providing as much in each year as Government possibly can" are fundamentally wrong and unbusiness-like. Whatever plans and estimates for development have once been decided upon, the finance *for the whole* must be then found and the work carried through to completion.

Question 29.—Nil.

Question 30.—My Committee think that Government do not exercise adequate control over Railway administrations in respect of rates and fares.

Question 31.—Powers in this respect delegated to Railway administration have not been used in the interests of the public. The recent increases in the rates for coal and in fares for the general public on several lines are quite recent instances in point to show such increases are made by the railway companies without any reasonable and sufficient grounds and causing a

deal of inconveniences and troubles to the public. On reading pages 151, 202 to 205, 210 to 221, 228 to 236, 318 to 323, 311 to 313, 409, 411 to 421, and 452 to 456 of the " Monograph on Indian Railway Rates " (1917-18), by Mr. S. C. Ghose, one will at once be convinced that the railway rates for exports and imports have been unnecessarily reduced (*e.g.*, the case of hides, *vide* pages 452 to 456) and that the rates for exports and imports are preferential as compared with the internal traffic rates.

Question 32.—Though there is such a provision for the appointment of a railway commission to settle disputes between railway administrations and traders, my committee are not aware of any occasion when such a commission has been appointed. They should like to suggest that in every leading commercial town there should be a committee of leading Indian commercial people who should act as a committee of arbitrators whenever there is any dispute between the railway administration and traders. The traders generally are not aware of any expedients to redress their grievances and are practically helpless in the hands of railway officials. This sort of helplessness has been responsible for a good deal of embitterment between the trading community and the railways to remove which and to replace by better feelings the only course is to have such a committee as is suggested here. Traders will then know to whom to turn in case of any complaint and will even in case of adverse decision be reconciled to it, coming as it will from a committee of their own people.

APPENDIX A.

COPY OF LETTER DATED 1ST DECEMBER, 1916, FROM THE INDIAN MERCHANTS' CHAMBER AND BUREAU, BOMBAY, TO THE RAILWAY BOARD.

1. I beg to acknowledge receipt of your letter of the 27th June, 1916, No. F. 16, asking this Chamber to give their opinion on certain questions connected with the management of Railways. Under instructions from the Committee of the Chamber, I have the honour to address you as follows:—

2. As early as 1880 the Government of India laid down as their future policy that they would acquire all the railways when the time came for exercising the option that rested with them under the contracts with Railway companies. In accordance with this Resolution, all the trunk Railways have been acquired by the Government, leaving a small percentage of shares to the old companies, with whom agreements have been entered into to manage them, and who are paid a remuneration for doing that work. The question that now awaits solution is merely whether the lines owned by Government should be managed by themselves or by managing Companies. So far as my Committee are aware, in no other country in the world there prevails a system similar to the one adopted in India, of owning the Railways and yet handing over the management to Companies. In countries where railways are managed by Companies, they are owned by them, while the state managed Railways are the property of the State. The system obtaining here is probably the outcome of the basis upon which the work of constructing the railways was initiated in this country.

3. My Committee have given careful consideration to the various arguments in favour of each of these systems of management and also to the conditions applying to this country and have come to the conclusion that the management of Railways by the State is best suited to this country for the following reasons:—

(*a*) There will be an annual saving of about a crore of rupees which are paid at present to managing companies as their share of profits.

(*b*) Competition between different Railways is considered in some countries as beneficial to trade and industries, resulting in lowering the rates to attract more traffic, and in providing facilities. Instead of a healthy competition, however, we have in this country a form of competition which in many respects has proved adverse to trade and industry and to the interests of agriculturists. The fact is that each management tries its best by a manipulation of the minimum and maximum rates laid down by Government to divert trade to the ports which it serves. The different companies compete to carry the largest quantity of cargo for the longest distance possible over their rails and in order that they may be able to do so, block rates, which mean full maximum rates authorised by Government, are levied on all the cargo which is carried to ports other than those they serve. Trade and commerce instead of being developed on natural lines are thus retarded by artificial diversion of traffic. Sir Vithaldas D. Thakersey, speaking in the Imperial Legislative Council in 1912 on his resolution on the policy followed in fixing goods rates, emphasised this aspect of the management of railways by companies. He observed that interprovincial trade suffered owing to the so-called block rates quoted by practically all railways in order to draw all available traffic to their own lines and to prevent as far as possible traffic from their own stations going on other companies' lines. " This from the railway company's point of view may be perfectly justifiable as no company can be expected to tolerate the transfer of its own traffic to other lines, if it can possibly prevent it. But from the country's point of view, it is clearly not advantageous that merchants should be compelled to send their goods not by the route which gives them readiest access to the best market but by a route which brings the most profit to the railway which happens to pass through the particular places." After saying this he asked the pertinent question: " These hardships are unavoidable in countries where railways are owned by private companies, but why should they be tolerated in India where the railways belong to the State?"

(*c*) Opinions may differ on the question, whether State or company management would be better for a country, but they have been almost unanimous in holding it to be one of the principal functions of railways, to develop and help indigenous trade and industries. Indian railways have so far taken little initiative in this question of the development of industries. Only recently, in May, 1915, the Railway Board issued a circular to different railway companies bringing to their notice " the question of the assistance which can be rendered by railways in the development of indigenous industries by the quotation of favourable rates, for the carriage of raw material required in manufacture and the carriage of the finished product." Nothing is known up to this time of the action taken by different railway systems in this direction. So long as there is not one responsible and central authority of the State to utilize the railway system for the development of industries, it is useless to expect that any effective action will be taken. All the anomalies of rates, on the ground of large quantities and long distances, which really help the export of raw materials and widespread distribution of imported manufactured goods, as against indigenous manufactured articles will disappear only if there is one central management which holds that railways have to look to the industrial and economic needs of the country, side by side with earning dividends for shareholders and revenue for the State.

(*d*) Owing to the unchecked competition of railways the trade of places depending on water traffic has been practically killed, which would not have been the case if there had been State management of railways, for the State would not have looked merely to railway profits at the sacrifice of the trade and industry of several of our small sea ports. An instance in point is afforded by Broach, the trade of which is practically killed by the manipulation of rates by the railway company serving that place. How justifiable this grievance was can be gauged by the strong support the Government of Bombay gave to the petition of Broach merchants while forwarding it to the Government of India. Lord Sydenham in supporting this complaint, said that " railways were made for India and not India for railways."

(*e*) The congestion of traffic on all railways is one of the thorniest questions their administrations have to deal with. This question, in the opinion of my Committee, can be solved if there is a central State administration to organise and make the best use of the wagon capacity of different systems, instead of there being so many different managements.

Although there have been large additions during recent years to the rolling stock of the different railways in the country, we continue to hear the cry of shortage of wagons during busy seasons, whenever there is congestion of traffic on any line. My Committee think that the fault lies mainly with the system that does not allow the shortage on one line to be remedied by the surplusage on another line rather than with the shortage of wagons in the country. In fact in slack seasons hundreds of these wagons have to lie idle. What is really needed is a scientific and systematic marshalling of these wagons which cannot be carried out at present, owing to the divided control of railways.

(*f*) Under the present system of management by companies, whatever grievances and complaints of the public there may be, whether with regard to the employment of Indians or the treatment of third-class passengers or important questions affecting trade and industry, managing companies give but a tardy response to public opinion. My Committee acknowledge that Government even now interfere in several instances with success. They recall with feelings of thankfulness the intervention of the Government, at the time of the serious complaint regarding undue preference on the G.I.P. Railway in 1911. Such instances, however, of Government intervention are rare, as Government cannot go out of their way and interfere too often with the management of companies. If the management is in the hands of the State, our representatives in Provincial and Imperial Councils can get any information required by interpellations and get grievances redressed by drawing the attention of the Government. Under these circumstances, my Committee are of opinion that management of railways by the State is in this country essential for the development of trade and industries and for the working of railway lines in the best interest of the country. If the administration of Indian railways is in the hands of the Government of India they can help the development of industries of this country by placing large orders for their requirements of the railways with Indian manufacturers. They have already declared that as far as possible articles of Indian manufacture should be purchased by Government departments in India, provided that the quality and the prices are not unfavourable as compared with those of the imported articles. Under the system of company management, the boards of directors being in England, practically all the orders will continue to be placed in England as hitherto and Indian industries will permanently lose the custom which would be theirs if the railways were State managed.

4. The present question has apparently arisen in consequence of the fact that the term for the management of the East Indian Railway Company expires in 1919 and, that notice under the contract must be given during 1917. If it is not possible for Government to arrive at a definite conclusion in regard to the general policy to be laid down for the future, my Committee think that the best course would be to give the required notice to the present management of the East India Railway Company and to take that line over under State management. The total mileage of trunk lines owned by the State is about 25,000, of which 8,000 miles are managed by themselves and 17,000 miles by managing companies. If the East India Railway which has a mileage of 2,800 was taken over under State management, the proportion of mileage would be about 11,000 under State management and about 14,000 under company management. The next contract to fall in, is that with the G.I.P. Railway, the term of which expires in 1925. During the intervening period of about six years additional experience will have been obtained and this will prove useful in coming to a decision on the subject. Of the total mileage owned by the State, nearly half will have been during that time under State management and the remainder under the management of companies. An added advantage will be that of the four Indian ports, viz., Calcutta, Karachi, Bombay, and Madras, the two former will be served by railways managed by the State, while the two latter by railways under the management of companies. Under all these circumstances my Committee would strongly urge upon Government either to determine as their future policy that State-owned

railways shall be under their own management, or in the alternative to take over the management of the East India Railway Company and to postpone their decision in regard to the policy to be pursued in the future till a few years further experience is obtained by working the lines under both the systems, with a more proportionate division of the total mileage and a more suitable distribution of traffic as regards the ports, than what prevails at present.

5. Apart from the varied advantages mentioned above by the taking up of the management of the East India Railway Company, my Committee are of opinion that the financial gain to the State will be such as would itself justify such a step. Under the terms of the contract between the Secretary of State and the East India Railway Company the amount that is at present payable to its stockholders is 4 per cent. on the capital stock of £6,550,000 equal to £262,000 plus a share of surplus profits which, looking to the last three years' figures, are not below Rs. 24,000,000, which means a total of Rs. 63,30,000 per annum. These figures do not take into account the higher profits in future years which must continue to increase with the development of the industries and trade of the country. If the East India Railway Company is taken over in 1919 the Government shall have to pay an annual sum of £294,750 equal to Rs. 44,21,250 till 1953. Government will thus save Rs. 19,08,750 every year (63,30,300—44,21,250) by terminating the contract and taking up the management. This saving for 33 years will, on a 4 per cent. interest basis, work up to Rs. 12·59 crores approximately. Even if there were no other reasons in favour of State management the financial gain only should be sufficient reason for Government's accepting the proposals of my Committee and terminating the contract of the East India Railway Company in 1919.

STATEMENT No. 49.

Sir VITHALDAS D. THACKERSEY, Kt., Representative of the Millowners' Association, Bombay.

Part I.

Question No. 1.—Railways owned by the State should be managed by the State.

See oral evidence, paragraphs 5363/5396.

I am looking to this question from the point of view of what is best in the interests of Indian trade and commerce and industries and their rapid development. I had occasion to study this question in connection with the resolution on the question of Indian railways which I moved in the Imperial Legislative Council on 1st March, 1912. In my speech, a copy of which is attached here for ready reference, in support of the resolution, I endeavoured to show how the railway system in India has come to be developed into a huge profit making concern rather than the means of encouraging the development of industries in the country; nay, instances can be shown where the railway policy has actually helped to push on by favourable terms the goods of foreign manufacture at the expense of the products of Indian industries. All the trunk lines in India now are owned by the State and until they are managed through the State agency it would be difficult to expect the profit-sharing companies to look to the question from the purely Indian point of view, as they would have no special interest in framing tariffs to secure the promotion and the development of indigenous industries at the sacrifice of revenue. To them it matters little whether the matches are made in Ahmedabad or Rawalpindi or whether they are made in Japan or Sweden. Their policy in the past, under which they gave extremely low rates for foreign matches and put every kind of obstacles in the way of Indian match factories, resulted in giving preference to foreign manufacturers. When questioned, they generally take shelter behind the argument of cheap cost of carriage for long loads and wagon loads. At the present stage of the industrial development of the country when there is great need for starting pioneering efforts in the direction of factories, it is the duty of the State to carry their raw materials and their manufactured articles at a lower rate, certainly not at a higher rate than the rate charged for carrying foreign goods, irrespective of the quantity of the goods and distance over which they are to be carried to these factories. The State has a larger and more permanent interest in the country and it can afford to sacrifice to a certain extent immediate gain from this larger interest secured by the development of industries in the country while the profit-sharing companies that work to immediate gains will naturally refuse themselves to be guided by these considerations.

Another disadvantage in the company management is the desire of each company to appropriate the traffic to its own line. It is quite natural, but when by manipulation of minimum and maximum rates laid down by Government they try to diverge the traffic to their own ports, the merchants are put to a great loss and inconvenience. The one method which they employ is the introduction of block rates in order to prevent other companies' lines from getting the traffic, and thus trade and commerce, instead of being developed on natural lines, are retarded by artificial diversion of traffic, as it compels the merchants to send their goods not by the route which gives them the readiest access to the best market, but by a route which brings the most profit to the railway which happens to pass through the particular places. If all the railways are managed by the State, it will have no interest in maintaining this pernicious system of block rates as the revenue, by whichever route the traffic is carried, will go to the State.

The question of rolling stock will greatly be solved by the State taking over the management. The very fact that during the War and under stress of circumstances Government have introduced the pool system for goods wagons in order to economise the rolling stock is a strong argument in favour of one management.

A further advantage will be that there will be few objections raised against the construction of new lines on the plea that they affected vested interests. If the railways in India are to be developed to anything like the extent now developed in America and Europe, the traffic of some of the railways must be affected. It is in the interests of the country that it should rather earn a somewhat smaller return on 70,000 miles of railway and withdraw all conditions which hamper the development of every part of it than earn a larger return on 35,000 miles only and prevent the opening up of undeveloped tracts. Many instances can be quoted where the maintaining of vested interests has prevented large undeveloped parts from being developed and where merchants are prevented from getting a cheaper transit by shorter routes and are compelled to send their goods by circuitous routes. With the State taking over the management, it will lay larger stress on the development of the country than the present narrow view of the companies earning profits only.

Further, the country will save enormous sums it pays to the companies as their share.

The companies have in the past tried their best to kill sea routes and ports by manipulation of tariff. An instance of this in the experience of this Presidency has been found in the case of the Bombay Baroda and Central India Railway trying to kill the Broach port, which was a very important port at one time, and could be so if left unhindered. This has been a very serious case where the consideration of profits has overridden all considerations for the good of the merchants. How the rates were manipulated by the Bombay Baroda and Central India Railway was clearly described in a petition presented to the Collector by the citizens of Broach, consisting of merchants, shipowners, millowners, tradesmen, etc., in December, 1910. The Government of Bombay, too, strongly supported the contention of the people, and His Excellency the Governor was obliged to remark, in referring to this petition, "Railways are made for India and not India for railways." If the Committee will go through that petition and the minutes of the Government of Bombay, they will be perfectly convinced that this attitude will form one of the strongest arguments to discontinue the present system of the company management.

And lastly, the most important advantage to the country will be that the stores required for the railways will be bought in India as far as the industrial development of the country would permit, instead of in England; this fact will alone enormously stimulate the industrial development of the country as the railways are the largest consumers of stores.

Questions Nos. 2 *to* 7.—As I have already said in reply to Question No. 1, I am against company management, but if Government ultimately decides not to take over the management themselves, I would certainly insist that the managing companies should be domiciled in India. At present they are absolutely out of touch with the needs of the people, and public opinion, except so far as their agents in India report to them.

In case of the Board domiciled in India, it is not absolutely necessary that all members of the Board should be skilled in railway work. There must be on the Board practical men who are in touch with the people and who know their requirements, also members who can be useful to the Board by their knowledge of industries and the method of helping them.

Question No 8.—The question is a curious one. In all countries where railways are managed by companies, the Board is composed of local men and experienced directors who are often interested in particular industries or areas, and no question is raised as regards their impartiality being prejudiced, and even in India there are a few companies where the Board is composed of local men.

Question No. 9.—I think that the combination of the system of management by companies domiciled in England and in India is impracticable.

Part II.

I do not consider the present system of control by the Railway Board satisfactory. The Board is generally composed of railway experts and on it there is no member who is in touch with the requirements of the trade and the needs of the people. The Board should be strengthened by having Indian members of vast experience. The Railway Board in the present system is often powerless to prevent the injustice being done by the manipulation of maximum and minimum rates by the railway companies, and moreover, it connives, to a certain extent, at the present policy of railways, which aims at making large profits instead of providing convenience and facilities to trade and industries, because thereby it can take the credit of giving the largest revenue to the Government of India; and thus I do not consider that the powers of control already possessed by the Government has been sufficiently exercised in public interest.

Part III.

Question No. 17.—I do not consider the supply of funds for railway purposes has hitherto been adequate, both for new construction and for the maintenance and improvement of existing railways.

Question No. 18.—I consider that the policy hitherto adopted of devoting a greater part of the available capital funds to the improvement of equipment and rolling stock of existing railways, and of devoting only a relatively small portion to the purposes of railway extension, is satisfactory and is sound in principle.

Question No. 19.—It is difficult to fix the approximate amount that should be provided annually for capital purposes; this will entirely depend upon the resources for the time being, but there is no doubt that the need is very great and as much money as could be utilised for the purpose consistently with other obligations of Government should be provided for the purposes.

Question No. 20.—I am of opinion that the capital fund required should be raised in India as far as possible and borrowing outside India should be avoided; the other advantages to the country are so great that even if Government have to pay a little higher rate of interest for Indian borrowing, it is advisable to borrow in India rather than outside India; but after the capacity of the Indian market is fully utilised, if any additional amount is required and could be seecured at a reasonable rate from the United Kingdom, I have no objection to its being utilised.

Question No. 21.—I do not consider that the existing arrangements for supplementing by means of the branch line terms the Government of India's resources for railway construction are satisfactory; they will have to be considerably modified owing to the changed conditions in the monetary market. I am of opinion that in order to induce capitalists to invest in railway construction, very liberal terms ought to be offered. After all, the Government have the option of buying all the public companies at the end of a fixed period, and the Government should not grudge the public earning good dividends on their shares during the period. The larger dividend the public will earn, there will be greater inducement for the public to subscribe to the railway

shares, and thus a very large mileage will be built up by public companies. The choice of the Government is not between public companies earning larger dividends and the Government providing all necessary capital at cheap rate, but the choice is between public companies earning larger dividends and providing larger mileage of railways for the Indian requirements, or practically no railways at all, as past experience has shown that the demand for the existing lines are so great that the Government are not able sufficiently to cope with their existing requirements. I should suggest the guaranteeing of a higher rate of interest or rebate from the main lines and the expense by the Government of a smaller share than half after the guarantee dividend is earned. Care should, however, be taken that the shares are not made the monopoly of a few, but public subscriptions are invited and every Indian given an opportunity to subscribe; otherwise good lines may become the monopoly of a few capitalists.

Question No. 22.—I am not in favour of increasing the ordinary share capital of the main line companies as they already earn good dividends and there is a great future to earn higher interest when the country is developed and more branch lines are built, but preference share capital may be issued. This remark does not apply to public companies which may be allowed to raise as large a share capital as is legitimately required for the extension of their lines.

I am in favour of the capital being raised by railway debentures and terminable bonds. As to what method of raising capital would be employed, it would depend upon the circumstances of the money market and should be decided at the time.

Question No. 25.—As to the effect on the ordinary Government borrowings, there is no doubt that the very large borrowings for the very special purpose of the railways may to a certain extent affect the ordinary borrowings, and that is the reason why I am in favour of encouraging public companies to raise capital and construct new railways.

Question No. 26.—I strongly believe that the new railway construction depending upon the power of the Government of India to provide finance must suffer for want of sufficient funds, and has in the past been detrimental to railway improvement and development. In order to meet increased rate of interest and other increased charges, railway rates should be raised in order to make the railways self-supporting, but beyond this point they should not be unnecessarily raised in order to make them profit-making concerns.

Question No. 27.—The statements given show that the railways are making handsome profits after paying interest and other charges, and so long as this is done without detriment to the development of Indian industries, there is no objection. Moreover, it is impossible to estimate the indirect advantage to the country through the development of areas served by them, but this is enormous.

Part IV.

Question No. 30.—I do not consider that the Government exercise adequate control throughout the railway administration in respect of rates and fares.

Question No. 31.—I do not consider that the powers in this respect delegated to the railway administrations have been sufficiently used to meet the complaints of the public. The Railway Board has often helped the railway companies to earn larger profits so that the Railway Board can also show larger profits for Government.

Part V.

Question No. 34.—It is a fact admitted on all sides that the carrying capacity of the various railways is inadequate to the requirements and needs of the various industries served by them. The chief reason is the shortage of capital for the necessary expenditure, but to this may be added the failure to take advantage to the full of the existing rolling stock as indicated by the slow movement.

(*Enclosure not reprinted.*)

STATEMENT No. 50.

See oral evidence, paragraphs 5397/5417.

Mr. GOVERDHANDAS I. PATEL, B.A., Representative of the Ahmedabad Millowners' Association.—MEMORANDUM DATED 2ND FEBRUARY, 1921.

Questions 1 *and* 2.—As State management is found generally very rigid in its working, company management is preferable, with a Board of Directors in India and with able commercial men, railway experts and men with experience of finance and administrative ability appointed on this Board along with representatives of public and social service. On this basis the company management is preferable to State management. Company managements are generally more elastic in working than State management. State management could only be selected provided the subject becomes a transferred subject in the hands of a Minister. The above opinion is found from our experience as members of the commercial community and the study of various enterprises run under company and State managements.

Question 3.—The companies should be domiciled in India as direction of railway affairs by others would be detrimental to the economic interests of the country and would doubtless tend to events of great humiliation and differential treatments.

Question 4.—As the net earnings of railways are increasing rapidly since some years the proportionate share of the net earnings should be suitable and sufficient to keep their interest in the undertaking.

Question 6.—The Board of Directors for companies domiciled in India should be constituted in a manner as to give:—

(1) adequate representation to commerce and industry.
(2) economic development of the country.
(3) development of indigenous industries.
(4) comforts and requirements of passengers.
(5) equal treatment to all the different communities of the public and also administrative facility to the Government.

Question 7.—The Chairman of the Board may be a person skilled in railway work nominated by the Government, but he should not be a permanent Chairman. Nomination should be made at least at the end of three years. In this Board there should be some members skilled in railway work.

Question 8.—We do not see the imperative necessity of such directors, who might be actively interested in particular industries as would prejudice their impartiality. However, the question is very delicate in regard to the drawing of a line between partiality and active interest in the conscience of an individual.

Part II.

Question 10.—Control by means of the Railway Board is not satisfactory at present. There is no adequate representation of various national interests in the present Board and the economic development of the country is retarded under the present system. A radical change in the constitution of the Board, as suggested in our answer to Question No. 6, is imperative.

Question 11.—We have answered this query in our reply to Question No. 6.

The subordinate officers of the Board should for the most part be Indians and not foreigners who would be looking forward to return home after their retirement when their mature judgments are required for the benefit of the country and higher development of the national welfare.

Question 12.—The functions exercised by the Board are not found satisfactory in practice, as it is mostly composed of persons who are connected with the companies managing State railways and who are aspirants for the directorship in London after their retirement. It is impossible to safeguard the interest of the nation when there is a conflict with the companies themselves.

Question 13.—The present Railway Board possess adequate powers for railway administration but the requirements of the travelling public, trade and industry, and development of indigenous industries are greatly overlooked. As the Board consists of members who are not permanent residents of this country it is natural that they cannot be expected to be so very keen as to consider wholeheartedly all the minute details necessary for the growth of public welfare and industrial development.

Question 14.—Government powers are not being sufficiently exercised in the interest of the public, as the machinery to move the Government is, in our opinion, heavy and the masses of India are not able to approach the Government easily, in order to ventilate their grievances and get necessary redress for the same. Sometimes Associations like ours, and such other bodies in spite of regular submission of grievances do not become able to get any relief. In our experience, we have found the Government to be simply a channel to forward the grievances to the railway authorities, without any active interest to take up the matters and get them redressed.

Question 15.—Instead of entrusting any further powers to the Railway Board it is very necessary that the Board itself should be reconstituted in a manner as to give sufficient representation to various important national interests.

Question 16.—The present status is not satisfactory. The President of the Railway Board should have a seat in the Executive Council of the Viceroy.

Part III.

Question 17.—The supply of funds for railway purposes seems to be more than adequate. During the year 1919-1920, the capital expenditure sanctioned was £17·7 millions, which sum is considered to be the largest amount ever allotted during any of the preceding years. There should be a limited capital outlay and minute financial scrutiny (*e.g.*, the purchase of stores, machinery, etc., in the cheapest market of the world) over railway expenditure in the interests of India than that which is already in existence at present. New construction should be given necessary consideration after first making improvements in the existing railways, as well as providing for the maintenance of the same. It is not advisable to go on extending railways on a larger scale until the existing railway systems have been first put on sound lines of management and finance. The present railway systems are considerably vast (as compared with the capacity of the management) and there should first be sound consolidation before any further extensions are taken in hand. Rail-roads may be constructed only as funds are raised in proportion to the efficient working and maintenance of the existing lines.

Question 18.—So long as the existing lines have not been kept under proper equipment and efficient working it is not wise to extend other lines without first providing for necessary funds.

Questions 20 *and* 21.—Funds may be raised in India as far as possible and United Kingdom may also be given a chance for unsubscribed funds and borrowing in the cheapest market of the world should be freely put in practice. Care should specially be taken to keep the foreigners away from having a hold on the management.

Question 22.—Capital may be raised by Ordinary as well as Preference shares (only to the extent of forming a company in India but not exceeding the present capital), and also by means of Debentures, and not by terminable bonds.

Question 25.—Borrowing at a higher rate of interest will positively depreciate the value of other systems and methods already in force in ordinary Government borrowings.

Question 26.—(*a*) We do not think the power of Government of India to provide finance by borrowing or from its balances is detrimental to railway improvement and development, so long as Government takes proper precautions to give the railway their proportionate share.

(*b*) Railway rates under pressing circumstances may be increased in such proportions as to prevent railways from becoming a burden on the general tax-payer. Care should be taken to fix them through expert advice of the General Manager, as well as the Board of Directors, after studying the question in all its bearings and also inviting opinions of important public as well as commercial bodies so that people may be satisfied as to the reasonableness of the proposed increase.

Part IV.

Question 30.—Government do not appear to exercise adequate control in respect of rates and fares. Several representations and examples of unequal rates have not been successfully pressed by the Government on the railways. The undersigned would be glad to give some concrete examples of the rates being inequitable and unjust as well as prejudicial to the commercial classes.

Question 31.—The powers delegated to railway administrations have not been wisely used in the interest of the public. Instances may be given of such types. From our experience we find that the railway authorities have never shown any care to listen to such complaints until they were persecuted by representations to the higher authorities. The undersigned had on one occasion taken up the question of inequitability in rates from Ahmedabad to Madras direct and from Ahmedabad to Madras via transhipment at Dadar. The B.B. & C.I. washed off its hands by asking me to refer the matter to the G.I.P., who on the contrary advised me to refer to the S.M. Railway, and the S.M. Railway in their turn requested me to refer it to the B.B. & C.I., thus ending the matter in a circle of farce. Ultimately, upon my serious representation to the Railway Board with a special request that a further negligence will drive me to the limit of publishing the matter in the papers of London and sending the same to the Directors in London, the matter was seriously taken into consideration and after a long period of several months the inequitability in rates which stood very high was set aside and only a charge of one anna was added for transhipment at Dadar.

Question 32.—The settlement of disputes between the railway administration and traders under the present system is not at all satisfactory. There should be a special Board of Arbitration composed of the members representing railway experts, industrial and commercial specialists, persons of public institutions and social service as well as Government officials.

Question 33.—The comforts and requirements of passengers are not taken into consideration by the current railway administration, which requires a thorough purging of all the various existing evils in the form of overcrowding, insanitary conditions of travelling, want of facilities at different stations for food and drink, inadequate lavatory facilities, unnecessary inconvenience and waste of time in purchasing the tickets on the part of third-class passengers and insolent and indifferent treatment accorded to the travellers by the railway servants.

Part V.

Question 34.—The carrying capacities of the railway have not been so wisely spread over the different centres of railway as to meet the requirements and needs of the various industries, *e.g.*, a small village may have a small railway yard and the least convenience of wagon supply, though the indigenous product in the form of corn, cotton or sugar-cane, may be enormous for exportation than some of the big stations which have vast railway yards but not as much transport of commodities as the said small village. Indigenous trade and industrial productions should be calculated accurately by railway and Government experts, and facilities be so distributed as to meet the requirements and needs of each part and section of importance.

Question 35.—It is expedient to open and develop small harbours or ports at such places where river or sea facilities are likely to be of use, so that the burden of traffic on the existing railways may be lessened and greater needs of the general public may be served on the lines of European and American river and canal transport systems.

GOVERDHAN I. PATEL,
Honorary Secretary,
Millowners' Association.

Ahmedabad,
2nd February, 1921.

STATEMENT No. 50 (A).

SUPPLEMENTARY STATEMENT of Mr. GOVERDHANDAS I. PATEL, B.A., the Representative of the Ahmedabad Millowners' Association.—DATED 5TH FEBRUARY, 1921.

I and II.—If State management cannot become a transferred subject in the hands of a Minister which is our "Ultimate Ideal" we would like to prefer State management simple and pure, as an immediate step in preference to company management with a board of directors in London.

IV.—No further share capital should be issued.

VIII.—This is a very curious question, being a reflection on the Indian character, and it would be wise to remain silent over this in view of its all-round applicability.

XXXIII.—Refreshment arrangements for third-class passengers are miserable. The Indian refreshment vendors are charged forty or fifty times more than the European refreshment bars. We would like to recommend the committee to get a statement from the B.B. & C.I. Railway on this important point of sheer injustice to the Indians.

Since more than fifty years the railway company or the Railway Board have not made any move to make arrangements for Hindu refreshment rooms on an important central junction station like the Ahmedabad station. This is a clear example of gross negligence and utter failure of the company and the Government to look after the comforts and needs of the general public.

There are several under-currents of public sufferings which if required the undersigned will be glad to explain with general and particular examples.

Fairs and pilgrimage trips of third class passengers are made under inhuman conditions worthy of contempt.

XXXV.—Indigenous industries of Ahmedabad district and Gujrat have suffered very badly by block-rate systems. By transferring the yarn and piece goods to the fifth class a rise of 125 per cent. had resulted and the water-borne transport facilities were intentionally uprooted by the railway company. We see no reason why Messrs. Killick Nickson or others should not be again given the facilities of water transport systems at Broach, Dholera, Surat and such other places when the railways are short of wagons and transport facilities.

The terms and conditions of the risk-notes should be revised in view of the great injustice caused to the public by the current system.

At least sixty per cent of the higher and subordinate posts over Rs. 200 should be given to Indians only.

Inter class accommodations ought to be immediately provided for as suggested by the railway board on those lines which have as yet failed to carry out the recommendation.

STATEMENT No. 51.

J. R. REYNOLDS, ESQ., C.I.E.—Manager, Bombay Port Trust Railway.—LETTER DATED 4TH JANUARY, 1921.

I have the honour to state I served on the B.B. & C.I. Railway as a Traffic Officer for 18 years, out of which I was for four years Assistant to the General Traffic Manager, Mr. Hanson. I have also been eight years Manager of the B.P.T. Railway and am therefore perhaps the only officer in India who is serving under a board constituted in India on the lines of the Bombay Port Trust Board and who is also in charge of a broad gauge railway, which is a member of the Indian Railway Conference Association. See oral evidence, paragraphs 5418/5436.

I have no hesitation in saying that work is enormously expedited under a board located in India. I never had anything to do directly with an English board, but I saw the results and have heard much more.

Very often important matters have been dealt with by the Port Trustees the same week as put up to them and the Board have called me to their meetings when necessary to discuss cases.

Nos. 6 & 7.—It appears that a board constituted somewhat on the lines of the Bombay Port Trust Board would safeguard the interests of Government and might be the only possible constitution—railways being public services in any case, and in India largely belonging to Government, might very well be considered public trusts. In fact there seems to be little difference between the position of a port and a railway.

I have not found that the Port Trust Board deals except as required with the technical details of working the railway. Presumably each member watches the interests which he represents. It appears that a railway should employ officers who are capable of carrying on the work of the railway and that its board should confine itself to general policy and finance and not be burdened with small details. I have not yet seen a board which has time to go into such details. For this reason it appears the managing director of the board of a railway should be a railway officer, similar to the agents.

I am in doubt about other members of the Board being skilled in railway work, by which I presume is meant that they are or had been railway officers. It is only in the large centres that railway officers in service would be available and they would be officers on other railways. It appears it would result in dual control. On the other hand it might assist in uniformity of policy and might be met by insisting on reciprocity, *i.e.*, the agents of all railways in one centre being on the boards of all the other railways.

This introduces the question of the composition of the boards in large centres. If Government and the public bodies elect different members for different boards in one centre, there will not be a uniform policy. Of course there may be different out-station members, but it appears doubtful if these will be able to attend many meetings. The number of persons eligible to be members of boards will therefore be rather limited, even in large centres.

It appears a desirable policy for heads of departments to attend board meetings and by this means to introduce the necessary technical element rather than have board members skilled in railway work. The board would thereby get to know its senior officers and the latter would learn the policy of the board and the railway in general. A great deal of unnecessary work would be saved. I have always found it of the greatest assistance to be present at discussions of the Port Trust Board.

It appears to me that such a system would also help to get over an anomaly which at present exists on Indian railways, inasmuch as the management (or agency) is not always centred in the head of the so-called traffic department.

That the traffic and not any other department is really the managing department appears to be axiomatic, but, be that as it may, the opportunity for the heads of other departments to explain matters which affect them to their board would tend to produce smooth working.

STATEMENT No. 52.

BOMBAY PORT TRUSTEES.—MEMORANDUM DATED 1ST FEBRUARY, 1921.

Borrowings for Capital Works.—The Bombay Port Trustees derive their funds for the carrying out of capital works either by loan from Government or by borrowing in the market by tender for debentures. The debentures are repayable at the end of a definite term of years stated in the debentures (usually from 30 to 60 years) and a fixed rate of interest is paid throughout the term. See oral evidence, paragraphs 5418/5436.

2. From 1899 to 1920 the Trustees have raised about 11 crores of rupees on debentures, the rate of interest being 4 per cent. until 1916, when the Trustees had to increase the rate on the loan raised in that year to 4½ per cent., and to 6 per cent. in 1919. In 1920 the rate increased to 6½ per cent.

3. In addition Government has advanced the Trustees 138 lakhs of rupees during the years 1916, 1917, 1919, and 1920.

4. In the years 1909 and 1910 borrowing in India at a good rate was practically impossible and the Board went to the London Market and borrowed £500,000 in 1909 and £500,000 in 1910. The first loan was floated at £96 9s. 0d. per cent. and the second at £95 10s. 0d. per cent. The rate of interest on the loan was 4 per cent. and the term of the loan was thirty years.

5. Speaking generally the Trustees, in normal times, have had no difficulty in getting their funds for capital works in the manner before mentioned, but the effects of the war have made a marked change in the money market and future prospects are uncertain. "A higher rate of interest and shorter periods for repayment are demanded at present, and it is not possible to predict how long the present conditions may continue. At present the Bombay Government is providing the Trustees with funds by allotment from a loan raised by Government from the public for the development of Bombay. The present rate of interest is 6½ per cent., and the loan is repayable to the public in 15 years. Government has agreed to give the Trustees a term of 30 years in which to repay their indebtedness to Government on this loan.

See oral evidence, paragraphs 5137/5470.

STATEMENT No. 53.

Sir M. VISVESVARAYA.—MEMORANDUM DATED 31ST JANUARY, 1921.

The circumstances of the country to-day require a radical change in the existing system of railway operation and administration. The railways fulfil the primary purpose of transportation fairly well enough, but their effect on trade, industry and internal development of the country has not been all that could be desired.

The railway system of the country is its greatest asset. The outstanding railway borrowings amount to nearly Rs. 366 crores or 65 per cent. of the total public debt. The gross railway receipts amount to Rs. 90 crores or nearly one half of the total revenues of the country. In view of the recent pronouncements of Government in favour of industrial development, fiscal autonomy, separation of provincial finance, etc., it seems desirable that the handling of this large sum should be controlled by the State. Such control cannot fail to increase money power and credit and materially aid in the internal development of the country.

As between State working and company working (both forms of operation obtain abroad), State working has undoubted advantages in the present circumstances of India. When the Provinces become autonomous, as they will in due course under the Reforms Scheme, the public would like to see their railways controlled and operated by themselves. Provincial autonomy would lose much of its importance if the railways of the Province which form its chief asset should continue to be administered from outside. In view of the declared policy of the British Cabinet to prepare the country for responsible Government, it would be in the fitness of things to transfer the railways, as speedily as circumstances permit, to the control of provincial administrations.

Scheme for Provincializing Railways.

My suggestions for the future working of railways are briefly these:—

(1) The railway systems of the country should be provincialized. All existing railway lines within a Province should be administered by the Provincial Government, and all new ones projected and constructed under its orders or supervision.

(2) The railways in each Province may be constructed and worked either by the State or companies, or by both, according to the circumstances of each case.

(3) The railway debt of the Government of India (about Rs. 366 crores) should be distributed by Provinces in proportion to the assessed value of the railway property in each.
The Provincial Governments should be held responsible for payment of interest charges and reduction or redemption of the railway debt.
The same Governments should be responsible for getting up new projects, and raising fresh loans as required for their construction. The Government of India Act of 1919 has already empowered the Provincial Governments to raise loans for such purposes.

(4) A few strategic lines on the north-west border and in Burma may be under the direct control of the Central Government, which may exercise special supervision over all trunk lines and general supervision over the entire railway system in regard to standard, gauges, etc., to ensure uniformity of working and to safeguard the interests of the country as a whole. The Central Government should be able to take over under its own control, if required, the entire management of trunk lines in an emergency and it should also retain supervisory power in all inter-Provincial and inter-State disputes.

(5) The Railway Board may be abolished and, in its place, a Minister or Member of the Central Government should be responsible for railway administration along with that of ports, harbours and shipping. He may be assisted by an Advisory Board composed of about seven members representing the various interests of the country.

(6) Similarly the railway system in each Province should be under the control of a Minister assisted (1) by an Advisory Board of seven members representing the various interests, namely, the travelling public, agriculture, trade, industry and labour, and (2) by a competent technical staff. The latter may join in the deliberations of the Board but need not have the power to vote. In future the same Minister may be responsible also for all work connected with provincial ports and shipping.

Aids to Internal Development.

The following measures are necessary in order to utilise the railway system as a laboratory for developing local resources and local talent and enterprise:—

(1) If provincial railway administrations guarantee for a term of years the local purchase of rails, locomotives, machinery and railway supplies generally, business men will be quite ready to start factories for their manufacture. We have every resource required for the purpose save experts, and these may be imported on high salaries. Such a measure will not only give a great impetus to local industries but will lead to enormous savings in the moneys spent abroad. The savings will increase the wealth of the country and will be available for constructing new railways and for other developments.

(2) In suitable cases, the provincial railway administrations should themselves start the manufacture of railway machinery and supplies, till private agencies come to the rescue.

(3) Until local industries are started, purchases may be made by the provincial governments either in open competition or through local firms. This will lead to the speedy establishment of firms of repute locally, and promote circulation of money and credit and business enterprise in the province.

(4) Local Unversities should be made to provide the highest training needed for mechanical engineering, loco., traffic and account departments on our railways. At least a dozen graduate apprentices should find employment every year in the higher grades of the railway service of each province.

(5) Railway schools are needed to train subordinates, foremen, mechanics, accountants, etc., and railway workshops should be thrown open to all eligible young men without charging heavy fees for the training and without distinction of race or creed.

Defects in the Existing System.

My experience of the practical working of Indian railways is chiefly derived from Mysore in Southern India where, as stated by the Madras Government, the railway administration is considered unprogressive. As Secretary for Railways for three years and subsequently as Chief Minister of that State for six years, I had occasion to meet, and discuss railway projects and problems with the Members of the Railway Board, and some 200 miles of new railway was built by State Agency in my time.

The Railway Board has over-centralized authority and paralysed local initiative and effort. They seem to work without a policy of their own, and while exercising plenty of control give no lead and show no initiative. They are slow to move and when disputes arise their intervention is not happy. I am not referring to individual officers of the Board who were good men in their own way; I am speaking of the system.

As a result, the railway system of Southern India is a study in irregular alignments and omissions. Three specific instances may be mentioned to illustrate my point:—

(1) There is no through communication, north to south, along the middle or western half of the Peninsula. In the hope of establishing such a communication, the State with which I was connected offered to construct and work a short link of about 110 miles needed between Nanjangud and Mettupalaiyam if the Railway Board consented to finance the British section—a matter of about 30 miles of hill country. But there was no response. For lack of this connection travellers from the Bombay Presidency have to go all the way to Jalarpet, in the middle of the eastern half of the Peninsula, in order to get to Mangalore or any point on the West Coast of the Presidency.

(2) A short length of 300 miles is needed to link up Shimoga on the Southern Mahratta Railway with the West Coast and with Mangalore on the South Indian Railway, but there has been no inclination to discuss this project.

(3) Perhaps the most glaring omission is the refusal to allow the Mysore State to complete a short circuit between Bangalore and Hosur, a distance of 24 miles. The offer of the Mysore Government included compensation to the railway which claimed vested interests, but the compensation was not considered adequate. To this day passengers from Bangalore have to travel nearly 200 miles in order to reach a destination only 20 miles as the crow flies. The railway map of Southern India is tell-tale evidence of this lack of policy and local interest which is causing many avoidable hardships and loss of time and money to the general public.

Railway Finance.

One of the objects of the present enquiry, according to the terms of reference, is to consider the greater utilization of private enterprise and capital in the construction of new lines. This object can be best secured only by treating the railways in each Province as a collective unit controlled by the Provincial Government.

When any considerable body of people in a district of the Mysore State petitioned His Highness' Government for a local railway, they were asked to meet the Government half way. This they did through their District Boards which levied a railway cess and raised loans from the people most interested in the local project. There is great scope for raising loans by enlisting local patriotism in this way all over the country. India is too large an area to attain this object in any other way.

On behalf of special industries, large demands have been made for new lines, or for doubling existing tracks and additions to rolling stock. In such cases, the industries concerned should be asked to find part or whole of the capital, or to supply their own rolling stock, and I believe many of them will respond.

Each Province may make its own arrangements to raise funds or levy cesses from the people; only in exceptional cases need the Government of India be invited to stand security for the loans

The present practice of mixing up railway receipts with the Government of India finance is misleading and has to be discontinued. Only that portion of the net earnings which it may be proposed to merge in public expenditure need be brought on the Government Budget.

For a long time to come, Government will need money for expenditure in many directions, and railways must of necessity be worked commercially. In the Provinces, this is best done under the watchful eye of the Provincial Government. After Provincial finance is separated, the Government of India may claim either a percentage of the net revenues credited in the Provincial accounts; or levy a sur-tax independently of the Provincial Government or a small percentage charge on the gross receipts of each railway or system.

Summary of replies to Committee's Questions.

As my main point is to urge the provincialization of railways, I need do no more than sum up my replies in the order of the terms of reference:—

(i) Direct State management is preferable to management through companies domiciled out of India.

Company management, mainly through indigenous agencies, would become possible if the railway systems are brought under the control of Provincial Governments.

(ii) The Railway Board should be abolished and its place, in the Central Government, taken by a Minister, or Member of Government, assisted by an Advisory Board.

A Provincial Minister and a Provincial Advisory Board should likewise be in immediate charge of the railway system of each Province.

Advisory Boards will answer the purpose, since in each of these cases there will be a separate Legislative body to control or influence the policy of Government.

(iii) The financing of railways should be attended to by the Provincial Administrations concerned. Local interests and patriotism should be enlisted in this behalf and there should be no objection to borrowing from England or from abroad, if necessary, for financing productive undertakings. The formation of indigenous companies should be specially encouraged.

(iv) Rates and fares will be satisfactorily controlled if the railways are provincialized. The raising of railway rates whether of passenger or goods traffic is tantamount to a levy of taxation on the public and as such should be subject to a certain amount of public control.

(v) Among matters germane to the enquiry, the following may be mentioned:—

(1) More humane treatment should be accorded to the travelling public.

On mail trains, the middle class and the third class travelling public should have a refreshment car where not only light refreshments but substantial food of the character to which they are accustomed is provided.

(2) A special effort is needed to enforce civil behaviour towards the local travelling public on the part of railway officials.

(3) All unreasonable discriminations between persons, localities or different classes of traffic should be abolished.

(4) More attention is needed to stop corruption and thefts on railways. Difficulties in these respects were experienced in an acute form in connection with war measures and food control.

To provincialize railways is merely a process of decentralization. It will bring the railway administration of the country into line with recent policy. In some of the larger countries, such decentralization exists already and some of the smallest States in India at present find it advantageous to own and work their own railways. The Provinces should encourage by grants of land and financial accommodation the formation of local companies. Even as a means of developing the executive ability of the people, there is strong justification for this measure.

The present railway mileage is very inadequate, and considerable extension will be necessary before long. How is this to be secured in a reasonable time, unless the people who bear the burdens and share the benefits are brought into closer contact with their respective groups of railways and unless each group is worked in closer co-operation with the interests of the public using it? How are new lines to be financed without enlisting the self interest and sympathy of the people most concerned? How again is the country ever to provide its own experts, if education is not given in our colleges, training not supplied in our workshops and opportunities of service not found on our own railways?

STATEMENT No. 54.

THE GRAIN MERCHANTS' ASSOCIATION, BOMBAY.—NOTE DATED 29TH JANUARY, 1921.

See oral evidence, paragraphs 4186/5502.

Question 1.—My Committee are of opinion that railways owned by the State should be managed directly by the State for the following amongst other reasons:—

(*a*) The management by companies has been proved to be adverse to the interests of Indian trade as was evidenced.

(1) by the preferential treatment of booking goods.

(2) by framing rules detrimental to the interests of the merchants.

(3) by great disregard for the supply of facilities, such as wagons' covered protection for goods awaiting despatch, etc.

(*b*) Companies are after all out to make profits and they naturally manage railways entrusted to their charge purely in the interests of their shareholders and the ultimate interests of the country as such thereby suffer. Even with regard to management on business lines, my Committee fear, that undue prominence and attention is given to foreign trade at the expense of indigenous trade; e.g., rates for carriage from Cawnpore to Bombay are little higher than rates between Bombay and Jalgaum, although the distance in the first case is double the second.

(*c*) Exigencies of War and also quick transport of goods require centralization and standardization. This is hardly possible with company management. State ownership management will make it feasible to run rolling stock all over India. Wagons of particular railways at times have to be idle at present times because they cannot be utilized for traffic in directions opposite their own line.

(*d*) Absolute indifference is evinced by the present railway management to the grievances of third-class passengers. The chronic overcrowding of third-class passengers and treatment by the railway staff as if they were cattle, is in itself a grave condemnation of the present management. Only last year a serious accident occurred resulting in deaths and severe injuries to many persons caused by passengers having to travel on footboards owing to the carriages being full to overflowing. This serious incident alone ought to have been a severe warning to draw the attention of the G.I.P. Railway Company that there was overcrowding in their suburban service which existed long before this incident took place, at the same time the company had enough rolling stock to run specials for the Poona races, an index of the working of the company management.

(*e*) My Committee remarked that there is not a single Indian in the higher grades in the G.I.P. and B.B. & C.I. Railways who can enter into the spirit of the complaint of the Indian merchants and try to remove the causes thereof. They feel at being time after time repulsed when attending to settle their claims, to ask for facilities in booking on particular lines, to discuss rates, etc., while the Indianisation of services is going on all over the country, and it is sad to find even a solitary Indian's place usurped when Babu Brijmohanlal, A.T.S., of the B.B. & C. I. Railway retired, who filled that post to the entire satisfaction of the public, and we presume, of the railway company as well. Even at present raw and inexperienced men coming to India for the first time, are posted on responsible places while Indians of ability and experience are neglected.

(*f*) There will be a large saving to the State, which in the shape of the share of profits of the companies in company-managed concerns goes to such companies.

Question 2.—My Committee are for direct State management.

Question 3.—My Committee are not in favour of company management at all, whether the domicile be in India or the United Kingdom. My committee do not think there would be any remarkable change even if companies have their domicile in India, because the motives actuating the line of action will still remain the same. Sir Ibrahim Rahimtulla, moving his resolution in the Imperial Council, observed the interests of India demand that the centre of control of the management of the entire system of railways should rest with the Government of India and that they should be worked primarily in the best interests of the people of India and that nobody disputed the fact that the railways should be worked purely on a commercial basis irrespective of every other consideration by the railway companies.

Questions 4, 5, 6, 7, 8 and 9.—My Committee have not answered the above questions as they are against any company management howsoever such management might be improved.

Question 10 *and* 11.—My Committee do not approve of the system of control by the present Railway Board as satisfactory. It consists entirely of railway men who are out of touch with Indian commercial people and specially with Indian public opinion. They suggest its reconstitution with a fair proportion of Indians, of whom at least one or two should be representative of the Indian Commercial community.

Question 12.—My Committee have not much experience of this, but from what they have seen of the relations between the railway companies and the railway board, they think that the present exercise of the powers of the railway board with regard to the railway companies is extremely weak. Complaints with respect to chronic delays in settling claims, moving goods, imposing arbitrary rates without previous notice and requests for better facilities for goods and traffic are invariably referred to the railways concerned by the Board, thus showing that Railway Board has practically no control over railways. At the same time most of the proposals such as increase in rates, framing new rules, etc., put forth before the Railway Board by the Companies are sanctioned by the Board without even being placed before the public for their opinion.

Question 13.—As stated in answer to question No. 12 in matters relating to the requirements of the travelling public and of trade it has been seen on all occasions that the railway hardly interferes with the different railway administrations in the exercise of its powers. The result is that representations from the public to the Railway Board against railway companies remain unheeded and unattended to. My Committee believe that greater powers of control should vest in the Railway Board.

Question 14.—Whether the powers of the control in such matters already possessed by Government have been sufficiently exercised in public interests or not, the fact remains that the Railway Board so far as it affects the public, exists only in name.

Question 16.—The Railway Board is at present, my Committee understands, under the Department of Commerce. My Committee are of opinion that the Member of Commerce should always be an Indian. If, in future, railways are placed in charge of another department, the member in charge of this should likewise be an Indian. My Committee believe that the Railway Department is of so vital an importance to this country that it should always be in charge of an Indian member of the Executive Council of the Government of India.

Question 17.—My Committee do not consider as satisfactory the present system of financing by making railway finance depend on the exigencies of the general budget of the country. The supply of funds should depend upon the needs of the railways whether for new construction, for maintenance or improvement of existing railways.

My Committee are not in a position to reply to questions 18, 19, and 21.

Question 20.—The Capital funds required should be raised in the cheapest market, preference being given on the same terms to, in the shape of debentures or loans only.

Question 22.—The method should be by debentures raised by the Railway Board and in India as far as possible. In the present state of the world's finance and the great depreciation suffered by non-redeemable loans, people will more readily take the terminable bonds, redeemed by a suitable sinking fund created for the purpose.

Question 23.—Nil.

Question 24.—As the war has made people familiar with big issues it should be possible to raise at least 10 crores annually in this country. The country have so far adopted the short-sighted policy of refusing to pay more than three and half or four per cent. and strangled railway development in spite of the knowledge that on the whole we were earning over six per cent. and on many occasions more.

Question 26.—My Committee think that instead of increasing, if that is found absolutely necessary, the rates all round, a revision in rates, such that the articles of luxury are charged more than articles of necessity as food, coal, etc., should be made. Also the great disparity in rates for export goods and goods moved between non-seaport places, should be done away with. This, however, would not affect the older railway lines which have already spent cheap money on capital outlay. Moreover, so long as it is not proved that railways are losing concerns or do not yield sufficient income, there should be no general increase in rates, as high rates work detrimentally to the trade of the country

Any increase in rates is sure to work detrimentally to the trade and industry of the country as well as to agriculture, which very largely depends on railways to reach profitable markets. Therefore there should be no increase until a deficit is proved.

It should be remembered that the bulk of the money has already been secured at 3½ per cent. and Government is not going to pay 6 per cent. on it to-day. Therefore present interest rates do not affect the bulk of the present investment. Further, it is by no means certain that interest rates will remain as high as they are to-day. We had similar arguments about commodity price and commodities are falling rapidly to normal. The level of prices determines the total volume of finance required at any given moment, and so with a return to normal commodity values the strain on the money market of the world will be appreciably relieved and money should become appreciably cheaper. The principle to be followed, therefore, in any increase of rates should be similar to that for say, the Port Trust, *i.e.*,

(i) Rates should be such as to cover current liabilities with a reasonable margin in hand for further development.

(ii) The increase should be higher on luxuries and lower on necessities either of life or of industries, *e.g.*, coal, grain, because increases on such prime necessities work up with culminative effect and unduly inflate the cost of the ultimate product.

(iii) Such increase should be preferably in percentages on present tariff, in the form of sur-tax, so that when the development of revenues justifies it such sur-tax might be easily reduced or struck off.

All efforts should be directed to the best development of the railway property to get the large revenue out of it not by increased rates, but by greater efficiency. Anyone can raise rates and get more revenues from a thing like railways, because they are the greatest monopoly in any country and the people are absolutely at its mercy particularly so in a country like India where other competing forms of transportation practically do not exist. In America and England, where the railways are mainly private properties, the permission to increase rates is most grudgingly given, and only on indisputable proof of its necessity. Here the principal owner is the Government itself and so any increase should be still more carefully considered and avoided as long as possible

Question 27.—My Committee do not desire to answer.

Question 28.—Nil.

Question 29.—Nil.

Question 30.—My Committee think that Government do not exercise adequate control over railway administrations in respect of rates and fares as is shown by the disparity in rates and by the almost autocratic manner in which rates and fares are manipulated without consulting the trade or even informing them beforehand

Question 31.—Powers in this respect delegated to railway administrations have not been used in the interest of the public. The present increases in the rates for coal and grains on several lines are quite recent instances in point to show how such increases are made by the railway companies without reasonable and sufficient grounds, and causing a deal of inconveniences and troubles to the public. My Committee strongly feel that rates of grain were put up at a time when grain was required to be moved from province to province and when a concession rather than an increase was expected.

Various matters of importance to the trade were referred to the railway administrations and some of them to the Railway Board. The Railway Board has almost invariably referred the matters to the railway administrations concerned. Railway administrations have acted almost in all cases arbitrarily ending in reply to arguments with a curt reply referring to their previous letters

(1) Risk Notes with remarks " liable to wet " were being obtained unfairly.

(2) Railway Receipts with marks " said to contain " were being issued to shirk the liability of the railway company.

(3) Risk Notes under forms " A " for old bagging were being obtained, although the bagging was new, as proved by later surveys.

(4) Under the protection of Risk Note A the Railway Companies refuse to hand over even sweepings which admittedly belong to the consignment, even when there is abnormal shortage in direct route without transhipment.

(5) Under Risk Note " B " railway administrations claim immunity even for heavy shortages beyond all ideas of wastage in transit.

(6) Long delays in delivering goods, parts of consignments being delivered as late as two to four months .

(7) Long delays in settling claims of shortages, etc.

(8) Short free time allowed for effecting deliveries and no holidays except two christian holidays allowed, not even the Universal Hindu and Mahomedan Holidays.

(9) Unnecessary annoyance to merchants in having to waste time and energy in addressing in the first instance " The Agent " (who is meant by the word " The Railway Administration ") instead of the Traffic Superintendent or Goods Superintendent or the Deputy Traffic Manager Commercial, who, as the Agent himself says, has full authority to settle the matter.

(10) Abnormal rates of wharfage at Bombay, although shed accommodation at Wadi-Bunder and Carnac-Bridge is tented out to European firms.

(11) Obstinacy of some of the Railway Administrations not to acknowledge or reply to letters addressed to the Agent and other parties.

(12) When the consignments travel over various railways the consignee is not informed which railway is to be held responsible and he has to give notices to and make all the railways concerned parties to the suit.

(13) Opening or closing of booking of goods at stations is not notified beforehand with the result that the staff find it convenient to inform their friends in private of such opening or closing and thus get their price of the bargain and the merchants are compelled to pay abnormally high rates of cartage.

(14) High-handedness of the companies in taking laws into their own hands in their many dealings with the public as will be seen from the Bombay High Court suit No. 2097 of 1920.

(15) Impertinence of the companies upon carrying out their own laws even when the legal judgment of Supreme Court is against them, *e.g.*, claiming that they are not liable for goods left on their premises without obtaining the receipt thereof.

Question 32.—My Committee are not aware of any such Commission having been appointed at any time, although companies have never up till now provided facilities for traffic as laid down in Indian Railway Act. In fact their only remedy at present seems to be a suit in a court of law. This state of things is not at all desirable and my Committee suggest that at least in big commercial towns, there should be a committee of Indian commercial people who should act as a committee of arbitrators.

Question 33.—My Committee recommend the amendment of the Indian Railway Act to the following extent:—

(1) The meaning of the word administration as defined by Section 141 should include general traffic manager, deputy traffic manager commercial, the goods superintendent or traffic superintendent.

(2) Section 77 of the Indian Railway Act should be amended in such a way that there would be no necessity of serving notices to all the railways concerned.

Question 34 —The carrying capacity is not at all adequate. Reasons are that wagons of all the railway companies have no uniformity of structure. The staff at the transhipping junctions where the wagons are diverted are insufficient and inefficient and a good deal of time is taken in transhipping goods from broad gauge wagons to metre gauge wagons.

Question 35 —My Committee recommend the following suggestions in addition to the above:

(1) Overcharges should be refunded even if the claims of notice of such claim are not served.

(2) Risk Note forms A, B, C and H should be amended.

(3) Wharfage should be reduced especially in Bombay.

(4) Free time for taking delivery of the goods should be increased.

(5) The wharfage should be charged on public and gazetted holidays.

(6) Claims should be settled within six months and, to facilitate this, Risk Notes should always accompany the invoices.

(7) Letters addressed by the public to the railway officials should be forthwith acknowledged.

(8) The railway management should be compelled to take charge of the goods after their entry into the railway yard and to be held responsible for these goods.

(9) The railway management should be held responsible for the goods till they are delivered actually to the consignee.

(10) A time limit to despatch the goods after they have been booked must be fixed.

(11) Railway management must notify the increase of rates on every station of their line.

(12) Time of opening and closing of bookings in case there are restrictions should be specifically notified to the public.

(13) Railway management should not be allowed to charge wharfage if the railway receipts are received late on account of postal strike, etc.

(14) There should be representation of Indian mercantile community in railway conference.

(15) There should be an arbitration committee appointed consisting of railway officials, merchants and lawyers to settle claim disputes.

STATEMENT No. 55.

RAI SAHEB CHANDRIKA PRASADA, retired Assistant Traffic Superintendent, Bombay, Baroda and Central India Railway.

Part I.—Management of Railways owned by the State.

Answer to Question 1.—I consider that the railways owned by the State should be managed directly by the State. See oral evidence, paragraphs 5525/5538

I served for about 39 years on both State-worked and Company-worked State railways and am therefore in a position to give my opinions after a long personal experience of both systems. I prefer the State management for the following reasons:—

Firstly. The State management is amenable to the Government of India in India, which can be influenced by the representatives of the people; while the companies' manage-

ments are directed by their Boards sitting in London which are not in touch with the people, nor can they be influenced except where bound by the express terms of their contracts.

Secondly. The State management naturally works in the interests of the public, while companies' managements aim at profits only and overlook the general interests of the public and development of the country.

Thirdly. Treatment of Indian passengers and traders is generally better on State-managed than on Company-worked lines.

Fourthly. As a matter of fact State management is cheaper than the companies'. Take, for instance, the salaries of higher officals, which are higher on the companies' managements than on the Government lines.

Fifthly. Whatever profits are made by the State they are used for the pubic or go towards the reduction of taxation; while the profits made by the companies are divided between the Government and the shareholders of the companies.

Sixthly. Government have a larger field and employ a much larger number of expert officials than the individual companies, and are therefore in a position to obtain the best men on better terms than the companies do. As a matter of fact companies often draw their officers from the Government service by offering them tempting emoluments.

Seventhly. In the matter of raising funds whether for additional works on open lines or for the construction of new railways, Government can obtain loans on cheaper terms than the companies.

Eighthly. Government management must be impartial in the employment of its servants as in the case of public services; companies' management are partial to Europeans and generally against the children of the soil.

Ninthly. Divided interests created in a single concern by the employment of different companies for the working of the State railways are responsible for the following irregularities, which involve large sums of extra expenditure and serious inconvenience to the public:—

(*a*) The complicated tariffs which the Government of India have been trying to get simplified for the last 40 years or more, but have failed on account of opposition of the companies. The puzzling tariffs and differences in the general classification of goods on the different railways lead to over-charges and under-charges against merchants and general public, resulting in serious delays, annoyance, extra expense, long correspondence and at times litigation in the settlement of claims on account thereof.

(*b*) Anomalous rates for goods charged in numerous cases which are detrimental to the development of Indian industries and to the public benefit generally.

(*c*) Difficulties experienced in the provision of carriage and wagon stock on occasions of large fairs and rushes of goods traffic on one railway, while stock might be lying idle on other lines.

(*d*) Longer haulage of goods by circuitous routes created by competition between different administrations where the traffic would be carried by the direct (shortest) route if the working of all State railways were in the hands of the State.

Tenthly. There would be the following advantages if all State railways were managed by the State:—

(*a*) The railways would be managed as one concern upon uniform principles instead of in different pieces under different administrations with divided and conflicting interests.

(*b*) There would be one simple tariff of rates and fares, removing all the puzzling complications which nobody seems to understand at present. It would remove also the block rates at present quoted by one administration against routes administered by other administrations in order to keep the traffic to its own route.

(*c*) All surplus profits which are taken away by the English companies would remain in the State treasury and reduce taxation.

(*d*) Working expenses would be largely reduced by—

(i) Economy in haulage by direct routing of traffic under uniform mileage or through scale rates which is at times carried by circuitous routes.

(ii) Advantageous concentration of surplus rolling stock on occasions of fairs and rushes of goods traffic, thereby reducing capital cost on extra carriages and wagons provided for separate administrations.

(iii) Reduction of salaries of higher officials and abolition of London Board expenses.

(iv) Greater employment of Indians in the superior grades.

(v) Abolition of the hire system for rolling stock interchanged between the separate administrations, and of the division of joint expenses at junction stations between two or more administrations.

(*e*) Help to industries by placing large orders for railway requirements in the hands of Indian manufacturers, instead of obtaining them from foreign countries.

(*f*) Administration of railways as part of the machinery for the general development of the country. If, by giving specially low rates for nascent industries, there is likely to be some temporary loss to the railway on that part of the traffic, the State will be justified in considering it a reasonable charge on the general revenue of the country, while a company working on purely commercial lines will refuse to carry any traffic at a loss. But the action of the Government will be the surest means of permanently enhancing the utility and therefore the profits to the State to be derived from the railways.

(*g*) Finally, State management is more responsive to the public opinion and when thoroughly established would provide better accommodation in carriages and waiting rooms, proper arrangements for Indian refreshments, larger number of trains to avoid over-crowding of passengers and detentions at present caused to passengers at stations; and it would on the whole give better service to the public all round.

(*h*) So far as economy and efficiency are concerned, the State has decided advantages over the companies' working of railways, as also in the matter of raising capital for the construction of new railways. The Government have a better credit than the private companies and can raise the capital on much better terms.

Eleventhly. The following are the disadvantages from the company management of Indian State Railways:—

(1) The Boards of Directors of the Companies are located in London, over 4,000 miles away, and are not in touch with the Indian public.

(2) Having an eye to profit only, the companies overlook the general interests of the public and development of the country.

(3) Indifference of the companies towards development of Indian industries and their general policy to favour long distance traffic which is generally in foreign trade, *i.e.*, their differential treatment of foreign trade and provincial or inter-provincial trade injuring local industries.

(4) Differential treatment of Indians and Europeans or Anglo-Indians in the matter of employment of the staff, provision of passenger accommodation in trains and at stations, etc.

(5) Conflicting interests created in a single concern by the employment of the different companies, and their rivalry resulting in Block-Rates which are not at times helpful to the development of the material resources of the country, its trade, commerce and industries.

(6) Frequent unreasonableness of the companies, and the present arrangement by which Governments in India have to reason with railway officers who can always evade responsibility by an appeal to their Boards of Directors who correspond direct with the Secretary of State in London, as stated in paragraph 5 of the United Provinces Government letter No. 67-673-R., dated the 7th February, 1917 A similar complaint was made by the Government of India in their despatch No. 28 of 22nd March, 1869, to the Secretary of State, in which they wrote that their decisions were not accepted as final in India, but were habitually referred to the Board of Directors in London (page 98 of Railway Policy in India by H. Bell).

(7) While the maximum of profits goes to the companies, the country does not obtain the maximum advantage it could and should have from its railways.

(8) Want of economy in the use of rolling stock, owing to each administration having its separate stock and charging hire to other administrations, which prevents concentration of stock in times of need on emergent occasions like the Kumbh melas, etc., when one line is unable to meet requirements while stock is idling on another line.

(9) Complicated tariffs of rates maintained by the different administrations involving great expense in staff and printing charges, and serious trouble to the public in connection with overcharges and under-charges due to mysterious tariffs.

(10) As the companies are not owners of the railways and spend large sums of money on behalf of Government, their administration is generally expensive. Take for instance, the high rates of salaries, allowances, and other privileges (houses, saloon carriages, institutes, play-grounds, etc.) of the European officials.

Answer to Question 2.—While I prefer State management, I hold that even that system of administration, as conducted at present, should be remodelled, in order to make it responsive to the needs of the people. I propose the following arrangements for the future direction and management of the State Railways:—

(*a*) The Railway Board should be abolished at once, and the working companies' boards as early as possible under the terms of their contracts

(*b*) All State railways should be provincialized and their control placed under the provincial Governments, except in matters of general and inter-provincial concerns, in which their direction and control should be under the Central Government.

(*c*) A Select Committee from the Legislative Assembly should have the direction and control of the matters retained under the Central Government. Similarly a Select Committee of each Provincial Council should have the direction and control of the provincial matters concerning the railways placed under each local Government.

The Provincial division of the railways may be carried out in a convenient form. The best arrangement would be to begin with the State-worked railways and each of the company-worked lines as lie entirely within a single province, those of the company-worked lines which cover two or more provinces may be allowed to continue to be under the Central Government, until such time as the working of such railways can be acquired or resumed by Government, when the line should be provincialized

By provincializing the railways, it is meant that the administrative control and financial responsibility of railways within the boundaries of the Provincial Governments be placed under the local Government or administration concerned. Take, for instance, the East Indian Railway, which runs from Kalka to Howrah and Jubbulpore, through the following five Provinces:—

(1) The Punjab.
(2) The United Provinces.
(3) The Central Provinces.
(4) The Behar Province.
(5) The Bengal.

The portion lying in each Province should be under the Provincial Government concerned.

An objection might be raised that such a decision of a single railway might create difficulties in working, but such difficulties are more imaginary than real. The division of State lines might be carried out according to the Provincial boundaries, utilizing as far as possible the existing districts or divisions of the Locomotive and Traffic Departments of the railway, which have separate charges administered by District Officers. If any of the Districts cover more than one Province, its boundaries might be altered to correspond with those of the Province. As all State Railways belong to the Government, there should be no difficulty in carrying out such a division, or a division of the financial responsibility.

In Europe similar through lines, say from Brindisi to London, Christiania or Stockholm are owned by four or more States or Companies. In India itself, we have several independent railway administrations between Peshawar and Bombay or between Madras and Cawnpore, etc., etc.; yet there is no difficulty in working or accounting for the through traffic. The existing arrangements in India for the interchange of rolling stock and for the booking and accounting of through traffic worked by different railway administrations could be applied to inter-provincial traffic.

Or as an alternative, the railways might be divided in convenient groups and each of such groups might be placed under a provincial Government, somewhat as the control of the Rajputana Malwa State Railway from Ahmedabad to Ferozepore, Delhi, Agra, Cawnpore, Khandwa was under the Government of Bombay up to 1905.

By placing the control of the railways under the Provincial Governments, we could secure such control and direction as are necessary for the efficient and economical administration of the railways. The Local Governments with their intimate knowledge of the needs of the people, trade and industries, can administer the railways better than the Central Board at Simla or Delhi, and they will be assisted by the representatives of the people under the newly reformed Councils.

In 1871 the Government of India itself thought of creating a Railway Branch in all Provinces, but discarded it on narrow considerations. In 1879 the Secretary of State expressed the opinion that the Government of India would make over to local Governments the executive functions in regard to railway systems. The Famine Commission* of 1880 made a recommendation for Provincial financial and executive responsibility in respect to famine relief railways. In 1884 General Richard Strachey, R.E., C.S.I., F.R.S.,† who was a brilliant member of the Government of India both in India and England, advocated the decentralization of the Indian railway administration; that the railways might be placed under the Provincial Governments both as regards the provision of funds and general control. Colonel Conway Gordon, R.E., late Director-General of Indian Railways, suggested‡ a popular representative system of railway administration for India.

In paragraph 277 of its Report, then Indian Industrial Commission of 1916-1918 drew attention to the absence of representation on the railway bodies of the Provincial Departments of Commerce and Industries and of British and Indian commercial bodies. The Commission recommended the appointment of a Commercial Member of the Railway Board.

The subjects to be dealt with by the Provincial Government should embrace—

(1) Working and management of existing lines.
(2) Additions and alterations in the number and timings of passenger trains.
(3) Comforts and conveniences and necessary accommodation for passengers and goods.
(4) Rates and fares for passengers, goods and other traffic.
(5) Financial matters of the railways.
(6) Further extensions of railways.

In local matters the Provincial Governments should have freedom of action, but in matters relating to through traffic arrangements, they should act under the advice of the Central Board or the Central Government according as it may be decided to keep the Board or the Secretariat System under a Sub-committee of the Legislative Assembly.

The following advantages may be expected from the provincializing of the railways—

(1) The local requirements would receive due consideration.
(2) The work which is unwieldy for a Central Government or a single body like the Railway Board, would be divided into seven or more convenient groups.
(3) It would improve the efficiency of the railways and would tend to greater economy.
(4) The Provincial revenues would have a share of the surplus profits, and this would improve the Provincial finances.
(5) In the case of new lines or extensions, the local authorities would have a free hand and would create local syndicates to raise the necessary capital.
(6) By general improvements which are to follow such administration, greater interest would arise among the people in their railways, which would result in a general advance in agriculture, industries, commerce and general prosperity of the country.

Answer to Question 3.—I am decidedly against the continuance of the working companies so far as the State-owned railways are concerned whether the headquarters of such companies be located in India or retained in London. My reasons are given in the answer to question (1).

Answer to Question 4.—I consider that the employment of the working companies for State Railways adds to the costs of the working of the railways, as is evident from the following considerations:—

(*a*) Higher rates of interest paid on capital raised through companies than on direct borrowing by the Government.
(*b*) Higher salaries, allowances, etc., given to higher officials by the companies than those by the State-worked railways.
(*c*) Surplus profits allowed to the companies.
(*d*) The companies being a third party between the State on one side and the people on the other, the employment of such a third party cannot but add to the expenditure.

* Paragraphs 12-15 of Report of the Indian Famine Commission, 1880, Part II, Chapter V, Section 10.
† Paragraphs 32-37 and 90-91 of the Evidence before the Select Committee of 1884.
‡ Paragraph 4303 of *ibid.*

(*e*) In spite of the fact that the companies have an interest in the surplus profits, there is waste of public money, because close supervision and independent audit control are not applied over the work and expenditure of the Departments, and latterly the salaries and allowances of European officials have been very largely increased. I consider it is wrong in principle to allow companies to raise shares in a property belonging entirely to the State. The people who own the State railways have already their own executive, viz., the Government; it is superfluous to employ the second agency of companies.

Answer to Question 5.—The companies domiciled in England are more objectionable than those in India. It would be an advantage to have the headquarters of the companies moved from England to India, at least for such time as their existing contracts remain in force. Their contracts should, however, be determined at the earliest possible date. I would refer the Committee to the following opinions of eminent authorities and experts about the companies which have been employed by the Government of India:—(The opinions will follow.)

Answer to Question 6. The arrangement suggested in my answer 2 precludes the employment of working companies for State Railways, whether they are domiciled in India or elsewhere.

Answer to Question 7. I do not consider there will be any lack of continuity in the Provincial or Central Boards or Select Committees in India as proposed in my answer 2. I do not consider any need for a permanent chairman skilled in railway work. The technical work may be left in the hands of the executive bodies both in the Central and the provincial Governments. It may be an advantage to have gentlemen skilled in railway work among the members of the Boards or Select Committees, but it need not be necessarily laid down to have such experts as the Railway portfolio has always been held by members of the I.C.S. who were not railway experts.

Answers to Questions 8, 9. These questions do not arise under the scheme I have suggested for the future working of the State Railways.

Part II.—The Railway Board and the Government of India's Control.

Answer to Question 10.—The present Railway Board has failed to meet the expectations of the public and should be abolished and replaced by the Select Committees as suggested in answer 2.

The control exercised by the Railway Board over the railway administrations has been ineffective. I would suggest the re-establishment of the Consulting Engineers and Government Examiners' Departments for the companies' lines, with directions for a closer inspection and scrutiny of the lines and works and the system of working and expenditure in all Departments of the railways. It was upon the Government control and audit of the companies' accounts that the capital for Branch lines was readily subscribed by Indian investors. I think it was a mistake to abolish those Departments upon the complaints made by the working companies before the Special Commissioner (1901-3) and the Committee on Indian Railway Finance and Administration, 1908.

Answer to Question 11. Please see my answers to question 2, 7 and 10. The Executive Officers to be employed under the Select Committees as Secretaries, and Assistant Secretaries, should be experts as they used to be in the Government Secretariats. They should be assisted by Consulting Engineers or Government Inspectors, and Examiners of Accounts. All the powers of the Railway Board should be vested in the select Committee of the Legislative Assembly *minus* such powers as may be transferred to the Provincial Governments.

Answer to Question 12. The functions of the Board according to the recommendation of the Committee on Indian Railway Finance and Administration are confined mostly to indoor work. The Board seldom, if ever, goes out to inspect the lines and works, nor does it employ any staff of independent Inspectors or auditors to exercise control or check over the operations and expenditure of the railways. For these reasons it is evident that the functions of the Board are insufficient and likely to lead to laxity on the part of the officers of the railways.

Answer to Question 13. No. In the first place, the law on the subject is defective, there being no provision in the Indian Railways Act, similar to the provisions of the English Railways Acts of 1873 and 1888, especially those relating to the permanent commission to enquire into public complaints against railways or the obligation of railway administrations to submit to the Board of Trade for sanction of the Parliament, a revised classification of goods and a revised schedule of maximum rates and charges applicable thereto, including terminals. The Indian law on these subjects should be assimilated to that in force in England (sections 8 and 24 of the Railway and Canal Traffic Act, 1888) as promised in the penultimate clause of paragraph 2 of Government of India, Public Works Department, Resolution No. 1446 R.T., dated 12th December, 1887.

In the next place the powers reserved in the contracts of some of the companies working Indian railways are insufficient for the Government to exercise the same control as is exercised by the Board of Trade in England.

I think the clause in the original contracts of the late guaranteed companies gave ample powers to the Government: similarly the clauses in the East Indian Railway contract of 1879 are ample, but the same cannot be said with regard to the contracts of some of the other companies. These contracts have not been published by the Railway Board in their administration reports, as they used to be before, by the Parliament and by the Indian Government. Publication of such important documents is very necessary.

Answer to Question 14. No. The Railway Board have not been able to have the complaints of the Indian public remedied by the railways, especially in regard to the following:—

(i) Overcrowding of trains, due to insufficient numbers of trains usually run for the traffic offering.

(ii) Lavatory accommodation in carriages. The commode in 1st and 2nd class is not suitable for Indians while the latrine in the 3rd class is filthy, stinking, and too small for the large numbers travelling. It has no provision for washing.
(iii) Absence of Refreshment Rooms for Hindus and Mahomedans even at important stations.
(iv) Uncomfortable waiting rooms for 3rd class.
(v) Insufficient arrangements for water supply for passengers.
(vi) Insufficient arrangements and time for sale of 3rd class Tickets causing rushes of passengers to the ticket windows.
(vii) Non-publication of time-tables and tariffs in the vernaculars.
(viii) Insufficiency of carriages and use of goods wagons for passengers.
(ix) Long and serious delays in the supply of wagons.

Answer to Question 20.—Capital funds required for Indian Railways should be raised in India only. I differ from the recommendations of the Select Committee of 1884 and of the Committee on Indian Railway Finance of 1908, and consider the policy laid down in 1869 and 1874 by the Duke of Argyle and the late Lord Salisbury was perfectly sound and should be restored.

Objections have been justly raised in India to the borrowing of outside capital, not so much on the ground of the burden of remitting the interest but because the use of such capital leads to exploitation of India by foreign agencies. The employment of British Companies as Agents for construction and working of Indian Railways has many elements of objectionable exploitation. These companies have not only been pushing on foreign trade by charging lower rates for the carriage of export and import goods than they charge for local traffic and local industries, but they have been employing foreigners almost exclusively in all the higher posts of the railway service. Thus the cost paid for obtaining foreign capital is unduly higher and there is a loss of wealth, work, experience and wisdom, which go away as the men retire to foreign countries. Consequently the people of India have not been benefited to the extent they ought to have been, and have not had due opportunities of acquiring aptitude for higher work on the railways; the most they have got is generally wages for low workmanship, and this is no compensation for the enormous advantages reaped away from the country. Under the circumstances the use of British capital and employment of companies for Indian Railways cannot be said to be an unmixed blessing to the country.

The Committees mentioned above ignored the weighty opinion of the late General R. Strachey, R.E., C.S.I., F.R.S., contained in his answer to question No. 197 before the Select Committee of 1884, where he said:—

> " I, in common I think with many people who have interested themselves in Indian finance, have a very strong disinclination to do anything which shall add to the sterling liabilities of the Secretary of State. I think whether it is in the shape of a guarantee of interest in sterling or the creation of sterling debt, the increase of home liabilities is greatly to be deprecated. The power of borrowing in sterling, I agree, should be reserved for times of difficulty and occasions of emergency such as inevitably arise from time to time, and the experience of the past shows that, however much the Secretary of State has tried (because he has tried very hard) to avoid borrowing in England, circumstances have compelled him to go on borrowing and unfortunately also, whatever may be done in the opposite direction in trying to reduce this sterling debt, it has been practically found to be almost impossible that the reductions of it have been extremely small and that it is extremely difficult to make them. Of course the whole of the money that the Secretary of State gets in England has to be got by the sale of bills and every addition to the amount of the bills that are sold in excess of what is really necessary for carrying on the business of the Government and discharging its liabilities here adds to the difficulties under which financial administration at the India Office is carried out. I have now been connected with the India Office a good many years and have sat in the Finance Committee for a good many years, and there is hardly a single year in which one time or other we have not been in a very considerable state of anxiety as to whether we shall be able to make two ends meet, that is to say, as to whether we shall get our bills sold at a sufficient rate and in sufficient time to enable us to discharge the whole of our liabilities, and I am sure the members of this Committee who also have been at the India Office, will corroborate that view. During the last eight years the liabilities which have arisen from the guaranteed railways have increased the annual payments at the India Office to no less than £5,700,000. At the present moment they are £5,700,000 a year more than they were 15 years ago."

Apart from the difficulties in connection with the selling of bills referred to in the above evidence the system of borrowing large sums of money in England for Indian Railways is wrong in principle, which the opening part of the above answer indicates. Railways have been pushed on in India with too much rapidity which is not at all necessary now; as the main lines have been completed, any branch lines or others required should be built with capital raised in India and with material manufactured in the country as far as available. It is detrimental to larger interests of India to employ foreign capital, use foreign manufactures and employ foreign agencies or staff to construct and work Indian railways. Government should not allow the country to be exploited by foreign capital for the gain of foreigners to the detriment of the country by loss both in money and experience of working.

Answer to Question 21.—The Branch Line terms are suitable, except as regards the rate of dividend with rebate from the main line earnings. This rate may be raised from 5 to 7 per cent. per annum on the paid up capital. This is necessary as the Government of Bombay have lately taken a loan at 6 per cent. per annum free of income tax. I am distinctly opposed to any cash guarantee being given by the Government. Promoters of railways should take the risk. Most of the trunk lines have been completed; any further extensions of railways should be undertaken as commercial enterprise, not at the responsibility of the general taxpayer.

Answer to Question 22.—Any further capital required for improvement of the existing railways should be raised by the owners of such railways, *viz.*,

By Government for State Railways.
By the Companies which own the lines.

Direct borrowing is best for the Government. It may be done by railway debentures or terminable bonds The working companies have no proprietary rights in the railways; they should not be allowed to raise any further capital by means of either ordinary or preference shares. The subsidiary or branch line companies are owners of their lines; they may be allowed to raise the capital required for their lines by any means they like.

As far as possible, improvements of the existing lines should be carried out with surplus profits. Some check should also be exercised in judging the merits of the improvements. On some lines I have seen capital is being spent on additional staff quarters for European and Anglo-Indian officials, which can hardly be regarded as improvement of the line. Such expenditure is unproductive

Answer to Question 26.—In this connection, I would draw attention to the following recommendations of the Select Committee of the House of Commons of 1879:—

> " That the construction of new works from borrowed money for the future be limited to those schemes alone which, upon the responsibility of the Government, are estimated to be productive, by yielding an annual income equal to the interest on the capital expended in their construction, including in such capital interest during construction.'
>
> " That the amount to be annually expended upon productive public works should mainly depend upon the financial condition of India, and should therefore, for the present, be limited to an amount of £2,500,000 as recently fixed by the Secretary of State for India in Council."

I would also draw attention to the following recommendation of the Select Committee of 1884:—

> " Whilst expressing an opinion that the present limit of borrowing fixed by the Committee of 1878-79 at £2,500,000 might safely be enlarged, they think that the full responsibility of deciding upon the amounts to be borrowed from year to year should rest with the Secretary of State in Council.
>
> " 34. In making the recommendations contained in this Report your Committee wish most emphatically to endorse the declaration of the Government of India, made by Major Conway Gordon and Mr. Westland, that *the proposed extension of railways should not involve additional taxation.* The italics are mine."

I consider there has been too rapid an extension of railways in India, especially after 1884, as the following figures show:—

—	Miles opened.	Capital expended in lakhs of rupees.
1850-60	838	26,66,00
1861-70	3,933	63,34,50
1871-80	4,225	38,56,41
1881-90	7,408	85,10,13
1891-1900	8,348	1,15,86,30
1901-10	7,347	1,09,51,39
1911-17	4,234	1,02,75,17
Total	36,333	5,41,79,90

During the last decade of the last century there was an annual average of 834·8 miles or 2·3 miles per day, while the capital outlay rose from an average of 11·5 crores per annum during 1891-1900 to 14·67 crores during 1911-17.

Although our annual accounts from the commencement of this century, except during the year 1908-9, have shown net profits from the State Railway, still they have not yet cleared the accumulated interest on the deficits which were made good from general revenue of India during the first 50 years of Indian railways. At the end of the year 1918-19, there was an outstanding debit of 297·97 crores of rupees against the railways, while the loss on account of the late guaranteed companies alone amounted to 332·75 crores on that date, the difference of 34·78 crores having been made up by the net profits of the State Railways.

The proposal to raise the rates and fares on the Indian railways virtually means an additional taxation which the Indian Government and the Parliament have emphatically declared not to impose on account of the railways.

The expenditure on the State Railways has been unduly increased, especially in the way of increased pay and allowances to the higher officials, which are not warranted.

The following is a comparison of Indian maximum and minimum salaries with the rates found on some of the continental railways before the last war:—

—	Maximum per month.	Minimum per month.	Proportion of maximum to minimum.
Indian State Railways	3,500	7	500 to 1
French ,, ,, ...	989	75	21 to 1
Belgian ,, ,, ...	469	90	8 to 1
Swiss ,, ,, ...	781	73	11 to 1
German ,, ,, ...	750	69	11 to 1
Norwegian ,, ...	450	55	8 to 1
Swedish ,, ,, ...	1,387	63	22 to 1
Danish ,, ,, ...	900	73	12 to 1

The high proportion of the maximum salary to the minimum on the Indian State Railways is most remarkable.

The expenditure on the railways should be carefully examined in all the details and cut down to the lowest possible. There is large room for reductions and savings, if goods tariffs be simplified, office work reorganized somewhat on the lines described on pages 580-894 of the Bulletin of the International Railway Congress Association, Brussels, for August, 1912, and expenditure on stores and line and in railway workshops be looked after and incurred strictly on commercial principles.

Passenger fares have already been raised from 1917 and again from July, 1920. The effect of the same cannot be regarded as healthy, as it has caused a falling off in the number of passengers, especially in Inter and 3rd classes:—

	Intermediate class.		Third class.	
	Number in hundreds.	Earnings in thousands of rupees.	Number in hundreds.	Earnings in thousands of rupees.
1914-15	12,617,7	1,03,31	403,558,8	17,62,96
1915-16	13,648,1	1,12,82	418,254,0	18,04,85
1916-17	14,348,8	1,22,41	431,456,2	19,61,59
1917-18	7,719,4	1,15,73	381,016,7	21,44,51
1918-19	8,721,6	1,42,88	404,387,6	24,42,81

Notwithstanding the increase in the open length of the railways from 35,284 miles in 1914-15 to 36,616 miles in 1918-19, the number of passengers and earnings therefrom which were steadily rising year after year, fell considerably in both the latter years in which the enhanced fares were in force.

The maximum fare for 3rd class authorized by Government before 1917 was 3 pies per mile By mail trains the actual 3rd class has been raised to 3½ pies and by other trains it has been raised to three pies. The action of the Railway Board in authorizing the increase of the maximum fares in 1917, without consulting the public or the legislature, is questionable.

The maximum fares were increased as under:—

	From pies.	To pies.
1st class	18	24
2nd class	9	12
Inter class for mail and fast passenger trains	4½	6
3rd class	3	4

According to the Railway Board's Statistics for the year 1918-19, the average profits in pies on working a coaching vehicle per mile were as under:—

	5' 6" Gauge.		Metre Gauge.		2' 6" Gauge.	
	1st half	2nd half.	1st half	2nd half.	1st half.	2nd half.
1st class	− 18·15 to + 16·01	− 20·23 to + 13·84	− 18·63 to +169·90	− 27·94 to + 41·14	− 20·77 to 301·80	− 27·42 to + 82·33
2nd class	− 1·67 to + 33·48	− 4·13 to + 28·09	− 14·50 to + 27·48	− 24·57 to + 21·62	− 24·85 to 132·47	− 9·42 to + 30·01
3rd or Inter.	− 11·93 to + 57·46	− 13·15 to + 49·32	− 16·24 to + 43·64	− 9·66 to + 42·83	− 29·05 to 115·76	− 13·62 to + 23·67
4th or lowest	+ 35·81 to + 98·90	+ 30·77 to + 75·06	+ 10·50 to + 56·37	2·33 to + 48·21	5·52 to 60·21	− 4·57 to + 45·50

I do not think it is advisable to raise the passenger fares any higher than the present actual fares. Goods rates may in some cases be raised by withdrawing the special quotations to and from the sea-ports.

I would like to see the Intermediate class provided on all important trains in India with better accommodation than the third class.

Answer to Question 27. I would not judge the merits of the two systems by the figures given in the two tables. The Railway Board themselves, in their circular of 10th July, 1916, declared that they had "been forced to the conclusion that it is impossible to base any definite finding upon statistical results." The results are due to varying conditions prevailing in the different localities and lines of railway. As a matter of fact the best paying lines are in the hands of the companies, while lines which were at one time considered as non-paying, strategic or protective railways, were left for the Government to work.

I do not consider the actual management of one better than the other, but in principle I do hold the State management is superior. The companies' management is undoubtedly more expensive and the better returns shown in the tables cannot be attributed to any superior skill of the companies. They are due to the favourable considerations, natural advantages, and volume of traffic offering. In this connection I would draw attention to the memorandum on the loss or gain resulting to the State from the lease of the R. M. State Railway to the Bombay Baroda and Central India Railway Company by Mr. Frank Morrison, Examiner of Guaranteed Railway Accounts, dated the 28th July, 1886, which is printed as appendix F, pages cix to cxix of the Director General of Railways' Administration Report, Part II, for the year 1885-86. I quote below the concluding paragraph of that memo:—

"It may be noticed that it is very probable that the modification in the R. M Railway rates and fares, and particularly the division with the Bombay Baroda and

Central India Railway Company of the through traffic receipts upon a mileage basis, has on the whole proved detrimental to the interest of the State railway and that, had the financial result of these changes been approximately ascertainable, it would have considerably augmented the loss exhibited in this memo. But apart altogether from this, the actual loss of income as set forth in the attached statements, represented by Rs. 6,51,844 as regards the state railway and by Rs. 3,58,668 in respect of Imperial revenues, is virtually *a handsome bonus to the Railway company unattended by any appreciable advantage.* The changes in the supervising staff have not resulted in any practical economy but *have rather enhanced the cost of working, nor can it be said that any direct benefit has yet accrued to the State railway from the unity management*, for with the single exception of office of the Agent (or Manager) the management of the two lines is virtually as distinct as ever, no fusion of the various officers and subordinate establishments having yet been attempted. "*Any additional traffic attracted to the State railway under* these circumstances, *can hardly be the result of the amalgamation*, but *must be regarded as a normal expansion of business independent of the lease of the State line to the Bombay Baroda and Central India Railway company.*" The italics are mine.

The loss to the State mentioned in the above extract refers to the first year (1885) of the lease only. The conclusion stated therein also referred to that year only but I have grounds to believe that they hold good up to the present, though there have been changes in the terms of the old lease since the State purchased the Bombay Baroda and Central India Railway in 1905.

Answer to Question 28. With due deference to the opinions of the Finance Department, I consider the Budget system of lapses is capable of being amended. Any grants made to a particular line should be set apart for that line whether it is spent during the year or not, especially when stores have been ordered on the strength of that grant. Unspent balances of such grant should not be transferred to other railways, but carried forward to the credit of the railway concerned for expenditure in the succeeding year to meet the cost of stores ordered or other liabilities incurred. Much of this difficulty can, however, be avoided by ordering material from manufacturers in India. The difficulties arise mainly owing to delays in the supply of material from England. There should be no such delay if the orders are placed in time with the manufacturers in India.

Part IV.—Government Control of Rates and Fares; Settlement of Disputes.

Answer to Question 30. No.

Answer to Question 31. That railway administrations have not wisely used their powers in the interest of the public is apparent from the following single illustration of the manner of charging kerosine oil, an essential article of domestic use. This article is classified in the General classification of Goods 2nd class (½ pie per maund per mile) at Railway risk, and 1st class (⅓ pie per maund per mile) at owner's risk, but it is charged over the important Railways as follows:—

B. B. & C. I. Railway.		G. I. P. Railway.		E. I. Railway.		N. W. Railway.	
From Bombay.	Between stations other than Bombay.	From Bombay.	Between stations other than Bombay.	When carried over 300 miles.	When carried under 300 miles.	From Karachi.	Between stations other than Karachi.
Railway Risk. 2nd class or ½ pie per md. per mile.	*Railway Risk.* 4th class or ⅝ pie per md. per mile.	*Railway Risk.* 2nd class or ½ pie per md. per mile.	*Railway Risk.* 3rd class or ⅝ pie per md. per mile.	*Railway Risk.* 2nd class or ½ pie per md. per mile.	*Railway Risk.* 3rd class or ⅝ pie per md. per mile.	*Railway Risk.* 2nd class or ½ pie per md. per mile.	*Railway Risk.* 3rd class or ⅝ pie per md. per mile.
Owner's Risk. 1st class or ⅓ pie per md. per mile.	*Owner's Risk.* Not carried	*Owner's Risk.* 1st class or ⅓ pie per md. per mile.	*Owner's Risk.* Not carried	*Owner's Risk.* 1st class or ⅓ pie per md. per mile.	*Owner's Risk.* 2nd class or ½ pie per md. per mile.	*Owner's Risk.* 1st class or ⅓ pie per md. per mile.	*Owner's Risk.* 2nd class or ½ pie per md. per mile.

It will be seen that while the Railways charge the classified rates in booking from their respective ports, they put a smashing block rate over their lines, on traffic originating over another line, thereby making it impossible for the public to obtain supplies from an alternative port. Ordinarily, the block rates may not be felt but in abnormal times, like during the period of the late War when shipping was scarce, Bombay Port could not replenish stocks at up-country depôts which had to rely on Calcutta for its supply; but at prohibitive freights over the Great Indian Peninsula, Bombay Baroda and Central India and North Western Railways. This alone was responsible for the price of oil going up over 200 per cent. and in some places was not to be had at all! While a Railway owning a direct route should foster its traffic by quoting irreducible minimum rates, it should not be permitted to stop the possible flow of traffic coming from another direction. The block rates must therefore go entirely; there should be an uniformity of classification over all railways, and if an exceptional reduced classification is at all necessary it should not be restricted between particular points but the benefit of it should be made general According to English practice all available routes should have equal rates for the same kind of traffic.

Allotment of traffic under agreements.

Certain railways have come to agreements among themselves for the purpose of routing traffic between stations which are served by two or more routes. The Great Indian Peninsula and Bombay Baroda and Central India Railways, for instance, have agreed that traffic between Bombay and Cawnpore and *via* should be carried by the former railway, the latter not competing. Similarly the Bombay Baroda and Central India Railway have agreed to carry Bombay-Delhi and *via* traffic, the Great Indian Peninsula Railway standing out. Again, the East Indian and Great Indian Peninsula Railways have come to an agreement for carrying traffic between Howrah and Bombay *via* Jubbulpore On the one hand these arrangements have stopped healthy competition, on the other hand higher rates are charged by the alternative routes in case the agreed route is temporarily restricted as will be seen from the following example:—

Rates from Cawnpore to Bombay.

	By G.I.P. Railway. Per maund.	By B.B. & C.I. Railway. Per maund.
Grain	0 9 8	0 10 8
Crushed food	0 13 6	0 15 1

When the Great Indian Peninsula route is restricted, traders have to resort to the Bombay Baroda and Central India Railway's route for the carriage of their consignments at the higher rate. To quote another example, the East Indian Railway charge grain from Howrah to *via* Cawnpore for traffic to Bombay at Rs. 1-1-7 per maund, but in booking over the same distance for stations other than Bombay they charge Rs. 0-7-11 per maund only.

The higher rate is a block rate introduced to prevent grain from Howrah to Bombay going *via* Cawnpore, to force it *via* Jubbulpore, as will be seen from the following rates:—

Rates for grain from Howrah to Bombay.

Via Jubbulpore. Per maund.		*Via* Cawnpore. Per maund.	
East Indian Railway	1 10 4	East Indian Railway	1 1 7
Great Indian Peninsula Railway		Bombay, Baroda and Central India Railway	0 10 8
		Total	1 12 3

When the East Indian cum Great Indian Peninsula route is restricted, traders will be called upon to resort to the Cawnpore route at an extra cost of 0-1-11 per maund. The question arises as to why the East Indian should charge over the same length (Howrah *via* Cawnpore) Rs. 0-7-11 in one case and Rs. 1-1-7 in another. Such instances where railways pay greater attention to their own interests to the detriment of the public can be multiplied.

Another instance of the Railway Board using its powers against public interests is their authorizing the enhancement of maximum and actual passenger fare in 1917, without consulting the legislature. This was pointed out in the Legislative Council in March, 1918.

Answer to Question 32.—The Railway Commission provided in Chapter V of the Indian Railways Act has never been appointed by the Government. Its provision has remained on the statute only. In 1903 the Special Commissioner for Indian Railways, Mr. Thomas Robertson, C.V.O., recommended the appointment of a permanent railway commission and revision of the Indian Act on the lines of the English Railway and Canal Traffic Act, 1888 (page 19 of his report), but no action appears to have been taken in that direction.

I think Mr. Robertson's recommendations should be carried out and the Indian Railways Act brought on the lines of the English Act.

As the matters stand at present, a railway administration in India can increase its rates and fares within the maxima, without any reference to Government. This is objectionable.

Risk Note.—" The conditions attaching to the risk note in use on Indian railways, which it may be mentioned, have the sanction of law, are of a very onerous nature. Railways are not only exempted from all liability for loss or damage to the property while in transit, which they could not with due care have prevented, but they are relieved of responsibility for the wilful acts of their own servants. In other words, if a consignment has totally disappeared while in the possession of the railway, the law courts held that no claim lies against the railway in order of the present wording of the risk note. In England, a railway is not exempted from liability for the wilful acts of its own servants and the present conditions in the Indian risk note cannot work in the best interests of the country, and I am of opinion that the Indian form should be assimilated to the English form."

This recommendation was made by the Special Commissioner in 1903 and the objectionable Risk Note was somewhat rectified, but complaints are still made by the public, as the railway administrations accept liability only for " the loss of a complete consignment or of one or more complete packages forming part of a consignment due either to the wilful neglect of the railway administration, or to theft by or to wilful neglect of its servants." The burden of proving negligence of the railway or of its servants or agents is imposed upon the owner of goods while the goods remain entirely in charge of the railway over a long distance, where it is impossible for the owner to trace the neglect or theft on the part of the railway servants or agents. Claims for compensation for losses are repudiated by the railway administrations and the public are helpless. The condition should be changed.

(Certain further statements furnished to the Committee by Rai Saheb Chandrika Prasada have not been reprinted.)

STATEMENT No. 56.

THE INDIAN ECONOMIC SOCIETY, BOMBAY.

We are directed by the Committee of this Society to submit the following replies to the questions published by you with a view to inviting opinions of representative bodies thereon. This Society was founded in 1915 with the object of promoting the economic interests of the Indian people by facilitating the study of economics and focussing the views of experts on economic questions. The Society counts amongst its members, economists, merchants, industrialists and other business men. It is keenly interested in the problem of transportation which is one of the factors promoting the economic interests of a nation. See oral evidence, paragraphs 5525/5538.

Our Committee suggests that Rai Saheb Chandrikaprasad Tiwari, a member of this Society, should, if necessary, be invited as a witness on behalf of this Society to supplement the information contained in the following replies. He has personal knowledge and experience of both State-worked and Company-worked railways, extending over a period of more than 30 years.

We, therefore, trust that you will place this memorandum before your Committee for their consideration.

Part I.—The Management of Railways owned by the State.

Question 1.—Our Committee is strongly of opinion that railways owned by the State should be managed directly by the State for the following reasons:—

(1) State management would save to the country the companies' share of the surplus profits which amounted to 189·63 lakhs of rupees in 1918-19.

(2) The sacrifice of such a large sum every year can be tolerated only when it is absolutely necessary for securing better management.

(3) That the State should directly manage its own property is perfectly natural. Any departure from this policy is justifiable only on the ground of benefit to the community for which the railways are meant.

(4) Results of working in India have conclusively shown that, treated as commercial undertakings, State-managed railways compare very favourably with company-managed railways, in view of the fact that some of the richest, most populous and best developed regions in India are served by company-managed railways, while some of the State-managed railways are only strategic and protective.

(5) Analogy of other countries also lends support to our advocacy of State management.

(6) Railways are no mere commercial undertakings. They ought to be worked in the general interests of the public and should conduce to progress, particularly industrial. This can be effectively secured by State management, the companies having shown hitherto complete indifference to the needs of Indian industries and to everything else save that which brought profits.

(7) The State can, in considering the schemes of railway development, take into account not only the direct and immediate gains, but also indirect and prospective gains and take up schemes that appear promising from this latter point of view which the Companies that have to look to the payment of dividends cannot.

(8) State management will be more amenable to public opinion under the reforms than company management.

(9) Railways, being in the nature of a monopoly, should be directly managed by the State, which alone can be regarded as the true custodian of public interests.

(10) State management is but the natural and necessary corollary to the Montford Reforms. The companies have had their day; they can have no place in the new era.

(11) Foreign companies whether domiciled in India or abroad can never be expected to take the Indian view-point, can never understand the Indian mentality, sentiments and customs, as the State which is going progressively to develop into a Government of India by Indians.

(12) In these days of industrial unrest and labour troubles, labour interests are safer with a management responsive to public opinion.

(13) Impartiality in trade disputes will be better secured in the absence of big companies having influence with the Government of India and the Secretary of State.

(14) The operation of different railways as a single concern under State management will secure economy and efficiency in many ways. Marshalling of rolling stocks will prevent shortage of wagons in one part of the country synchronising with surplusage in another and thus obviate the unnatural phenomenon of passengers being herded together like swine in goods wagons on occasions when there is a rush of passenger traffic

(15) State management will mean—

(*a*) Better treatment of Indian passengers, particularly the third class ones who contribute most of the coaching receipts.

(*b*) Larger employment of Indians in the superior grades of railway service.

(*c*) Better grading of railway services by reducing the range between the maximum and the minimum and raising the average earnings for the bulk of workers.

(*d*) Simplification of tariffs, abolition of block rates and preferential treatment of traffic to and from the ports as against interprovincial traffic.

Question 2.—While advocating State management of railways, our Committee holds that even that system of management, as at present conducted, requires remodelling so as to make it more responsive to the needs and conveniences of the people.

With that view our Committee suggests that all the State railways should be provincialised and Departments of Transportation be created in the Provinces, working independently of other

Departments under the direction and control of Select Committees of the Provincial Legislative Councils, having Indian Ministers as chairmen, with a central department for the co-ordination and regulation of general and interprovincial affairs working under the direction and control of a Select Committee of the Indian Legislative Assembly with an Indian member of the Governor-General's Executive Council as chairman.

All the powers of the Railway Board should be vested in the Select Committee of the Indian Legislative Assembly, excepting such as may be transferred to the Provincial Governments.

The directors or secretaries and their assistants should of course, be experts in railway work; and as these will, under our scheme, be the real executive, lack of continuity in the personnel of these Select Committees and the possible absence in them of railway experts, will not be detrimental to the efficient working of the railways. On the other hand, since the present Railway Board is composed entirely of railway men out of touch with the Indian commercial community, to whom the efficient working of railways is of paramount importance, the presence of representatives of this community in these select committees—Central and Provincial—will be very useful.

Questions 3, 4, 5, 6, 7, 8, 9.—As we are absolutely against management of State railways by private working companies, our Committee considers it unnecessary to express any opinion on points referred to in these questions. Our Committee is emphatically of opinion that in a matter so vital to the country's progress, political, economic and social, no compromise, no half-measures, would do.

Part II.—The Railway Board and the Government of India's Control.

Question 10.—Our Committee considers the system of control by means of a Railway Board unsatisfactory. The alternative proposed is suggested in our answer to Question 2.

Question 11.—No answer is necessary in view of our answer to Question 10.

Question 12.—Our Committee considers that the exercise of the functions of the Railway Board in practice is unsatisfactory and extends to insufficient details. The appointment of members of the Board on retirement to highly-paid posts on the London Boards induces laxity in the exercise of the powers vested in the Railway Board. Further, the Railway Board seldom, if ever, goes out to inspect the lines and works, nor does it employ any staff of inspectors or auditors to exercise control and check over the operations and expenditure of railways.

Question 13.—The Railway Board does not, in the opinion of our Committee, possess adequate powers over railway administrations for purposes specified in the question. There is no provision in the Indian Railways Act similar to the provisions of the English Railway Acts of 1873 and 1888, especially those relating to the permanent Commission to enquire into public complaints against railways. The powers reserved by Government in the contracts of some of the working companies are insufficient for the exercise of the same control as is exercised by the Board of Trade in England. It is a matter of great regret that these contracts have not been published by the Railway Board. Even when the Board does interfere and expostulate with the working companies, its action can be defeated by the companies directly approaching the Secretary of State through their boards of directors in London.

Question 14.—Such powers as are possessed by Government have not been sufficiently exercised in the public interests. Times out of number the grievances of the third class passengers have been freely ventilated in the Councils, in the Press and on the platform; and still, overcrowding, insults, absence of suitable waiting-rooms, refreshment rooms, toilet arrangements, and every conceivable maltreatment and neglect are their normal lot.

Questions 15 *and* 16.—No answers are necessary in view of our suggestions in answer to Question 2.

Part III.—Railway Finance.

Question 17.—Our Committee holds that railway construction in India has been pushed on rapidly enough, rather too rapidly, to the comparative neglect of other factors of national progress not less vital than means of transportation. The need for extension of transportation facilities is, our Committee recognises, very great indeed; but as it is a question of relative need, our Committee considers that the main trunk lines having been already constructed, a large borrowing programme for new construction of railways is uncalled for. Funds for the maintenance and the improvements of existing railways should naturally come from railway profits, the deficiency, if any, being met from the revenues or borrowings. Small lines round industrial centres should always receive the attention they deserve.

Question 18.—The policy specified is quite sound in principle.

Question 19.—Our Committee does not consider that funds are required on a larger scale than hitherto provided.

Question 20.—Our Committee is strongly of opinion that Government should raise capital funds, if and when required, in India only, as far as possible. Foreign capital never pays in the end; the country has always to pay too heavy a price for it.

Question 21.—The branch line terms are satisfactory enough except in the matter of the rebate rate. This rate should vary with the market rate prevailing at the time when the branch line company is floated. With the Government of Bombay raising funds at 6½ per cent. free of income tax, surely 7 per cent. is the very least that should be offered to attract investors. Such new companies should always be Indian with Indians as Agents.

Question 22.—Our Committee considers for reasons given in answer to Question 17, that no new methods of raising capital for railway purposes need be sought. Being absolutely against retaining the agency of companies or creating subsidiary companies, our Committee cannot approve at all of capital being raised by them by means of ordinary or preference shares or railway debentures. Since the capital is, after all, raised on the credit of the State, there seems no reason to employ an intermediary agency to raise necessary funds. It is the Government that must directly raise the capital required by issuing railway debentures or preferably terminable bonds, bearing a rate of interest in consonance with the prevailing state of the money market.

Question 23.—No.

Question 24.—No, we cannot give any estimate.

Question 25.—Holding that capital, when required, should be raised in India only, our Committee believes that borrowing by the methods indicated will interfere greatly with the success of ordinary Government borrowings. This belief is strengthened by the fact that new industrial ventures in India will require and absorb Indian capital in an ever increasing measure.

Question 26.—(*a*) Our Committee considers that there has been too rapid an extension of railways in India, especially after 1884, and that the present arrangement has not been detrimental to railway improvement and development. During 1891-1900, there was an annual average of 834·8 miles or 2·3 miles per day with an annual capital outlay averaging at 11·5 crores. This last average, it may be noted, rose during 1911-17 to 14·67 crores.

(*b*) Under the scheme of State management proposed by our Committee, railways can never be regarded as a burden on the general taxpayer. The country benefits by railways and everyone shares most widely in these benefits.

Our Committee strongly objects to the raising of railway fares and rates. The increased rate of interest need not be met by thus raising gross receipts, but rather by increasing the earnings of railways by getting the utmost possible work from the present equipment. Besides, under State management economies can be effected by working the separate administrations as one concern.

If the raising of rates, however, be found absolutely necessary, our Committee suggests that the rates for luxuries be raised, and the special quotations to and from ports be withdrawn.

Question 27.—The statements are, our Committee fears, misleading in the extreme. They seem to demonstrate the superiority of company management over State management by pointing out the percentages of profits, while they do not reveal the nature, resources and degree of development of the regions served by the two groups, which would immediately put a different complexion on the matter. They further seem to suggest that about two crores is not too much to pay to the companies out of 30 crores—the net earnings, for the higher percentage obtained, but do not establish any causal relationship between company management and higher profits.

Our Committee cannot estimate in figures the indirect gains to Government by the development of areas served by the railways.

Question 28.—Allotment of funds to railway expenditure should be determined by the extent of the needs of each administration and by the capacity of Government to provide funds to meet those needs. Once the allotment is made, it should not be made obligatory that it should be spent within the year. Such obligation leads either to undesirable rush and wasteful expenditure towards the close of the year or to lapses.

Question 29.—We have no suggestions to offer.

Part IV.—Government Control of Rates and Fares; Settlement of Disputes.

Question 30.—No, our Committee does not consider that they do.

Question 31.—The powers delegated have not been wisely used in the interests of the public. Passenger fares have been raised from 1917 and again from July, 1920, without any apparent justification. The recent increase in the rates for coal too is made without any reasonable and sufficient grounds.

Question 32.—The Railway Commission provided in Chapter V of the Indian Railways Act has never been appointed by Government. Our Committee urges that the recommendations of Mr. T. Robertson, the Special Commissioner in 1903, regarding the appointment of a permanent Railway Commission and the revision of the Indian Railways Act on the lines of the English Railways and Canals Act of 1888, should be carried out.

Question 33.—None.

STATEMENT No. 57.

Sir H. F. E. FREELAND, Agent, Bombay, Baroda and Central India Railway Company.—NOTE DATED THE 6TH JANUARY, 1921, ON THE PROVISION OF FUNDS FOR RAILWAYS.

State-owned Company-worked Lines.

1. *July Forecast.*—In July every year we are required to send forward to the Railway Board an estimate of our Capital requirements showing in detail works costing over Rs. 25,000 each, for the current, ensuing and two following years. This is called " The July Forecast " of a three years' programme. See oral evidence, paragraphs 5552/5590.

To make out the programme not only has the progress on works begun during this year to be considered and if necessary revised in the light of experience of labour and material difficulties obtained since 1st April—but the demands of each Head of Department for new works and equipment for next and the two subsequent years have to be examined, sorted out in order of urgency—as governed by the policy at the moment—and revised in accordance with what we believe we can complete (in the matter of Engineering works) or obtain (in the matter of material) within the time for which our Capital grant, when sanctioned, will be at our disposal.

In actual practice, the requirements for the ensuing, that is " next," year are set down in detail, either from detailed estimates already in existence or from approximate estimates, but for the year after next and for the year after that, only such works are entered as have already been commenced but not finished or will be commenced next year and carried to completion in the second or third year. As we have no inkling at this time what our capital grant for next year will be, the preparation of a list of works in order of urgency is merely a statement of what we would like to have, if the money can be made available, and which we think we can carry through, if there is no hitch, financial, industrial or other. We do not attempt under existing

conditions to provide in detail in the programme for Engineering works, requiring estimates, which will be commenced in the second or in the third years, and the reasons for the omission will be explained in due course.

Thus the July Forecast can only be considered as a well-thought out programme for the *ensuing* year of the Engineering works required to maintain the line and provide for normal development. As regards rolling stock, however, the situation is different, for we are able to gauge our future requirements over 3 years more accurately in this respect for reasons which are too obvious to need explanation.

The July Forecast, as stated, is duly forwarded to the Railway Board and eventually discussed (say in August) with them by the Agents of the various State-owned Lines. Previous to this discussion the Railway Board ascertain informally from the Finance Department the total amount that seems likely at this time to be available for the Capital requirements of all Railways. and the amounts forecasted, as required by each Railway for the *ensuing* year, are adjusted accordingly. The Agent is informed verbally of this revised amount; no discussion takes place as to the prospective requirements or probable grants for the second and third years for the obvious reason that under existing arrangements such endeavours to prophesy would be futile.

2. *Six Months Estimate.*—By October, that is after the first six months of the financial year have passed, we are expected to have a clearer idea of our probable Capital expenditure during the current year and to revise our previous figures (as limited by our Budget Grant and as detailed in our July Forecast) in the light of our more recent experience.

This statement is termed the " Six Months' Estimate " and it contains, in addition to our summarised revised figures for the current year, our total estimated requirements for the ensuing (*i.e.*, next) year taken from the July Forecast but not revised in accordance with the Agents' informal discussion with the Railway Board. By this time, it is as well to note here, both the Agent and the Railway Board are aware of the full liabilities contracted in England against the English portion of the current year's Capital Grant, and as these figures have a very active bearing on the question of the Capital grant for the ensuing year, I may with advantage detail the actual position as regards the B.B. & C.I. Railway this year (1920-1921):—

	Rs.
(*a*) Throw-forward on account of Indents placed but not fulfilled from 1919-1920	61,97,000
(*b*) Total Capital grant, 1920-1921	1,88,92,000
(*c*) English proportion of (*b*)	89,50,000
(*d*) Indian proportion of (*b*)	99,42,000
(*e*) Amount of additional liabilities incurred in 1920-1921 on indents placed by permission of Railway Board (over-certification to meet probable throw forward to 1921-1922)	41,64,000
(*f*) Total amount which may be spent on *new indents* in 1920-1921 in England (*c*) minus (*a*)	27,53,000
(*g*) Capital requirements for 1921-1922, as per July Forecast ... ... (*N.B.*—This does not include works which cannot for various reasons be completed in 1920-1921 but which contrary to expectation must be carried forward to 1921-1922).	2,74,00,000
(*h*) Preliminary Capital grant 1921-1922 (England plus India)	1,16,69,000
(*k*) Capital available after discharging liabilities incurred on indents already placed (*h*) minus (*e*) ... ... (*N.B.*—If there is a failure in 1920-1921 to spend the whole of (*c*), the unexpended portion will be thrown forward into 1921-1922 and will still further reduce this figure.)	75,05,000
(*l*) Estimated over-certification permissible in 1921-1922 (equivalent to (*e*) in 1920-1921). ... ... (*N.B.*—This figure has been placed low, as we have already been informed that our grant for 1922-1923 is not likely to exceed that for 1921-1922).	25,00,000

To afford a better appreciation of these figures, I may explain certain points of procedure.

All indents for material must be certified by the Government Examiner of Accounts to the effect that funds are available before they can be sent home to England to be placed by the Home Board. Funds are called " available " when they are sanctioned in our final Budget Grant or when they are expected, under the Secretary of State's authority, to be made available in excess of the current year's Budget Grant, but will more probably not be required till the ensuing (*i.e.*, next) year. This latter contingency is provided for by permissible " over-certification," *vide* (*e*) above.

Another point is that no transfer between the grants sanctioned for India and for England is permissible without the Secretary of State's sanction, and lastly, if the amounts of Capital sanctioned are not spent by the end of the financial year, they lapse, and are not available to be carried forward, as additional to the Capital grants for the ensuing (next) year, in spite of the fact that contracts have been placed and liabilities are thus incurred which will be a first charge against the ensuing year's grant.

3. *Provisional Budget Grant.*—The next step in connection with the Capital grant is the announcement by the Railway Board of each Railway's provisional allotment for the ensuing year. This is made about the end of November or December after ascertaining from the Finance Department their considered opinion of the probable sum which will be made available for Railway Capital works.

This allotment bears no relation to the forecasted demands of Railway Administrations, but is based on what Government consider can be spared for Railways from the general pot.

On receipt of this information we are required to revise our previous figures for the ensuing year and bring them within the limits of our prospective grant, by no means an easy problem when the grant is only one third of our considered requirements as is the case for 1921-1922.

I may here lay stress on one outstanding difficulty with which we have to contend owing to the existing system which leaves us in doubt as to the amount of Capital we shall have available for the ensuing year, until we are within five months of the commencement of that year. Some works, *e.g.*, large station yard remodelling, electrification, heavy bridging, quadrupling, cannot be completed within twelve months, and some extend over as many as five years before completion. A failure to obtain the money we require for such schemes in any one of the years during which they are in hand will cause the work to be closed down, in which case it invariably costs much more in the end to recommence them, or as has actually been the case on the B.B. & C.I. Railway during this current year (1920-21) we have deliberately postponed the commencement of urgent works, on being made aware of our reduced grant for the ensuing year, because we knew we could not complete them by 31st March, 1921, and we have by so doing been compelled to allow the money allotted for such works during the current year to lapse.

4. *The second preliminary or revised estimate.*—With the still more recent information at our command in regard to the progress of the current year's expenditure and in the light of the provisional Budget allotment for the ensuing year we are required to submit to the Railway Board about the middle of January a second preliminary estimate of the current and ensuing year's figures, and finally on 25th February we are instructed to advise the Railway Board by wire of any further modifications in the figures of our current year's Capital expenditure likely to take place before the end of the financial year. This information is required presumably to enable the Railway Board to meet excesses in its Capital grant on one Railway by utilising the lapses (or failure to spend) on another Railway, and this is done in practice.

5. *Final Issue of Budget Estimate.*—In the last week in March the Railway Board advise railways of the Capital grant finally allotted for the ensuing year, which may or may not be the same figure as given provisionally in November or December, according to what has happened in the interim to affect the general Budget Estimates of all Departments of Government.

On receipt of these figures we again draw up Budget Estimates, showing in detail all works individually costing over Rs. 25,000 and submit them to the Railway Board by 1st May.

6. From the above brief summary of procedure it is evident that we are working from hand to mouth. We have no programme or rather we have a three years' programme which can never be adhered to and which no one therefore believes in.

The cost of labour and material is constantly changing, the possibility of obtaining either one or the other within an arbitrarily fixed period of time is always doubtful and the prospect of heavy delays and drastic changes consequent upon an opportunist financial policy is certain.

Thus it is plain that the present system militates against intelligent estimating of Railway requirements, is directly responsible for the commencement of work or placing of contracts too late to ensure their fulfilment within the time allowed and greatly increases the chances of a lapse of the Capital grant.

The system also is unduly harrassing to Administrations who are called upon to revise their plans of operation over and over again. It is not practicable to follow any carefully thought-out policy to meet the requirements of commerce and industry under such circumstances, and railway development, on which all progress in this country intimately depends, is being carried out without any defined plan.

Before any figures accurately representing probable expenditure can be compiled, estimates in considerable detail must be made out, thousands of them, all needing time and expert examination. If the execution of any work is put off for even one year, the whole estimate must be revised and all the work done over again.

First our Engineers must furnish figures for the July Forecast, which they well know will be altered beyond recognition. Then they are required to furnish in October and again in December particulars of progress in expenditure of the current year's grant and possibly they may then find it necessary to carry forward into the ensuing year works which, for one reason or another, cannot be completed this year. Then about the end of November comes the first authentic news available in regard to our probable grant for the ensuing year, which information may have, as already explained, the effect of still further destroying our plans for the current year and does generally necessitate a complete reconsideration of our schemes for the ensuing year as forecasted in July, only four months previously. Finally, in the last week in March we know with certainty what our grant is definitely settled to be for the financial year commencing a few days after receipt of this information.

We then have to revise our figures again, so that a final Budget Estimate may be prepared for the Railway Board.

In my opinion it is hardly to be wondered at if our Engineers find it difficult to give a whole-hearted interest to the work of drawing up estimates of work which may never be carried out or which, if carried out some years later than expected, will require the estimates to be recast completely. The consequence often is that, knowing the probability of a change in financial plans, the department, responsible for having estimate in detail and indents for material ready, is inclined to await the final Budget decision before completing its task. When also it is remembered that demands for rolling stock and for works involving heavy expenditure required to be sanctioned by the Home Boards of company-worked lines and subsequently by the Railway Board, it is not surprising that several months of the financial year have already gone before many of the indents for English material and stores can be certified as regards funds and sent home for contracts to be placed.

In making out a programme for railway development it is necessary also to remember that various kinds of works and equipment hang together. Thus if money is not available for increasing the size of your shops, it is no use equipping yourself with more locomotives than can be handled in them. A curtailment in the amount of money available for strengthening permanent-way and bridges will mean a complete reconsideration of the locomotive programme and yet it may be that the contracts for the supply of locomotives has already been made and cannot be changed; it is no good installing wire and instruments for Telephone Train Control

unless money is forthcoming to build quarters for the Control Staff; the provision of coaching stock for the whole system depends on whether electrification of a section of it can be carried out, and so on.

In a lean year, that is in a year when for various reasons the revenues of the State are expected to be small, the rates at which Government can borrow will probably be high or the liabilities which Government have to meet outside the Railway programme will be heavy. Then railways invariably suffer, and yet it is in the lean year when traffic will be at a low ebb that it is most convenient to carry out heavy railway works and prepare for the prosperous years to follow

The difficulties attendant upon radical changes in programme of works and equipment are thus far greater than can be imagined by those who provide the money but are not responsible for the administration of railways.

In actual fact the existing system renders the formulation of an intelligent policy impossible and without a policy no programme can be decided upon, waste of money is a matter of frequent occurrence and development is precarious and always behind the requirements of trade and industry.

The only way to carry out work economically and efficiently and to keep up with the requirements of trade and development is to know at least 12 months beforehand what money will be available with certainty. A programme can then be made out to suit.

7. The present arrangement whereby Government insist on the certification of all indents as regards funds, before they can be placed, causes serious delay in obtaining material. If, for example, all available funds have been hypothecated against indents already placed (say) in England (that is. indents placed on the assumption that a given programme of works will be carried out) and it is required to cancel those indents later on (when it is discovered that the programme must be changed for want of funds next year) and the money spent on other material or equipment instead, and not only that but spent without loss of time, it is impossible to effect a rapid transfer. It is easy to understand why this is so, when it is remembered that, though the Agent of the Railway in India is the only one who can decide on such changes, before he can bring them about he has to advise the Home Board, obtain from them an undertaking that certain indents have been cancelled so that the Finance Department (as represented by the Government Examiner of Accounts) in India may be satisfied that the funds are again available before any fresh indents can be certified in India and sent to England for contracts to be placed.

Quite apart from the objection of spoon-feeding responsible officers in the position of managers of railways, this system seems to be designed deliberately to ensure the non-spending of money. The remedy is to allot money definitely and finally to individual railways and leave the details of spending it in their hands. Why this has not been done is difficult to understand unless Government desire to be able to pounce upon funds allotted to railways and use them at short notice for other purposes.

8. It is even more difficult for a railway administration to understand why capital, which has been divided between England and India in proportions decided upon on the basis of an estimate drawn up under the difficulties above described, should not be transferable at the convenience of the Administration to meet changes in the programme

In pre-war days we obtained all our stores, except sleepers and timber, from England, but now that the policy of Government is to encourage Indian industries and manufacture we must first consider what stores and material can be purchased here, and then indent for the rest from England. Indian industry is still in its infancy, and cannot guarantee supply.

Thus then, for example, we desire to obtain 225 Broad-gauge goods wagons against our Budget provision for 1921-22; we do not know whether the Indian manufacturer will be able to supply, but we do know that we are practically certain to get them from England. If then, after providing the money against our Indian capital grant and ordering the vehicles, the Indian manufacturer gives notice of his inability to supply, we are powerless to order the wagons from England, because the English capital grant will have been fully hypothecated, and we are not permitted to augment the grant from our savings in India.

This arrangement also seems to have been evolved with the express intention of preventing railways from spending the money allotted to them. The remedy is the same as in the case quoted in the previous paragraph.

9. But the greatest objection to the present system of railway finance is that under which funds unspent during the financial year lapse to Government. Certain classes of manufactured material cannot be obtained within even 12 months of the placing of the contract for supply, and in an increasing number of cases recently delivery has been delayed on account of industrial difficulties. So the liabilities incurred in one financial year must inevitably be carried on into the next to a degree which cannot be foreseen. Yet, under the existing system of finance the funds against which the liabilities have been incurred are expropriated, or, perhaps it is more explicit to say, are disallowed the moment the financial year in which they are allotted has expired.

One thing is certain, and that is, that railway administrations cannot take account of prospective lapses or liabilities when making, in July of the current year, their forecasted demands for capital in the ensuing year, and, presumably, their July forecast is intended to guide Government in the allotment of funds for railway purposes.

Certain hard facts, therefore, stand out, railways go to immense trouble and pains to make out in July a forecast of their requirements for the ensuing year. In practice the allotment on paper varies from one-half to two-thirds of the forecasted amount required *plus* the lapse of the previous year.

The whole of this amount is not actually provided because a varying portion of it will lapse year after year.

If Government, after full consideration, allot money for railway development, it is reasonable to believe that the money is available or that Government have the power to borrow it at suitable rates. If then this money, after once being allotted, is taken away from the railways, one can only assume that, if already raised by loan, it is used for other purposes or that, the necessity of raising it having disappeared during the financial year in question, Government are satisfied that it is not wanted at all.

It may be that, in deciding the allotment of funds to be made for *all* purposes for the ensuing year, the lapse (or savings as they will be considered to be) in the current year's railway grant are taken into account by Government, but railways do not get the benefit of such savings *in full*, as they should do, for the simple reason that the money has been promised and represents liabilities already incurred; such money is in no sense a saving.

If the Government contention, that " any lapsed grant is really, if not manifestly, reallotted", is a fair one, and if the yearly demands put up by railways are taken as a guide as to the real requirements for railways, then the position as regards railway development is somewhat as follows:—Taking the B. B. & C. I. Railway as a case in point, the capital grant for 1919-20 was 169 lacs, which, we will assume for the purposes of illustration, included the 8½ lacs which lapsed from the year 1918-19. Of the 169 lacs no less than 7½ lacs lapsed, although liabilities were incurred to that extent on the 1919-20 programme of works. In making out their programme of requirements for 1920-21, no account was taken of a problematical lapse. The B. B. & C. I. Railway's capital programme for that year amounted to 234 lacs. We were granted 189 lacs, that is 45 lacs less than we asked for, to which must be added the 71 lacs for which we had incurred, but not discharged, liabilities; this gives a total of 116 lacs short of our requirements for the year 1920-21 or, in other words, we were granted half our demands only. There is nothing unique or singular in the example taken above, every other railway in the country can produce similar and worse instances. The position on the B. B. & C. I. Railway itself will be much worse next year; we asked for 274 lacs, and we have been allotted 116½, from which we must take, say, 30 lacs, which will probably lapse from the 1920-21 grant, leaving 86½ lacs, barely 32 per cent. of our requirements.

Thus, when Government are committed to a policy of development of trade and industry in India, when they are fully aware that such a policy cannot be adhered to without improved communications and when their expert advisers place the figure required to bring railways back to their pre-war standard, at 30 to 36 crores annually, they (Government) are satisfied with a beggarly provision of from 8 to 12 crores for their railways.

The point is, is this a sound financial position? The answer depends on the degree of earning power direct and indirect attributed to railways as compared with other State investments.

What is the meaning of the statement that Government works on the fundamental principle that they provide " as much as they *possibly can*, all things considered " for railway expenditure?

Judged by results, sufficient has not been provided for railways in the past, and it looks as if provision for the future would be equally inadequate.

The question at issue, therefore, is: Can Government borrow more money for railways under the existing financial system, or is it necessary to set up new machinery and adopt new methods for the purpose?

As the Bombay Government were able, in Bombay alone, to raise nearly 9½ crores of rupees recently for the Development Loan at 6½ per cent. free of Income Tax, it is very much open to question whether the Government of India are raising " as much as they possibly can " for railways. Better terms, a more enterprising policy, and a good deal of personal pressure were successful in the case of the Bombay Loan and would be equally successful if applied to the provision of funds for railways.

10. Members of the Finance Department of the Government of India have repeatedly expressed their opinion that from past experience it is obvious that railways *cannot* spend their capital grants, and that it therefore would appear that forecasted expenditure is placed at too high a figure by railways in order to allow for prospective lapses resulting from failure to spend.

We may admit at once that it is evident that railways *cannot* spend what is allotted to them, but it is equally evident that the fault lies with the system of providing funds, and not with the railway administrations.

It is utterly impossible for any railway to make out any programme of expenditure in the future while the existing uncertainty as to available funds continues.

I have explained what happens under the present system of budgetting, and I have shown that it destroys all faith in the efficacy of estimating, introduces chaos and uncertainty, is mainly responsible for the delays in placing orders for material, and, in short, is directly responsible for failure to spend money within a fixed period.

Nothing short of continuity in financial arrangements, involving the complete abolition of the existing budget system, can alter this state of affairs.

11. The question is how can this be arranged on a suitable basis, it being remembered that as far as State-owned railways are concerned the proportion of capital invested in them by the State and by private subscription is as £388·5 millions: £91·5 millions. With so large a holding in railways, it is obvious that Government like to look upon the surplus profits of railway working as the results of a profitable investment, and, therefore, available for general ways and means. These surplus profits during the years 1916-17, 1917-18, and 1918-19 were, I believe, 10·94, 14·70, and 16·14 crores of rupees respectively, all of which went into the general pot and were used for the general purposes of Finance.

With reasonable enhancement of rates and fares to meet the increased cost of operation—or, perhaps it would be more correct to say, the reduced purchasing value of money—there is every reason to believe that these high surpluses will be maintained and eventually increased with possibly a temporary set-back during 1920-21.

From a business point of view, the procedure adopted in the past of looking only at the *direct* profits accruing from capital invested in railways is shortsighted. It is in the direction of *indirect* profit that railways are most valuable to the State, in that by that means only can prosperity be brought to the country generally, and, as a corollary, increased revenue, from sources which are impoverished or inaccessible for lack of transport facilities, can reasonably be expected. Before the war we thought 12 millions sterling would be a suitable amount of capital to provide yearly for the requirements of railway development in India, and, owing to the reduced purchasing power of money, this sum would be represented by 24 millions now. But we have nearly five years of steady neglect to make good, so that it is not extravagant to insist on a capital programme of 36 millions sterling for three to five years from the end of 1920.

This is a large sum, but I do not think there is any doubt that we can raise it in England principally, at present and in India to an increasing extent as time goes on.

The first essential, however, is to establish confidence in the minds of the investing public that railways will be managed on business lines, and will be maintained and developed to meet the commercial and industrial requirements of the country. As things are, there is not only no guarantee that this will be done, but there is ample evidence that railways, if not bankrupt, are exceedingly backward, and will fall back still further if the financial control is left where it is.

The confidence of the public and the full advantage to be derived from an efficient administrative and executive staff can only be ensured by placing railway finance on a different basis.

I, therefore, desire to insist on the primary importance of laying down a definite programme of expenditure, of not less than five years forward as the first essential. The Government of India, as principal owner of railway property, should then go into the open market and borrow at the best rates obtainable such capital as is necessary to carry out this programme in its entirety. Such borrowing should be supplemented to an increasing extent by the raising of capital by the Indian railway companies both in England and in India. Once a programme is agreed upon and arrangements are concluded for raising the necessary capital to carry it through, the control of the Finance Department should cease and the regulation of expenditure should be vested in the Railway Department, unhampered by the existing restrictions of budget control.

STATEMENT No. 57(A).

NOTE DATED 8TH FEBRUARY, 1921, BY SIR H. F. E. FREELAND, REGARDING PROPOSALS FOR DIRECTION AND MANAGEMENT OF INDIAN RAILWAYS.

I.—INDIAN RAILWAY COMMITTEE. (QUESTIONNAIRE).—QUESTIONS 1 TO 16.

I consider that the best chance of success lies in a scheme having two stages, which are depicted in the Charts attached.

Minister.

Stage I.—I suggest the formation of a Communications Department, as distinct from a Railway Department, because I believe the Government of India will argue that railways alone are not yet a big enough subject to justify the appointment of a Minister and the expense of his and his office salary. I have, therefore, added Inland Waterways, Ports, Shipping, Posts and Telegraphs to Railways as forming one large whole, and each having a close relation to the others in the provision of communications in India.

Such an arrangement also has advantages from the military point of view, that is, of security and defence.

Stage II.—I am of opinion that eventually with the increase in railway mileage we hope for in the future, and with the far-reaching effect such railway extension must have on the trade, industry, and general well-being of the country, justification for a separate Minister for Railways will become apparent.

Council for Communications.

If, as I consider essential, the funds for financing railways and the policy of railway expansion and development are controlled by the Communications (subsequently Railways) Department, the Minister should have the support of a strong council representing the official and commercial opinion of all parts of India. If the full resources of India in the matter of raising money are to be tapped. the advice of such a body of men is most desirable. Furthermore, it is hardly likely that the strong opposition of the Finance Department to any proposal involving a reduction in their powers, will be overcome unless provision is made for the Minister to have the advice of a Council composed of men having more than technical railway experience. It will be observed also that the council provides for the representation of Indian as well as European opinion in the higher realms of policy and finance, an arrangement consistent with the policy of Government.

Executive Railway Board.

Stage I.—I would advocate the retention of the Railway Board as an executive body to give effect to the policy of the Minister in Council, to direct the management of State railways and to exercise the powers of the Governor-General in Council under the Railway Act.

I do not consider that the Railway Board should be abolished and replaced by a Secretary with expert railway advisers, in short, a reversion to the departmental system of control. The work of the Railway Department is heavy now and is increasing; no one man could deal with it effectively. More frequent touring than is done at present to bring responsible members into touch with local conditions is essential, and a reputation for impartiality, when giving judgment between divergent interests, can be ensured better by a Board than by a single individual.

I consider, however, that the Railway Board should be strengthened in numbers to permit of the more rapid disposal of business, and I strongly insist that all members should have experience in railway practice and policy.

Stage II.—When the Communication Department makes way for the Railway Department, the Minister should become *ex-officio* President of the Railway Executive Board, with a Vice-President to act as his Deputy and carry out the necessary touring programme.

Company's Railway Home Board.

Stage I.—I am of opinion that the maintenance of boards of directors for companies' railways in England is essential for two main reasons, first to maintain the confidence of the investing public, when raising capital in the United Kingdom and elsewhere *out of* India and to preserve touch with the London money market, and secondly to ensure a detached view of big questions (*e.g.*, electrification, new lines, policy of extension or conversion).

By the inclusion in the personnel of the Board of two members who have served on the railway in India, a continuity of policy and knowledge of history are preserved to a degree which would be impossible with the sole control in the hands of a board domiciled in India or of the Railway Board at Government headquarters. This is of special importance in that a London board including retired senior officers of the railway can exercise clearer and saner judgment than a Railway Board having only a general knowledge, or a local Indian board upon whom local and political pressure may well be brought.

The only alteration I would suggest in the composition of the Home Board is that it should include at least two directors who are sufficiently young and physically fit to tour in India. Changes are occurring so rapidly in this country that I think it is desirable that one director of the Home Board should come to India every year in order that on his return he may be able to keep the Board in London up-to-date in regard to local conditions in India.

Stage II.—As in Stage I.

Agent in India. Advisory Committees. Local Indian Boards.

Stage I.—In the first place I consider it essential that the powers of the agent in India in respect of subordinate establishment and works should be enlarged.

The agent's powers are now limited to the appointment, promotion, etc., of staff drawing Rs. 250 and below and are hedged round by certain vexatious restrictions.

As a special case, my own powers of sanction to works have been extended to 1 lakh of rupees, that is, the full power of the Home Board, as a "personal" matter, but there are restrictions and exceptions dictated presumably by the existing system of control by the Finance Department, which might well be removed.

In the second place, particularly in view of the many complaints arising against railways on account of lack of transportation facilities and by reason of the considerable element of labour unrest, at present in its infancy, I consider that the agent's authority will be strengthened by the formation of advisory committees, representative of trade, industry, banking, etc., at headquarters and at up-country centres.

Stage II.—I can conceive of circumstances in which it would be of considerable advantage that the powers of the Home and Railway Boards should be vested definitely in a local Indian board. I refer to urgent questions of staff unrest on the one hand and on the other hand to the raising of rupee capital locally.

In reference to the second point it is recognised that no source of raising money for railway reconstruction and development should be neglected, and I believe that funds could be raised locally for a railway by a local board of directors, having a definite financial responsibility in the undertaking, to a degree impossible on the lines of Government of India loan, quite apart from the price paid for the money. There is, however, the great difficulty that, if the company raising the money were domiciled in England, the English income tax rules would apply, and there appears to be no hope of surmounting this difficulty at present. Under these conditions, I suggest the continuance in Stage II of the Advisory Committee as distinct from a local Indian board. The only alternative would be to abolish the London board, transfer all capital to India, and place the direction in the hands of a local Indian board. I am definitely opposed to such a step, because I do not think such a board could raise money on reasonable terms *out of India*, nor could *all* the money railways want be raised in India. I doubt also the possibility of assembling in India a body of men of experience who could give sufficient time to the direction of a railway, and I think continuity and knowledge of history would be conspicuous by its absence.

In the consideration of the first point, the agent is called upon to take action with promptitude and his decisions would carry more weight if taken with the approval of a body of men having a direct stake in the railway undertaking and representative of Government institutions and of trade and industry. The best advice would be forthcoming from a local board having a financial stake in the undertaking and representing the shareholders' interests, but for the reasons given against the idea of setting up a local board to raise rupee capital, I am inclined to recommend the retention of the Advisory Committee to support the agent in deciding difficult establishment questions also.

II.—INDIAN RAILWAY COMMITTEE. QUESTIONS 30 TO 33.

Rates and fares.—Settlement of disputes.—I am of opinion that the control of Government as exercised by the Railway Board over rates and fares, cannot be complained of by railways. In fact, I doubt if Government could in practice regulate rates and fares to a greater degree than they now do without the maintenance of an enormous staff, the cost of which would in the end be a charge against railway revenue.

That the powers given to railway administrations in respect of rates and fares have been wisely used is, I think, proved by the exceedingly small number of complaints received and by the fact that trade in this country has greatly developed.

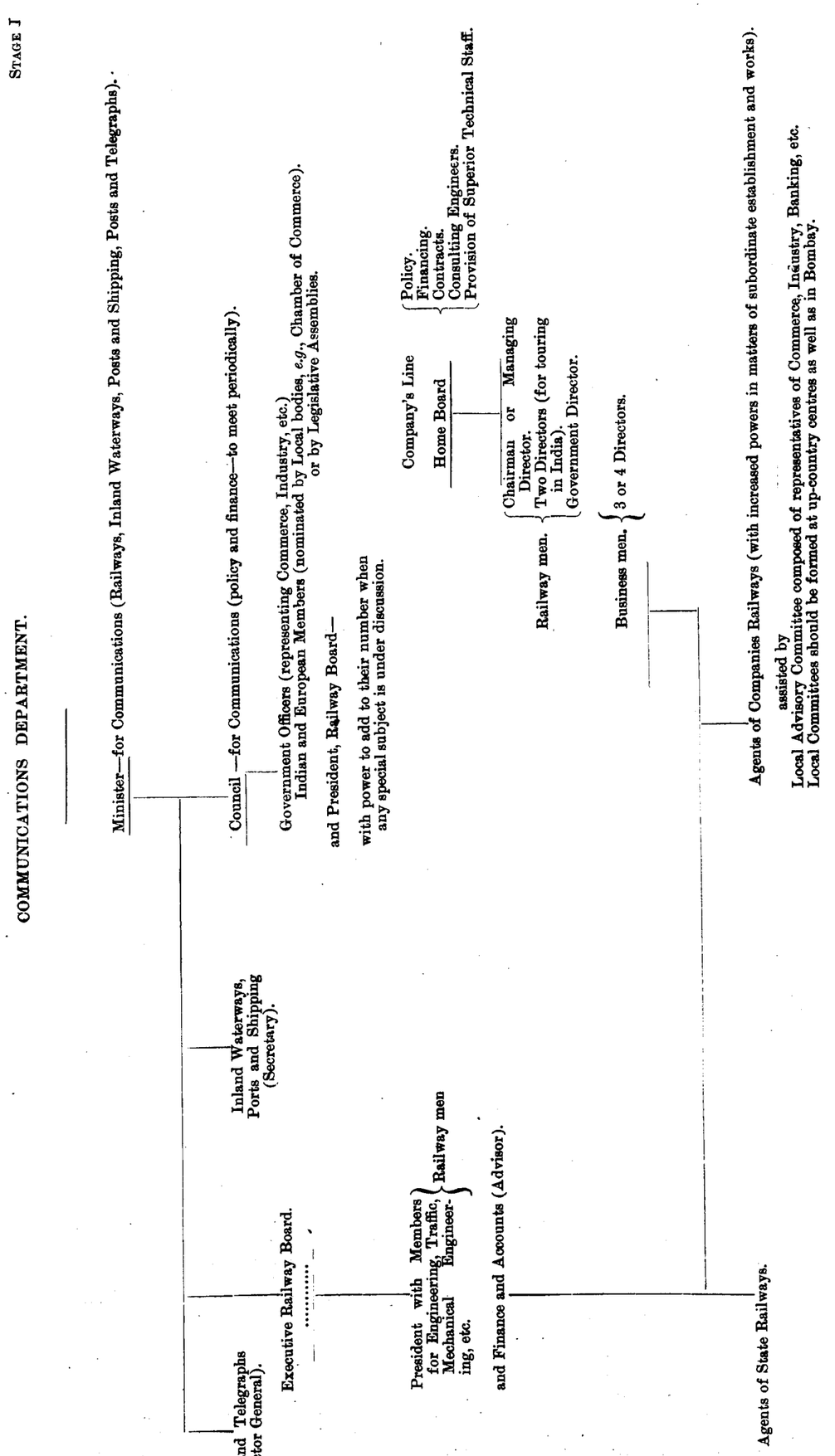
The fact is that railway administrations want the traffic; they, therefore, have their good name to preserve, and before imposing a rate they have to take this point into consideration. Each administration has to consult and agree with other administrations in the quotation of through rates, and very important changes go up before the Indian Railway Conference Association, *e.g.*, the recent coal rates. Administrations are in close touch with Chambers of Commerce and with other organised commercial bodies and are always accessible to any individual who objects to new proposals. A trader failing to obtain a satisfactory hearing from the railway can always appeal to the Railway Board, and this is done from time to time. While feeling that the Railway Board is not now constituted of sufficient strength to invite complaints against railways in this connection and that it might in the interests of public opinion be desirable to strengthen that board for this purpose, and also for settling disputes in matters not appertaining to railway charges, I believe that if the Railway Board is so strengthened, it would soon become obvious that, generally speaking, the action of railways has full justification, and the number of complaints will no longer warrant the retention of special machinery for their consideration.

III.—Indian Railway Committee. Question 34.

General.—The carrying capacity of the B. B. and C. I. Railway is not adequate for requirements. The reason is shortage of capital and revenue for improvements and reconstruction. The want of locomotive power, rolling stock, shops capacity for repairs, line capacity, rails and sleepers for renewals and relaying, and girders for strengthening bridges is felt in a greater or less degree.

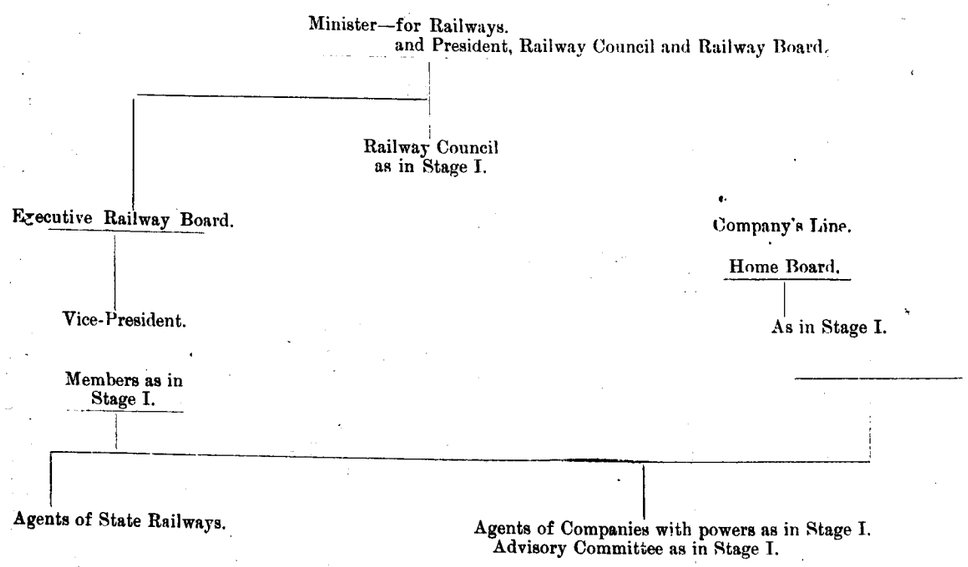
The position is serious in that we cannot now carry the traffic offering, and at the end of next financial year, I think, matters will be worse.

I realise that the provision of rolling stock is only one of the remedies, and as money is scarce I am concentrating on quicker movement by means of telephone train control on congested lines, both single and double, and better movement facilities.



STAGE II

RAILWAY DEPARTMENT.



STATEMENT No. 57 (*b*).

NOTE, DATED 21ST MARCH, 1921, BY SIR H. F. E. FREELAND, REGARDING THE DIRECTION AND MANAGEMENT OF INDIAN RAILWAYS.

In my Note dated 8th February, 1921, addressed to the Indian Railway Committee, I advocated the continuance of the system of Home Boards for the Direction of Indian Railways, and the inference therefore is that I am against State Management or Indian (domiciled) Boards.

The main objections to Boards in England are

that they are too remotely situated for decision in urgent cases;

that they are likely to lose touch in the rapidly changing conditions of the present day;

that too much of the Agent's time is taken up in reporting by letter matters which the Board, if located in India, would know without such lengthy reports;

that they maintain too rigid a control over the Agent in matters of detail, staff appointments and promotion particularly;

and that as the great bulk of the property (about £380,000,000 out of £400,000,000) belongs to the Indian, he should have a much greater say in the provision and direction of his own railways.

There is admittedly a great deal of truth in these contentions, especially in the last, but I think in justice it should be remembered that on the whole the Home Board System of Railway Direction has done a great deal for India, certainly as much if not more than the State Management System, and that where the Home Boards have failed it has been for reasons beyond their control, namely for want of money.

Is there, then, a good case for making a radical change, and is it not rather a matter of modifying the existing arrangements than of deracinating them and installing something new?

I am positively convinced that the time has not yet come when a Board of Directors can be found in India to govern the affairs of a big railway better than a London Board can do it.

I am assuming in all the remarks I make that the money necessary for railways must for the greater part be found by the State; this I think is obvious from the evidence given to the Committee. Leaving the question of finance, then, in the hands of Government for the most part, how is it possible to find, in Bombay for example, a body of men

who will be sufficiently impartial in outlook to direct the affairs of a railway like the B.B. & C.I. Railway, running through the Bombay Presidency, Guzerat, Central India, Rajputana, the United Provinces, Delhi, the Punjab, and many Native States:

who will have time to examine and experience in dealing with the larger questions of policy, such as standardisation of equipment, contracts for the construction and operation of new lines, questions of the gauge of branch and feeder railways and the like;

who will be qualified to instruct the Agent in big projects involving heavy expenditure or who will be in a position to select and provide technical staff?

I cannot believe that a Board who could successfully rise to the many difficulties involved in railway management could be found in India, *unless* as a commencement it was limited in its powers or was of an advisory nature.

Therefore I think the Home Boards should, at least for some years to come, be maintained either to retain their present control, or better still to exercise control in the higher questions of finance, policy and administration over an Indian Board, vested with considerable powers.

I do not see any serious objection to this, even on the grounds that a Company's line Agent, who now has to refer to the Home and Railway Boards, would under the proposal have still one more Board sitting over him.

All that is necessary is to increase the Agent's powers and to give the Local Board many of the powers now vested solely in the Home and Railway Boards, and thus obviate the delay which now occurs owing to the necessity of explaining by letter many minor details to both the latter who are so situated as to be unable to visualise local conditions.

With a proper financial system such a scheme is undoubtedly feasible, and the Agent's position—assuming, of course, that he is a good Agent—will be greatly relieved and strengthened thereby. Furthermore, I suggest that, if insisted upon, the Local Board should have the right to nominate one of the members of the Home Board.

Given that the Minister at Government headquarters is supported by an Advisory Council, the arrangements above outlined seem to me the best that can be devised for giving the Indian a greater control over his own property, without introducing the risk of a complete breakdown.

The only alternative to these proposals seems to be "out and out" State Management, which has never been a commercial success anywhere else in the world, no matter what the conditions.

I believe that Indians in the majority favour State Management because they think that is the only way to ensure the employment of Indians in the higher Executive and Administrative appointments. The answer to this is that up to date with very few exceptions (only two in my experience) Indians of the right class to maintain discipline and of sufficient capacity, technical education and devotion to duty have not yet come forward for appointment. To my knowledge Home Boards and Agents have been searching for years to obtain the Indians, who will compare favourably with their English contemporaries in age, but up to date I cannot say that any success has been met with.

The fact of establishing State management will not alter this state of affairs. What it will do is to introduce sufficient political pressure to force upon Agents the necessity of employing individual Indians of inferior capacity, merely because they are the sons of their fathers, and not because their education and training make them suitable for appointment. There are well-established instances of this fact on State Railway records and those railways have undoubtedly suffered as to their results of working in consequence.

Furthermore, it is acknowledged that on State Railways, with which I was connected for nearly 20 years, it is rarely possible to get away from the system of promotion in all grades by *seniority*, more especially among officers. The greater the number of officers the more difficult it becomes to select men for advancement on the basis of efficiency.

If, then, one or more of, and eventually all, the companies' lines were handed over to State management and the rules for pay, promotion, leave, etc., were made uniform for all, the officers on one line will certainly claim, equally with those on other lines, consideration for any of the high appointments on all lines, and the only way to avoid this is to stick closely to seniority. The present system, where each line is self-contained and has its own rules and customs, obviates this difficulty.

As regards the subordinate staff, men employed on State Railways, provided they keep within the strict letter of the law, can rarely be got rid of, however inefficient or unsuitable they may be. Even if the head of a department of a State railway is convinced that a man is a bad investment but cannot *prove* any very definite crime against him, his services cannot be dispensed with, because he has the right of appeal, as a servant of the State, up to the highest authority. I have known a station master, suspected of accepting bribes, appealing against dismissal and being reinstated merely because the agent had not a strong enough case *on paper* to send on to the Railway Board.

This could not occur on a company-worked line, for the Agent is treated as the trusted representative of the Home Board, and Government do not intervene in establishment questions of this kind.

But my greatest objections to the State railway system are two in number:—

First of all, I consider that political pressure has been, and will to a greater extent in the future be brought to bear on railways to provide comforts and luxuries without due consideration for economy, and instances can be quoted where a reasonable view of the situation was only accepted after the strong representation of the Home Board had been recorded.

Secondly, detailed management and control of such a tremendous undertaking as Indian railways by one centralised authority must entail great delay, and cannot be exercised with a knowledge of local conditions, no matter how carefully that central authority may be constituted. Government in the past have endeavoured to maintain uniformity of procedure over distant administrations by voluminous rule-books, and have only succeeded in cramping initiative and stifling advancement. There is no reason to believe that under any general system of State management this condition of affairs can be altered.

STATEMENT No. 58.

Sir LAWLESS HEPPER, Kt., Director of Development, Bombay, late Agent, Great India Peninsula Railway.

Question No. 1.—I am of opinion that except in the case of lines solely strategic it is preferable that railways owned by the State should be worked by companies on a profit-sharing basis. See oral evidence, paragraphs 5591/5624.

My reasons are as follows:—

(*a*) If lines are worked by companies, the competition between different administrations must be for the general good of railways. I do not refer to competition in the matter of rates, but to the natural incentive which company management provides by which each administration will be encouraged to give the public the best service it can. I anticipate that under State management we should tend more towards a dead level of mediocrity in such matters and that the spirit of enterprise in the adoption of modern processes and equipment would be less in evidence.

(*b*) On the State-worked lines in India officers are frequently transferred from one line to another which cannot make for efficient working. On companies' lines where officers spend their lives on the same railway there is a greater spirit of *esprit de corps* and more continuity of policy. The staff become familiar with the problems peculiar to their own system in a way they cannot do where there are more or less frequent changes.

I have had nearly 27 years' experience of Indian railways, during the last 14 years of which I was associated with the management of the G.I.P. Railway as Deputy Agent and Agent. My early railway service was spent in the engineering department of the North Western Railway and in the consulting engineers' branch.

Questions Nos. 2 *and* 3.—I believe the best form of management is by means of a company domiciled in the United Kingdom with a Board in London, for the following reasons—

(*a*) I do not think that India can produce the money necessary for the development of its railways, and a Board in London is necessary if capital is to be raised in England.

(*b*) The Board in London acts as a useful buffer to relieve the administration in India of undesirable pressure, political and otherwise, to which it might conceivably be subjected.

(*c*) It would not be easy to find men in India who could devote the necessary time for service on the board of a large railway. The best men are always the busiest.

(*d*) Among the directors of a company-worked line, with a board in London, will usually be found retired business men familiar with the working of the ports or industrial areas served by the railway, and this is an advantage in keeping the administration in touch with commercial interests. In the case of a line worked by the State the Government of India could not secure the same representation of local interests, and local knowledge would be deficient as it is in the case of the Railway Board at present.

(*e*) The location of the boards in London keeps them in touch with the latest experience and practice in railway work through their consulting engineers, and facilitates the exchange of views between the companies by means of periodical meetings of representatives of the various boards.

Question No. 4.—Yes, I think the present system of allowing the working companies a share in the profits is a sound one, but I see no reason why the interest of the company need remain relatively small. It might be advisable to allow the companies to increase their share by raising fresh capital.

Question No. 5.—The criticism can be, and is, met on most lines by the board, sending out one of their members on fairly frequent visits to India. It is not my experience that there is any undue delay in getting references to London settled.

Questions Nos. 6 *and* 7.—As indicated in my reply to Questions 2 and 3, I think it would be difficult to get together a board in India. The appointment of a permanent chairman skilled in railway work would go far to secure the necessary continuity of policy, but I think that at least a proportion of the members should be practical railwaymen, and these would not be easy to obtain.

Question No. 8.—I think this is important; my view is that the question would have to be carefully considered in appointing directors of companies domiciled in India.

Question No. 9.—I should not be opposed to the idea of a subsidiary board in India, as such a board might strengthen the hands of the local administration and keep the public in touch with the working of the line. It might be given considerable powers, within limits, in establishment matters, and would be useful if the company was allowed to raise capital in India. To begin with, except as regards establishment questions, its functions should be advisory only.

Questions Nos. 10 *and* 11.—I do not consider the system of control by means of a board satisfactory. I propose control by an official of the status of a member of the Viceroy's Executive Council, with direct access to the Viceroy and Council on railway matters, assisted by experts in the main departments of railway working who should have the status of Secretaries to Government. I would frame the central controlling organisation on that of a railway administration, *viz.*, one administrative head assisted by advisers for engineering, traffic (operative and commercial), technical (for locomotive and carriage and wagon) and finance. The secretaries should have adequate establishments and efficient inspection staffs to keep them well informed of local conditions on railways. The present central organisation is deficient in local knowledge.

Question No. 12.—I would not say that the functions exercised by the Railway Board extend to unnecessary detail, but where, I think, they have failed, is in not tackling the larger problems of railway working. These have too often been referred to the Indian Railway Conference Association which on account of conflicting interests of railways is badly equipped to deal with some of them.

I would instance as questions with which the Railway Board might deal—

(*a*) The standardisation of wagon design.

(*b*) The maintenance of the vacuum brake.

(*c*) The adoption of a stronger coupling for goods stock.

(*d*) The general question of renewals.

I am of opinion that a more decided policy on questions such as these would be for the good of railways.

Questions Nos. 13, 14 *and* 15.—If the Railway Board possess adequate powers in this connection they have not always used them. I think the companies would welcome greater activity on the part of the Railway Board in connection with such questions as are referred to in my reply to the last question.

It must be recognised that many of the men who have served on the Railway Board have been men of great experience and ability, and I ascribe the failure of the Board largely to insufficient status, absence of direct representation on the Viceroy's Council, and want of enough freedom in financial matters

Question No. 16.—I do not consider that the present status of the Railway Board is satisfactory—please see my reply to question Nos. 10 and 11.

I should like to see the railway finances separated from the general finance of the country. The separation of the railway finances is, I believe, a reform without which little real improvement is to be expected. In this connection, I do not think that the debit on account of annuity payments in the case of company-worked lines is a fair charge against railway revenue.

Question No. 17.—I consider that the supply of funds for railway purposes has been inadequate. So far as new construction is concerned I do not make a strong point. If the money is not there new construction must wait. It is with the financing of existing lines that I find fault. Maintenance has generally been provided for because it is naturally a first charge on the revenue budget. The capital portions of the charges for improvements are often difficult to meet, but my experience is that it is in regard to " programme revenue " expenditure that railways suffer most.

Question No. 18.—Yes. In my experience, the funds available have never been sufficient to provide much for new construction after the demands of open line have been met, and the latter must have the first claim.

Question No. 19.—I think Rs. 3 crores annually for the next ten years should be allotted to the G. I. P. Railway.

Question No. 20.—I consider that the money required should be raised whenever it can be obtained. I do not think that India can supply more than a small proportion of it.

Question No. 21.—I am of opinion that the branch line terms will have to be revised so as to give a guarantee of 6½ per cent. with a share of profits over that figure, the rebate terms being revised on the same basis.

Question No. 23.—I consider that companies ought to be empowered to raise short-term loans for dealing with accumulated arrears of renewals which the ordinary " programme revenue " grant is inadequate to meet. These arrears of renewals exist to a greater or lesser extent on most lines, and their effect on the carrying capacity of railways is very considerable.

Question No. 26.—(*a*) In connection with expenditure on revenue account, the inclusion of the railway budget in the general revenue budget of the country is distinctly detrimental to railway improvement and development. My experience has been that, owing to the necessity for cutting down working expenses to satisfy the requirements of the general budget, there has seldom been enough money available for " programme revenue " expenditure. On the G. I. P. Railway the renewal of girders, rolling stock, etc., is seriously in arrears in consequence, and I do not believe that these arrears can now be overtaken under the normal method of financing renewals. The condition existed before the war, but the restrictions due to the latter have, of course, aggravated matters.

(*b*) I have for several years urged that rates should be raised in view of the greatly increased cost of working. My impression is that rates and fares on the G. I. P. Railway should be raised from 25—30 per cent.

Question No. 27.—I think the figures show results satisfactory to the State and to the public, but I am inclined to doubt if the corresponding figures for 1919-20 and 1920-21 would be so good. So far as the results go they are favourable to company management, and would be still more so if the debit on account of annuity payments, which, I presume, has been included in the case of company-managed lines, had been omitted.

Question No. 28.—I do not think that there is much to be said against the existing annual budget system so far as concerns capital expenditure, but it is desirable that railways should be able to work to a settled programme, and if the capital grant could be fixed for three years ahead it would be a great improvement. In the case of programme revenue expenditure the annual budget system introduces difficulties, as it may happen that owing to delays in manufacture, material for renewals does not arrive in India in the year in which provision has been made, and there is a lapse. The stores have consequently to be accounted for in the following year, in which, possibly, a reduction of working expenses may have been called for by the Government of India. The material then must remain in store at the debit of capital, which upsets the capital budget, or, if drawn, some other item of expenditure, such as repairs, has to suffer. On the general question I would invite a reference to para. 10 *et seq* of my address as President of the Indian Railway Conference Association in October, 1916, in which my views on these points were stated at some length. I have always thought that in the case of renewals, especially where there are heavy arrears as in the case of the G. I. P. Railway, the allotments available from the revenue budget should be supplemented by advances from capital, as suggested in my address, or by short-term loans, the idea being to clear off the arrears of renewals within a reasonable time, but to spread the charge against revenue over a number of years. I attach a copy* of my letter No. 287 C/20, dated 1st September, 1915, to the Railway Board, in which the position as regards renewals on the G. I. P. Railway was very fully dealt with, and a definite proposal made for meeting the position by means of a capital suspense account. So far as I am aware the matter never went any further. In any case, I think the difficulties attaching to the annual budget system where " programme revenue " expenditure is concerned could be met if railways were empowered to raise short-term loans in India at the market rate to supplement the budget grant under that head if necessary.

Question No. 29.—Yes; but I think that the company should have the option of transferring funds from the Indian to the English grant and *vice versa*.

Question No. 34.—The carrying capacity of the broad-gauge railways is, in my opinion, inadequate. The reason is, I believe, that there has in the past been too ready a tendency to accept the popular cry of " shortage of wagons " as indicating the real reason of the inability of railways to carry the traffic. Shortage of wagons is no doubt the most prominent symptom so far as the public are concerned, but it is not always the real cause of the complaint. To buy additional wagons is a simple procedure if funds are available, but under certain conditions it tends to aggravate the disease. I am speaking, of course, mainly of my experience of the G. I. P. Railway in suggesting the following remedies, leaving aside the importance of a regular supply of funds the necessity for which must be obvious:—

(*a*) Steps should be taken to renew all obsolete and wornout equipment on important routes without further delay, by means of special financial arrangements if necessary.

* Not reproduced.

(*b*) Main routes of traffic should be examined with a view to ascertain the causes tending to check the free movement of wagons, and additional power and facilities provided, if necessary, to enable the maximum number of goods trains to be run, and to secure the prompt turn round of wagons.

(*c*) The broad-gauge goods stock should be fitted with a stronger form of coupling so that on busy sections, *e.g.*, nearing the ports, coal fields, etc., where the limit of possible density of traffic is already being approached without satisfying the demand for capacity, a much heavier train load may be adopted than is possible with the present pattern of draw gear.

(*d*) Government should insist on the proper maintenance of broad-gauge wagons by all railways, whether owners or not, and this should apply specially to the maintenance of the vacuum brake.

(*e*) On the more important lines steps should be taken to specialise more in operative traffic working.

The following remarks will explain my recommendations under each head:—

(*a*) As a case in point I would draw attention to the Itarsi-Jubbulpore Section of the G. I. P. Railway. This forms part of the shortest route from the Bengal coalfields to Bombay, and has been of the greatest importance since August, 1915, when the carriage of coal by sea was stopped. Much of the section is still laid with old 69-lb. track, and there are a number of bridges which are incapable of carrying any but the oldest locomotives on the line. As a result the load is only a mere 700 tons or so. The renewal of the bridges and track would at once give a great increase in capacity over this section. Some types of modern wagons cannot be run over certain sections of the G. I. P. Railway fully loaded as the bridges are not up to the axle loads. The capacity of the wagons has, therefore, to be "marked down" and considerable loss of efficiency is the result.

(*b*) This is self evident, I think.

(*c*) The section of the G. I P. Railway from Bhusaval to Bombay has been brought up to a high standard. It is laid with 100-lb. track, all bridges are up to full strength, direct entrance, refuge sidings, fully interlocked, are provided at intervals of about 20 minutes on the average, and the whole section is equipped with a telephone control worked from central points. The capacity during the last 10 years has been increased from about 12 goods trains a day each way to about 24 goods trains a day each way, notwithstanding a considerable increase in passenger traffic during the period. The normal goods train load is about 1,000 tons gross or, say, 24,000 tons gross out of Bhusaval daily in the up direction. But this is not enough in the busy season to clear the traffic entering Bhusaval from two directions from the east, and blocking back, with its consequent disorganisation of traffic, is the result. Heavy locomotives built to haul 1,600 tons over this section have been ordered, but even this will only meet the requirements of the moment. It is hardly possible to add to the number of trains to any great extent and further increase of capacity over this section must be met by adopting a still heavier train load, the only obstacle being the weakness of the present coupling. It seems inevitable that Indian broad-gauge railways will have to adopt a stronger coupling before long to meet similar cases, and I look on this as one of the most urgent problems before railways at the present time.

(*d*) There is no doubt that the partial pooling of wagons has resulted in a general deterioration of the stock, which cannot altogether be accounted for by the difficulty of obtaining material. The carriage and wagon departments of all railways will have to realise their responsibilities more fully than they do at present if this matter is to be put right. The case of the maintenance of the vacuum brake on goods stock is especially pressing. Large sums have been spent on fitting the vacuum brake to broad-gauge wagons, but quite half the fitted wagons one sees on trains have the gear defective. It is impossible to keep the brake gear in order unless it is regularly used, but some railways do not use it to the extent they might. Since all wagons have not yet been fitted, it means that vacuum-braked wagons must be marshalled next the engine if they are to be used, and railways avoid doing this to save trouble or from lack of facilities for marshalling. On some lines the traffic can be worked without the vacuum brake, and so the fitted wagons fall into disrepair. Then when they find their way on to sections of other lines where owing to conditions of load or grade the use of the brake is imperative, there is trouble. The present apathy in the matter of the maintenance of the vacuum brake requires to be removed, and this seems to me to be a matter which the Railway Board might take up through its inspectors of railways. The proper working of the vacuum brake is of the greatest importance whenever the conditions impose strains approaching the full capacity of the coupling.

(*e*) Traffic officers are practically all trained in India, and the methods and traditions they inherit are not always up to date in operative matters. As at present organised, the running branches of the traffic and locomotive departments are both concerned in the movement of traffic, and this divided responsibility is bad. I would advocate amalgamating the running branches of the two departments into one operative department under a superintendent of the line solely responsible for the movement of traffic, and would recommend that men trained in English or American operative practice should occasionally be recruited for service in it.

STATEMENT No. 59.

A. J. BILIMORIA, Esq., Messrs. Tata Sons, Ltd., Bombay.—NOTE DATED 10TH FEBRUARY, 1921.

See oral evidence, paragraphs 5625/5635.

The present ownership of over 90 per cent. of Indian railway by the State is a profitable property in the hands of the people, whose value to-day is several times the amount paid by them for the acquisition of that property. The Indian railways, therefore, become one system since they are owned by the people as a whole; but they did not grow up as one system, and they have often competed in the company days, and to-day the conception inherited from old time and brought into India from the working of the English competitive system more than occasionally hampers progress.

The question arises whether railway administration cannot be unified and put on the same basis throughout, which basis, of course, must be that part of the various systems which has proved itself by experience. I believe it is admitted that the existing methods of the administration of railways are defective, and one feels tempted to travel outside them to discover something more fitting than anything Indian railways have known hitherto, but in the light of the experience of Indian railways.

I venture to make the following suggestions for the consideration of the Railway Commission:—

(*a*) Railway administration should be one system.

(*b*) As the ownership is the same generally the competitive aspect should be banished or, if preserved, it should be to show how much greater good can one railway administration give than other railways from equal resources, and without fouling the scope and the nests of the other railways.

(*c*) The administration should be conducted with a view to obtaining adequate returns in the capital, but the returns need not be entirely in the shape of money dividends—the happiness of the people, the sufficient service of industries, the training of the people of the land in high engineering and high administrative qualifications, the support to the key industries of the country, the fostering of indigenous industries, the political contentment, the collaboration with the waterways and open roads of the country, the amplification of the feeder services of the light railways, trams, motor 'buses, animal vehicles, the service for the relief of town congestion and the reduction of disease, the promotion of holiday travelling in search of health, the unification of the scattered parts of the country and the resulting nation building—all these are dividends to railway capital and to efficient administration which should not be ignored.

(*d*) To secure this unity of railway administration and the administration in public interest rather than for profit the ownership should be in the public.

(*e*) The actual administration should have all the advantages of private enterprise without the drawbacks either of State management or of management by individual interests.

(*f*) The drawbacks of State management are usually somewhat reproduced in the administration of joint stock companies. Another drawback of complication of organisation is not to be avoided even by joint stock companies of the magnitude of railways. The chief incident of State administration which a joint stock company may escape is the perpetuity and elaboration of references which secures nothing so well as an extinguisher on doing anything.

(*g*) Therefore the administrative organisation of railways should be such as to secure representation of the bulk of the interest to be effected, and to have a governing body which can make quick decisions, but not without adequate examination without references to incompetent secretariats.

(*h*) A model of such bodies lies ready to hand in the semi-public administrative bodies like the Port Trust or the Improvement Trust, whose composition is that of business men themselves interested in the good administration of the functions given to their charge, and who can bring to bear from behind themselves effective voices of the interest whom they represent so as to bear down any inertia of official routine.

(*i*) The machinery should, of course, be as simple as possible, but should not avoid complexity as such. There would be central boards and local boards, and the local boards might be as numerous as important trading centres which the railway system effects, and there might be one general central board as a clearance system for the separate central boards so as to secure that the policies of the various central boards can be harmonised for the benefit of the public interest only. Probably this one general board might be composed of the presidents and vice-presidents of the individual central boards.

(*j*) The board, central or local, would be not stationary, but would travel and tour.

(*k*) The Indian mercantile interest, being predominantly affected by the railway service, should be very adequately represented on these boards. There should also be persistent attempts made to encourage Indian personnel in the higher services of the railway, but there should be no attempt made to sacrifice real efficiency and real public interest for the sake of an entirely Indian personnel. The railway system of India has spent about Rs. 500 crores on capital expenditure, and may annually spend about Rs. 25 or 50 crores on operating expenditure. It thus becomes a large buying department, and its buying should be so conducted as to help the efficiency of Indian industries. There should be a living policy in these matters, and not a dead mechanism of rules; for example, like the municipalities, the surplus funds of railways should be distributed among the best banks of the country and in many local centres, so as to feed trade not only at the centres, but at all the trade areas of India.

(*l*) In any case, the home boards of railways seem to me to fulfil no particular function except as buying agencies, and the one advantage of treating all Indian railways as parts of one system is the unification of the purchasing department of the railways. With that unification the chief need of home boards disappears.

(*m*) As regulators of policy, home boards, even though composed of retired men of Indian experience, become obsolete. The psychology of India changes very fast; the elderly gentlemen who compose home boards are apt to treat it as if it did not change since they left India. Their Indian experience is one handicap the more, because they talk with the weight of experience, which weight is undeserved on account of change.

(*n*) Railway administration at their heads should have the same quality as is found in the United States and in Canada, and no money should be spared to get such people at the head, and no racial or political prejudice should intervene to obtain such people at the head. An English railway distinguished itself some 15 years ago by importing an American at its head. What I mean is that the head men should not merely be trained men or able men, but should be both, and should be go-ahead besides.

(*o*) On the question of the funds required for the development of the whole railway system in India, I wish to urge very strongly that the Government of India should at once apply to the Imperial Government for financial assistance. I would suggest that the Imperial Government may be requested to advance the whole or a portion of the free gift of one hundred million sterling given by India during the war at a reasonable rate of interest to help India at this critical juncture. I think that the English people would not refuse such assistance if the position is made clear to them.

STATEMENT No. 60.

Messrs. AMBALAL HIMATLAL AND Co., Ahmedabad.—NOTE DATED 15TH JANUARY, 1921.

See oral evidence, paragraphs 5698/5709.

In our opinion, the railways owned by the State should, as a rule, be managed directly by the State, as thereby the entire profit from the undertaking will accrue to the State and the general public are likely to get uniform treatment.

2. We think that, for various reasons, with proper selection of administrative and executive officers, Government ought to be able to manage the lines as economically as private companies or individuals, and there seems to us no reason to seek the assistance of companies on a profit-sharing basis. Selection of officers should, in our opinion, depend more upon individual merits than upon seniority.

3. In case the idea of management by companies is favoured, the companies should be domiciled in India, as it is most desirable that they should be in touch with the local requirements.

4. In our opinion, in order that the working companies be induced to take sufficient interest in the undertaking, they must hold a fair percentage of the capital with a right to proportionate share of net earnings.

5. In the event of railway companies being domiciled in India, the Board of Directors should be constituted of gentlemen interested in the commercial development of the country and should represent various trades and manufactures, the interest of the Government being safeguarded by the appointment of a certain number of Government directors on the board.

6. We think that sufficient continuity in a board domiciled in India would be secured by a qualified permanent chairman nominated by Government. In our opinion, it is not necessary that the other members of the board should be skilled in railway work; they should be all-round good business men, but with wide experience in their own line.

7. We do not think that, with a due regard to making suitable selections, there would be any difficulty in finding out men who could be relied upon to be sufficiently impartial for all practical purposes.

8. We are against the suggestion that the system of management by companies domiciled in England and by companies domiciled in India might be combined.

9. In our opinion, a new appointment of an officer, who may be styled Director-General of Railways in India, may be created to take the place of the present Railway Board. He should have separate assistants for each branch of railway administration, viz., traffic, engineering, locomotive, etc. He should also be a member of the Council and be in direct touch with Government, with authority to exercise the powers vested in Government so that sufficient attention may be paid to grievances of the public.

10. In our opinion, the supply of funds for railway purposes has not hitherto been adequate, both for new construction and for the maintenance as well as for the improvement of existing railways. We think it is most desirable to have sufficient rolling stock to meet the requirements of the growing traffic. The existing railways should first of all be thoroughly equipped to meet the demands on them before embarking on new projects, so that the fullest advantage may be secured from the expenditure incurred and due facilities given to the people inhabiting the areas already tapped. Improvements may be attended to gradually.

11. By the above we do not mean it to be understood that new construction should be kept in abeyance. What we desire to say is that in allotting funds for railway purposes due consideration should be given to maintenance, which should have a fair share of the grant available.

12. In our opinion, capital funds should be raised in India.

13. In our opinion, the present branch line terms should be so modified as to give the investors a sure return of at least 8 per cent. over the capital. Government borrow at present at say (6½ per cent., income tax) 7 per cent., and therefore, with a view to induce the public to go in for railway shares, the minimum guarantee should be 8 per cent. The existing concession rules were framed before the war and allow 5 per cent. only, when Government were able to finance loans at 3½ per cent. In fixing the minimum percentage of guarantee, the fact of very heavy dividends paid during the last few years by mill and miscellaneous industries should also be not lost sight of. Really speaking, the minimum for railway purposes should be high enough to enable the capital to flow freely for their requirements. The present clause authorising in certain cases division of profits between private promoters and Government, should also be eliminated from the contract indenture.

14. We think the tendency of the public is at present not in favour of preference shares; we would also not have any subsidiary companies, and suggest the raising of capital by all or either of the following methods:—

(I) By means of ordinary shares of working companies.

(II) By means of railway debentures capital raised by the working companies and by the Government of India.

(III) By terminable bonds.

15. In our opinion, borrowings by the above methods are likely to interfere with the success of ordinary Government borrowings, but we believe the difficulty can be got over only in case Government undertake to finance all the railways themselves, which we believe they can easily do, as even the private companies secure capital for railways more on the strength of the Government guarantee and concession.

16. As the railway capital programme depends on the power of the Government to provide finance and the general revenue, position of Government exercises some influence on allotments for expenditure on revenue account; we think railway improvement and development do suffer to a certain extent.

17. In our opinion, the railway rates should be generally raised so as to enable the railway to earn at least 7 per cent., the rate of interest including income tax at present paid by Government on new loans. This will require an increase of about 40 per cent. on present rates.

18. On the whole, we consider the results secured by State-owned railways, either managed by the State or companies, satisfactory both to Government and the public in a variety of ways, from the development of areas served by the railways concerned, chiefly owing to the increased facilities of communication they afford being very great. Land before lying fallow is being cultivated; both trade and natural resources of the country are being developed. In fact, in our opinion railways create traffic in places where little or none existed before. It is really difficult to estimate the money value of railways to Government in addition to direct profit therefrom, as they are benefited indirectly in a variety of ways which ought to give a very large profit.

19. We see no reason to alter the existing arrangement *re* present Annual Budget system, but would specially like to impress on all disbursing officials the desirability of not hurrying on works at the last moment, *i.e.*, nearly at the end of the official year, to utilise the Budget grants. This practice, which exists in some cases, leads to waste, and should, in our opinion, be stopped.

20. In our opinion, there should be uniform rates on all railways throughout India both for passengers and goods, exceptions being allowed only in cases of those lines passing through unusually difficult and expensive country. Disputes should be settled as soon as possible; of course, after due investigations. One or two well-known and reliable merchants may be associated with the claims investigating officer. These merchants may be consulted only in cases in which no amicable settlement can be arrived at by the officer himself.

22. *General.*—To meet fully the requirements of the trade it is necessary to have sufficient rolling stock (the want of which is very keenly felt) on almost all the railways. This, it is believed, leads to peculation and harassment to persons having dealings with the petty station officials.

STATEMENT No. 61.

THE INDIAN PASSENGERS' AND TRAFFIC RELIEF ASSOCIATION, BOMBAY.—LETTER DATED THE 10TH FEBRUARY, 1921.

See oral evidence, paragraphs 5710/5722.

With reference to your letter No. 15-R.C. of 12th January, 1921, enclosing a copy of the Questionnaire of the Indian Railway Committee, I am directed by the Committee of this Association to send hereby their views on the subject:—

Part I.—Management of State Railways.

Question 1.—Railways owned by the State should, in the opinion of my Committee, be managed directly by the State, and not by companies on a profit-sharing basis. The evolution of the Indian railway system conclusively proves the disastrous results of the company *regime*. As railways constitute big monopolistic undertakings, the State is a better manager than companies. In India, where the State already owns the trunk lines, the financial interest is supreme. From the financial point of view, and on grounds of public policy, as well as for various special reasons, Government operation of the State railroads should be preferred to company working. In this connection, my committee consider, that comparisons on the present distribution of State lines are misleading as some of the so-called advantages ascribed to company management are due to other reasons, such as geographical location, favourable country traversed, and other natural causes, and not to company working *per se*. Besides, the military character of the North-Western Railway, as well as the relatively smaller mileage of the O. R. R. & E. B. R., and their isolation should be noted.

As many unfair comparisons have been made and misleading inferences drawn, my Committee would point out that the case for State operation does not depend merely upon the relative merits of the lines now worked by the State, but on what Government management should be and would be if a larger mileage and all State lines be worked as one system without any conflict of interests.

(i) The managing companies now receive large sums as their share of surplus profits. The sums paid in the period 1908-9 to 1920-21 have varied from 50 lakhs to 2 crores per annum, the aggregate payment exceeding 14 crores of rupees.

Surplus Profits Paid to Companies.

	Lakhs		Lakhs
1908-09	50	1915-16	91
1909-10	48	1916-17	116
1910-11	70	1917-18	149
1911-12	72	1918-19	190
1912-13	107	1919-20	206
1913-14	66	1920-21 (Budget)	160
1914-15	104		

Under State operation, these sums would go to the Government Treasury and not foreign companies.

(ii) The cost of maintaining the London boards and offices of these companies is an unnecessary item of expenditure that would be saved by State management. In the year 1916-17, the home expenditure was 0·40 per cent. of the total earnings in the case of the E. I. R., G. I. P., and B. B & C. I. broadgauge: while it was 0·80 per cent. in the case of M. & S. M. and B. B. & C. I. metre gauge and S. I. both gauges: 0·55 per cent. B. N. R., 1 per cent. Burma, and 2 per cent. Assam Bengal. This would represent a total sum of about 25 lakhs for this year.

(iii) The colour bar is very rigidly drawn in company-managed lines. The position of the State-managed lines is better in this respect. In the Establishment Return of All Railways for 1917, we find that an Indian held the position of chief engineer in the E. B. Railway, three Indians were executive engineers on above Rs. 1,000 p.m. in the N. W. Railway, and an Indian was deputy traffic manager on Rs. 1,500 p.m. in the N. W. Railway. In the company-managed railways no Indians have risen to such positions.

(iv) The number of Europeans and Anglo-Indians employed by the company-managed railways is very large, apart from being a source of bitterness to the Indian employees, this often has been the cause of ill-treatment to the travelling public.

(v) The overcrowding of third-class passengers has been a long-standing evil. In recent years the State-managed railways have done much to increase the number of passenger vehicles, whereas on the company-managed lines there has been practically no improvement. The type of vehicles run on the N. W. R., O. R. R., and E. B. R. are more roomy and convenient than those on the G. I. P. and other lines.

(vi) A fairly good service for the intermediate class of passengers is being maintained by all the State-managed railways, while with the exception of E. I. and B. N. R., the other lines do not maintain such a service.

(vii) The comforts and conveniences of the third-class passengers, who form the backbone of the passenger traffic, are better attended to by the State-managed railways than the others. At the end of the year 1916-17, the number of third-class carriages provided with latrine accommodation on the N. W. R. was 1,211, while the number of carriages so provided on the E. I. R. and G. I. P. was only 443 and 543 respectively.

(viii) The rate policy of the companies has aimed to develop the foreign trade to the detriment of the internal trade. The alliance of the railway companies with the European Chambers of Commerce has been adverse to the interests of the Indian public.

(ix) The practice of allowing the companies a free hand regarding the purchase of stores in England involving large sums is neither economical nor calculated to encourage the growth of engineering industries in India. Besides, the adoption of standard types of stock on the Indian railways is rendered practically impossible if this system were to prevail.

(x) The railway workshops are not worked to the best advantage. The current policy is to confine the working of shops to mere repairs, renewals, and the assembly of imported parts. Many of these shops are capable of construction and manufacture of stock and necessary parts. The expansion and utilisation of these shops for the manufacture of all standardised parts and the construction of rolling stock—locomotives, passenger and freight cars—should be the future policy: and for the carrying out of such a policy State management is necessary. Under State management these shops could become large manufacturing centres—as the Japanese shops are now—and benefit the country.

(xi) The companies with their home boards often exert pressure on the Secretary of State in London. This is one of the chief reasons why Government control over the companies managing State lines is not what it ought to be. It is for this purpose that the companies seek the services of men who were at one time finance members, presidents of the Railway Board, etc. Many instances could be cited to prove that this pernicious influence was strong enough to make the Secretary of State overrule or pay scant attention to the views of the Government of India.

The disappearance of the London boards, under State management, would eliminate this evil; and final authority on railway matters should rest with the Government of India and the Legislative Assembly.

(xii) Considerable economies could be effected by the removal of the conflict of interest between the different companies: and the centralised handling of the entire rolling stock and operation of all State lines as one undertaking by a regrouping of the railway systems would save a great deal of the wasteful outlay on rolling stock that now takes place.

(xiii) A harmonious policy with other transportation agencies, namely, waterways, canals, by which considerable quantities of low-grade freight could be transferred to steamers and river craft owned by railways would benefit the country as well as relieve the railways of a lot of trouble with low-paying freight. Much of the congestion in recent years has been due to the carriage of coal by the all-rail route to the western ports. Before the war this traffic went by sea. To handle coal for very long distances by rail as a permanent arrangement would mean much loss in the earning capacity of stock, and also to heavy empty running.

The E. I. R. should run a fleet of cargo steamers and carry the coal traffic from Calcutta by sea to the ports.

(xiv) The tone of the entire railway service would improve under State management, as the status and security of railway employees would be enhanced as Government servants, though non-pensionable: and a better class of men could be recruited, especially in the higher grades.

Question 3.—My Committee do not advocate management by companies, whether domiciled in England or India; and, therefore,

Questions 4, 5, 6, 7, 8, *and* 9 do not arise.

Part II.—The Railway Board and Government Control.

Question 10.—My Committee consider that the system of control by means of a Railway Board is highly unsatisfactory: as there has been very little control over the companies working the State lines. As the Board now consists entirely of ex-agents of railway companies, it is reluctant to exercise any control. The members, being partisans, advocate the companies' interests and are not amenable to public opinion.

The board should be abolished and the newly constituted Railway Department should be, like other departments, presided over by a member of the Viceroy's Executive Council. The railway member should be an Indian, and not a railwayman.

There should be a number of expert advisers, not less than eight and not exceeding twelve, most of whom should be senior officers drawn from the State-managed railways, to be in charge of the following sections:—

(1) Director of Locomotives.
(2) ,, ,, Carriage and Wagons.
(3) ,, ,, Traffic (goods).
(4) ,, ,, Traffic (passengers).
(5) ,, ,, Stores.
(6) ,, ,, Electrical Engineering.
(7) ,, ,, Interlocking.
(8) ,, ,, Engineering Bridge Work.
(9) ,, ,, E.-Line Improvements.
(10) ,, ,, Rates and Fares.

Questions 12, 13, 14, *and* 15.—The powers possessed by the Government are ample. There are a hundred ways of exercising Government control if the Government mean business. Even if the ordinary powers be regarded as insufficient—a view we do not agree with—there are extraordinary powers. The Government Director of the India Office, who is *ex-officio* director of all the companies' boards in London, is armed with an *absolute veto* and, if necessary, *can veto all proceedings*. This being so, if the Government gives a broad hint to the managing companies on any important matter and makes up its mind to get what it wants, there would be no obstacle.

Part III.—Railway Finance.

Question 17.—The supply of funds has been adequate; and new construction should in future be on a smaller scale and undertaken by the main lines.

Question 18.—The improvement of open lines should receive the foremost attention: and the policy adopted is sound in principle.

Question 19.—We do not think that funds on a larger scale are required.

Question 20.—Yes; preferably in India to the utmost extent.

Question 22.—New methods of raising capital should not be sought, for if they are sought, it would mean in the end a wastful policy giving rise to further complications. The fancy proposals for borrowing that are put forward are all impracticable and, if practible, are undesirable.

Question 26.—

(*a*) This has not been detrimental to railway development and improvement.

(*b*) Rates and fares should not be raised until there occurs a deficit in the railway budget. Much can be done by a reclassification of goods removing many anomalies and increasing the minimum for comparatively costly articles.

Question 28.—My committee are of opinion that the existing annual budget system is quite sound, and all attempts on the part of interested parties to separate the railway budget from the general budget are really made to weaken the authority of the finance member and free the companies from even the little control that now prevails.

The Indian public want, and the interests of the country require, greater financial control than what exists now.

Part IV.—Government Control of Rates and Fares.

Question 30.—No.

Question 31.—This point has already been dealt with.

STATEMENT No. 62.

F. J. HARVEY, Esq., Agent, O. and R. Railway.—MEMORANDUM DATED 5TH FEBRUARY, 1921.

Question No. 1.—Railways at present owned by the State should continue to be worked by the State. I have had experience of State railways from assistant engineer to agent. There is no reason why railways under State management should not be as economically worked as those under companies, and I do not believe that they are not.

See oral evidence, paragraphs 5723/5757, 5929/5948.

There are, however, certain minor disadvantages in State management.

In respect of salaries, at any rate, the State lines, generally speaking, are more economical. Compare, *e.g.*, Madras and Southern Mahratta Railway with Oudh and Rohilkhand Railway. The agent and heads of departments draw:—

	M. and S. M.		O. and R.
Agent	3,500	...	3,000
Chief Engineer	2,300—2,750	...	1,750—2,150
Traffic Manager	2,090—2,420	...	2,200
Loco. Superintendent	2,090—2,420	...	2,200
Chief Auditor	2,090—2,420	...	2,000

(1) The State Railway staff are distributed over three State railways and are transferred from one to the other, the result being that few of them get to know one railway thoroughly, and, owing to the combined exigencies of the three railways, officers, especially administrative officers, do not hold their appointments long enough to formulate and carry out a policy.

(2) The usual result of State employment, viz., mediocrity, *i.e.*, the best men are treated on a level with the worst; in other words, seniority rather than efficiency rules promotion up to the administrative grade.

Question No. 2.—I advocate the continuance of the existing system.

Question No. 3.—My experience is that having the Board of Directors in England does lead to a certain amount of delay in finally settling matters with other railways, as agents out here have to refer to their home boards for final orders; but having had no experience of company management, I am unable to give an opinion.

Question No. 10.—Yes, provided the Board has sufficient number of experts to refer to; and I consider the Railway Board should be a Department of Government of India with the President as a Member of Council.

Question No. 11.—The Board might consist of:—

(*a*) President—should be a Member of Council.
(*b*) Two Members—one an engineer, one a traffic officer.
(*c*) Chief Engineer, who is the expert adviser on technical matters.
(*d*) The services of experts should be available readily, *e.g.*, finance and money market. Locomotive Officer, somewhat similar to Chief Engineer in his duties, but the duties would not be so heavy; but he must be a locomotive engineer of considerable Indian experience.

Question No. 12.—I consider the Railway Board is overburdened with unnecessary detail, and should delegate powers more freely to agents who are highly-responsible officers.

For example, agents should have powers within Budget limits to sanction the revision of subordinate staff up to a limit of pay of Rs. 500 a month, and full power in respect of the appointment, promotion and degradation of servants of this class. The Railway Board can have no knowledge of the merits of these men, and it is absurd that control in respect of them should be retained in its own hands by the Railway Board.

Question No. 13.—Yes, over State railway administrations.

Question No. 14.—Yes, over State railway administrations.

Question No. 15.—The Railway Board's powers are wide.

Question No. 16.—See answer to question No. 10.

Question No. 17.—(*a*) I consider that funds have been provided for construction lines unnecessarily and for non-paying propositions, and if these funds had been applied to the improvement of existing facilities railways would now be in a better position to deal with existing traffic.

(*b*) Funds have been persistently cut down for renewals, and the result in some cases has been that the upkeep of the line is not as it should be, with the result that the carrying capacity of the line is reduced; for example, by delaying the renewal of old light rails heavy engines have not been able to be used to carry heavier loads, entailing extra working expenses and a reduction in carrying capacity.

(*c*) Funds have also been inadequate. The improvement of yards to take an increase in traffic or loads has been unduly delayed.

Question No. 18.—Yes, so long as the facilities on an existing line are much below existing requirements, it would seem inadvisable to embark on extensions which of a necessity would further embarrass railways.

It would be utter folly to embark on extensions and new lines at the present moment. Funds are insufficient to put existing lines in a position to deal with traffic, coal is deficient, and most large junctions and sorting yards are behind present requirements, and until these are remedied any new line will add to the difficulties, except, perhaps, a line which will bring more coal to the railways.

Question No. 19.—Yes, I consider that funds are required on a much larger scale. I am not in a position to say what it would be for all Indian railways, but for the O. and R. Railway a sum of Rs. 60-70 lakhs per year could be economically spent for the next ten years on improving the line.

Question No. 26.—(*a*) I consider that the capital funds for railways should be divorced from the general finances of the Government of India. The result of the present practice is highly detrimental to the efficient working of railways.

One important result is that capital funds must be utilised before the end of the financial year. From a works point of view, in Northern India this means a rush of work to be put through in the last three months of the financial year, and the result is unsatisfactory work. Funds not utilised within the year lapse on its termination, not on the completion of the works for which they are provided, and consequently construction programmes are seriously hampered.

If the capital funds are separated from the general funds of the Government of India, I see no reason why the balance of the grant of one year should not be carried on to the next year, and separate from or in addition to the next year's grant.

At the present time the preparing of budgets is a burdensome process based on hopes and improbabilities; the capital expenditure to a large extent depends on the supply of English stores and the date by which they are despatched from England (their cost is then a debit on Indian grant) and their arrival and possibility of utilisation before 31st March; if they arrive too late revenue and capital budgets are upset, whereas if the grants were carried on to the next year there would be continuity in accounts.

(*b*) I consider that railway fares and rates should be raised, nay, I say they *must* be raised from investigations on this line I consider they should be raised from 25 per cent. to 33 per cent.

Question No. 27.—The results of the figures show that the companies' lines have the cream of the railways in India and the State is left with the skimmed milk.

The statement in this question proves nothing. The most remarkable point of it is that in an year the State lines were able to produce a net result equal to the companies.

Considering their advantages in respect of country traversed, proximity of coal supply, absence of strategic and non-paying sections, the companies' lines primâ facie should show an even better result than that indicated by the statement in comparison with the State lines.

I can think of no method of determining a figure representing the gain to Government attributable to railways through development of areas served by them. But there is no doubt that the gain is substantial to the people if not always to the Government, and this fact should be taken into account in determining whether railways are paying their way.

Question No. 28.—See answer to question No. 26. I cannot see why the grants of one year cannot be separated entirely from those of the next. The present system appears cumbersome, and is burdensome to all concerned.

Question No. 34.—The carrying capacity of the Northern Railways is inadequate to the requirements of the public. The reasons are:—

(i) Deficiency in coal supply.
(ii) Want of facilities in dealing with stock.
(iii) Inefficiency in traffic working.

STATEMENT No. 63.

Lieut.-Colonel W. R. IZAT, R.E., D.S.O., Agent, Bengal and North-Western Railway Company.

The Bengal and North-Western Railway came into existence in 1882 as a private company without any guarantee or financial assistance beyond the free grant of the land required for the purposes of the railway. It was, in the first place, given power to construct a line from Sonepore to Bahraich with branches to Benares, Nawabganj and Bahram Ghat, and started with an ordinary share capital of £2,200,000. **See oral evidence, paragraph 5758/5782**

2. In 1894 the capital was increased to £2,750,000, the additional £500,000 being required for the linking-up of the company's line with the metre gauge railway terminating at Cawnpore, and for the construction of branch lines to Katarnian Ghat, Tulsipur and Turtipar. In 1896 three and a-half per cent. Preference shares were created to the value of £1,500,000 for the construction of what are known as the Ganges Gogra Doab lines and a small section from Chupra to Revelganj; £400,000 worth of three per cent. Debenture stock were issued in 1899 to meet the cost of certain extensions of the Doab lines, viz., from Azamgarh to Shahganj, Aunrihar to Jaunpur, and Ballia to Ghazipur. In 1903 powers were taken to create additional Ordinary shares to the value of £250,000 for the construction of a line from Gorakhpur to Bagaha, bringing the company's Ordinary share capital to £3,000,000, at which it now stands. In 1904, four per cent. Second Preference shares to the value of £1,500,000 were created for further extensions of the company's railway and general open line requirements.

The company's capital is at present as follows:—

	£
Ordinary stock	3,000,000
3½ per cent. Preference shares	1,500,000
4 per cent. Preference shares	1,500,000
3 per cent. Debenture	400,000

3. From time to time the company was given powers to extend its system, and has now some 17 different contracts which are complicated and involve many cross references to earlier contracts, and it may certainly be said that they do not make matters particularly intelligible to the man who wants to invest his money in an Indian railway.

4. The outstanding events affecting the history of the company's railway are (1) the taking over of the working of the Tirhut Railway, which is owned by the State, in 1890; (2) the grant of running powers over the Cawnpore-Burhwal link and making connection with the metre gauge system terminating at Cawnpore in 1894; and (3) the construction of the Ganges-Gogra Doab lines in 1896.

5. As a result of taking over the working of the Tirhut Railway the State obtained a closer supervision and control over the working of the company's line. A system of concurrent company and Government audit on receipts and outlay was introduced, involving much labour and time (modified some years later). The State retained the power to fix and vary from time to time both maxima and minima rates for the carriage of through passengers and goods over the company's railway, the minimum rate for goods traffic being fixed at one-tenth pie per maund per mile. In the company's original contract the only requirement in this respect was a minimum of one-fifth of a pie per maund per mile for full wagon loads of salt, coal and food grains carried for distances of not less than 100 miles.

6. It may be interesting to note the varying contract provisions as regards purchase by the State of the company's main line and the Ganges-Gogra Doab lines. The purchase price of the latter was fixed on the actual sterling capital raised and expended by the company, whereas for the company's main line the payment to be made if purchased in 1932 is twenty-five times the excess of the average yearly amount of earnings during the five years ending 31st December, 1912, over the average yearly working expenses of the company and Secretary of State's share of surplus during the same five years. If not purchased in 1932 the contract terminates by efflux of time in 1981, in which case the value of moveable plant, machinery, stores and rolling stock only is paid for.

7. Under the provisions of clause 3 of the contract of 1905 the working of the Tirhut Railway could be extended to 1932, and an arrangement was come to recently after much discussion for the necessary extension of working, whereby Government required the company to provide £433,333 in excess of their present capital for further expenditure on their own lines. This sum will not be recouped to them, in spite of the fact that the purchase price has already been fixed based on the earnings of an earlier period (1908-1912).

I am in favour of the continuance of the existing system by which Indian railways are worked partly by the State and partly by companies. Company management, I think, provides more continuity of control, and the fact that the staff of a company-worked railway have to prove their worth by their work for that railway is of material advantage to a company in promoting the efficient

working of the railway. On the other hand, State management provides trained officials whom Government can employ in general control or on lines, military or otherwise, which cannot be attractive to a company. There is emulation between the two systems of management which is conducive to improvements in working.

Speaking for my own railway, I have not found that the Board of Directors is in any way out of touch with Indian conditions and requirements or that any undue delay is caused in settling references. The board is kept in touch with Indian conditions by frequent visits of some of the directors to India and by information supplied by their agent, and urgent matters can always be settled by cable. In matters of extreme urgency I should have no hesitation in acting on my own responsibility, feeling sure that I should be supported by my board. In my experience, it usually takes longer to settle cases with the Railway Board than with my board in London.

I personally attach the greatest importance to the advice and assistance I receive from my London board, and their expert technical knowledge is especially valuable on a line like the B. and N.W. Railway, where problems of great magnitude and importance often arise in connection with floods and the protection of our many large bridges.

I have no great knowledge of the Presidency towns, but I doubt whether in those places sufficient directors having the necessary time and qualifications could be found to form suitable boards, of which about seven would be required. This leaves out of the question the other railways whose headquarters are elsewhere.

It might be possible to form advisory committees in such places as Bombay, Calcutta and Madras for railway administrations which have their headquarters there, but I am unable to suggest how such a committee could be suitably formed at a place like Gorakhpur. If it is considered desirable to give local opinion more of a say in railway policy, I think it should be done through the Local Governments and the Railway Board.

The carrying capacity of various railways is generally admitted to be inadequate to the requirements and needs of the various industries served by them. The districts served by the B. and N.W. Railway, which have no outlet except over the lines of other railways, have suffered acutely from restrictions imposed on traffic from them by the various broad-gauge railways with which the B. and N.W. Railway is connected.

All descriptions of goods traffic are affected, but the main staples are grain and seeds, sugar, gur, tobacco and chillies, and under present conditions development must be arrested, and agriculturists and others can have no confidence that their produce will be moved with reasonable despatch. I attach a statement showing for the first quarter of 1920 the restrictions put on against the B. and N.W. Railway and the amount of traffic held up in consequence. My board have appealed to the Secretary of State more than once in regard to this serious matter, and I have addressed the Railway Board on the subject. The Local Government, I understand, also took up the matter last cold weather with the Railway Board. So far there appears to be little hope that the position will be any better in the future.

The reasons generally given for these restrictions are shortage of stock, but it appears to me that to some extent the position has been aggravated by the pooling arrangement, and I doubt if any pooling arrangement can work satisfactorily while some railways, at any rate, appear to be relatively under-equipped in this respect.

The Bengal and North-Western Railway, having regard to the density of its traffic, is, I consider, as well equipped with goods stock as any railway in India, and but for the severe restrictions imposed by other railways we should be able to handle our traffic without undue delay.

I consider that the present Government control over rates and fares by means of fixing maxima and minima is satisfactory. So far as this administration is concerned, it is not at present necessary to ask for increased maxima, and the company will, I think, be able, where necessary, to cover the greatly enhanced cost of working without exceeding the existing maxima.

Some 90 per cent. of our traffic is now carried at rates well below the maxima and our third-class fares are the lowest in India. The question of increasing our rates is now receiving careful consideration. We do not propose to make a percentage increase on all rates, but to look into all our special quotations and deal with each case on its merits.

Although this administration has not previously suffered much from the existing annual budget system, we have recently experienced difficulty in obtaining funds to cover commitments, owing to money which was set aside from revenue for this purpose, having been utilised by Government for other purposes and not being now obtainable.

During the war, a considerable quantity of this railway's rolling stock, both locomotives and carriage and wagon stock was requisitioned by Government for military purposes. Certain sums were received from the military department in payment, and the cost of depreciation was provided out of revenue, the whole being set aside to meet the cost of replacements when manufacturers were freed from Government control and in a position to comply with orders. For this purpose, the Bengal and North Western Railway and the Tirhut State Railway were treated as one and a renewal fund established for the undertaking. Further sums were also reserved from revenue to meet the cost of renewing wornout stock, which could not be replaced during the war.

Though these large sums were specificially set aside in this manner by the railway and written off to working expenses, considerable difficulty has been experienced in obtaining allotments against these reserves and the submission of indents has been seriously hampered owing to the necessity of keeping within the sanctioned budget grants.

It may further be explained that the stock requisitioned for war purposes was owned partly by the State and partly by the company. As a matter of internal railway working the stock must be replaced as a whole, and while the company is willing and anxious to provide its share of the anticipated outlay, it is prevented from doing so due to the difficulties in the way of obtaining funds from Government for their share of the cost of the renewals.

As regards the question of improving the administration of railways, although I cannot speak with any great personal knowledge of the subject, I personally hold the view that it is desirable

and necessary that the head of the railways, who is at present the president of the Railway Board, should be given a considerably higher status and position than he holds at present, and should at least have the right to attend and take part in all meetings of the Viceroy's Executive Councils when railway questions are debated. He should also be the supreme head of the board. The board itself appears to me to be overburdened with a mass of detailed work, relating to the salary and leave allowances, small accounts matters, and such like subjects, leaving the members little or no time for the proper consideration of the larger and important questions of policy and the attainment of full information connected with the working conditions and requirements of the several railways.

It seems to me that all the executive and detailed work might be turned over to a properly organised secretariat and that the broad questions only of policy, finance, etc., should be dealt with by the board, which might be strengthened and made more representative than it is at present.

Restrictions in force via *Broad Gauge Junctions during the 1st quarter of* 1920.

Date. From	Date. To	Nature of Restriction.
		Viâ Bara Banki.
7th January, 1920 ...	22nd February, 1920...	Booking restricted to 250 tons daily.
		G.I.P.Ry.—Entirely closed from 22nd December, 1919, to 5th January, 1920.
		From 5th January, 1920, to 16th January, 1920, booking to stations up to Itarsi allowed at the rate of 5 wagons daily, but this was raised to 8 wagons daily for all stations from 17th January, 1920.
		N. W. Ry.—Booking entirely closed from 10th January, 1920, to 26th January, 1920.
23rd February, 1920 ...	28th March, 1920...	Allotment reduced to 100 tons daily.
29th March, 1920 ...	—	Allotment raised to 150 tons.
		Viâ Benares Cantt., Jaunpur City and Shahganj.
23rd February, 1920 ...	21st July, 1920...	Traffic limited to 50 tons daily at each of the above Junctions.
		Viâ Mokameh Ghat.
23rd January, 1920 ...	12th February, 1920...	Traffic limited to 100 M. G. wagons daily.
13th February, 1920 ...	—	Allotment reduced to 40 B. G. wagons daily.
17th „ 1920 ...	—	Allotment increased to 60 B. G. wagons daily.
20th „ 1920 ...	—	Allotment increased to 120 M. G. wagons daily.
23rd „ 1920 ...	—	Free booking resumed.
2nd March, 1920 ...	—	Traffic limited to 60 B. G. wagons daily.
25th „ 1920 ...	—	Allotment reduced to 40 B. G. wagons daily.
		Viâ Bhagalpur.
23rd January, 1920 ...	12th February, 1920...	Traffic limited to 20 M. G. wagons daily.
13th February, 1920 ...	27th July, 1920...	Traffic limited to 5 B. G. wagons daily.
		Viâ Allahabad City.
13th February, 1920 ...	14th May, 1920...	Traffic limited to 2 B. G. wagons daily.

Tonnage of goods awaiting despatch for via *Mokameh Ghat during the months of February and March*, 1920.

Date.	February, 1920. Tons.	March, 1920. Tons.
1st	4,954	6,450
2nd	6,899	6,445
3rd	5,383	4,373
4th	7,818	5,962
5th	4,955	4,734
6th	4,695	3,660
7th	4,061	3,290
8th	3,979	2,884
9th	4,109	2,333
10th	5,003	2,905
11th	4,845	2,672
12th	4,219	3,038
13th	4,385	2,531
14th	3,529	2,583
15th	4,011	8,521
16th	2,605	3,231
17th	3,015	5,876
18th	3,715	5,937
19th	3,456	4,767
20th	3,539	3,035
21st	4,718	3,782
22nd	5,203	3,281
23rd	5,344	3,481

Tonnage of goods awaiting despatch—continued.

Date.	February, 1920.	March, 1920.
	Tons.	Tons.
24th	5,588	3,545
25th	5,981	3,984
26th	5,277	3,980
27th	6,731	6,026
28th	5,789	4,751
29th	5,797	4,825
30th	—	5,389
31st	—	5,510
Total	1,39,603	1,33,781

Percentage of traffic carried at special or scale rates.

Half year ending.	Traffic carried at scale or special rates.	Traffic carried at maximum rates.	Total.	Percentages of	
				Col. 2.	Col. 3.
1	2	3	4	5	6
30th September, 1917	8,55,365	1,11,751	9,67,116	88	12
31st March, 1918	10,60,157	91,472	11,51,629	92	8
30th September, 1918	10,31,798	1,79,513	12,11,311	85	15
31st March, 1919	11,77,397	82,262	12,59,659	93	7
30th September, 1919	10,18,053	1,26,293	11,44,346	89	11
31st March, 1920	10,64,308	1,23,125	11,87,433	90	10
30th September, 1920	9,17,372	1,13,556	10,30,928	89	11

N.B.—1. *Commodities charged at scale or special rates are* :—Coal and coke, tanning barks, oil cake, bran, hay, straw and grass, grain and pulses, hides and skins, hemp and jute, brassware, iron and steel, minerals, kerosine oil, oil seeds, salt, saltpetre, betel nuts, chilies, sugar, tobacco manufactured, timber unwrought, wool raw and firewood and fruits and vegetables.

2. *Commodities charged at maximum rates* :—Apparel, cotton, chemicals, drugs, dyes and tans, horns, lac, leather, liquors, copperware, oils excepting kerosine oil, opium, paper and pasteboard, provisions, silk, spices, tea, wood manufactures, wool manufactured, and all other articles of merchandise except firewood.

Statement showing (1) *restrictions in force on the* 11*th April*, 1920, *and* (2) *quantity of traffic awaiting despatch at stations and in Bazars to restricted areas.*

By whom imposed.	Date imposed.	Nature of restriction.	Quantity of traffic awaiting despatch.	Causes of restriction.	Remarks.
			Tons.		
East Indian Railway.	15th April 1920.	Goods traffic to *via* Mokameh Ghat restricted to 40 wagons daily. Booking of grain and seeds to Howrah is entirely closed by the East Indian Railway owing to congestion in the Howrah sheds.	62,000	Shortage of broad gauge wagons.	The East Indian Railway have taken over 2,344 tons during the week ending 8th May, 1920, or an average of 335 tons daily.
East Indian Railway.	13th February, 1920.	Goods traffic to *via* Digha Ghat restricted to ten wagons daily.	—	Shortage of broad gauge wagons.	Sufficient to meet the traffic offering.
East Indian Railway.	13th February, 1920.	Goods traffic to *via* Allahabad City restricted to two wagons daily.	500 wagons.	Shortage of broad gauge wagons.	This is quite inadequate and sugar and tobacco merchants are bitterly complaining of the delay in the despatch of their goods.
East Indian Railway.	18th February, 1920.	Goods traffic to *via* Bhagalpur restricted to five wagons daily. Booking of grain and seeds to Howrah stopped owing to congestion in the sheds at Howrah.	—	Shortage of broad gauge wagons.	Barely sufficient.
Oudh and Rohilkhand Railway.	29th March, 1920.	Goods traffic to *via* Bara Banki restricted to 150 tons daily.	25,000	Shortage of broad gauge wagons.	Booking is at present closed owing to accumulation of wagons for *via* Bara Banki. A considerable quantity of the traffic awaiting despatch consists of urgent linseed consignments for shipment and sugar consignments for the Punjab. Of the total quantity awaiting despatch, about 8,000 tons belongs to the Military department.

STATEMENT No. 64.

Mr. E. C. MUMME, Officiating Agent and Chief Engineer, Rohilkund and Kumaon Railway.—NOTE DATED 12TH FEBRUARY, 1921.

I have been officiating agent and chief engineer of the Rohilkund and Kumaon Railway since 26th May, 1920. See oral evidence, paragraphs 5783/5806.

Previous to that, my experience as a railway man has been gained in the engineering department of the Bengal and North-Western Railway, on which I had 24 years' service.

I am in favour of continuing the existing system by which Indian railways are worked partly by the State and partly by company management.

It is necessary for the State to have in its employ trained railway officials who can be employed when required on military and strategic lines.

A company administration which has a financial stake in the property which it manages is interested in obtaining and keeping the good will of the public and is unlikely to give cause for complaint. The staff of a company-worked railway are usually appointed and serve throughout the whole of their service on one railway. A company's officer has thus the incentive to do the best he can for the railway to which he belongs, as naturally his future prospects depend on the reputation he has earned. Two points he would always have before him—efficiency and economy.

In fact, there is emulation between the two managements which is conducive to improvements in working which is for good and should therefore be encouraged.

The board of an Indian railway company should be domiciled in the United Kingdom, where men of long and varied Indian experience, both of railway management and commerce, assisted by the necessary financial representatives, are available. Men of ripe experience who have served for many years in India and understand the needs and interests of the country are, I submit, not available in India, as reasons of health demand that they leave the plains of India at the age limit.

Further, a board domiciled in the United Kingdom would be better situated for raising additional capital for extensions and improvements of their own property.

I have not found that the home board of directors is in any way out of touch with Indian conditions and requirements, or that there is the slightest delay in settling references with them. On the contrary, I have been much struck with the intimate knowledge the home board has on all the affairs of the railway on which references are made to them, and I attach the greatest importance to the advice and assistance I receive from them.

The home board is kept in touch with Indian conditions by frequent visits of some of the directors to India and by regular information from their agent in India. In cases of urgency cable instructions are asked for and received.

I do not think advisory local boards would be of any assistance as far as my railway is concerned. They might be of use in large Presidency centres, but not at headquarters of smaller mofussil stations.

I am constantly in touch with the Local Government and officers in charge of civil districts, and I am also a member of the Board of Communications of the United Provinces and a member of the Upper India Chamber of Commerce, and thus am in a position to know the requirements of the localities served by my railway.

I consider that the present Government control over rates and fares by means of fixing maxima and minima rates is satisfactory.

As far as this administration is concerned it is not likely to be necessary to ask for increased maxima, and the company will be able when necessary to cover the enhanced cost of working without exceeding the maxima.

The extent to which the trade interests served by the Rohilkund and Kumaon Railway are penalised by restrictions is periodically very heavy, the commodities chiefly affected being grain and seeds, jaggree, san (hemp) and sawn timber.

With the exception of timber, export of the above commodities from this railway is almost entirely to the western ports and to stations on the Bombay, Baroda and Central India and Jodhpur Bikaner Railways, reached via Kasganj Junction.

During the busy season traffic from the Rohilkund and Kumaon Railway to via Kasganj Junction is seldom free from restriction, and the situation is aggravated by the heavy percentage of parent line vehicles absent upon the foreign lines mentioned.

These difficulties would be greatly reduced had the Rohilkund and Kumaon Railway direct access to the distributing centres of Agra and Delhi, whence alternative routes are available for clearance of traffic.

Sawn timber is booked chiefly to Delhi and stations on the North-Western Railway in the vicinity of that centre. This traffic is routed via Bareilly Junction or via Moradabad, and has in the past been heavily restricted on account of shortage of broad gauge stock at the point of transshipment.

The reasons given for these restrictions are shortage of stock, and there appears to be no doubt that many railways have not sufficient stock to deal with the traffic offering.

During the early part of last year the Local Government, owing to the heavy restrictions imposed on the company's traffic, expressed its emphatic opinion that if more extensions to the company's system were made, which are urgently needed by the Local Government, it would merely add to the existing congestion. The Local Government recommended, therefore, that direct metre gauge connections should be made to the trade marts of Agra and Delhi as soon as funds could be made available by the company. This recommendation has been negatived by the Railway Board, the policy enunciated for dealing with the case being, in my opinion, a short-sighted one, and likely to arrest the development of the districts served by the Rohilkund and Kumaon Railway.

I attach for the information of the Committee a copy of Railway Board's letter, No. 360 P/16 of 10-11-1920 on the subject.

This administration has not suffered from the existing annual Budget system, as funds for capital works, both on the State and company's section, are provided out of joint Debenture stock raised by the company, on which Government pay interest on the amount allotted from time to time for State works.

During the war a considerable quantity of this railway's rolling stock was requisitioned by Government for military purposes. Certain sums were received from the Military Department in payment and the cost of depreciation was provided out of revenue, the whole being set aside to meet the cost of replacements when manufacturers were in a position to comply with orders.

For this purpose the Rohilkund and Kumaon Railway and Lucknow Bareilly State Line were treated as one and a renewal fund established for the undertaking.

Further sums were also reserved from revenue to meet the cost of renewing worn-out stock which could not be replaced during the war.

As a result of this policy we are in a position to proceed with the renewals and replacements as materials are available.

We have already replaced all engines requisitioned by Government during the war by new ones, and, in addition, have added to our stock of engines to bring them up to actual requirements of the present time.

As regards the question of improving the administration of railways, I am of opinion that a Railway Department of the Government of India should be reconstituted. At its head should be a Minister who should be a member of the Viceroy's Council, and under this Minister there should be a board consisting of:—

(1) An engineering expert,
(2) a loco. expert,
(3) traffic experts (*a*) for commercial and (*b*) for operation,
(4) a financial expert,

each with a qualified assistant; also a permanent secretary and an adequate office establishment.

Brief History of the Rohilkund and Kumaon Railway.

The Rohilkund and Kumaon Railway came into existence in 1882 as a private company without any guarantee beyond the grant, free of cost for the duration of the contract, of land required for the purposes of the projected railway, a guarantee of interest at the rate of 4 per cent. per annum on capital up to £200,000 during construction only, and a subsidy of Rs. 40,000 per annum for a period of ten years after the opening of the line for traffic.

The interest guarantee ceased in 1884, when the line was opened for traffic, and the subsidy ceased in 1894, since when there has been no guarantee beyond the grant free for the duration of the contracts of land for branch lines. Against these guarantees, the Government have shared equally with the company in net earnings of the company's original line over 5 per cent. up to the end of 1897, and from 1898 onwards have shared equally with the company in net earnings over 6 per cent. (original line only).

The company was in the first place given power to construct a line from Bhojeepura to Kathgodam, a distance of 54 miles, Government undertaking to construct and maintain a road from Kathgodam to Naini Tal Brewery and to grant the company access for its trains over the Bhojeepura Bareilly section of the Pilibhit Bareilly State Railway.

The company started with a capital of £200,000 Ordinary Stock. There was no increase in the Ordinary capital until 1903-1905, when it rose to £400,000, at which figure it now stands. With the exception of the increase of £200,000 just mentioned in the Ordinary stock, the capital requirements have been met by the issue of Preference Stock and Debentures, the amounts issued being as follows:—

	£
(1) 4 per cent. Preference Stock	400,000
(2) 4 per cent. Joint Debenture Stock	800,000
(3) 3¼ per cent. Debentures (Lucknow Bareilly State Railway)	147,000
(4) 3½ per cent. Debentures	46,085
(5) Premium on Shares	46,165
Total	1,439,250

Out of the above, a portion of the 4 per cent. Joint Debenture Stock, amounting to £472,000, has been allotted for State works, Lucknow Bareilly State Railway, worked by the company, Government paying interest on this at 4 per cent.; and the 3¼ per cent. Debentures for £147,000 have since been redeemed from advance by the Secretary of State in England.

From time to time the company has been given power to extend its system, and has now some 15 contracts.

Government has decided to fix the price at which the company's original line can be acquired on the basis of twenty-five times the average net earnings of the line for the five years ending with 1912. Any money which may be laid out on capital account after that date will, therefore, not be recouped to the company. The company have suggested that it should pay capital outlay after 1912 up to a limit of Rs. 2,00,000, and that any sum spent on this line in excess of this amount subsequent to 1912 should receive special treatment. In the case of the company's branch lines, the purchase terms are twenty-five times the average net earnings of the five years immediately preceding the termination, provided such sum does not exceed by more than 20 per cent. nor be less than the capital expenditure on these railways.

In 1884 the company took over the working of the Pilibhit Bareilly State Railway, sharing working expenses and receiving one-fifth of the profits of the State section.

Subsequently, Government, instead of extending from Pilibhit towards Lucknow, built a line from Lucknow to Gola Gokran Nath, leaving a gap of 58 miles between the latter place and the Pilibhit Bareilly section worked by the company.

In 1891, the company, by the issue of Debentures for £147,000, the principal and interest being guaranteed by Government, raised money for the purpose, and built the Pilibhit Gola Gokran Nath section of 58 miles, the through line from Lucknow to Bareilly being then made over to the company to work.

Working expenses are shared in ratio of gross earnings. Surplus profits of the State section, after paying interest on all Government capital and advances, are divided between the company and Government in ratio of capital. The company's capital for this purpose is fixed at Rs. 20,34,195, being the amount realised by the issue of £147,000 Debentures above mentioned. State capital participating in the division is Rs. 1,36,09,483.

Under the contract of 1884 for working the Pilibhit Bareilly State Railway, the company retained full power over its own line. This, however, was superseded by the contract of 1890 for working the Lucknow Bareilly Railway, in which Government has taken very full powers over the joint undertaking.

The following figures taken from Government statistics are of interest. For the year 1891, in which the company took over the working of the Lucknow Bareilly Railway, the percentage of net earnings on total capital outlay of that railway was 2·17, and the earnings per mile per week Rs. 56. The corresponding figures for the year 1918-19 are shown to be 7·81 per cent. and Rs. 196.

ENCLOSURE.

Copy of letter No. 360, P. 16, dated 10th November, 1920, from the Secretary, Railway Board, to the Secretary to the Government of the United Provinces.

I am directed to acknowledge the receipt of your letter No. 1514, dated the 21st July, 1920, regarding the extension of the metre-gauge system of the Rohilkund and Kumaon Railway from Kasganj to Agra and Kasganj to Delhi, and in connection with these proposals I am to observe that they have already been the subject of consideration and report to the Secretary of State.

2. It is noted that this matter was recently considered by the Provincial Board of Communications, who recommended that the project should be treated as of first importance. The grounds on which these further extensions of the metre gauge are advocated are that the existing metre-gauge outlets to the west have not sufficient capacity to move the surplus from Rohilkund and the sub-montane districts of the province which are at present served by the Rohilkund and Kumaon Railway; that complaints have frequently been received of loss suffered by dealers in grain and other produce owing to the delay in moving their goods; and that new railway construction would appear to be the only remedy for this. It is further pointed out that these complaints are not only of recent date and cannot be attributed entirely to the shortage of wagons which developed during the late war; that the Bombay Baroda and Central India Railway, who work the existing metre-gauge line from Kasganj to Agra, impose a limitation on the number of Rohilkund and Kumaon Railway wagons which they are prepared to take delivery over their line; and that in January last this number was limited to 25 wagons with a total carrying capacity of 250 tons.

3. I am to point out that in addition to the Bombay, Baroda and Central India Railway metre-gauge route from Kasganj to Agra there is another and shorter route via Hathras Road and the East Indian Railway, and that it is not considered that the traffic from the Rohilkund and Kumaon Railway to Agra would in itself justify the construction of a third route.

4. Regarding the proposed extension of the Rohilkund and Kumaon metre-gauge system to Delhi, I am to point out that the natural route for traffic from the sub-montane tracts of the United Province to Delhi is by transference to the broad gauge at Moradabad or Bareilly from which points a direct route over the Oudh and Rohilkund Railway already exists. The Railway Board are aware that complaints have been made in the past as regards the transhipment facilities and the supply of broad-gauge wagons at these stations, and every effort will be made to remedy and improve matters in this respect. By means of rates adjustments, the wisdom of which need not be discussed in this letter, certain traffic from stations on the Rohilkund and Kumaon Railway is at present carried to Delhi over the existing metre-gauge route, and the Railway Board feel that any extension of the metre gauge to Delhi would only tend further to withdraw traffic from the natural metre *cum* broad-gauge route on to the *via* Kasganj route.

5. I am to point out that the broad policy which the Railway Board have in view is that metre-gauge railways should as far as possible be restricted to their existing areas and should not be encouraged or permitted to develop into main-line routes; the board recognise that the enforcement of this policy will undoubtedly involve a certain amount of inconvenience, in that it necessitates transhipment from the metre to the broad gauge, both for passengers and goods. They are of opinion, however, that this inconvenience is liable to be much exaggerated; and in view of the importance of maintaining the most efficient means of transport throughout important industrial and commercial areas, they are opposed to the further extension of the metre-gauge system to the south of the Oudh and Rohilkund State Railway. They consider, therefore, that any development in that area should, as far as possible, be carried out on the broad gauge.

6. As regards the incapacity of the metre-gauge outlets to the west for moving the surplus from Rohilkund and the sub-montane tracts of the province, I am to point out that the inability of the Jodhpur Bikaner Railway to cope with the volume of traffic offering in 1917, and the consequent diversion of the excess over what they were able to carry to the broad-gauge route has since led to the proposal to convert the Hyderabad-Jodhpur section of this line to the broad gauge with a view to providing a more efficient outlet for the traffic from Agra and the United Provinces to the Port of Karachi; and the incapacity of the Bombay Baroda and Central India Railway metre-gauge system to deal efficiently with the traffic south of Kasganj emphasises this view.

7. As regards the possibility of constructing either of these projects on the broad gauge, I am to state that the Government of India regret that owing to the present financial stringency it is not likely that an early start can be made with either; but as has already been pointed out above, a direct and efficient broad-gauge connection already exists between Delhi and Rohilkund and the sub-montane tracts of the United Provinces via the Oudh and Rohilkund, and the necessity for any further connection via Kasganj does not, therefore, appear to be an urgent matter.

8. As regards the Kasganj-Agra connection, it is not clear why the broad-gauge connection via Hathras Road should not suffice. If at some future date the conditions should justify the construction of a direct connection from Kasganj to Agra, the Government of India would be willing to reconsider the matter with a view to making this connection on the broad gauge.

STATEMENT No. 65.

THE UPPER INDIA CHAMBER OF COMMERCE, CAWNPORE.

See oral evidence, paragraphs 5807/5853.

The Committee of the Chamber prefer to embody their views in the form of a statement rather than to reply categorically to the questions issued. They will, however, divide the statement under the five general heads of the questionnaire.

Part I.

The Committee consider that railways owned by the State should be managed by companies on a profit-sharing basis. They would except railways which serve a military strategic purpose, the entire management of these being retained by Government.

The reasons underlying this opinion are that railways where not built for strategic purposes are commercial undertakings, and as such are better managed by commercial men.

There is more elasticity in commercial than in State management, and the history of State-managed railways, as for instance in Great Britain during and since the war, is not much to their credit.

The views of this Chamber as to the management of railways by companies are not unknown to Government.

Writing to the Railway Board in 1916, the Committee said:—

> "In regard to company-managed railways the Committee are of opinion that it would in every way be advantageous if the supreme boards of these railways could eventually be established in India, and not in London."

The only advantage that occurs to the Committee of the railway having a London Board is that it facilitates finance. The financial condition of India is now such as to promise success in enlisting capital for railways. Money is readily forthcoming for any sound business proposition. The War Loans proved that India was capable of thinking and giving in bigger figures. A few years ago, 3 crores was about the limit of India's annual contribution to Government loans, whereas in 1917 this was increased fifteenfold. Doubtless, there was a patriotic incentive to this effort, but it proved that the money was available.

My Committee consider that there will be no difficulty in constituting a board of sufficient strength in India.

This board would obviously be a mixed one of Indians and Europeans. The Presidency Banks and the many large and prosperous joint stock undertakings afford abundant proof that highly efficient boards can be constituted in India.

For the advantages of an Indian board much may be said. It would be composed of men on the spot and in touch with constantly changing conditions, men who move about on the railways and are cognisant, at first hand, of defects, and able immediately to remedy them to the advantage of the public. A Home Board, on the other hand, must in great measure be limited in their knowledge to what is disclosed in official reports, a system which, with the best of intentions, must be unsatisfactory.

The history of Indian undertakings goes to show that companies managed on the spot compare most favourably with the rapidiy decreasing number of Indian companies managed at home.

It would be closely in touch with the financial, industrial and commercial interests of the country, and the association of Europeans and Indians in the control of an important railway would have a good effect politically.

But until such time as India is able herself to finance her railways, there should be a dual system of boards.

The whole of the administrative and executive functions and all control of management would be vested in an Indian board of directors, while the home board would influence finance in the English market and retain, in addition to their advisory function, the right of decision in matters of policy.

It is suggested that the Indian Board of Directors should be constituted as follows:

> An expert to be nominated by the Home Board to be chairman of the board of each railway, with, as members, the Agent and, say, four members representing such interests as (*a*) industry, (*b*) shipping, (*c*) finance, and (*d*) agriculture or mining, or such other special interest as the situation of the line may render necessary.

The Committee of the Chamber are in favour of the managing company getting an increased share of the capital of the undertaking.

Part II.

The Committee of the Chamber agree that control of the Indian railways by means of a railway board is necessary.

This board should, in their estimation, be constituted so as to include an expert railway man of the very highest qualifications as chairman, with three members who would be experts in (*a*) traffic matters, including rates, (*b*) engineering and projects, (*c*) finance.

It is considered that the status of the board should be improved by the chairman of the board being a member of the Executive Council of the Government of India.

Part III.

Writing in 1916, the Committee of the Chamber remarked *apropos* of railway finance:—

> "The Committee hold very strongly that the present system under which Indian railways are financed is in need of reform. The position of Indian railway administrations is considered to be sufficiently strong to justify their financial arrangements being severed from the general finances of the country and their requirements provided by loans raised either on the London or Indian markets, according to where conditions are most favourable."

This opinion was repeated in evidence before the Indian Industrial Commission, and the events of the intervening years and the present deplorable condition of the railways in India have served only to fortify the position then taken up.

The Committee would prefer not to specify what particular form the effort to provide capital funds for railways should take, but capital should be raised wherever possible in view of the clamant need of the railways.

The points raised in Question No. 26 of the questionnaire may, perhaps, be best dealt with by specific replies to the question in its two parts.

The Committee are definitely of opinion that the dependence of the railway capital programme on the power of Government to provide finance, either by borrowing or from its balances, certainly has been, and is, detrimental to railway improvement and development.

They also consider that the influence of the general revenue position of the Government on the allotments for expenditure on revenue account has had a harmful effect on railway development.

They further consider that in view of the increased rate of interest which must now be paid in order to attract capital it will be necessary to raise railway rates generally so as to prevent the railways from being a burden on the general taxpayer.

They cannot, however, give an estimate of the percentage by which rates and fares should be raised.

The system of lapses under the present annual budget system is strongly condemned.

Part IV.

Dealing with the control of rates, the Committee of the Chamber give it as their opinion that trade has been fairly dealt with in the matter of rates by the railway administrations, and they do not desire to recommend any change in the present system of control.

Part V.

The Committee consider that the carrying capacity of the various railways is certainly not adequate to the requirements and needs of the public. The rolling stock is not used to its best advantage, and the necessity is strongly indicated for quicker transit, better and more facilities and accommodation at junctions in goods and marshalling yards, and at all terminal points, and in particular for more efficient staffs on the railways.

The necessity for the doubling of important stretches of line has long been emphasised by this Chamber, and the Committee desire again to draw attention to the urgent need for this, the greatest of all transit facilities.

STATEMENT No. 66.

THE UNITED PROVINCES CHAMBER OF COMMERCE, CAWNPORE.

Part I.—The Management of Railways Owned by the State.

See oral evidence, paragraphs 5854/5899.

Question No. 1.—This Chamber is of opinion that the railways owned by State should be managed by the direct agency of the State. The members of this Chamber have had dealings with both State-worked and company-worked railways, both as members of the commercial community and as travelling public. The Chamber's decided preference for State management is not based so much on past experience of the relative merits or defects of the State and company managements as on future outlook. With the Government of India becoming increasingly more responsive to Indian public opinion, it is believed that convenience of the general public and the interests of Indian commerce and industries will be better looked after under State management than under company management. The other reasons for the preference may briefly be stated as follows:—

(i) The share of profits going to the management companies will be secured for the Indian Exchequer.

(ii) Apart from strategic consideration, more convenience and facilities to the public and not greater earning capacity should be the determining factor in the railway policy. The full recognition of this principle will be possible more under State management than company management, which naturally thinks of higher dividends above everything else.

(iii) Under State management Indians will get greater opportunities of being admitted into the more responsible positions in the railway.

Question No. 2.—The Chamber advocates the continuance of the State management with suitable reforms to introduce popular administration.

Questions Nos. 3-9.—The Chamber is decidedly against the employment of private companies to work the State-owned railways.

Part II.—The Railway Board and the Government of India's Control.

Questions Nos. 10 *and* 12-14.—The control by the present Railway Board has not given satisfaction in the past. Theoretically, the control vested in the Board may be adequate—the companies complain that it is excessive—but a general impression prevails amongst the public, rightly or wrongly, that in important matters the powerful London directorates, with great influence at home and with easy access to the Secretary of State for India, often prove too strong for the Railway Board. However that may be, the fact remains that many long-standing grievances of the travelling public and the commercial community remain unattended to. Some directions in which immediate reform is needed are indicated below:—

(1) Uniform rates and scales of rates for through traffic.

(2) Improved supply of wagons for coal and goods.

(3) Improved carriage accommodation for inter and third class passengers, and discontinuance of the use of goods wagons for passenger traffic.
(4) Publication of goods and coaching tariffs in the vernaculars.
(5) Water supply in inter and third class carriages.
(6) Improved waiting-rooms at stations for inter and third class passengers.
(7) Provision of Hindu and Moslem refreshment-rooms at principal stations.
(8) More adequate arrangements for the sale of passenger tickets.
(9) Effective check on corrupt practices of subordinate staff.

Question No. 11.—If the proposal about State management of State-owned railways is given effect to, the present Railway Board may have to be strengthened.

The Railway Board should insist on the reforms necessary in public interest being carried out by the managing companies, *i.e.*, till such time as their contracts can be determined, which should be done at the earliest possible opportunity. As far as possible the control of the Board should be decentralised, some of its functions being transferred to Provincial Governments. In particular, the control of light and feeder railways owned by private companies and local boards should be entirely transferred to the Provincial Governments.

A first step towards introducing popular administration should be taken by constituting Advisory Boards, Central and Provincial, consisting of officials and non-officials representing commerce, industry, finance, etc., to advise and assist the Railway Board and the various provincial railway departments on broad matters of policy. The position of these Advisory Boards should be analogous to that of the existing Boards of Industries in the various provinces.

Part III.—Railway Finance.

Question No. 18.—The Chamber considers the policy of devoting the greater part of the available capital funds to the improvement of equipment and rolling stock of existing railways, and of devoting only a relatively small portion for new constructions, to be sound.

Question No. 20.—As much capital funds as can be raised should be raised in India. Additional funds should be raised from outside wherever they can be had on most favourable terms.

Question No. 21.—If possible, the terms may be made more generous and attractive. The rate allowed after adding the rebate on traffic interchange with the parent line be raised from 5 per cent. to 7 per cent.

Question No. 22.—The private companies owning railways may be allowed to raise capital funds by such means as appear most suitable to them. For the railways owned by the State should themselves raise the necessary capital by direct borrowing.

Question No. 23.—Special efforts should be made to encourage local boards and private syndicates to take up the promotion of branch and feeder lines.

Question No. 26.—This Chamber is of opinion that no general increase in rates and fares should be made until the present margin of net profit, after paying the interest and other charges, entirely disappears and a clear deficit is proved. As has already been stated elsewhere in the course of this memorandum, railways are not to be looked upon purely as commercial enterprises. So long as there is no appreciable deficit and no wastage, Government should be satisfied with the results. The indirect benefits accruing both to the State and the general taxpayer through improved facilities should recompense them for the loss of revenue. If, however, the increased rate of interest and increasing percentage of working cost render it absolutely necessary, the rates and fares may be increased. The revision and readjustment of rates and tariffs, as suggested later in answer to Question 31, may go some way towards increasing income without a general raising of rates.

Part IV.—Government Control of Rates and Fares; Settlement of Disputes.

Questions Nos. 30 *and* 31.—The inequitable working of the rates has perhaps been the greatest grievance of the Indian industries against the railway policy. The rates are so framed as to favour the import of manufactured goods into the country and the export of raw materials out of it. This has very seriously hampered indigenous industries. Year after year the Indian Industrial Conference has brought this anomaly to the notice of Government. The allegation has never been refuted. It has received confirmation in the report of such a responsible body as the Indian Industrial Commission, who definitely state it as their opinion that the rates are so framed as to favour the movement of manufactured goods from, and of raw materials to, the ports. This should receive immediate attention of the Government of India. The rates should be thoroughly revised so as to remove the long-standing complaint.

Question No. 32.—The Railway Commission has never been brought into being. A permanent commission to enquire into public complaints against railways is very necessary.

Part V.—General.

Question No. 34.—The carrying capacity of the railways seemed to be adequate before the war. During the war the mercantile community experienced acute difficulties in moving goods traffic. The controlling authorities had to disallow a considerable part of the general traffic. Abnormal preferential military traffic, the allotment of a large number of wagons to movements of coal formerly effected by steamers, and the difficulties in obtaining parts, etc., were given as the reasons for the abnormal congestion and restrictions on traffic. Since the war has ended and the heavy military traffic has ceased, matters do not seem to have improved as had been expected. Lately many industries have suffered heavily owing to scarcity of wagons for coal supply. To remedy these defects the rolling stock should be increased, and shipping tonnage made available for the carrying of coal as before the war.

STATEMENT No. 67.

GOVERNMENT OF THE UNITED PROVINCES.—NOTE DATED 21ST FEBRUARY, 1921.

See oral evidence paragraphs 5900/5928.

The following note has been drawn out under the orders of his Excellency the Governor acting with his Council and Ministers for the Railway Committee as expressing the views of the Government on the questionnaire submitted by them for consideration.

The opinions of Government are divided regarding the desirability of State management versus Company management on a profit-sharing basis. While his Excellency and the Honourable Finance Member agree generally with Sir James Meston's views expressed in his letter No. 67 R/673, dated the 7th February, 1914 (copy enclosed for ready reference), the Home Member and the Ministers are in favour of State management:—

(i) His Excellency and his colleagues are unanimous in holding that companies managing railways should be domiciled in India.
(ii) That the Government should take powers to exercise effective control over the administration of railways in the matter of rates and fares, construction of branch lines and feeder lines, the proportion of working expenses to earnings, the safety and convenience of passengers, and generally in the interests of the State, the country, and the taxpayers.
(iii) That railway finance should be separated from general finance.
(iv) That there should be a railway member of the Governor-General's Executive Council and that he should be the President of the Railway Board. His Excellency was of opinion that he should be a member for communications generally, with, perhaps, irrigation thrown in.
(v) That, besides the president, there should be four members of the Railway Board: a railway, a finance, and a commercial expert, and a representative of taxpayers appointed by the Government. That of these five, to start with at least one, and if possible two, should ordinarily be Indians.
(vi) That the Local Government should have a more effective voice than at present in the administration of railways within its territorial jurisdiction, such, for instance, as in the matter of branch lines extension of lines to facilitate the transport of forest and other produce, pilgrim tax, provision of roadways over bridges. In short, the Government feel that they should be given a more effective voice in matters in which they are interested, consistently, however, with the general policy of the Government of India.

The railway administrations have not always used their powers in fixing rates on goods in the interests of Indian industries.

There are a few general points which His Excellency and his colleagues would like to place before the Railway Committee. One is the discontent caused to traders by the large exactions which station-masters make for the supply of wagons for the transport of grains and other commodities. Apparently, since there has been a shortage in the rolling stock, these railway servants have increased their demands, which were always known to be high. The Governor in Council and his Ministers are of opinion that this is a matter which requires attention. The second is the owner's risk note, whereby railways evade their responsibility as carriers, and practically invite theft.

Another matter which the Local Government would like to bring forward is the extension of the metre-gauge system into Delhi, which would prevent the block in the transport of forest produce, particularly timber, at certain stations where transhipment is at present necessary owing to change of gauge. On this subject Mr. Billson, the Chief Conservator of Forests, has been asked to place the views of the Government before the Railway Committee.

ENCLOSURE.

Copy of letter from the Government of the United Provinces to the Railway Board, No. 67 R/673, dated 7th February, 1917.

In reply to your letter No. 188 F/16, dated the 22nd June, 1916, I am directed to express very briefly the opinion of this Government on the question of State versus private management of railways. A few selected officers have been consulted on the subject, and official opinion, so far as can be ascertained, is practically unanimous. There are, in Sir James Meston's view, no new facts or arguments to be adduced beyond those which are already familiar to the Railway Board, and it is, therefore, unnecessary to elaborate this reply.

2. That certain lines of railway must be retained in the hands of Government for strategic purposes is unquestioned. This would cover the case of the whole of the upper reaches of the North-Western Railway system. It is in many ways desirable that Government should also retain in its hands one representative railway line of importance in order that it may have under its own control a certain number of officers who have obtained by practical experience a detailed knowledge of all branches of railway work, and are competent to advise the Government on the intricate problems involved in railway administration. This would justify the retention as a State line of the Eastern Bengal State Railway, which is probably the most diversified and instructive of all the systems in India.

3. With this exception the rest of the question is, so far as this Government is concerned, a matter of theoretical argument. The United Provinces cannot provide concrete experience of any real value as a factor in the decision. Through its territories there passes a company line which is admirably managed and deservedly popular. There also passes through them another company line which is unpopular and in many respects subject to severe criticism. The State railway within the province lies between the two extremes; and the conclusion seems to be that, while the very best company management is superior to Government control, on the other hand, Government control is better than any except thoroughly good company management. Beyond this it is impossible for the Local Government to generalise from its own practical experience.

4. On theoretical lines the Lieutenant-Governor decidedly favours company management, subject to certain reservations which would be touched upon later. It is a truism that Government cannot administer business concerns with the same freedom or efficiency as private enterprise can do. A railway is essentially a business concern on the larger scale, demanding the highest qualifications of business control. The ordinary Government servant is rarely endowed by his training or experience with these qualifications; his work has not always the necessary elasticity, and the systems of fixed rules to which he has been accustomed have a tendency to interfere with initiative. A much stronger argument, however, exists in the political danger of placing Government in direct control of large business concerns. The main danger is that the interests of trade and industry would be from time to time subordinated to the necessity of concessions and to the consequences of political pressure. The abolition of working on commercial principles of competition would certainly be in the long run more harmful to the railways, and thus to the country at large, than any defects which are likely to arise under private management if it is adequately supervised by the executive Government. It is also highly undesirable that Government should be the sole employer of a vast labour force, such as is required on the railways in India; and, finally, it seems to the Lieutenant-Governor very doubtful whether the finances of the whole of the railway administrations in India could, with any pretence of advantage, be brought into the necessarily rigid mould of the official budget procedure.

5. His Honour is, therefore, wholly in favour of company management under an efficient system of ultimate control by the Supreme Government. The details of this control are not necessary for discussion at present, but the necessity for stronger powers of intervention has been brought home in this province in a very emphatic form by the frequent unreasonableness of one particular railway administration. Instances of such unreasonableness would probably be materially decreased if the administering companies were domiciled in India. The present arrangements by which a Local Government has to reason with railway officers who can always evade responsibility by an appeal, real or imaginary, to their board in London, are highly unsatisfactory both to the Government and to the railway. The argument which was formerly regarded as conclusive in favour of a domicile in England was the importance of being in touch with the market from which the capital for the development of the line was derived. This argument would probably lose its force after the war, as there seems little question that, at least for some considerable number of years, the import of English capital for railway development will be restricted, and material advantage will be seen in attempting to attract capital in this country. On all grounds, therefore, the domicile of future railway administrations should unquestionably be in India rather than abroad.

6. By this reform, the control of the Supreme Government through the Railway Board will be more prompt and less susceptible to friction. What should be the specific line of control, is a matter, as I have already said, that need hardly be discussed at this stage, especially as it covers many complicated issues of rating, routing, and general policy. The present measure of control, for example, which is provided by the scales of maxima and minima rates, is, apparently, inadequate to regulate such matters as unfair block rates. A strong hand is also required over the competition between private companies for spheres of influence and, more particularly, where the interest of great ports compete with those of inland provinces. The Lieutenant-Governor is aware that these issues are not *tabulae rasae* at present; but as new contracts are given or existing contracts are revised, a much more efficient power of control ought to be reserved by the Supreme Government as an essential condition to the maintenance or extension of administration by companies.

STATEMENT No. 68.

C. A. H. TOWNSEND, ESQ., I.C.S., Director of Agriculture, Punjab.—MEMORANDUM DATED THE 19TH FEBRUARY, 1921.

See oral evidence, paragraphs 5949/5974.

Question No. 17.—No. And before fresh construction is embarked on, it is first essential that the existing railways should be adequately equipped with rolling stock of all descriptions, particularly goods wagons. The practically perennial shortage of the latter on the North-Western Railway, which is much the most important railway serving this province, is lamentable. I say more of this in reply to Question No. 34.

Question No. 18.—Yes.

Question No. 27.—I am unable to give an opinion on this: as the statements given do not, apparently, allow any deduction from the not inconsiderable mileage of State-owned and managed line in the Punjab—possibly also in the N.W.F. Province—which was made purely for strategic purposes, and was never expected to pay commercially. Such mileage should be deducted from Statement 1 in this question, to enable a comparison of any value to be made between the two methods of " running " railways.

Question No. 33.—Third-class passengers are as a rule disgracefully overcrowded. When a train comes into a central Punjab railway station, many free fights take place between would-be passengers and those already travelling who do not desire their company. People get in through the windows if the doors are locked against them. And it is not uncommon for people to travel for miles on foot boards: this may be unavoidable in present conditions, but is certainly dangerous.

From the free fights mentioned above the station and train staff hold themselves severely aloof. They appear to regard it as no part of their duty to help passengers to find seats.

Question No. 34.—I have already said something about this in my reply to Question No. 17. I wish to go into the matter in more detail. The principal articles this province exports are cotton, grain—mainly wheat—and oil seeds. Most of these go to Karachi for export, but a good deal of the cotton also goes to Bombay, Ahmedabad, Nagpur, and other mill centres. I have

been Director of Agriculture practically since 1914, which post I now fill: though for an interlude of about 2 years, I was, instead, Director of Industries and Civil Supplies. During this time, the North-Western Railway has practically never had sufficient wagons to cope with the traffic offerings in these articles. A bale of ginned Punjab-American cotton was, during the greater part of the war, worth about Rs. 300. Many hundreds of these often lay for months at railway stations waiting for wagons: and the loss of money involved by this must have been very great. The same remark applies—though not to the same extent—to the other articles we export. Nor is the loss of money just mentioned the only damage done. I have mentioned Punjab-American cotton; it is a new variety of cotton the Punjab Agricultural Department has, with not inconsiderable success, been " pushing " in the province during the last eight years. As regards it, one of our troubles has been to get mills to know of it, and after some correspondence, I got the management of the large Empress mills at Nagpur (Central Provinces) to buy a fairly large amount of it four years ago. The purchase was effected during the winter. The following winter I happened to be at Nagpur, and went over the mills mentioned, and asked the manager if he liked the Punjab-American cotton. His reply was, " Yes; we like it all right, but we are not going to buy any more." Asked why, he said that the cotton they had bought the previous winter had not reached them, owing to difficulties of booking, till the July following—practically after six months' delay—and they could not afford to have their money locked up like that. Since then, to the best of my information, those mills have purchased no Punjab-American cotton. The withdrawal of a competitor like this from the purchasing market obviously tends to lower the price our cultivators should get for their cotton.

I give another instance in the same connection. Many cultivators on the Sirhind Canal, which irrigates the sandy uplands of the central and part of the south-eastern Punjab, attracted by the high price cotton was fetching, put about 20,000 acres of land under Punjab-American cotton last autumn: practically none had been grown in it before. There are in effect no cotton-ginning factories on this canal, and the cotton produced—in character quite good—was purchased by the proprietors or lessees of cotton-ginning factories on the Lahore Karachi line, some 100 miles away by rail. They have, however, been unable to move any of it so far this winter. The result is that no more purchases of cotton on the Sirhind Canal are forthcoming, and the price of Punjab-American is about Rs. 3 per maund less than it should be. Naturally, the growers of it are not pleased.

These instances might be multiplied. The ginning factories, oil mills, and power pumping stations in this province have for the last few years been finding it very difficult to get Bengal coal—in the main, owing to the absence of wagons—to keep their factories going. Result: loss of money and general discontent.

The accommodation offered for goods, especially covered accommodation, at most of the railway stations in the province is quite inadequate: especially on the stations on the Lahore Karachi main line, which runs through the now developing Lower Bari Doab Colony, which has been recently brought under irrigation. The damage done to goods lying unprotected from the weather by rain during the year must be considerable.

I am, of course, fully aware of the difficulties the war caused to the railway administration, but even before the war the supply of wagons on the N.W. Railway was generally inadequate.

At any rate, there is no doubt that very large expenditure on the provision of wagons on the N.W. Railway is desirable now.

I now pass to another point. As Director of Agriculture I frequently have received—and still do so—letters from my subordinate officers saying that seed, particularly cotton seed, if it is to be sown at the right time, must be moved to its destination at once by rail. So urgent was the matter in February, 1917, when bookings on the railway were particularly difficult, that the Financial Secretary to the Punjab Government and I interviewed the agent of the N.W. Railway on the matter. His reply was, " I cannot help you, under the orders of the Railway Board." We asked for a copy of those orders; he refused to give them. So the Punjab Government had to write to the Railway Board in the matter, and a member of that board came in person to Lahore to discuss the matter with the Punjab Government, with the eventual result that our seed was moved. But the delay involved by all this was very great, and much of the seed was sown later than it should have been. The point I wish to make is that there was far too much centralisation in all this; after all, the Punjab Government is responsible for the province, and should, I venture to think, have been consulted by the Railway Board as to what articles should have preference, before the, apparently, very stringent orders mentioned above were issued by that board, which deprived the agent of the N.W. Railway of all discretion in the matter.

Further, that railway has very frequently—especially at present—to restrict goods bookings to various articles for various reasons. In imposing those restrictions, the Punjab Government is, as a rule, not consulted; though I fully admit that the *present* management of the railway will always do what they can to help this Government if it wishes any particular commodity carried. Then, fodder is in great demand at present in many parts of the province, and the railway is doing all it can to move it, in consultation with the Punjab Government. But it may be that the present management will change, and be replaced by other officers—we have had experience of at least one such—who may see no reason to consult the Punjab Government in any way in this matter, and decide for himself what commodities should have preference as regards carriage, when bookings are troublesome. Apparently, no orders exist which make it incumbent on the railway management to consult the Local Government in this matter. I strongly suggest that such orders should be passed, making it incumbent on the N.W. Railway—and the other railways serving this province—to consult, so far as possible, a representative of the Punjab Government, to whose views due weight should be attached, before restrictions are imposed: save, of course, in the case of special emergencies. So far as the N.W. Railway is concerned, this consultation between its representatives and those of the Punjab Government might well be done orally.

I wish to emphasise what I have already said that the present management of the N.W. Railway is quite willing to do what it can to meet the wishes of the Local Government in this matter. But the position should be regularised for the future.

We have now a " Communications Board " in this province on which the following interests are represented:—

The Punjab Government, through
(*a*) the Financial Commissioner,
(*b*) Chief Engineer, P.W.D., Roads and Buildings Branch,
(*c*) ,, ,, ,, Irrigation Branch,
(*d*) Director of Agriculture,
(*e*) Director of Industries.

The N.W. Railway.

Commercial and agricultural interests in the shape of Indian unofficial gentlemen.

The Board is, I think, doing very useful work, and, I trust, will be expanded; it has not been in existence very long. It meets, as a rule, once a month.

STATEMENT No. 69.

Mr. A. G. WATTS, Manager, the Bhupindra Flour Mills, Bhatinda.—LETTER DATED 18TH FEBRUARY, 1921.

See oral evidence, paragraphs 5975/5991.

I have the honour to submit the following replies to the questionnaire on the railway working, sent to me through the Ministry of Agriculture, Public Works Department, Government of Punjab, India:—

Question No. 1.—I certainly consider that railways should be owned by the State, and not by a company.

Railways are so vital to the interests of the community that they should certainly be run by the people for the people. They should be run not for the express purpose of making huge profits, but with the main object to further the welfare of the community; run as a necessity, not a privilege; and in the vast country like India that abounds in bad roads, and in many places no roads, only railway, it is essential they should belong to the State and be governed by the State.

My experience of the management of the railways in India has been for the most part with the N W. R., Punjab, as a commercial individual, and although I am strongly in favour of State ownership and management, I am compelled, after five years' experience, to admit that the above railway is a disgrace and absolutely out of control, and only drastic changes can place it on a business footing and an aid and an honour to the State industries. Its sections are daily handicapped owing to the apathy displayed by the superior officers to the irregularities done by their subordinates. The system of working, which has got worse in the last three years, as far as I can see, can only be changed by some such methods as the following:—

(*a*) Genuine complaints brought to their notice should be severely dealt with.
(*b*) Any reports of officers' or subordinates' irregular actions brought to the notice of higher authorities should be met with by instant dismissal, not the present system, usually followed, of reducing the position of the individual or transfer to another district.
(*c*) Positions should be given by merit and ability, not on seniority.

I should say in the past four years, through the inability of the N. W. Railway management to handle our goods, we have on an average lost six working days a month, and as we are producers of foodstuffs both for human and animal consumption, this must place a burden on the consuming public, causing higher prices in the bazar owing to the shortage of commodities.

Question No. 2.—I advocate State ownership and management, but I advocate an immediate alteration in the personnel. I should bring from England men skilled in railway working, ranging from general managers down to the yard inspectors, to be placed on many sections; men of integrity, men that have had no connection whatever with India or Indian railways, they should be under contract for a number of years, good salary and with the usual conditions, and at the end of their service a good pension according to merit shown. This system would be far superior to the present system of sending young men out from England with no knowledge of railways, and after about two years' course of instructions from poorly-paid subordinates, find themselves in charge of responsible duties and men of years' service under them. Such system does not tend to good moral, and the worst part of the system is that they learn the system, whereas in the former case they know their system. Once the concern was in a satisfactory condition, promotion from personnel at hand on merit should be the rule without question of nationality.

Questions Nos. 3 *to* 9.—I do not advocate company management of railways.

Questions Nos. 10 *and* 11.—I do not consider the control of Railway Board satisfactory. Their powers are limited to the extent of being answerable to another department; also the personnel is entirely wrong, so advise a separate department, called the Ministry of Railways, and constituted as follows:—

President: a member of the Government.
Two expert railway men.
Two expert commercial men.

The president should serve three years, and should be selected Englishman and an Indian alternately. The railway experts should come from Europe without any previous knowledge or connection of Indian railways, and should serve six years. The two commercial men should be selected from an Indian Chamber of Commerce, and should serve two years; any nationality. The subordinate officers should be men of known ability in railway working. I would give a Ministry full power to utilise all surplus money earned for the upkeep, renewals and enlargement of the railways' working, and only answerable to Government in the matter of rates and raising of loans.

Questions Nos. 12 *and* 13.—With regard to the functions by the Board as at present constituted, very few commercial or travelling public even approach them, having little faith in them.

Question No. 14.—The powers of any Government are always ample, but it does not appear as if the public interests in the matter of railways have received enough consideration.

Questions Nos. 15 *and* 16.—Replied to in question No. 10.

Question No. 17.—I should say the funds for new construction have been inadequate, taking into consideration the present shortage of stock.

Question No. 18.—I should say the policy of devoting the greater part of the available funds to the improvement of existing railways a sensible policy, but to use all the available funds a more sensible policy.

Question No. 19.—This is a question that cannot be guessed, but should be answered by experts in railway knowledge.

Question No. 20.—Funds to be raised should have first consideration in India. If not available, go further afield, always considering the cheapest market.

Questions Nos. 21, 22 *and* 23.—A State holding requiring capital should be raised by the methods of taxation.

Question No. 24.—In the hands of a wise and daring Finance Minister there is unlimited scope.

Question No. 25.—The above methods would not interfere with Government borrowing.

Question No. 26.—(*a*) I should say it has been detrimental to railway improvement, and needs a larger allotment.

(*b*) I should certainly not raise the rates at the present time, as all such things react on the poorer community, and it would only tend to higher the prices of commodities, consequently curtailing production, which would probably mean less return on freight than at the cheaper rates, and certainly more discontent among the poorer class. There may be some scope on certain articles for higher freights, such as foreign imports, which would not affect the community to any great extent, and cheaper freights for other articles. This could be done after classification of essential as against non-essential.

Question No. 27.—The statement embracing 1916 to 1919, giving earnings, expenditures, and percentage of profit, etc. From a business point of view, it is certainly low as regards percentage of nett profit. But 1916 to 1919 were not normal years, and, as I have before mentioned, a railway should not be worked for the only purpose of making profit, and the indirect advantage to any Government would be the happiness and welfare of the people, which cannot be measured in figures.

Question No. 28.—The funds allotted not having been expended would have first claim, otherwise this would tend for money to be spent whether needed or not. Should this money be found necessary for other departments, it should certainly be used after taking expert advice on the subject.

Questions Nos. 29 *and* 30.—See reply to question No. 10.

Question No. 31.—I certainly consider that Railway Administration could act more wisely in regard to rates. To give one or two examples to show the disproportion of rates on one or two lines:—

We book goods from Bhatinda to Surat and Bombay. Although Surat is nearer to Bhatinda by 167 miles, freight was charged more than to Bombay. On representing the case to the Traffic Manager, B. B. and C. I. Railway, freight was reduced to the same as Bombay. But in the last few months the rate to Bombay has been slightly increased. The North-Western Railway, by G. I. P. rates, are still higher for Surat than to Bombay. We have brought to the notice of Traffic Manager, Lahore, and also Traffic Manager, G. I. P., and I have also orally interviewed a deputy traffic manager, Lahore, regarding the difference between their rate to Bombay and the B B. and C. I. line. But they answer they can make no reduction. This, of course, gives the B. B. and C. I. line the preference of trade. Several other rates for different stations are unproportionate:—

	Rate.
Bhatinda to Karachi (723 miles)	9s. 9d.
Bhatinda to Hyderabad (613 miles)	9s. 8d.
Bhatinda to Howrah (1,088 miles)	13s. 4d.
Bhatinda to Burdwan (1,022 miles)	13s. 5d.

Grain, *i.e.*, wheat, is booked at a cheaper rate than flour or atta. Flour is luxury; atta is necessity. Atta should certainly be less than wheat.

Grain for export should be booked at a higher rate than for home consumption.

Question No. 32.—There certainly should be tribunal properly constituted to settle disputes between traders and Railway Administration. But it should be expeditious. I am strongly of opinion that such tribunals would save a considerable amount of time and labour both for traders and the Railway Administration. To give one or two instances:—

We booked some goods under ordinary Risk Note Form. These goods were lost, and found after eight months. The railway say they are in good order; we say they are not. We have asked for an arbitrator, but so far no reply. The market has gone down considerably, and tribunal would settle such a case in a few minutes. Another case:—

We have booked to us a case of machinery under railway risk note. The case and the machinery arrived broken. The railway say they are not responsible, as it was packed badly. Why give a clear railway receipt, then

The case has gone on for three years. Such are only a few of the hundreds which happen, and the apathy used by the department concerned is appalling. Such things would soon be settled by a tribunal.

Question No. 33.—I should appoint a body of inspectors under the jurisdiction of Director of Industries to investigate the troubles of traders and the irregularities of railway officers.

Question No. 34.—My experience partly brings me to the fact that railways' rolling stock is not adequate to the requirements of the various industries of India, and I have come to this conclusion through the many failures of the Railway Administration to supply wagons on indent. Also numerable lines booking is closed; also letters written to the traffic manager regarding wagons allotment, which usually results in failure. As I said, I have partly come to this conclusion because there are innumerable causes which also go to make inadequate the ability of the railway to handle goods. The chief reason is that Railway Administration is not in sympathy or in close touch with the requirements of growing industries and development of trade in India. Not enough allotment to keep up with the growing requirements of industries. Also industries should be classified, and the allotment of wagons should be given to the more essential industries. Pooling of wagons of all

railways. Wagons going back miles empty. Badly-labelled wagons which go astray. This latter is of common occurrence. Wagons should have a label inside as well as outside. In the matter of transhipment yards, more up-to-date methods of handling should be adopted to expedite the release of wagons. I have noticed lately wagons converted into third-class passengers' accommodation. This practice should be stopped.

The old Stephenson type of engines seen crawling about a marshalling yard should be scrapped. The speeding-up of the goods trains and the practice of keeping a goods train waiting hours during its journey for the purpose of keeping back a passenger train only five minutes, and also the corrupt practice usual in most districts of buying wagons, all tend to make the present rolling stock inadequate.

Question No. 35.—I am the manager of the Bhupindra Flour Mills, Bhatinda, a station which can only receive its raw material and deliver its manufactured goods by rail. This consequently places us at the mercy of the railway. We are capable of handling 1,00,000 of maunds, *i.e.*, foodstuffs, in and out per month. But owing to the inability of the railway to handle our goods I do not think we have ever handled over 65,000, and our goods are well known all over India, and I can without fear of contradiction say that this is partly due to the corrupt system in vogue. There is, no doubt, a shortage of rolling stock, which is to the advantage of the system of bargaining for wagons. Times innumerable have we wired, written, and personally seen D.T.S., station master, traffic manager, regarding the unfair treatment which we have been subjected to in this district. There is no doubt that the bazaar merchants are as much, if not more, to blame for this system, because in contact with these people I have come to the conclusion that they like the system to some extent. It is only when, to use their term, someone gets greedy, that they grumble. It has been so bad for us that both the Traffic Manager, N. W. R., and also B. B. and C. I., have at different times made us a small allotment. Even then I have had occasion to complain that other people were getting wagons and we could not get our allotment. Innumerable ways are practised to place difficulties in the way of traders. It would be interesting reading to the Commission to know the reasons why railway individuals have been reduced or transferred to another district, especially from the Traffic Department. I give these remarks without prejudice to anyone, in the hope that one day the railways will be a boon and a credit to India and its industries.

STATEMENT No. 70.

LALA MULK RAJ BHALLA, Managing Director, Punjab Co-operative Bank, Lahore.—NOTE DATED 15TH FEBRUARY, 1921.

See oral evidence, paragraphs 5992/6008.

NOTE.—I was employed in the Audit Department of the North Western Railway as Inspector and Accountant and on the Bengal North-Western Railway and Assam Bengal Railway as Government Accountant.

Questions Nos. 1 *and* 2.—State should manage its own railways just as any other owner should manage his property. The owner works with an eye to the future, saves the expenses of agency, and trains his own people for the work. Such working ought to be conducive to economy, efficiency, and development.

Under the present system, unfortunately, the management by the State is almost as unsatisfactory as that under the companies, from the people's point of view. Both have the directorates too distant and too high and separate from the people physically, socially, and mentally. The high officers composing the administration are in both cases inaccessible, living, as they do, in a world of their own, entirely out of touch with the people. Even while travelling by railway, they keep the shutters of their saloon up to keep the travelling multitude out of sight. Such aloofness must keep them ignorant of the conditions prevailing on their charges and, consequently, unsympathetic in the matter of bettering them.

The directors distant and separate from the people and the high officers of the administration exclusive and screened, it is only natural that there should be in the whole administration want of healthy tone to prevent officials dealing with the public becoming callous and corrupt.

The remedy in my opinion does not lie so much in changing the name, but the nature of the administration by:—

(1) Reduction of the size of administrations;
(2) Introduction of Indian element in the Railway Board and the directorates of the companies;
(3) Introduction of Indian element in the higher ranks of administrations;
(4) Appointment of advisory boards, including Indian business men to assist departments dealing with the public.

Question No. 3.—If management by the companies has to be retained, they should not merely be domiciled in India, but contain in its directorate Indian business men. The latter will be in touch with the people, feel their influence, share their discomforts, and understand their grievances. To them the removal of such discomforts and grievances must become a matter of personal concern.

Question No. 4.—I think so.

Question No. 5.—They are out of touch with Indian conditions and requirements.

Question No. 6.—In the case of railway companies domiciled in India, members of the boards should be elected by the shareholders, representative of the public using the railway to guard their interest, and a nominee of the Government to safeguard theirs . . . . being added.

Question No. 7.—I see no reason to fear lack of continuity in a board domiciled in India, and do not consider the appointment of a permanent chairman nominated by the Government essential. I do not consider that directors need be skilled in railway work, as experts in all kinds of railway work will be at their disposal.

Question No. 8.—No.

Question No. 9.—I do not consider the idea of combination practicable.

Questions Nos. 10 *and* 11.—A Board of control is necessary.

Question No. 12.—My information on this point is not recent, but I have known exception taken to the purchase of a book by an agent of a railway and to the employment of an additional peon by an auditor, but I have not known of an instance of control exercised in the interest of public using the railway, in the matter of comforts of passengers, expediting despatch and delivery of goods, and speedy disposal of claims.

Question No. 17.—The supply of funds has not been adequate either for new construction or for improvement of the existing railways. The total railway mileage in India is very small, giving one mile to 50 square miles of area of the country, the average addition during the last 10 years being less than 500 miles per year. Large tracts of the country are not served by railway. As regards existing railways, there are complaints of shortage of both passenger and goods stock on every one of them. Over the North Western Railway there is overcrowding in almost all classes of carriages except first class. The second-class compartments at Lahore as a rule are allowed to carry a much greater number than fixed. Intermediate-class compartments are full to suffocation and the third-class compartments have at times passengers standing on footboards. On some branch lines goods wagons are used for carrying passengers. Difficulty is felt in the despatch of goods, particularly cotton, and delivery of coal, which is attributable to the shortage of stock. All this is apparently due to open lines being starved for funds.

Question No. 19.—The question is not one where it should be safe to hazard a guess, but they should be much larger than six crores, which is the average for the last several years.

Question No. 20.—Funds should be raised wherever they can be raised, preferably in India.

Question No. 21.—The terms need modification. Interest guaranteed should be 6 per cent. and the net earnings above the amount required to pay the guaranteed interest should be divided between the Government and the company in the proportion of 1 to 2.

Question No. 22.—By all these means, but to ensure success of the measure people should realise the attractive nature of the investment offered. The railway capital in India has been earning about 8 per cent., but the fact is not known to the investing public. Efforts should be made to give as much publicity as possible to results of the working of the principal railways.

It should not, moreover, in view to the part railway plays in the general welfare of the country, be allowed to become less profitable in future and to this end steps should be taken to counteract the effect of the recent great rise in working expenses, both by retrenchment of expenditure where practicable and by raising rates and fares where they can be raised without injury to trade. Retrenchment is apparently practicable in the direction of reduction of a number of officers in the highest grades, some of whom will certainly be found superfluous, by decreasing inter-departmental correspondence and thus doing away with considerable supervising and signing establishment and by avoiding duplication and triplication of work which now keeps busy very large number of clerks. It should also be practicable in the matter of more economical use of stores.

Passenger fares can be safely raised for 1st and 2nd classes to a considerable extent and for inter class to a small extent. Goods rates should be raised on many articles of luxury as also on articles exported and imported from foreign countries.

The above measures should help to maintain the level of railway profits at a high figure and to make the railway capital attractive investment. It must, however, be borne in mind that this is part of a larger question of increase and mobilization of the financial resources of the country of which the first step must be the expansion of Indian banking institutions so as to place them within easy reach of all classes of population.

STATEMENT No. 71.

SETH PRABHU DAYAL, M.B.E., etc., Millowner, etc., Multan, Member of Advisory Board to the Director of Industries, Punjab.—NOTE DATED 14TH FEBRUARY, 1921.

Part I.—Management of Railways owned by the State.

See oral evidence, paragraph 6009/6033.

I am an out-and-out advocate of railways owned by State to be managed by State. Under no circumstances the management to be given of new lines to the companies or the present contracts to be renewed after their termination.

My reasons are:—

(1) The sole object of management by the companies is to get as much out of the public within the contracted periods. They do not and cannot manage in the permanent interest of the State. They look to the present and never care for the future prosperity of the State.
(2) The company managements have met with absolute indifference the grievances of travelling public, especially of the third and intermediate class passengers.
(3) Their management is very inefficient. The lower class traffic officials who come in contact with travelling public are paid very low salaries as compared with State managed railways. Hence they prey on the public and make up the deficiency.
(4) All higher grade appointments in the company managed railways have been closed to Indians.
(5) In State management, question of vested interest of competing lines will be very much reduced and loop lines, which are urgently required, will come into existence.
(6) The greatest difficulty that I as a trader feel will be removed by State management. The great wagon scarcity almost on every line will be very much reduced. Nowadays wagons of other companies are allowed, after their contents are unloaded, to run empty to parent line, at a time when goods sufficient to load hundreds of wagons are rotting on the station platform for months together. This is the case now in several districts of the N.W. Railway, especially in Multan, where my headquarters are.
(7) The company management is not amenable to public opinion. They oftener defy it.
(8) The railway administrations in India have a virtual monopoly, and such monopoly should better be exercised by the State representing the public.

(9) Profits made by company's management will be saved to India and the annual drain of crores of rupees will be stopped.
(10) Company's management generally indent their railway equipments from outside India They do not attempt to get them in India.

Part II.—Railway Board.

The existing Railway Board has failed to perform its duty owing to want of adequate power of control over railway administration. As I advocate management of State railways by State only I advocate the abolition of the present Railway Board.

The railway administration to be in charge of a member of the Viceroy's Executive Council or under a Minister (Indian, of course) with advisory boards consisting of five members representing various interests, *e.g.*, trade, industry, labour, agriculture, and travelling public, etc.

The member or Minister in charge will, of course, be assisted by the competent technical staff.

Part III.—Railway Finance.

Not being an expert, I cannot express an opinion on this head.

Part IV.—Government Control of Rates and Fares and Settlement of Disputes.

1. *Rates and Fares.*—The Government control over railway administration in respect of fares and rates is quite inadequate.

Their control at present consists of fixing the maximum of passenger fares and of classifying of various items of goods traffic together with maxima and minima to be charged for these classes.

The railway administrations are using these powers very unwisely and detrimental to the best interests of the public.

The policy of the railway administration has been the development of foreign trade to the detriment of internal trade.

The alliance and constant consultation with the European Chambers of Commerce and weight given to their opinions have always been adverse to the interest of Indian public.

Special rates are fixed for imports from countries outside India to all important centres of trade inlands, while no encouragement is given to fix such special rates for Indian industries, *e.g.*, flour mills, which are now springing up in the country and their products are now in much demand in Egypt, Mesopotamia, and Persian Gulf.

Special rates are fixed on wool from Fazilka (great centre of woollen trade) to Dhariwal and Cawnpore where big woollen mills for manufacture of woollen fabrics are started by Europeans.

The rates to be fixed by member or Minister in charge of railways with consultation of his advisory board.

Fares and rates on internal traffic are already very high. If more money is required I will suggest:—

(*a*) Retrenchment in expenses;
(*b*) Increase in rates on imports which are very low, rates on imported luxuries to be trebled.

2. *Settlement of Disputes.*—At present, traffic manager, N.W. Railway (Claim Department), settles claims. This settlement is very unsatisfactory; it betrays want of thoroughness and fairness.

I will suggest arbitration court in each railway district, consisting of a lawyer (to be chairman), a railway officer, and a respectable member of commercial community.

Part V.—General. (Other Matters Germane to the Enquiry.)

1. *Carrying Capacity.*—On N.W. Railway wagon scarcity is very acute. Goods lying and rotting on platforms for months together, foreign empties not always utilised.

If there is State control, trucks will fall like rain and trucks of different companies can be utilised, besides large funds to be allotted for construction of trucks.

(2) *Branch Lines.*—More liberal terms should be offered by the Government to induce capitalists and construct branch lines. Present policy to guarantee 3½ or 4 per cent. is short-sighted. The rate to be not less than 7 per cent.

Besides grant of free land and financial accommodation to be granted to district boards and municipal committees. In the Punjab there is a great field for these lines. I know of one line which, if constructed, will pay more than 12 per cent. It is a line between Samundri and Gojra—a distance of about 18 miles.

Branch lines to be of special gauge of 2 ft. 6 in. The gauge not to exceed this.

These branch lines to be worked by the promoting companies.

3. *Uncertainty of Getting Trucks.*—This is ruinous. Those who make forward contracts of cotton, wheat, etc., lose heavily. My factory at Gojra now working will be closed next week for not getting trucks for coal or wood fuel as loading on several railway districts in N.W.R. is stopped. Cotton worth lacs of rupees is lying in the compounds.

Arrangements to be made amongst railway administrations to utilise empties of each other. This will ease the tension.

4. *Corruption.*—Bribery is rampant in the Traffic Department of North-Western Railway Recently a European D.T.S., Multan, and his train clerk were sent to various terms of imprisonment. Wagons were allowed on payment of as much as Rs. 300 apiece. More attention needed to stop corruption.

5. *Treatment.*—More humane treatment to be accorded to the travelling public, especially to females and third-class passengers. Special effort needed on behalf of railway administrations.

On mail trains middle and third-class passengers should have cars where substantial food to be provided.

STATEMENT No. 72.

E. A. Scott, Esq., Director of Industries, Punjab.

See oral evidence, paragraphs 6034/6062.

I have served the Government of India for nearly 25 years. Of this period, I was employed as an engineer on construction and open line for 13 years I was then transferred to the superior railway establishment and appointed signal engineer, North-Western Railway, which appointment I held for 10½ years. During this period I had, among other things, to design and remodel all station yards, and was thus brought in close and continual contact with the traffic and other departments, and was thus enabled to become familiar with the work of their departments. From 1916 to 1919 during the war I was appointed Deputy Controller of Munitions, Punjab, and in this position was able to get an insight into the difficulties of both the railway and the commercial community in so far as the moving of goods was concerned.

The whole of this service has been on State railways.

During the past 18 months I have been employed by the Punjab Government as Director of Industries and Director of Civil Supplies, Punjab. While carrying out these duties and travelling as an ordinary passenger I have had unique opportunities of viewing the railway administration from the point of view of the industrial and commercial community and from that of the general public.

Especially in my official position as Director of Civil Supplies have I had the opportunity of seeing and learning the difficulties to which the commercial and industrial communities are very often put in carrying on their business in so far as railway transport is concerned. On the other hand, my extended service on the railway enabled me to consider the question from an unprejudiced point of view. It is chiefly in this connection that I would request the Committee to consider my evidence, which I will now proceed to give in accordance with the questionnaire.

I would like to take the opportunity of recording that in all my dealings with the authorities of the North-Western Railway in my official position the railway authorities have always given me such assistance as has been in their power considering the numerous difficulties under which they carry on their work.

Part I.—The Management of Railways Owned by the State.

I do not think it is essential to have served both on a State and a company managed railway to enable one to give an opinion on their relative merits. Undoubtedly such an experience would have assisted and given additional weight to any opinions expressed, but there are certain general conditions and principles which regulate the administration of the two methods on which it is possible to arrive at a fairly accurate decision. No reliable conclusion can be arrived at by comparing the relative earnings of State and company managed railways, as no two of these are constructed or worked under similar conditions.

The efficiency of a railway as a means of transport depends to a great extent (*a*) on its equipment and (*b*) on the staff; in both these matters it can be shown that company management has the advantage.

2. Regarding (*a*), the maintenance and improvement of equipment entails an adequate supply of funds; such funds are more likely to be forthcoming when asked for by a responsible and experienced board of directors than on the representations of an agent, as would be the case of a State-managed line.

3. Regarding (*b*), it is hardly worth mentioning the advantages under which a company works regarding the engagement and subsequent selection of its staff, especially in the higher posts. Numerous cases can be instanced where companies have selected men from the State railways to fill their higher posts when they considered none of their own staff was suitable, but it would be difficult to quote any case where Government had in a similar way engaged company servants. The reasons for this may be many, but one of the chief is that on State railways all promotion is regulated by seniority, which is in itself a principle leading to inefficiency. The company, on the other hand, selects his senior officers and is not hidebound by the rights of seniority, and is so enabled to advance and retain its more capable men. This defect in State management may at first sight be considered one which could be easily rectified, but years of experience shows that it is not so. During my service I had received numerous Government resolutions and orders that in future promotion would be made wholly by selection, but this has not been and is not being done.

4. The efficiency of an established railway depends more on the traffic department than on any other, and yet recruitment for this department necessitates no special recognised qualifications; the majority of the appointments are made by nomination and influence; especially is this the case in so far as recruits from this country are concerned. Regarding recruitment from England, certain qualifications are said to be necessary, but these are not concrete enough to ensure generally capable recruits. This is a very important matter, and should be especially considered not only in connection with future recruits, but also in connection with those recruited in the past who are unlikely to make efficient officers; the question is a difficult one, but not incapable of solution.

Companies do not suffer to the same extent from this defect, which again shows they are more efficient managers of railways than the State.

5. In view of the above, my answers to the questions are:—

My considered suggestions on this question, therefore, are:—

(*a*) State-owned railways now worked by companies should continue to be so worked.
(*b*) The question of transferring the State-worked railways to companies should be considered; this may be feasible in the case of the E.B.S.R. and the O.R.R., but more difficult in the case of the North-Western Railway, owing to the existence of long lengths of the railway which were built for purely military purposes, and which, without being attached to the main system, would be more expensive to run than they are at present.

Regarding detail replies to the nine questions put under the head, it is not possible to answer them generally. All the points raised in these questions would have to be considered when the railway and the proposed working company concerned were known.

Part II.—The Railway Board and Government of India Control.

Question No. 10.—The system of control by a board is satisfactory.

Question No. 11.—The board should have a president who should also be a member of Council for Railways. He should be assisted by members to the number as may be considered necessary, but one of these members should be appointed wholly to attend to and deal with the interests of commerce and the public; he should be the senior member of the board after the president, and should be nominated to the post by the Chambers of Commerce of the country, and should be allowed to appoint his own superior staff. This member may find it necessary to appoint his representatives at large commercial centres to act as an intermediary between the railway, the commercial community and the Local Government. The board's subordinate staff are at present all State railway men whose experience is generally limited to State railways. I think a proportionate number of this staff should be taken from companies' lines, their service with the Board being limited to a fixed number of years.

Question No. 12.—I have had no experience in this connection.

Question No. 13.—The appointment of a member on the Board, as suggested in reply to question 11, would tend to remedy the defect which at present exists. I should say at present, judging by results, that the Board's powers are limited and should be enlarged.

Question No. 14.—See reply to question 13.

Question No. 15.—I consider that in the question of the construction of new railways and feeder tramways the powers of the Railway Board require modification; the final say in these matters should rest with Local Governments, who are in a far better position to recognise the transport requirements of their province than the Railway Board.

Question No. 16.—See reply to question 11.

Part III.—Railway Finance.

Question No. 17.—Funds have not been adequate.

(a) *New Constructions.*—There are many lines which have been surveyed and are badly required to develop the country, but for which funds are not forthcoming.

(b) *Maintenance* and (c) *Improvement of Existing Railways.*—One has only to look through the daily and continual restrictions to free booking published by all railways to realise that the railway as a machine for transporting goods is badly out of order.

I attach a copy of "North-Western Railway Gazette," dated November 29th, picked up at random, and invite attention to the engineering restrictions on pages 1217-1219 and other traffic restrictions on pages 1222 to 1238. These restrictions clearly show that the maintenance and improvement grants have been long insufficient.

Question No. 18.—No opinion.

Question No. 19.—Cannot estimate.

Question No. 20.—Capital should be raised wherever possible.

Question No. 21.—To further encourage capitalists to build railways under the branch line terms, it is suggested that the rates which may be charged by the company should be made more elastic, that the standard to which the railways are to be built should in the first instance be reduced.

Questions Nos. 22-25.—Am not in a position to answer.

Question No. 26.—The finances of the railways should be entirely separated from the Government of India; the president and his board should have full control and be authorised to raise capital.

(a) I consider that the present system has been very detrimental not only to railways, but to the development of this country.

(b) Am unable to reply to this, but if the railways do not pay a reasonable revenue on the expended capital the rates and fares should be raised, but this should be done advisedly so as not to discourage new enterprises.

Question No. 27.—Am not in a position to reply to the first part of this question, but it is worth noting that though a well-managed railway system benefits the country and helps to develop it, a badly-managed system may do the opposite.

Question No. 28.—The annual Budget system is an invention of the Government Finance Department, partly to simplify their work and partly to allow of a margin of safety for inaccurate budgetting; if there were any advantages in it it would be adopted by business concerns, which it is not. The effects on working of railways as business concerns are disastrous; the abolition of this system alone would greatly facilitate railway working.

Question No. 29.—No knowledge.

Part IV.

Questions Nos. 30 *and* 31.—Regarding rates, I would draw the attention of the Committee to paras. 270-278 of the Industrial Commission's report. The matter would probably be one of the chief functions of the member of the Railway Board suggested in my reply to question 11 above.

Question No. 32.—A Railway Commission for settling these disputes is a cumbersome machine. The Railway Board member (suggested answer to question 11) would undoubtedly take up this question.

Question No. 33.—The Committee have undoubtedly heard numerous complaints from merchants and others of illegal gratification taken by railway officials, and the general unsatisfactory state of the relations existing between the commercial and travelling community and the railway. I am in a position to verify that a certain percentage of these complaints are substantially correct. I have for some months been considering the matter with a view of recommending some method of lessening or eradicating the defect, but the question is a very difficult one, but in view of its seriousness I think some energetic steps should be taken to remedy it. This question would eventually be dealt with by the member on the Boad appointed to safeguard the interests of the public, if such a member be appointed; but in the meanwhile I would suggest that a special officer be appointed under the agent of each railway where the practice is considered to be most prevalent, whose sole duty would be to safeguard the interests of the public. His duty would be not only to enquire into these allegations of illegal gratification, but to enquire into and report undue delays, losses and general irregularities which may exist in so far as the relations of the public and the railway were concerned. I am hopeful that if an efficient officer be appointed to the post and concentrated his attention to one station at a time, good results would follow. It would probably take him some time to rectify the defects in each station, especially to start with, but if this were once done it is very doubtful if the defects, once eradicated, would be re-established. The success of the experiment would, of course, depend on appointing the right class of officer. I recommend the suggestion to the consideration of the Committee.

Question No. 34.—The carrying capacity of railways is at present apparently not adequate (see copy of "Railway Gazette" attached), but this may not be due to depreciation of the machinery owing to lack of funds. I think a certain amount is due to lack of efficient working. To remedy this, I would suggest the employment on railways, under the direct orders of the agent, efficiency officers, whose duty it would be to inquire into the causes of inefficient working and suggest remedies.

Question No. 35.—Nil.

STATEMENT No. 73.

Mr. L. E. Banfield, Master of the Punjab Trades Asscciation, Lahore.—Note dated 25th February, 1921.

I am of opinion that all Indian railways should be company managed. If this system were adopted the public would have the benefit of healthy competition between bodies independent of each other and who were anxious to increase their business as much as possible, just as two business rivals in the same line of commerce endeavour to do now. See oral evidence, paragraph 6063/6077.

The absence of healthy competition on State railways hampers enterprise and the working of them becomes stereotyped, allowing little scope for individual ability, and thus promotion comes by seniority and not by merit. In a commercial undertaking a man is usually selected by his principals for his skill or individual capacity for coping with work and we often see a big business managed efficiently by young men, who, if employed in Government work, would possibly be relegated to the system of promotion by seniority, irrespective of efficiency. Company management would mean increased efficiency in control. Officers would be selected for their merits and ability and promction by the Board of Directors of the particular railway. Accordingly all servants of the company would be working for the ultimate good of the concern generally and if placed on a profit-sharing system, much of the present day negligence and wastage of money and goods by employees of the railways would be avoided.

Capital.—Capital might be raised in India if the investment were made attractive enough, for the past two years have seen enormous sums raised for commercial enterprises offering a fairly reasonable promise of return. It should not be difficult to arrange for a 5 per cent. or 6 per cent. return in my opinion. From a business man's point of view, there is enormous room for economy, and it should be possible to bring in larger earnings. I think fares would stand a slight increase. I do not think the travelling public would mind paying a little more to get increased comfort. I imagine 3rd class passengers would gladly do so to avoid the terrible conditions which they are compelled to put up with to-day. If comfort for them were increased in only a small degree, for instance, more room, more comfortable seating and better lights, and why not fans? If comfort of this sort were assured, I think it would mean very greatly increased earnings for all railways, and in turn bigger profits and an assured dividend for investors.

The raising of money here would of course necessitate the Board of Directors locating their offices in India. This is very essential and it follows, increased efficiency from this would be considerable, and would further satisfy the present uneasiness over money earned in the country not advantageously utilised in the country for continued development. How can a board sitting 6,000 miles away expect to control affairs as efficiently as a board on the spot? In the former case the sources of information are confined to official documents and are out of touch with the personnel, whereas in the latter case they can cause immediate enquiries. The Board of Directors should consist of experts and of course a Government nominee.

Carrying Capacity.—Company management would remove the trouble experienced by the commercial community generally in the transport of goods. The question of movement of merchandise requires very serious study and I do not think sufficient attention is paid to this very important problem to-day. It does not appear right to me that it should take two to three weeks to transport goods from Karachi to Lahore, and four to five weeks from Calcutta. The annual exodus of businesses from the plains to the hills, and *vice versa*, is always fraught with considerable difficulties and trouble and it is really a very serious matter for members of my community who are obliged to deplete their stocks weeks before there should be any actual need of doing so, merely because the transport of goods occupies an unreasonable time. There is much room for the speeding up of goods trains all over India. The shortage of wagons may cause some delay in transport now, but apart from this there is the matter of hurrying trains forward when they are once on the way.

In addition to the speeding up of ordinary goods traffic, I would advocate a system of express goods trains run to published time-tables available to the public as are passenger train time-tables and which the merchants can select to send their merchandise by with a certain amount of guarantee as to time of arrival at destination. I do not think the commercial community would object to paying an additional tariff for this facility, and if efficiently run on proper-managed lines this would be a great boon, and no doubt increased prosperity all round.

STATEMENT No. 74.

RAI BAHADUR GANGA RAM, C.I.E., M.V.O., Member Institute Civil Engineers, Member Institute Mechanical Engineers, late of P. W. D., retired, now an agriculturist and factory owner.—NOTE DATED 25TH FEBRUARY, 1921.

See oral evidence, paragraphs 6078/6099.

I speak as a member of the commercial community and one of the travelling public.

The railways as now managed, whether State-managed or company-managed, from people's point of view, are very bad, unsympathetic, callous to the earning interests, the subordinate staff thoroughly corrupt, and the whole system unsatisfactory and unsuited to meet the requirements of the trade as well as the travelling public.

The defects are as follows:—

(*a*) *Want of supervision.*—Railway officers down to D.T.S. are given lordly saloons and carriages, and when they travel the station staff comes to know beforehand who is coming and by what train he is travelling.

Remedy.—All saloon carriages should be taken away except from the agent and the heads of traffic and engineering. At best they might reserve a compartment to themselves when they are travelling long distances. Traffic officers should pay surprise visits and should always travel incognito; no objection to extension of comfortable rest-houses all along the line.

(*b*) D.T.S. should personally visit mandis (trade centres) and should hear the complaints first-hand, and when staying in his rest-house should be freely accessible to the public.

(*c*) Railways at present do not meet the requirements of the trade as well as the travelling public, and they say it is due to shortage of wagons and shortage of coal. I do not believe in either; the question of carrying capacity of wagons and trucks, as well as carriages for passengers, is not properly studied. To begin with, I am firmly of opinion that goods wagons are not properly designed. Standing along a long line of goods train, we find that the tare of wagons varies considerably from one-third to half. Special attention should be paid to a reform in this direction, and all old-fashioned wagons should be scrapped, and the tare should be brought down to one-fourth. In passenger carriages, specially first and second class, a considerable saving of carrying capacity can be effected by introducing corridor carriages, as on the Continent; the luggage racks should be considerably extended and improved. Low seats should be avoided, so as to give a lot of space for luggage under the seats.

In regard to coal, the so-called shortage of the carrying capacity is throttling all industries, and yet I believe it is due to enormous waste of coal in the locomotives and in the engines working at the pumping stations. Want of double lines also leads to enormous waste of coal, because the goods trains have to wait for a very long time to let the passenger trains pass by. There should be more extensive use of mixed trains. There is no reason why goods trains should not run at fixed times, and each such train may take a couple of third-class passenger vans at the back of the trains. The difficulty of the want of vacuum brakes can be got over.

(*d*) A special technical committee should investigate how much coal is used in the Railway Department, who, I believe, are extremely uneconomical and careless, because they have the pick in quality and preference in the carrying capacity of wagons, and this extravagance in the Railway Department tells on the public demands.

Having made these general observations, I shall try to answer the questions as far as I can.

Question No. 1.—I would prefer State management, subject to improvements to remove the defects above mentioned. Why pay a share of earnings to companies? If the earnings are to be shared, the share ought to go to the staff on the modern business methods. At present all railways, taken together, pay under 8 per cent. If they are properly managed none should pay less than 12 per cent., and a good many should pay 20 per cent. The remedy is, generally speaking, *decentralisation*. To begin with, the system of Government borrowing for general purposes and then allotting doles to railways is unbusinesslike. Both railways and canals are business concerns, and should be managed on business lines. The surplus earnings of each railway should be utilised in the improvement of that particular railway, so as to create a healthy competition. Special grants should be made from general revenues of the country on strategic lines in the Punjab, and this allotment should be spent on doubling the lines and construction of more loop lines in Punjab, so that the public does not suffer when there is a demand for military traffic, which is not a concern of Punjab alone, but the whole of India.

Part II.

The Railway Board is no doubt a great improvement on the old system, but it should not be under any other department; the president should have a seat in the Executive Council. The constitution of the Railway Board requires considerable modification. In the first place, the Board should be split up into two parts, technical and traffic. A good railway engineer need not be a good traffic man, and *vice versâ*. Each section should have experts. The traffic section of the Board should be represented by an honorary board representative of the people and the trade. A man from each province should be appointed on the Board by nomination or election.

2. Railway Board should delegate more extensive powers to the agents and managers, and should not meddle in petty details. Agents should have free hand in buying stores, and they should be given explicit instructions to give preference to indigenous articles and to the productions of Indian concerns. I have already given my opinion about the purchase of stores before the Stores Committee.

Part III.

Questions Nos. 19 *and* 20.—At least 20 crores are required each year for railways, and all surplus earnings of particular railways should be devoted to those railways, *decentralised*, as I have already said. For the balance, call for the money should be first made in India and then in England. Preference shares to be at the rate of 1 per cent. above the highest rate of Government paper, and shares should be offered as (*a*) Debentures, (*b*) Preference shares, (*c*) Ordinary shares. The earnings of railways should be divided thus, taking the amount earned as 100, pay in somewhat as the following ratio: (*a*) 10 per cent. to Debentures, (*b*) 10 per cent. to interest on Preference shares; out of the remaining, first pay reasonable interest on Ordinary shares, and from whatever remains pay 10 per cent. bonus to staff and spend the rest in improvement and building of wagons.

Question No. 21.—The terms now offered to the public are not sufficiently inviting, and too much red tape is observed in negotiations. Government of India should be final authority in all railway matters.

Question No. 23.—I have a scheme of revenue compounding which I need not describe; I will hand over a few copies of my pamphlets on the subject. If this scheme is adopted any amount of money can be raised in India, and all the hoarded wealth of India, to which Government have largely contributed by their wrong policy of selling gold by tenders, can be disgorged.

Part IV.

The present system of payment of claims is unsatisfactory and leads to corruption. If a consignment goes astray payment should be promptly made to the claimant, but searching enquiry should be made in each case why they went astray, and the neglecting staff should be properly punished. At present a good many consignments go astray for want of proper system of labelling.

Every year railway conferences are held, but this conference of representatives of different railways is generally held to settle disputes between each railway, but no conference is held to hear the grievances of the public. In all railway conferences representatives of people and trade should be invited.

General.

Carrying capacity is inadequate, and even what exists is not properly utilised. I think trading firms should be allowed to own wagons, in lieu of which they may receive preferential treatment. Preferential treatment to traders for full truckloads, if properly organised, can lead to very profitable results.

There is no reason why railways should not earn more money by charging, say, 25 per cent. more on the occasion of fairs and visits to holy places by running special trains.

Generally speaking, railways should be treated as business concerns and should be managed on business lines, and management should be assisted by consulting boards to represent the interest of the public.

STATEMENT No. 75.

F. A. HADOW, Esq., Agent, North-Western Railway.

See oral evidence, paragraphs 6100/6138, 6180/6213, 6237/6256.

NOTE.—My experience on Indian railways has been as follows:—

1896-1902.—Mainly on new railway constuction in Bengal, but with short periods as open line Engineer.
1902-1905.—Assistant Manager, Eastern Bengal Railway.
1905-1909.—Assistant Secretary (Engineering) to the Railway Board.
1909-1911.—Manager and Engineer-in-Chief, Bhawnagar-Gondal-Junagad-Porbandar Railway, Kathiawar.
1911-1916.—Deputy Manager (Deputy Agent), North-Western Railway.
1916-1919.—Secretary, Railway Board.
1919-1920.—Agent, North-Western Railway.

Part I.—The Management of Railways Owned by the State.

1. The reasons which have led to most of the large railways in India being owned by the State are explained in the note on this subject which has formed an appendix to the Administration Report on Indian Railways in recent years. The question whether in any country where the State owns the railways these should be worked by the State or by companies which are given an interest in the working is one which has to be considered on the conditions prevailing in that country from time to time.

2. There may, for instance, be a time in the early stages of a country's development when it is inadvisable to work State-owned railways on commercial principles, and when, consequently, it is necessary to work them by State agency, or it may be politically necessary in a country which has extensive land frontiers where military requirements are paramount to keep the working of such railways in the hands of the State, even though they can be worked commercially. Neither of these conditions seems to apply at the present day to the State-owned railways in India, except, possibly, to parts of the North-Western Railway on the north-west frontier; with the latter exception all the State-owned railways in India can now be worked on commercial principles as they have been in the past.

3. To arrive at a decision on the question of working depends, therefore, on—

(*a*) whether it would be financially more profitable to Government to work all State-owned railways by State agency or to hand them over to companies (with an interest in them) to work on behalf of the State; and

(*b*) whether State or company management is likely to be more efficient in meeting trade requirements.

These are both difficult questions to answer and they overlap one another to some extent; as regards (*a*), although it might be argued that the surplus profits earned by the working companies are a loss to Government, it is certain that there is a considerable saving to Government to set against this for, if all State-owned railways were worked by the State, a much larger controlling organisation than exists at present would be necessary. Moreover, Government would find it much more difficult to work on commercial principles if all State-owned railways were worked by the State than at present when the majority are worked by companies, and this might result in reduced earnings.

4. It is very difficult for a Government department to work on commercial principles, and the fact that it has succeeded to a considerable extent in doing so on State-worked railways in India is due, in my opinion, to the fact that several of its own railways have been worked alongside by companies on a profit-sharing basis. I am unable to anticipate that it would be in the interests of the trade of the country generally to work all the State-owned railways by State agency, for, I think, there would inevitably be a falling off in efficiency, and this would sooner or later react on trade, which would again seriously affect the finances of the State. Any proposal, therefore, to hand over the working of the company-worked railways to State agency should be deprecated and, in my opinion, it would be preferable to hand over other State-worked railways to companies than to move in the other direction. It is possible also that the retention of the working companies will give openings for the raising of more capital, which is so badly required at present for development. On the whole, I am in favour of the existing arrangement continuing.

5. The present system, under which such working companies in India hold a share of the capital and receive a proportionate share of the net earnings, appears to be the best system that can be devised, and the advisability of such companies holding a considerably larger share of the capital expended on the construction of such railways might be considered, though this would result in a loss of profit to Government, in order to allow of more money being available for railway development. It might, perhaps, be considered advisable that the share held by the working company should be limited by a requirement that Government should hold a certain percentage of the capital in order that the interests of the company might not become predominant.

6. The Board of Directors of such companies would, I think, ordinarily sit in the country where the company is domiciled, that is, where the capital has been raised, and so long as the majority of the shareholders in the existing companies are resident in the United Kingdom, it is difficult to see how the domicile could be moved to India before the termination of the existing contract. In my opinion, however, it is desirable to aim at domiciling such companies in India and that Boards of Directors of them should sit in India. I should expect that this can only be done very gradually, but it seems to me that there must be a certain amount of disadvantage in the Board of Directors of a railway company sitting in a country so far away from the country in which the railway is situated.

7. I have had no personal experience of working on a State-owned company-worked railway, but it must be more difficult to work with a Board of Directors five or six thousand miles away than with an equally capable board on the spot, even though the difficulties may be to a great extent reduced by frequent visits paid by such directors to India. It is a question, however, whether equally capable of Boards of Directors could be found in India, and there would, undoubtedly, be difficulty about this in the first instance, though it is probable that the demand would eventually create a satisfactory supply. The East Indian Railway Company have in Calcutta a sort of subsidiary board, but I do not know whether this board is of any great assistance to the Home Board or to the agent, or whether it is really more than a board of advice to whom the agent can go to obtain help or information on trade matters; it is possible, however, that the idea might be developed, though I do not quite see how such a board could really fill anything but an advisory capacity if the real Board of Directors were sitting in London. An Advisory Board of a similar nature might also be of use to the agent of a State-worked railway and to Government.

8. On the whole, while I hold to the opinion that it will eventually be better for India to have the boards of such railway companies sitting in Calcutta, Bombay or Madras, than in London, it appears to me that progress in this direction must necessarily be very slow and depend, to a very great extent, on where the capital of such railway companies is raised. I do not see that the constitution of such a board need prove an insuperable difficulty, and I think it ought to be possible to find suitable men of business who, in combination with one or two experienced Indian railway men, could satisfactorily perform the functions of such a board. There might be one Government representative on such a Board of Directors, but the final control by the Government of India would presumably have to be maintained, and, therefore, I do not consider it necessary that the chairman should be a Government man.

Part II.—Railway Board and Government of India Control.

9. A Board composed mainly, if not entirely, of men of long experience on Indian railways is probably the best organisation that can be framed for the control by Government of its interests in the State-owned railways. But the present board, consisting of a president and two members, is not really strong enough for the work to be done, and the president of the Railway Board should be member of Council for Railways The president and members of the Board should have time to make tours over India and get into direct touch with the local Governments; at present, it is all they can do to keep pace with the work that now passes through their office, and their tours are much too few and far between. Moreover, there is no doubt that the reformed councils will take up a good deal more of the time of the president, and, if he becomes member of Council for Railways, and, consequently, has to represent Government in the Council of State, of another member of the Board also who would have to sit in the Legislative Assembly.

10. The Board must, therefore, be strengthened and, I think, should consist of three members at least in addition to the president, who should always be a technical railway man; of the three members, two at least should be railway men, and the third, if possible, an experienced man of business or financial expert. I think it is important that an expert mechanical engineer should be attached to the Railway Board's staff, and, probably, one or two additional assistant secretaries are required; it is almost an impossibility for the secretary to be directly responsible for the work of any particular branch of the office, though this has been attempted sometimes.

11. It might be argued that a Board of four members, including the president, would be insufficient, but I am distinctly of opinion that everything possible has not yet been done to relieve the Board's office from being encumbered wth unnecessary references.

The relations of the Board towards the State-worked railways are, of course, different from its relation towards company-worked railways; towards the latter it has to see that the interests of Government are not neglected by the working company, but towards the State-worked railways

it is in the position of a Board of Directors, and, consequently, has to deal with a number of questions a good deal smaller in importance than those which are referred to it by the company-worked railways. In the exercise of this function of a Board of Directors of State-worked railways, however, it is in many respects compelled by the application of Government rules and regulations to receive references on matters which might well be left to the agents of those railways to settle. These rules are many of them quite unsuitable for the control of the large and heterogeneous staff of a big railway system which is meant to be worked on a commercial basis. For instance, if my locomotive superintendent gets a chance of employing a mechanic or driver whose market value is intermediate between the top and bottom of a certain sanctioned class, a reference becomes necessary from him to me, and by me to the Railway Board; often by the time these formalities are gone through the chance of obtaining the services of the applicant, which may be badly required, has been lost as he obtains employment elsewhere. This is a question that I have already referred to the Railway Board.

12. Similarly, there are cases which it is right that the agent of a State-worked railway should refer to the Railway Board, but on which the Railway Board themselves have not the power to give a final decision, although it seems proper that they should have. A case such as I have in mind would be that of a gazetted officer who is not on one of the ordinary establishment scales, but is something of a specialist; the Board have to spend valuable time in trying to obtain the sanction of the Finance Department to the special salary proposed and are not always successful, though they are presumably in the best position to gauge the value of that particular officer's services to Government. Here, again, there is the possibility of the services of a valuable officer being lost in this way.

13. Other instances of matters which should be decided finally by the Railway Board or by the agent could easily be found. To a great extent these matters encumber the Railway Board's office with detail which they should be free from and take away from the time which ought to be spent in considering important matters of policy. I am of opinion also that the attention paid to petitions causes a good deal of waste of time. In these ways I should think there is a distinct gain in company working.

Part III.—Railway Finance.

14. The most serious matter at the present time is the question of the supply of funds for the maintenance, improvement, and development of Indian railways. So far as maintenance is concerned, the immediate difficulty lies more in obtaining material, but I do not think it can be said that the supply of funds for maintenance purposes has always been adequate. Before the war started the larger railways were drawing up elaborate programmes for renewal of permanent way and rolling stock, and these, I believe, generally showed that in order to ensure efficiency in transportation by rail of the increased trade anticipated, bigger expenditure on maintenance was required. As a result of the war the position is now worse on all railways. The N.W. Railway programme of renewals is very seriously in arrears, and for some years to come very heavy expenditure on renewals has to be met, and this must be provided for.

15. Moreover, expenditure on renewals of permanent way and rolling stock nearly always involves betterment, and capital and revenue funds are simultaneously required in such cases, but the expenditure on the purchase of all materials is entirely debited in the first instance to capital; the capital budget, therefore, has to provide for:—

(*a*) the purchase of all stores and materials, even though eventually used for pure maintenance purposes;

(*b*) the relief of the capital account by debit to revenue of such stores and materials as are utilised for working or maintenance purposes.

Indian railways are, however, still dependent on a distant source of supply for a large proportion of their stores and materials, and the difficulty of working to an annual capital budget that has been prepared on the assumption that certain articles would be received in a certain time is very great and leads to the necessity for perpetually reviewing the budgets, both capital and revenue.

16. For instance, even before the war it used to take 18 months from the date of sending forward an indent before locomotives could be expected to arrive, and an indent could not always be sent forward at a time which would ensure the arrival of the locomotives in the next financial year, this resulting in considerable embarrassment to the railway budget. This is only one instance of the difficulty which arises in working to programmes of renewals and development under the present system in which a railway administration never knows in advance whether it will be able to follow up a desired programme in improving its capacity. In one way it is an extreme instance, for a locomotive is an article at one end of the scale as regards the period taken to supply, but in other ways it is not a particularly embarassing article, for a locomotive is complete in itself, whereas other articles which have to be obtained are only parts of the work which has to be done.

17. Under the present system capital funds which have not been spent by the end of a financial year lapse, and in the circumstances explained above it is a very serious handicap to economic development that the capital funds are dealt with on an annual basis, and, consequently, one never knows at the time of commencement of a work of improvement when it will be possible to get the funds to complete it. It is probable that this difficulty due to lapse of capital funds unspent at the end of a financial year becomes more accentuated when a large proportion of the capital funds available is going towards improvement and development of open lines than when a larger proportion is allotted to the construction of new lines; in the latter case it leads to delay in opening new lines, and tends to higher cost against capital; but it is not so serious as delay to important works being carried out on open lines when it is likely to interfere seriously with the movement of traffic.

18. Writing from a knowledge of the state of affairs on the N.W. Railway, I consider it most important at present that the first call on capital funds should be for open line works, since it is

useless to make matters worse by opening new lines and bringing new traffic on to lines that are already congested. Generally speaking, the policy of giving the open lines the first call on capital funds is undoubtedly right, and there is no fear of this policy being overdone for years. The fact that this policy has been followed for years past and that the capacity of existing lines (judging by the N.W. Railway and from my limited knowledge of other lines) is considerably behind the demands made upon them shows how inadequate has been the allotment of capital funds. Considering that further large irrigation schemes are contemplated in the country served by the N.W. Railway in the immediate future which need additional railway lines for their proper development, the urgency of spending large sums on open lines as well as on new lines is unquestionable, and, I think, anything from 400 to 500 lakhs of capital funds per year could be advantageously spent for some years on the open sections of the North-Western Railway, irrespective of demand for new lines.

19. I doubt if sufficient capital can be raised in India alone, and any possible source should be tapped; it somewhat surprised me a little time back to hear that a large portion of the capital raised for certain railways built under the branch line terms had been subscribed in England, which seems to show that this form of investment is not very popular in India, but in the interest of the country it is, no doubt, desirable that such capital should be raised in India as far as possible.

20. The main conclusions to be drawn from the preceding paragraphs are:—

(i) that it is vitally important for India at the present time to increase the capital grant for railways;

(ii) that the lapsing of funds unspent at the end of a financial year is a serious hindrance to proper development, and should be avoided.

These are both matters that should be put right without delay as they are of the greatest importance.

21. The recent increase in working expenses due to the necessity for larger renewal programmes, to the higher cost of materials and to higher wages naturally leads to a consideration of the advisability of increasing rates and fares. In a calculation I made some months ago, treating the commercial section of the N.W. Railway only and leaving the military section out of account, I estimated that we ought to aim at increasing our earnings in the immediate future by 2¼ crores of rupees; this calculation was made partly on assumed figures and on similar calculations made recently by my chief auditor, it is estimated that an increase of earnings of about 1¾ crores would enable the commercial section of the N.W. Railway to give a return of 6 per cent. on capital.

22. If this were done by an all round increase of goods rates, it would mean an increase of about 30 per cent., but an all-round increase is not recommended, as it is considered it would be more satisfactory to effect this by increasing rates on certain named commodities. The matter has been recently gone into by the Traffic Committee of the Indian Railway Conference Association and a Rates Sub-committee appointed by them; if the recommendations suggested by this committee are followed, the additional earnings anticipated on goods traffic would amount to Rs. 110 lakhs. In addition to this, if the first-class, second-class, and inter-class fares were put up to the maxima, this would yield about Rs. 37 lakhs, and the recent increase in parcels rates would make the total increase up to well over Rs. 1½ crores. I think that for the present measures on these lines should be adopted, and there would be no necessity at present to increase the maxima prescribed by Government.

STATEMENT No. 76.

LALA KASHI RAM, Sen., Millowner, Ferozepore.—MEMORANDUM DATED 26TH JANUARY, 1921.

See oral evidence, paragraphs 6139/6153.

NOTE.—I own a flour mill at Ferozepore, in connection with which I have to handle nearly six lakhs of maunds of wheat and flour in a year. I also own four cotton ginning and pressing factories situated in the Punjab and elsewhere. In connection with the business of my firm and otherwise I had occasions to travel to Karachi, Bombay and Calcutta.

Question No. 1.—I consider that railways owned by the State should not be managed by the State as at present constituted, but should be managed by Indian companies on a profit-sharing basis. By the term Indian companies I mean companies floated mainly with Indian capital and manned and managed principally by Indians, in which category I would include foreigners naturalised in the country.

The management by the State and by the foreign companies is very costly. The directorates and high railway officials are too highly placed and inaccessible to the people. The masses, who are the principal sufferers from the defects of the management of the railways, are poor and ignorant, and so unable to have their grievances redressed. With the present system, we have on one side the people who suffer from the defects of management, and on the other the Government or the foreign company who are responsible for those defects. Redress under such circumstances is difficult. In the alternative system proposed by me, Government will be in the position of a judge or of a supervisor, and not of an interested party. People will thus have a better chance of their interest being protected by Government.

I venture to think that the treatment which the Indians receive as members of the travelling public and in the matters of employment by railways is one of the causes of the discontent of the people with the Government. The racial question is as acute as in other departments of Government.

If with the management of the railways by private companies, as suggested by me, Government could see their way to permit to a certain extent private companies to start and work their own lines, competing with Government lines, I think the hardships of the people would be reduced to a minimum.

Question No. 2.—Yes, it is suitable and sufficient.

Question No. 6.—By election, the interest of Government being secured by their reserving the right to appoint one or more seats on the directorate, or the chairman being the Government nominee and possessing the power of veto pending reference to Government.

Question No. 7.—There would be no lack of continuity. In any case, it could be sufficiently secured by a permanent director nominated by Government.

Question No. 8.—I do not think so.

Question No. 9.—The idea is not practicable or desirable.

Question No. 35.—I would submit the following few remarks for consideration of the Committee:—

(*a*) People suffer a great deal on account of overcrowding of passengers in third-class carriages and in female carriages. Tickets are issued without regard to carrying capacity or accommodation available in carriages. Very often passengers have to travel standing in the carriages and sometimes on the footboards. Such a state of things becomes unbearable in the hot weather, when rumours are sometimes heard of deaths having taken place due to suffocation and dead bodies of passengers taken out of carriages.

(*b*) On some branch lines goods wagons are used for passenger traffic. These are without lights at night and without any latrine accommodation.

(*c*) The arrangements for water supply to passengers are so unsatisfactory that private agencies have come forward to take up the duties upon themselves.

(*d*) *Gates at level crossings.*—At level crossings at some stations people are kept waiting for the gates to open for inordinate lengths of time, and no notice of complaints to superior authorities.

(*e*) A great deal of corruption prevails in connection with the goods traffic and in other departments of the railway. I have been practising as a pleader, and cases have come to my notice in which it appeared that the Indian offender in this matter is under the protection of his European superior, against whom the higher officials are either unwilling or unable to proceed. Sometimes the police are powerless to proceed against him; at others he is let off by the jury. In this way the State suffers a heavy loss, which, in my opinion, keeps the profits of railways lower than they otherwise would be. If this and other such losses could be avoided the profits would be sufficiently inviting for the Indian investor, and a great deal of capital would be forthcoming for investment in railway companies.

(*f*) My firm has suffered heavily for stoppage of booking on several occasions, sometimes for months together. At this time we cannot book to Rawalpindi the produce of our flour mills at Ferozepore, or to Bombay or to Bikaneer via Bhatinda on the metre gauge. This is said to be due to shortage of wagons.

Even when booking is not formally stopped we cannot book our goods when we want. The railway authorities refuse to receive the forwarding note till it suits them. On one occasion we were permitted to load our goods to Bombay for delivery to purchasers within the stipulated time. Subsequently orders came to stop booking for three days. We could not get the railway receipt in time, and had to pay compensation to the buyers, but had no redress against the railway. Such a law, if it is the law, is highly injurious to the interest of trade. If railways are not bound to accept goods when tendered by the trader, he should be relieved from the consequences of non-performance of contract with his purchaser. We have also suffered heavy losses on this account in connection with our cotton trade with Bombay. My firm has also suffered from the manner, apparently arbitrary, in which our claims for loss of goods consigned to the railway are dealt with. I will mention the following two cases as examples:—

(1) We have a railway siding on our premises of the flour mills at Ferozepore. For some time the railway refused to undertake any liability for goods loaded from this siding. After considerable difficulty, the following special agreement was made with the Traffic Manager, Lahore, on the 25th of October, 1915:—

"That the railway was to provide special seals with their own mark, which was to be affixed to full loaded wagons on our premises by the railway staff. The mills had to put their own seals, and it was provided that any shortage from a seals-intact wagon found at destination was to be debited to the mills, but if seals showed signs of tampering the loss was to be borne by the railway." At destination the wagons were to be opened in the presence of our men. In one case the wagons were not opened in the presence of our men, and there was no statement by the railway that the seals were intact. Two bags were found missing, and our claim for the recovery of the price was rejected on the ground that the goods were booked at owner's risk.

(2) The Vacuum Oil Company at Bombay consigned eight casks of oil to our address at Changa Manga under a clean receipt from the railway. At destination two out of the eight casks were delivered empty and the rest were badly leaking, and oil of the value of about Rs. was missing. The railway have charged full freight up to destination on oil not delivered, and the Vacuum Oil Company are threatening a suit for the price of the oil which never reached us. The railway company have rejected our claim, on the ground that the oil was booked at owner's risk.

Both these cases show to what extent the Indian trader is at the mercy of the railway subordinates, who in both cases may have helped themselves with flour and oil. Complaints against them under such circumstances are out of question.

My firm has also suffered from preferential treatment accorded to our rival firms. In one case we complained by letter, but no notice was taken of it.

STATEMENT No. 77.

The Honourable LALA HARKISHEN LAL, Minister in charge of Agriculture, Punjab Government.

See oral evidence, paragraphs 6154/6173.

I consider that all railways whether owned by State or otherwise be worked by State agency My reasons are as follows:

(*a*) Nationalisation of management.
(*b*) Profits to remain with the State.
(*c*) Public influence on policy which is considered adverse.
(*d*) Independence of foreign influence on rates, etc.
(*e*) Larger employment of Indians.
(*f*) Growth of subsidiary industries.
(*g*) Possible smoother working.

My experience is general, as a trader and a public man mostly of the N.W.R.

II.

Question No. 10.—The Railway Board has so far not given much satisfaction to travelling public or Indian Commercial community or succeeded in improving railway management.

I would provincialise the railways or create a single portfolio with the Government of India, preferably first.

III.

Question No. 17.—I should have liked more rapid growth in Indian railway construction both by larger funds and economy in the working and avoidance of necessary embellishments.

Question No. 18.—I think construction should also receive more encouragement.

Question No. 19.—Cannot fix a definite sum, but I should like about 2,000-3,000 new mileage of railway added every year.

Question No. 20.—I think in future all funds be raised in India, if foreign money means foreign control also; otherwise England may have an opportunity of investing spare funds in Indian railways which are gilt-edged.

Question No. 21.—The terms now offered for branch line are not adequate. However, they ought to assure 1 per cent. over the bank rate to the investor.

Question No. 22.—All these methods may in judicious proportion be mixed up and they will assure securing of fair amount of capital.

Question No. 23.—Premium bonds may be tried.

Question No. 24.—Ordinary Government borrowings for purposes other than railway and canals have been small, excepting in war time, and I do not think they will be interfered with.

Question No. 25.—I do not consider the figures in last column satisfactory.

Question No. 28.—Relates only to accounts. These should not affect railway programme.

Question No. 30.—No. They do not exercise sufficient control.

Question No. 31.—No. They have not been used in a judicial way.

Question No. 32.—I am not conversant with the section, but I should suggest a Court consisting of legal and commercial and railway interests.

Question No. 33.—Railway employees should be more humane.

Question No. 34.—I should think so, but handling is very bad indeed.

STATEMENT No. 78.

MR. OWEN ROBERTS, Messrs Clements Robson & Co., Lahore.—NOTE DATED 28TH FEBRUARY, 1921.

See oral evidence, paragraphs 6214/6236.

I must preface this statement with an explanation that it must be understood that I am not speaking for my principals or for the export trade. I have had no time to refer the matter as it was only suggested to me on Saturday afternoon that my evidence might be of some use.

I am in charge of the up-country business of Messrs. Clements Robson & Co., and have been so for the past seventeen years. During the war large extensions in business necessitated our penetrating throughout the United Provinces and into Eastern Bengal, on one side, and the Bombay Presidency and Rajputana on the other, so that my experience of dealing with railways is fairly extensive.

The subject of corruption has come very largely to the front recently and I have been asked to lay any views I may hold on the subject before the Commission.

On considering the subject I think one must be quite clear to make a distinction between systematic corruption which appears to exist in all departments in a greater or less degree and the special complaints that are continuously made on the subject of sale of wagons.

As an exporter I have never been approached for a bribe, my only experience of the sort occurred on the O. & R. Railway when a suggestion placed before me, which would have been tantamount to the payment of a bribe to the station master, and which I was able to place before the District Traffic Superintendent who happened to be on the station with the Traffic Manager at the instance, I believe, of the Railway Board to investigate complaints against the station master made by myself and others. I think that it must be admitted that there is extensive corruption in connection with the allotment of wagons as without this admission it will be futile to urge steps for minimising the evil.

I also think that there is a great deal of feeling against this form of extortion which, if properly used, would go a long way to assisting in putting it down. The essential difficulty is that under the arrangements now existing between the railway and the public there is practically no means of convicting a station master of having departed from strict priority in the distribution of wagons. In my own case I devised a system some eight or nine years ago which has never failed to bring down punishment upon a station master who might be in the habit of departing from the strict order of priority in the distribution of wagons, because it enabled district officers, when investigating cases to see clearly that some such departure must have taken place without necessarily going into the actual details. It is impossible, however, for the ordinary dealer to carry out careful arrangements of this description for his own protection. I am of opinion, however, that if the railway authorities would only undertake to tackle this problem seriously that it could be very much reduced, if not abolished.

The time at my disposal makes it impossible for me to go into the matter in this statement but I can if desired do so in my oral evidence and if necessary supplement this statement with a further letter to-morrow.

STATEMENT No. 79.

Colonel W. D. WAGHORN, President, and Messrs. E. A. S. BELL and A. M. CLARK, Members of the Railway Board.—MEMORANDUM DATED 10TH FEBRUARY, 1921.

Part I.—The Management of Railways owned by the State.

STATE *versus* COMPANY MANAGEMENT.

1. The question under consideration in this first section of our memorandum is one of importance in connection with the future development of railways in India. A great deal of consideration has already been devoted to this important question, and we do not think that it will serve any purpose for us to attempt to recapitulate and review the arguments which have been adduced in the past by the advocates of either alternative. The decision as between State and company management appears to rest on two main considerations:— See oral evidence, paragraphs 6257/6359, 6379/6417, 6545/6583, 6608/6677.

(i) Whether there is any evidence to show that either system of administration is definitely superior for the purposes of economical and efficient working of railways.
(ii) Whether apart from the mere question of successful working there are administrative advantages to the country in State administration or in the management by the agency of a company.

2. Both of these aspects of the matter were minutely examined and discussed three years ago when the future of the East Indian Railway was under consideration, and the results of this enquiry are embodied in the board's report which accompanied despatch No. 18 of 1917 to the Secretary of State. In regard to relative efficiency, the opinion of the board as expressed in paragraph 24 of that report was that the matter was not one which admitted of any definite statistical proof, but that the balance of advantage seemed to be with company administration. With this view we are not wholly in accord. We consider that, judging from the evidence of results and from our own experience in administration, there is no ground for supposing that either system of management is intrinsically superior to the other. Both have in the past worked successfully or proved deficient for reasons having no connection whatever with their constitution. Differences in respect of efficiency and economy in either case, if analysed, are found to be dependent on local conditions beyond the control of the administration, or in some cases to be temporary phenomena dependent on the energy and foresight of a particular agent.

We are, therefore, of opinion that in respect of efficient and economical working either system, if properly administered, will secure equally good results.

3. The second consideration is a very much more difficult matter. The experience of most countries where State control has been tried, shows the danger of exposing the railway administration to direct political influence. On the other hand, there is some advantage in State control which is productive of uniformity in services rendered and economy in use of available resources. A great deal of stress has also been laid, both in the public evidence collected in 1917 and from time to time in the press, on the necessity of the control of railway matters being vested in an authority subservient to public opinion. The idea underlying this contention is that railways which are the property of the State are worked by private companies to suit themselves rather than to fulfil the needs of the country. This may have been the case in the past, but the modern contracts are so drawn that the financial interests of the working company are identical with those of the Government, the predominant partner. This idea is, therefore, not correct, but even if it were, it appears to us to be quite unnecessary to resort to direct State management to secure the object in view, and, provided the central controlling authority is accessible to public opinion and is vested with adequate discretionary and controlling powers in all matters of administration, there is no real reason why compliance with the legitimate needs of the public should not be equally secured whichever system of administration is employed. Whether the Railway Board, as at present constituted and worked, is in sufficiently close touch with commercial opinion and is vested with sufficient power of control and independence of action to secure this object appears to us to be open to question. We will deal with this aspect of the matter later in connection with the changes which we consider necessary in the Board's constitution and powers.

4. In regard to the potential danger of political interference which would accompany a change to universal State management, we are generally in agreement with the views expressed in paragraph 9 of our predecessors' report, which were as follows:—

> "In every country, however, with a popular or democratic Government experience shows conclusively that the evil results under State management of political influences on railway working are of the most serious nature. Political considerations warp the location of new lines, a point that is fundamental for railway prosperity. They tend inevitably so far as the personnel is concerned to unnecessary enlargements of staff, to enhancements of pay, and to the grant of concessions of various kinds. And they encourage an inelastic method of dealing with railway rates, which is not in the public interest."

While we are willing to admit the truth of the above as applied to a system of general State management, we do not, however, consider that the danger of political interference is such as to justify any change in the existing conditions under which certain lines are worked directly under State management.

We do not consider that any advantage would be gained by instituting a uniform system of management either by companies or by the State, and, all things considered, we are, therefore, of opinion that there is no reason to disturb the principle of the existing arrangements, and that the remedy for such deficiencies as exist must be sought in improving the methods of control rather than in any attempt to alter the principle of management.

English or Indian Boards.

5. Assuming that company management in one form or another for a proportion of our railways is retained, it remains to be considered whether the directorates of such companies shall be located in England, as at present, or in India. If this vital matter is to be decided in accordance with commercial considerations, it is essential that we shall, in the first place, put aside all arguments based on vested interests or national aspirations which tend insensibly to warp the decision, and that the matter shall be judged solely with regard to the relative advantages of the two alternatives. In approaching the matter from this point of view, we are faced at the outset with an important difficulty. We have at present no experience of an Indian railway directorate, and the arguments in its favour or otherwise must, therefore, be largely based on conjecture. As a general proposition, there are advantages in vesting the control in a local body drawn from and directly representative of the interests of the country served. Assuming that the members of such a board are mostly business men representing both Indian and European commercial interests and having personal knowledge of local requirements and conditions they ought, assuming equal ability, to be in a better position to conduct the administration than a board located some thousands of miles away. Such a board should be better situated to give directions as to the lines on which railways should be developed with a view to utilise the natural and industrial resources of the country, and there should be some gain in the expedition with which difficulties could be considered and the necessary remedies provided.

6. The creation of a suitable Indian board is, however, dependent in the first place on the possibility of securing personnel possessing the requisite qualifications. For the purpose of efficient administraton of an important railway, the board of management should have amongst its members experienced administrators and financiers, business men and railway experts of proved merit. So far as the expert element is concerned it will be a matter of very great difficulty at present to secure men with the necessary knowledge of railway practice or administration, and in regard to the commercial and financial element, it appears to us to be open to very grave doubt whether boards of the necessary standard could be obtained from amongst the business men at a railway headquarters, whose time is, in most cases, very fully occupied with their own concerns. In the case of European firms there is, moreover, the additional difficulty that the members would be drawn from a fluctuating community, and consequently it would be difficult to secure continuity of administration.

7. Apart from the question of personnel, there is the additional difficulty that India has not yet reached the stage at which she can maintain and develop her railway property independently of English assistance in respect of finance, staff and material. It would, therefore, be necessary in any case for some years to retain some form of English agency for this purpose, and although the difficulty in this respect is certainly not insurmountable, it would be hardly wise to decide on supersession of the existing machinery before we have a tried and reliable substitute to put forward in place.

Although, therefore, we are in full sympathy with the proposal to conduct the management of Indian railway property by an agency located in and belonging to the country, we consider that ordinary prudence demands that an important change of this nature shall not be hastily adopted. We are of opinion, for the reasons given, that the question of successful management by boards in India is one which can only be decided after trial and experience, and would recommend that this trial should be confined, in the first instance, to a single administration, and that no further extension of it should be made until experience has shown that it can be safely and efficiently conducted.

Constitution of an Indian Company.

8. If it is decided that a trial shall be made of an Indian company, considerable care will be necessary in settling the constitution of the directorate if the experiment is to have a fair chance of success.

When this question was last under consideration in 1917 the Government of India suggested to the Secretary of State that an Advisory Committee, such as that which at present exists on the East Indian Railway, would form a convenient nucleus for the formation of an Indian directorate, and we think that this would be the most suitable way to initiate matters. We think that it would be desirable to make the Government inspector *ex-officio* a director, and that he should in all cases have the power to stay proceedings in any matter in which he considers that any proposed action of the company in respect to administration of the railway is contrary to Government interests or to the general interests of the community. We consider that in handing over the administration of a railway to a directorate which must necessarily be formed almost wholly of men actively engaged in business, there may be a tendency, at any rate at the outset, on the part of individual directors to attach undue importance to the interests of the particular business in which they are engaged. It is anticipated, however, that should such a tendency show itself it will be transitory, and that the Indian board will appreciate the necessity of working the railway strictly in the public interest. It is, however, as a safeguard against any complaint of this nature, as well as in the interests of continuity of policy, that we have suggested the appointment of the Government inspector on the board with a power to stay action in cases where he considers it necessary in the public interest pending a reference to the Railway Board.

English Companies.

9. So far we have considered only the possibilities and advantages of a new departure in respect of company management. But we think that a brief examination is necessary in regard to some of the arguments which have been put forward in regard to alleged defects of the existing

system of boards located in England. Speaking generally, we are of opinion that the London boards fulfil very important functions which it will be difficult to provide for in their absence. But we think that there is certainly ground for the contention which has been advanced by responsible public opinion in India that the existing arrangement which vests these boards with a large measure of detailed control over the administration is in practice now out of date and unnecessary.

10. Turning to specific charges, it is sometimes urged that the London directorate is, in the first place, out of touch with Indian conditions and requirements. We do not think that there is much force is this contention as a general proposition. The directorates of Indian railway companies are largely recruited from amongst retired railway men and Indian officials who have the advantage of long experience and sympathy in matters relating to this country. Moreover, the practice which has obtained in recent years of directors visiting this country has done much to meet the charge of want of touch with existing conditions.

The second charge against the existing arrangement is that the exercise of control from a centre 6,000 miles away is necessarily productive of delay. We think that there is undoubted force in this contention, but that when analysed the practical difficulty appears to be dependent on the extent of devolution of authority and that the remedy is in most cases simple.

11. There are two main aspects of this question of control which must be separately considered. Firstly, as between the London board and their Indian agent. Certain powers are conferred upon the home boards, and it is left to their discretion to empower their agents to act direct to any extent they consider desirable. The powers thus delegated to agents vary on different administrations, and there is ground for the contention that more devolution of authority and less control in matters of detail by home boards is desirable. This control is certainly in some cases productive of delay, and hampers both the agent and the Railway Board. We consider that the principle to be adopted in this matter is that delegation should be made to the full extent possible, and that discretion in this matter should rest with the Railway Board to require the London board to empower their agent in India to exercise the same powers in all respects as the Railway Board may from time to time give to the agent of a State railway in India. It would, of course, be open to the London board to require their agent to report for their information any matters in regard to which they desire to be kept informed.

Secondly, as between the Railway Board and London boards. The existing procedure is based on a resolution of the Inchcape Conference of 1912, which runs as follows:—

"No orders shall be issued by Government affecting the working of railways by companies without first consulting the companies and ascertaining their views."

This resolution was agreed to subject only to the condition that the home boards' views should be communicated within three months. The result of this arrangement is that if the Government of India desire to issue any general orders they are compelled in the first instance to secure the unanimous assent of the companies concerned, and the refusal of a particular board can, and does in practice, render impracticable the adoption of measures of the effect and necessity for which the Railway Board and the Government of India are in a much better position than the home board to decide. Moreover, it appears to us that a principle which gives to the home board an equal voice with the Government of India in the administration of the property in which their financial stake is small is unjustifiable, and there is considerable force in the contention which has been repeatedly put forward that whatever the system of management the Government of India should be in a position to administer these railways, which are their property, in a way best suited to the interests of the country.

We are therefore of opinion that if, or for such time as, the London boards are retained, the Government of India should be definitely vested with the power to overrule the objections of home boards in any matter of general or particular policy in respect of questions affecting the working of the railways, and that the agents of railways shall in such cases be under the obligation to carry out immediately the orders of the Government of India.

Duplicate Boards in England and India.

12. Before concluding our remarks on this part of the subject, we think a word is necessary in regard to a third alternative arrangement which has sometimes been urged. It has been suggested that the advantages of the English connection might be retained while meeting Indian wishes for a measure of direct control in their own country by the establishment of duplicate Boards in England and India. This idea was mentioned in the Report of the Railway Board of 1917 already referred to. The existence of a similar scheme of administration in respect of the Argentine railways was quoted as a precedent and it was thought that this procedure might possibly be found suitable to Indian conditions. We have carefully considered this alternative and are of opinion that the conditions of the two cases are so different that no parallel can be drawn. In the case of the Argentine railways, the whole of the capital is held by private shareholders and mostly in England. The main centre of control is, therefore, naturally located in that country and the local board in the Argentine appears, so far as we understand the position, to perform the function of a link between the foreign directorate and the legislature and people of the country in which the railway is located. A board of this nature is, moreover, necessary in accordance with the legislature of that country. The case of Indian railways which are owned mainly by the Government of India and of which a very small portion of the capital is held in England is in no sense analogous. There is no necessity in the circumstances of India's case for a body performing the functions of the Argentine local board. A scheme of dual control by boards located in England and India could only be worked by reducing one of the two boards to the status of an advisory body with little executive power or effective voice in the administration. If the main control was retained in England, the Indian board would either be similar to the existing advisory bodies or to the extent to which it departed from the standard would interpose another medium of control between the Agent and the Home Directorate.

We are, therefore, of opinion that any form of dual control in this country does not hold out promise of success and should not be attempted. We think, however, that while the present arrangements continue it would be desirable to extend the principle of employing advisory committees to other lines.

PROPORTION OF COMPANIES' CAPITAL.

13. There is one matter which affects both English and Indian companies which must be mentioned here, *viz.*, the existing system under which companies hold a relatively small portion of the total capital of their undertaking.

We are of opinion that the principle of retaining in the hands of Government a preponderating interest in railways is wise and should be adhered to. It follows that the interest of the working companies must be confined to a relatively small share in the surplus earnings. We do not consider that as a general principle this system is open to any serious objection. As long as the capital of the company is sufficient to ensure their active interest in its prosperity, community of interest between Government and the shareholders is attained. Moreover, it has to be remembered that all contracts provide for determination at some fixed time by repayment by the Secretary of State of the company's holding. If the company's capital were large the question of repayment might have to be decided on a consideration of ways and means rather than on the advantages to the State of taking over administration of the railway, and it would be the reverse of prudent to do anything which would produce a situation with such embarrassing possibilities.

Part II.—The Railway Board and the Government of India's Control.

CONTROL BY MEANS OF A BOARD.

14. So far our consideration of the issues before the Committee has been devoted to matters relating to the administration of railway systems, and we now come to the further question of the control of such administrations by the Government of India.

Prior to 1905, the control of the Government of India over railways was exercised through the medium of the ordinary departmental machinery of the Public Works Department in the Railway Branch. In his report Mr. Robertson criticised this procedure in the following words:—

"The great railway undertakings in India are reduced more or less to the same dead level as other departments of Government and are not administered as large commercial concerns on the lines on which such undertakings can only really be successfully worked." The report went on to explain that the result of the cumbersome machinery of an ordinary Government Department being applied for this purpose was to impair the sense of responsibility, crush initiative, check progress, and delay business, to an extent which would be fatal to any other commercial enterprise. With this view of the matter, the Government of India agreed generally and it was accordingly decided to substitute a Railway Board. The original central idea of the conception of this Board, as put forward by the Government of India, was stated to be that there should be a body of practical business men entrusted with full authority to manage the railways in India on commercial principles and freed from all non-essential restrictions and needlessly inelastic rules. The Board proposed by the Government of India was to consist of a Chairman and four Members. Of these the Chairman was to be selected in England. One of the Members was to be the Secretary in Railway Branch of the Public Works Department. A second was to be selected for traffic experience either in England or India, a third the Director of Traffic or Construction or the Accountant-General, and the fourth was to be located in England and to take the place of the Government Director in London. The Secretary of State disagreed entirely with the composition and substituted a board consisting of a president and two members. The two members were to be selected one in England and one in India.

It is admittedly the case that both in respect of constitution and powers of independent control exercised, the Board has fallen below the standard which the Government of India contemplated. We consider, however, that the principle of control by means of a board is correct and should be retained, but in order to render this control satisfactory it is necessary that the constitution and powers exercised by the Board shall be examined and measures taken to place it in a position to fulfil the objects with which it was started.

15. The first point for consideration is one of principle. The Board was as stated by the Secretary of State intended to be "an authority subordinate to but outside the Government of India." This conception has in practice never been attained. The Board was vested with certain enlarged powers but both in respect of financial and administrative considerations remains virtually a Department of the Government of India. Consequently the procedure has tended more and more to revert to the ordinary Departmental Secretariat practice with all or many of the incidental drawbacks of delay and want of initiative which it was hoped to avoid. The remedy for this fault is mainly concerned with finance and we will deal with this subject more fully in our proposals in regard to financing railways.

CONSTITUTION OF THE BOARD.

16. Secondly, the Board as constituted is certainly for existing conditions too small for the work to be done. The members are practically tied to headquarters and have insufficient opportunity to visit the different administrations. We would lay very great stress on this point which in our opinion is of the first importance if co-ordinated effort in administration is to be secured. Moreover, the absence of a commercial member is certainly a very severe drawback. We are aware that an appointment of this nature was contemplated, but considered impracticable because it was maintained that a suitable man could not be procured for the salary which could be offered and because in any case his impartiality might be questioned. We are fully conscious of these difficulties, but we consider that, if the legitimate wishes of the trading community for representation in the administration of a department on which they so greatly depend is to be met, an effort should be made.

17. Thirdly, we are of opinion that in view of the very important part which finance must play in the Board's proceedings it would make for more harmonious and speedy working if a representative of the Finance Department were included in the Board. We are at present virtually working this arrangement, as with the Secretary of State's approval a Financial Adviser has been appointed, and very great advantages have been thereby secured. We feel, however, that if financial arrangements on the lines which we propose to put forward are found possible it will be essential that this officer shall be constituted an integral portion of the Board in order that the whole of the financial policy of railways shall be under his supervision.

18. We therefore propose the following constitution for the Board:—

(1) President.
(2) Financial Member.
(3) Engineering Member.
(4) Traffic Member.
(5) Commercial Member.

The President might be appointed either from England or India for general all-round knowledge of railway policy and working. He would exercise general supervision over the Board's proceedings.

The Financial Member should be appointed from the Finance Department of the Government of India, and would constitute the representative of that Department on the Board and take the place of the present tentative appointment of Financial Adviser. He would be in charge of all purely financial matters, budget, accounts and statistics, and would be responsible generally for the financial regularity of the Board's proceedings.

The Engineering Member should be an engineer with administrative experience in India, and would be in charge of all engineering matters, both in respect of open lines and new projects.

The Traffic Member should be a traffic expert with administrative experience in India, and would deal with all questions of rates and general traffic working in consultation with the Commercial Member.

The Commercial Member should, if possible, be recruited from a large commercial firm in India, and it should be his duty to make frequent tours to large trade centres in order that he may be in constant touch with public wishes and trade requirements generally. He would also deal with all questions relating to the supply of stores for railways in India so far as these are controlled by the Railway Board.

STAFF OF OFFICERS IN BOARD'S OFFICE.

19. In regard to the officers employed in the supervising staff of the Board's office, we do not consider that any great change is necessary. We consider, however, that the present title of Assistant Secretary is misleading, as the status and duties of the officers who fill these positions are in no sense analogous to assistant secretaries in other departments of Government. They are usually technical officers of fairly high standing and service, and in respect of the majority of their work they deal direct with members of the Board We consider, therefore, that they should in future, to avoid misunderstanding, be styled Deputy Secretaries.

The present staff consists of—

Secretary.
Joint Secretary.
Assistant Secretary, Establishment.
" " Traffic.
" " Projects.
" " Stores.
" " Way and Works.

The last appointment is temporary and provisional, and we consider that this should be made permanent.

20. Beyond this staff, there is the Chief Engineer to the Board, who is a selected senior officer and acts as technical adviser to the Board in respect of all large projects. He is, moreover, specially employed in initiating and co-ordinating technical research. We consider that this appointment is of great importance, and should be retained.

21. There is, however, one other appointment of the same nature which we think is necessary. The present staff as described above makes no provision for expert advice in respect of mechanical engineering. No member of the Board, either as at present or proposed, has necessarily any professional qualifications in this respect. It must be remembered that the Board have in their administrative capacity to come to very important decisions in respect of rolling stock designs, workshops and machinery supply, watering arrangements, fuel supply, and many other important matters in which mechanical considerations are involved. They are required to judge in respect of accidents which are often due to mechanical defects, and in respect of new projects to criticise location of workshop sheds, engine runs, and train loads on which the success of a new line may depend. Moreover, economy in working is now a matter of such great importance that criticism of the scale of expenditure in the largest spending department of a railway has assumed particular significance, and it is desirable that the Board shall have at their disposal means to enable them to co-ordinate efforts on all railways and initiate measures of economy for general adoption. We think, therefore, that for these reasons there exists an urgent necessity for supplementing the existing staff of the Board's Office by a Chief Mechanical Engineer.

The above statement of the constitution of the Board and the estimate of the strength of the staff presupposes that the conditions under which railways are worked, partly by companies and by the State, will continue. If it should be decided that all railways are to be worked by the State it will be necessary to reconsider the constitution and greatly to augment the numbers both of the Board and their staff.

FUNCTIONS AND POWERS OF THE BOARD.

22. Assuming that a board on the above lines is constituted, reconsideration of the powers exercised will be necessary. We do not, however, think that any purpose will be served by going into this matter in detail at this stage, and will confine our consideration to general principles.

The main powers assigned to the Railway Board by the Government of India (*e.g.*, powers of financial sanction to works) are sufficient. In questions of detail, however, there are many matters, especially relating to establishment, where the Board are denied any discretionary power, and the necessity of reference to the Finance Department does in practice cause a good deal of delay and

PROPORTION OF COMPANIES' CAPITAL.

13. There is one matter which affects both English and Indian companies which must be mentioned here, *viz.*, the existing system under which companies hold a relatively small portion of the total capital of their undertaking.

We are of opinion that the principle of retaining in the hands of Government a preponderating interest in railways is wise and should be adhered to. It follows that the interest of the working companies must be confined to a relatively small share in the surplus earnings. 'We do not consider that as a general principle this system is open to any serious objection. As long as the capital of the company is sufficient to ensure their active interest in its prosperity, community of interest between Government and the shareholders is attained. Moreover, it has to be remembered that all contracts provide for determination at some fixed time by repayment by the Secretary of State of the company's holding. If the company's capital were large the question of repayment might have to be decided on a consideration of ways and means rather than on the advantages to the State of taking over administration of the railway, and it would be the reverse of prudent to do anything which would produce a situation with such embarrassing possibilities.

Part II.—The Railway Board and the Government of India's Control

CONTROL BY MEANS OF A BOARD.

14. So far our consideration of the issues before the Committee has been devoted to matters relating to the administration of railway systems, and we now come to the further question of the control of such administrations by the Government of India.

Prior to 1905, the control of the Government of India over railways was exercised through the medium of the ordinary departmental machinery of the Public Works Department in the Railway Branch. In his report Mr. Robertson criticised this procedure in the following words:—

"The great railway undertakings in India are reduced more or less to the same dead level as other departments of Government and are not administered as large commercial concerns on the lines on which such undertakings can only really be successfully worked." The report went on to explain that the result of the cumbersome machinery of an ordinary Government Department being applied for this purpose was to impair the sense of responsibility, crush initiative, check progress, and delay business, to an extent which would be fatal to any other commercial enterprise. With this view of the matter, the Government of India agreed generally and it was accordingly decided to substitute a Railway Board. The original central idea of the conception of this Board, as put forward by the Government of India, was stated to be that there should be a body of practical business men entrusted with full authority to manage the railways in India on commercial principles and freed from all non-essential restrictions and needlessly inelastic rules. The Board proposed by the Government of India was to consist of a Chairman and four Members. Of these the Chairman was to be selected in England. One of the Members was to be the Secretary in Railway Branch of the Public Works Department. A second was to be selected for traffic experience either in England or India, a third the Director of Traffic or Construction or the Accountant-General, and the fourth was to be located in England and to take the place of the Government Director in London. The Secretary of State disagreed entirely with the composition and substituted a board consisting of a president and two members. The two members were to be selected one in England and one in India.

It is admittedly the case that both in respect of constitution and powers of independent control exercised, the Board has fallen below the standard which the Government of India contemplated. We consider, however, that the principle of control by means of a board is correct and should be retained, but in order to render this control satisfactory it is necessary that the constitution and powers exercised by the Board shall be examined and measures taken to place it in a position to fulfil the objects with which it was started.

15. The first point for consideration is one of principle. The Board was as stated by the Secretary of State intended to be "an authority subordinate to but outside the Government of India." This conception has in practice never been attained. The Board was vested with certain enlarged powers but both in respect of financial and administrative considerations remains virtually a Department of the Government of India. Consequently the procedure has tended more and more to revert to the ordinary Departmental Secretariat practice with all or many of the incidental drawbacks of delay and want of initiative which it was hoped to avoid. The remedy for this fault is mainly concerned with finance and we will deal with this subject more fully in our proposals in regard to financing railways.

CONSTITUTION OF THE BOARD.

16. Secondly, the Board as constituted is certainly for existing conditions too small for the work to be done. The members are practically tied to headquarters and have insufficient opportunity to visit the different administrations. We would lay very great stress on this point which in our opinion is of the first importance if co-ordinated effort in administration is to be secured. Moreover, the absence of a commercial member is certainly a very severe drawback. We are aware that an appointment of this nature was contemplated, but considered impracticable because it was maintained that a suitable man could not be procured for the salary which could be offered and because in any case his impartiality might be questioned. We are fully conscious of these difficulties, but we consider that, if the legitimate wishes of the trading community for representation in the administration of a department on which they so greatly depend is to be met, an effort should be made.

17. Thirdly, we are of opinion that in view of the very important part which finance must play in the Board's proceedings it would make for more harmonious and speedy working if a representative of the Finance Department were included in the Board. We are at present virtually working this arrangement, as with the Secretary of State's approval a Financial Adviser has been appointed, and very great advantages have been thereby secured. We feel, however, that if financial arrangements on the lines which we propose to put forward are found possible it will be essential that this officer shall be constituted an integral portion of the Board in order that the whole of the financial policy of railways shall be under his supervision.

18. We therefore propose the following constitution for the Board:—

(1) President.
(2) Financial Member.
(3) Engineering Member.
(4) Traffic Member.
(5) Commercial Member.

The President might be appointed either from England or India for general all-round knowledge of railway policy and working. He would exercise general supervision over the Board's proceedings.

The Financial Member should be appointed from the Finance Department of the Government of India, and would constitute the representative of that Department on the Board and take the place of the present tentative appointment of Financial Adviser. He would be in charge of all purely financial matters, budget, accounts and statistics, and would be responsible generally for the financial regularity of the Board's proceedings.

The Engineering Member should be an engineer with administrative experience in India, and would be in charge of all engineering matters, both in respect of open lines and new projects.

The Traffic Member should be a traffic expert with administrative experience in India, and would deal with all questions of rates and general traffic working in consultation with the Commercial Member.

The Commercial Member should, if possible, be recruited from a large commercial firm in India, and it should be his duty to make frequent tours to large trade centres in order that he may be in constant touch with public wishes and trade requirements generally. He would also deal with all questions relating to the supply of stores for railways in India so far as these are controlled by the Railway Board.

STAFF OF OFFICERS IN BOARD'S OFFICE.

19. In regard to the officers employed in the supervising staff of the Board's office, we do not consider that any great change is necessary. We consider, however, that the present title of Assistant Secretary is misleading, as the status and duties of the officers who fill these positions are in no sense analogous to assistant secretaries in other departments of Government. They are usually technical officers of fairly high standing and service, and in respect of the majority of their work they deal direct with members of the Board We consider, therefore, that they should in future, to avoid misunderstanding, be styled Deputy Secretaries.

The present staff consists of—

Secretary.
Joint Secretary.
Assistant Secretary, Establishment.
" " Traffic.
" " Projects.
" " Stores.
" " Way and Works.

The last appointment is temporary and provisional, and we consider that this should be made permanent.

20. Beyond this staff, there is the Chief Engineer to the Board, who is a selected senior officer and acts as technical adviser to the Board in respect of all large projects. He is, moreover, specially employed in initiating and co-ordinating technical research. We consider that this appointment is of great importance, and should be retained.

21. There is, however, one other appointment of the same nature which we think is necessary. The present staff as described above makes no provision for expert advice in respect of mechanical engineering. No member of the Board, either as at present or proposed, has necessarily any professional qualifications in this respect. It must be remembered that the Board have in their administrative capacity to come to very important decisions in respect of rolling stock designs, workshops and machinery supply, watering arrangements, fuel supply, and many other important matters in which mechanical considerations are involved. They are required to judge in respect of accidents which are often due to mechanical defects, and in respect of new projects to criticise location of workshop sheds, engine runs, and train loads on which the success of a new line may depend. Moreover, economy in working is now a matter of such great importance that criticism of the scale of expenditure in the largest spending department of a railway has assumed particular significance, and it is desirable that the Board shall have at their disposal means to enable them to co-ordinate efforts on all railways and initiate measures of economy for general adoption. We think, therefore, that for these reasons there exists an urgent necessity for supplementing the existing staff of the Board's Office by a Chief Mechanical Engineer.

The above statement of the constitution of the Board and the estimate of the strength of the staff presupposes that the conditions under which railways are worked, partly by companies and by the State, will continue. If it should be decided that all railways are to be worked by the State it will be necessary to reconsider the constitution and greatly to augment the numbers both of the Board and their staff.

FUNCTIONS AND POWERS OF THE BOARD.

22. Assuming that a board on the above lines is constituted, reconsideration of the powers exercised will be necessary. We do not, however, think that any purpose will be served by going into this matter in detail at this stage, and will confine our consideration to general principles.

The main powers assigned to the Railway Board by the Government of India (*e.g.*, powers of financial sanction to works) are sufficient. In questions of detail, however, there are many matters, especially relating to establishment, where the Board are denied any discretionary power, and the necessity of reference to the Finance Department does in practice cause a good deal of delay and

adds to the volume of work. The appointment of a Financial Adviser has certainly been of great assistance in this respect, and if our proposal to include a representative of the Finance Department on the Board is accepted we see no reason why the full powers of the Government of India should not be exercised by the Board in all respects.

Position of the Railway Board *vis-à-vis* the Government of India.

23. Before leaving this part of the question we should like to say a word in regard to the present position occupied by the Railway Board in the administrative machinery of Government, as we do not consider that the present status of the Railway Board *vis-à-vis* the Government of India shows a sufficient recognition of the relatively great importance which railway administration and railway development bear in the general administration of the country. As matters stand, the position of the Railway Board is somewhat anomalous. Whereas they have certain powers as a Board, they cannot speak as the Government of India without the authority of the Member for Commerce and Railways, and their interests in the proceedings of the Executive Council are represented by that member. The situation, then, is that the Railway Board, though held responsible for the success or failure of railway administration, is given no direct voice in the settlement of questions of policy which come under the consideration of the Government of India. Considered only from the point of view of the Government of India, we venture to think that this arrangement cannot conduce to efficiency. Cases which may have to come before the Council often involve considerations of such a nature that it is difficult for anyone without intimate knowledge of railway working adequately to appreciate or represent them to the Council. It is true that the President may be, and is, called in to represent his views, but he does so only in the position of a secretary of a Government department, and though liable to be questioned or called upon to explain matters, he has no authority to refute arguments opposed to his views. This must be the case so long as a non-railway member represents railway interests in the Council.

We are therefore of opinion that the present position assigned to the Railway Board in the deliberations of Government in respect of railway matters requires to be reconsidered, and that the Board, considered as a unit of the administration, should be placed on the same level as a department of Government We think that, in accordance with the principle stated above, the president of the Railway Board should have the status of a member of the Executive Council and should attend the Council as an additional member, though without the right of voting, when questions involving railway interests are under discussion in order that Government may obtain the benefit of a direct expression of his views before arriving at a decision in regard to matters on which his advice may be of the first importance.

Board's Control over Railways.

24. Turning now to the question of the exercise of the Board's functions, we think that a great deal of misapprehension exists in regard to the extent of detailed control which the Board exercise under existing conditions. This matter has been twice specifically raised and considered. Once in Mr. Robertson's report of 1903 and again in 1908 in the report of the Finance Committee The result has been the withdrawal of a great deal of Government control in matters of detail and the delegation of extensive powers to companies and State railway agents. The principle of delegation to the full extent compatible with efficient control has been steadily kept in view, and further extensions are contemplated. We, therefore, consider that there is in present conditions very little ground for complaint on this account. It is impossible without danger to delegate to individual companies the power to adopt measures which would affect neighbouring lines or cause administrative difficulty in the country served. From an administrative point of view, therefore, a general limiting control over rates, wages, or conditions of service, adequacy of transport service, and conditions of travel must always be necessary. From a financial standpoint the powers vested in the working administrations have been extended to the full limit compatible with control by the Government of India which is eventually financially responsible, and it is doubtful whether any further extension in this direction is either necessary or desirable.

Part III.—Railway Finance.

General.

25. We now come to a portion of the enquiry which presents very considerable difficulties, the solution of which is, in our opinion, the most important part of the task of the Committee. No arguments of ours are perhaps needed to support the fact that the fundamental difficulty from which railways are suffering is financial, and, unless this can be successfully surmounted, no change in administration or otherwise will effect any considerable improvement.

When the question of railway finance was considered in 1907, the Committee presided over by Sir James Mackay (now Lord Inchcape) came to the conclusion that the amount spent in years previous to that date had been insufficient, and that the railways had in consequence failed to deal satisfactorily with the traffic. They stated that the principal complaint was the inadequacy of the supply of rolling-stock and, in a less degree, the necessity of improvement of traffic facilities. They recommended an annual railway capital programme of 12½ million pounds, which would provide 100 millions for improvements in the ensuing eight years, though it was considered possible that a further review of the position might be necessary before the end of that period. Unfortunately, the standard then proposed was only once attained in the next eight years, and the total capital expenditure on railways from 1907-08 to 1914-15 was 78 millions as against the 100 millions which it was hoped to provide.

Present Position.

26. Turning now to the present position, there is probably no ground for difference of opinion that our railways are at present in a very unsatisfactory condition. They have fallen seriously into arrears both in ordinary maintenance and in respect of improvements necessary to enable

them to cope with trade and other public requirements. Though, however, these facts are patent to everybody, there are difficulties in analysing the cause or suggesting the financial limits of the remedy. It must, in fact, always be an exceedingly difficult matter to demonstrate adequacy or inadequacy by an appeal to figures, or to fix a hypothetical standard of outlay which would have prevented the ground for complaints of the public so far as it is admitted that these are based on solid reasons. Moreover, in the present case the facts are obscured by the special effects due to the war, the shortage of materials, and abnormal rise in prices. It has been urged that the present unsatisfactory position is mainly due to the war, and the recovery must, therefore, as in the case of many other matters, necessarily be slow. We are not convinced, however, that this is a true statement of the position. The complaints in regard to inadequacy of rolling-stock and the inability of railways to deal with traffic were loud for some years before the war, and we are of opinion that the inadequacy which the Mackay Committee admitted in 1907 was present in an equal or more accentuated form even before the war had come and added so largely to the difficulty.

27. In considering the present unsatisfactory condition on all lines, an important distinction must be drawn between works of ordinary maintenance and betterments. In regard to maintenance, the arrears are in no sense due to financial causes, but are wholly due to want of materials, owing to the fact that India was at the beginning of the war almost entirely dependent on England for her supply of materials. This supply was necessarily interrupted, while even the small accumulated reserve was drawn upon for purposes of war areas outside the country. The remedy for a contingency of this nature is mainly, therefore, economic rather than financial.

28. In regard to renewals and in an even greater degree to betterments the position is, in our opinion, different and is mainly due to inadequacy of funds. It is difficult to measure the extent of the deficiency. As we have already stated, we consider that in a matter of this sort figures cannot be taken as a conclusive guide, but the following will, at any rate, afford some evidence of the relative growth in traffic and the rolling-stock provision which was made to meet it.

Year.	Goods.					
	Ton-miles (in thousands).			Total number of goods wagons (in terms of 4-wheelers).		
	Broad gauge.	Metre gauge.	Total.	Broad gauge.	Metre gauge.	Total.
1908	8,258,775	1,903,681	10,162,456	87,881	49,114	136,995
1909	8,967,554	1,946,352	10,913,906	95,268	50,764	146,032
1910	9,955,079	2,086,422	12,041,501	98,598	51,617	150,215
1911	11,008,984	2,291,852	13,300,836	101,727	52,853	154,580
1912	12,964,352	2,597,717	15,562,069	104,425	54,809	159,234
1913–14 ...	13,067,595	2,479,989	15,547,584	115,080	57,377	172,457
1914–15 ...	12,754,271	2,402,810	15,157,081	126,199	59,592	185,791
1915–16 ...	14,503,934	2,579,375	17,083,309	130,040	60,252	190,292
1916–17 ...	16,954,674	2,767,717	19,722,391	131,476	60,213	191,689
1917–18 ...	18,036,710	2,900,408	20,937,118	133,172	59,110	192,282
1918–19 ...	17,615,665	3,422,412	21,038,077	133,779	58,584	192,363
1919-20 ...	17,215,040	3,058,355	20,273,395	136,588	59,318	195,906

Year.	Passengers.					
	Passenger-miles (in thousands).			Total number of coaching vehicles (in terms of 4-wheelers).		
	Broad gauge.	Metre gauge.	Total.	Broad gauge.	Metre gauge.	Total.
1908	7,766,231	4,129,855	11,896,086	12,230	9,334	21,564
1909	7,948,668	4,220,541	12,169,209	13,124	9,824	22,948
1910	8,627,970	4,588,146	13,216,116	13,668	10,285	23,953
1911	9,206,142	4,938,125	14,144,267	14,591	11,088	25,679
1912	9,618,817	5,344,490	14,963,307	15,056	11,406	26,462
1913-14 ...	10,421,886	5,870,600	16,292,486	15,648	11,698	27,346
1914-15 ...	10,108,669	5,584,817	15,693,486	16,201	12,146	28,347
1915–16 ...	10,536,224	5,600,657	16,136,881	16,403	12,530	28,933
1916–17 ...	11,380,499	6,063,130	17,443.629	16,745	12,682	29,427
1917–18 ...	10,400,945	5,426,270	15,827,215	17,322	12,855	30,177
1918–19 ...	11,598,526	5,991,851	17,590,377	17,524	13,102	30,626
1919–20 ...	13,082,896	6,960,190	20,043,086	17,464	13,112	30,576

From these figures it appears that in the last twelve years, so far as the broad gauge is concerned, the ton-miles of goods have increased by 108·45 per cent., and the number of wagons by 55·42 per cent. In respect of passengers, the mileage of travel has increased by 68·46 per cent., and the stock by 42·80 per cent. During the same period the metre gauge shows on increase of ton-mileage of goods of 60·65 per cent., and of wagons of 20·77 per cent., and in respect of passengers an increase of mileage of 68·53 against an increase of stock of 40·48 per cent.

It is therefore evident that if the opinion of the Mackay Committee in regard to inadequacy of stock was correct in 1907 the position is certainly very much worse now

29. It is interesting to compare these figures with similar figures for the Pennsylvania Railroad Company, whose gross earnings with an open mileage of 4,541 miles are more than those of all Indian railways put together. The figures shown are for the year 1917. The work done by the Pennsylvania Railroad Company in respect of goods traffic was 30,000 million ton-miles, and their equipment consisted of 147,875 cars with a total capacity of 7½ million tons. The broad-gauge railways of India in 1919-20 did 17,000 million units of work with 136,588 wagons having a capacity of about 2¼ million tons. The work done on Indian broad-gauge railways, therefore, represented ·57 of the work of the Pennsylvania Railroad Company, and this was done with an equipment capacity equal to about ·3 of that of the Pennsylvania Railroad Company.

30. Apart, however, from the question of rolling stock, there is another and, in our opinion, an even more important deficiency, viz., facilities for handling traffic. It is useless to multiply rolling stock if the machinery for handling it is deficient. It is equally useless and wasteful to add to the sum of stock unless adequate facilities for repair are available. It is difficult or impossible to demonstrate much in this connection by means of figures, but it is, in our opinion, undoubtedly the case that practically every railway in India is now behindhand, and some of them very seriously, in these respects. To take one simple item, the provision of double tracks. We had at the end of 1908 2,138 miles of double track, and in 1919-20 the double track had increased to 2,980 only. Apart from the difficulty and delay incidental to working heavy and continuous traffic over single lines, there is the added trouble on all lines of inadequate yards, platforms, sheds, signalling arrangements, etc. The works embraced in the above category are in many cases large and expensive, and it will be necessary to spend a considerable sum of money before a real improvement is evident.

We consider that these deficiencies, both in respect of rolling stock and traffic facilities, are not entirely attributable to the war. They were evident in a less acute form before the war started, and to this extent are to be ascribed to inadequacy and uncertainty in the supply of funds, which has prevented any definite and consistent programme of improvements being worked to.

31. So far we have omitted all consideration of new construction. The additional mileage opened in the last ten years is as follows:—

Year.	Mileage opened.
1910	602
1911	755
1912	668
1913-14	1,053
1914-15	646
1915-16	606
1916-17	468
1917-18	402
1918-19	335
1919-20	119

These results are not satisfactory, and there is no doubt that if funds had been available the progress in this respect would have been more rapid. We think, however, that the question of new construction must be considered from an entirely different standpoint to that adopted in respect of other capital expenditure. For economic reasons, it is unsound to raise money for new construction at a time when the position of the market or the high cost of materials will impose a permanent liability of a magnitude which the urgency of the case does not justify. It may, therefore, be necessary in such cases to restrict expansion to the lowest limits. A similar consideration does not, however, apply with the same force to capital expenditure on open lines, since it is the worst form of economy to allow your existing property to fall below a standard at which its full earning capacity can be developed. We consider, however, that one great fault has been apparent even in such new construction as has been carried out. Owing to the uncertainty in the supply of funds inseparable from the present arrangements, the completion of many projects has been delayed far beyond what was necessary or desirable, with the inevitable result that capital has lain idle.

32. Before leaving this side of the subject a word of explanation is perhaps necessary in connection with this question of adequacy of funds to meet the argument that has sometimes been put forward, that the failure of railway administrations to work up to their grants, and thus utilise fully such funds as have been provided, affords ground for assumption that a more liberal allotment could not have been spent. This argument is, of course, based on a fallacy. The failure to spend grants is no indication that the limit of requirements or capacity to carry out work has been reached. It is due in almost every case to the failure of English supplies, a fault that is directly traceable to the want of continuity of financial policy and the consequent impossibility of placing orders sufficiently far in advance to ensure delivery within the year This point will be dealt with in more detail in connection with the question of lapses.

Past History.

33. Although the above explanation does not enter into any great detail, we think that the facts as given will be sufficient to convey some general idea of the directions in which the main deficiency exists. When, however, we come to seek for the reason and the remedy, it is necessary to go back to past history in order that the steps by which we have reached our present position may be realised, and the real cause of the difficulty assigned. We should, therefore, like to refer very briefly to a few of the relevant events in the past which have influenced us in formulating the view which we are putting forward in this memorandum.

When railway construction began in India about the fifties of last century, the first lines were financed through the agency of guaranteed companies—no capital outlay beyond that involved by the free grant of land being provided from State sources—Government assistance was confined to the obligation to meet guaranteed interest. About 1870, Government began to borrow money for the construction of railways by direct State agency. A very cautious policy was, however, adopted, and for many years the State operations were on a comparatively small scale. The scale of expenditure was, however, gradually advanced, and in 1892 had reached a standard of Rs. 5 crores per annum. We may pass over the history of this period which has no direct bearing on our present

position, but it may be mentioned that, in proposing the higher standard of Rs. 5 crores, Lord Cross alluded particularly to the want of economy involved in the serious fluctuations in expenditure on railway construction. We have here the first recognition of the difficulty which has since formed the subject of much consideration and which has never been satisfactorily solved. It was speedily found that the fixed standard of railway expenditure proposed was ineffective mainly for the reason that no means had been provided to enable it to be adhered to. In 1893 94, the question was again considered, and the Government of India suggested that the difficulty might be met by providing for new construction wholly by assisted private agency and by fixing the railway grant for open lines at Rs. 5 crores less the amount spent from famine insurance grant. Lord Kimberley rejected these proposals on the ground that they would bind the Government of India to borrow the whole 5 crores in years of stress. A year later, the Bengal-Nagpur Railway Company came forward with a proposal to relieve the situation by raising money in India by issue of debentures. Lord Elgin's Government rejected this idea, because they considered it would be expensive and because in effect it would depress Government credit and render ordinary loan operations difficult. The position, therefore, so far as financing from Indian sources was concerned, remained as before. It must, however, be remembered that up to this time the old guaranteed companies had still the option of supplementing their individual resources by borrowing from England with the Secretary of State's approval.

34. In 1896, the Secretary of State put forward a proposal designed to secure continuity of expenditure, and asked the Government of India for a three years' comprehensive programme. In reply, the Government of India put forward a programme working up to 28 crores in the next three years for State-owned lines *plus* a further 1¾ crores in respect of the guaranteed companies. The idea of a three years' estimate was in itself not entirely new, as the Government of India had previously been including in their annual forecast a programme for ensuing years. But the principle of financing railways from a general programme which was henceforth adopted marks a very important change. Hitherto, as already stated, companies' lines had been in a position to initiate the raising of capital to be expended on their own systems. It was still contemplated to borrow in sterling by means of companies, but the funds so raised were for general purposes. The companies thus lost the quasi-independence of action which they had hitherto enjoyed, and the whole financing of capital expenditure became dependent on the Government of India's annual resources. This system still remains, though several attempts have been made to get away from it.

35. It is perhaps not necessary to enter into any great detail in regard to the various schemes which have been put forward with the object of raising funds, but there are one or two points in the history of this period which have an important bearing on our present proposals. In 1900, the whole position was reviewed by the Government of India, who proposed that the programme to be prepared in advance should represent a minimum figure which must in all cases be provided, and might be exceeded if possible. This idea was rejected by Lord George Hamilton, who considered that any such standard would be inadequate in some years and embarrassing in others. He was of opinion that so long as railways depend for money on Government, they must share in the vicissitudes of the public finances. This enquiry is remarkable, however, for the fact that a suggestion was put forward by Colonel Gardiner for the separation of railway expenditure from the general finances of the State. The principle of Colonel Gardiner's views which were embodied in a Minute, which accompanied the Government of India Despatch, was concurred in by Lord Curzon, who stated that, though he was in favour of the Government of India's proposals for a minimum programme as a provisional arrangement, he hoped that it would eventually be possible to adopt measures for the separation of money raised or granted for productive works from the general finances of India, and that he was strongly of opinion that matters would never be on a satisfactory footing till this was done. The Secretary of State mentioned in reply that this idea of financial separation and management of railways by a Commission or Trust had been suggested to him from time to time for years past. He was of opinion, however, that it would be useless because it would be impracticable to give such a body power to raise money on the credit of Government and without reference to the financial situation. The idea was, therefore, dropped, but we would draw attention to the fact that the sole difficulty appears to have been that the Secretary of State could not accept the position that any independent body should be in a position to raise money without reference to general requirements.

36. The next proposal in this connection was that put forward by Mr. Robertson, who suggested that financial independence might be secured by forming a railway fund. The details of this idea need not be considered as it was speedily shown that the fund as proposed would be inadequate for the purpose. Mr. Robertson's other idea of securing partial independence by a reversion to the old principle of leaving working companies to raise the capital they required, was also negatived on the ground that it would involve the unlimited pledging of Government credit. Subsequent attempts at a programme again came to nothing for the same reason as before, *viz.*, they made no arrangement for finance. Finally, the Mackay Committee who considered this question proposed a standard of 12½ millions which has proved in practice as ineffective as its predecessors. This committee again considered the question of financial separation, and rejected it for reasons very similar to those given by the Secretary of State in 1900. They considered that it was impracticable to provide that the extent of capital to be raised should be determined by the requirements of railways, but that the amount to be expended on railways must depend on the general financial position of the Government of India.

Retrospect and Proposed Remedy.

37. Looking back on this financial industry, we think it is evident that there has been no want of recognition on the part of Government of the evils resulting from want of continuity of policy due to the financial uncertainty inseparable from the present arrangements. All of the proposals put forward in the past with the idea of securing continuity appear to have failed for one simple reason. They attempted to provide continuity in the railway programme while maintaining direct connection and dependence on the ordinary annual resources of Government which are

themselves necessarily variable. Consequently, the arguments revolved in a circle, and invariably came back to the point that so long as expenditure on railways depends on the ordinary ways and means of Government money, no guarantee beyond a year is possible. We think, therefore, that any further attempts to fix hypothetical standards or formulate a programme in advance will, undoubtedly, be useless, unless they are accompanied by some definite scheme of finance which can be worked to apart from other Government considerations.

In view of the above facts, we express the very definite opinion that the system of regulating expenditure on railways both in respect of capital and revenue to accord with the fluctuating resources of the Government of India from year to year has been very detrimental to railway improvement and development, and we consider it to be an urgent necessity that an alternative should be found. It will admittedly be a matter of some difficulty to devise this alternative, but we are very strongly of opinion that if our railway property is to be brought back to an efficient condition, and a definite and consistent policy is to be followed, an entire change of principle in the matter of finance is necessary. We consider that past experience has shown that it is impossible to administer satisfactorily a quasi-commercial concern like railways in the same way as another department of Government. No commercial concern could be satisfactorily conducted if the funds required for its administration were to be made dependent from year to year on no definite plan or principle, but on fluctuations of expenditure and resources of the predominant partner which entailed the withdrawal each year of the unexpended balance with no assurance of re-allotment. We venture, therefore, to express the opinion that financial autonomy in one form or another is the only possible remedy for the difficulties complained of, and, to quote the dictum of Lord Curzon already referred to, we are firmly of opinion that matters will never be on a satisfactory footing till this has been realised. We think, however, that in all previous considerations of this idea there has been a tendency to imply a measure of separation beyond what is necessary or is in fact admittedly possible. It is not our desire to suggest that the Railway Board, or whatever body it is finally decided shall administer the railway property, should be vested with an independent power to raise money or pledge the credit of Government without consideration of the other needs of India. Any such idea is obviously impracticable. All, therefore, that is implied by the proposals which we now put forward is that the funds raised for purposes of railway development and administration shall stand outside the ordinary ways and means of Government. These funds shall be raised in accordance with a consistent programme fixed for a term of years. This programme need not necessarily bind the Government of India to borrow the same amount in each year irrespective of the state of the market. In accordance with the same principle, we propose that the whole of the surplus revenue of railways, after meeting the Government of India's liability for interest on loans, shall be used to supplement the funds so raised, and that this shall be taken into consideration in fixing the programme of borrowing necessary. The result of this part of the proposal will be to make the policy of development dependent, as it should be, on the earning capacity of railways, and to make it absolutely necessary that fluctuations in the cost of administration in the form of interest on capital expended as well as working expenses are directly reflected in the charge for transport.

Outline of Financial and Administrative Scheme.

38. In brief outline, the scheme which we propose is as follows:—

(i) The administration of railways to be handed over to the control of a Board or Commission, outside the Government of India, to manage the property as a trust, and to be vested with extensive powers to carry out all measures necessary for its successful administration in the interests of the country, subject, of course, to such limitations as the Government of India may consider necessary for purposes of political and financial control by the Supreme Government, some of which are referred to below.

(ii) The Board or Commission to be constituted as already recommended.

(iii) The Railway Board (or Commission) as so constituted to take over the administration and financing of all railways as existing at present, including military lines, but any further lines required solely for military or political purposes and not considered justifiable on commercial grounds to be outside the scope of their financial operations. Funds for such lines to be provided separately by the Government of India, Local Governments or Indian States, on whose behalf the lines may, if they so desire, be constructed and worked by the Railway Board (or Commission).

(iv) The Railway Board (or Commission) to be financed as follows:—

From loans raised by the Government of India in accordance with a definite programme fixed for a period of five years ahead in England and in India. Such loans to take the form of debentures, company stock, or Government of India Railway Loan, as may be convenient, but all the money so raised to be placed at the disposal of the Railway Board (or Commission) separate from and entirely outside the ordinary resources of the Government.

(v) The entire ordinary surplus resources of railways after meeting the Government of India's liability for loans, annuities, etc., to be at the disposal of the Railway Board (or Commission), and such surplus to be taken into consideration in fixing the amount of borrowing required.

If the Government of India consider it necessary to raise revenue through railways for the general purposes of the country, such revenue to be raised by imposing an Imperial surcharge on rates or fares, or both, to the extent necessary, the sum so raised being credited to Government outside the railway accounts.

(vi) The Railway Board (or Commission) to prepare a programme of their proposed operations each year showing the expenditure which it is proposed to incur, which will be submitted for the Government of India's approval. They would also submit an account of their expenditure at the close of each year in such form as the Government of India may prescribe.

(vii) The programme and accounts above referred to, to include all expenditure as classified under "11" subsidised companies, land, etc., and "12" miscellaneous railway expenditure, and also such new constructions as it may be necessary or possible to undertake from the Board's resources. The needs of the latter would, however, be kept entirely distinct from open line requirements.

(viii) Subject to the above approval of the Government of India to their programme, the Board (or Commission) to be vested with full powers to control and administer railways, to regulate all rates and fares necessary for working railways as a solvent concern, and to provide necessary improvements to keep pace with the commercial requirements of the country, subject to the condition that alterations in special rates applicable to military or other departments require the approval of the Government of India. In order to encourage the association of private enterprise in railway construction, the Railway Board (or Commission) to be empowered to fix and vary the detailed terms of concessions given to railway companies for construction and working of new railways in India, subject to any fundamental limits which the Government of India may see necessary to prescribe.

We are conscious that these proposals afford only the barest outline, and that many questions in regard to detail of powers and administration will have to be faced before this important departure in principle can be adopted. It is impossible, however, within the limits of this memorandum and in the time at our disposal, to enter into details which would, moreover, tend to obscure the issue, and it is hoped that this outline will serve to give an idea sufficiently definite of the principle of administration which we consider affords the only workable solution of the difficulty.

Method of Preparation of Programme.

39. We do not propose at this stage to attempt to demonstrate the advantages which we hope to secure from this proposal. We should like, however, to mention two main points.

We have already referred to the fundamental defect in the present system which renders impossible the maintenance of a definite and continuous policy of expenditure. This fault is reflected in both matter and method of preparation of the present budgets. Prior to the war it was customary to show in each year's programme figures for two years ahead, in addition to that for which the programme was prepared. These figures were, however, in actual practice little more than a formality, since the actual programme depended on funds available and bore no direct relation to what was required. Consequently no great attention was ever paid to this feature of the programme, and during the war it was discontinued altogether. Efforts have, however, been made, apart from this exhibition in the budget, to regulate our attempted progress by a consistent programme. Most railways had, before the war, prepared, for their own purposes, regular programmes of renewals of stock and permanent way. It was felt, however, that special measures would be necessary to enable a co-ordinated programme of works, both capital and revenue to be carried out after the war, and in 1916 the Railway Board called upon all railway administrations to prepare for this purpose—

(*a*) a forecast of capital expenditure in the first three years after the war;

(*b*) a programme of renewals of rolling stock and permanent way chargeable to revenue for ten years ahead.

The figures given in these programmes, so far as finance is concerned, have, however, been rendered of little value by the abnormal rise in prices, but in respect of the work to be done they have served generally as a guide in our budgets. For various reasons, financial and otherwise, the standard proposed has not been attained, but we have here the nucleus of our proposals for the future. We propose, provided arrangements can be made to secure financial stability as we suggest, to request all railways to prepare and maintain complete programmes on similar lines of renewal and development for three years ahead, and to require general adherence to these in the annual budget, so that a steady and consistent policy of development may be followed.

Lapses.

40. The second point which we think merits some special explanation is in respect of lapses. The result of our proposals, if approved, will be to get rid once and for all of this difficult question, but we think that the importance of this matter to railways may perhaps be insufficiently appreciated. The difficulties entailed by the present system in this respect have certainly not suffered for want of recognition, and many attempts have been made to find a remedy for what was generally admitted to be a very serious evil. We do not think that any purpose would be served by tracing the history of the various remedies proposed and discarded. It will suffice to say that most of the proposals in this respect have proved in practice either ineffective or unworkable. In fact, most of them were never adopted at all.

41. The only mitigating provision which exists at present is as follows:—

"The Government of India may (1) at any time when the budget is being prepared in March sanction an addition, not exceeding the amount of the anticipated lapse in the sanctioned grant for the expiring year, to the railway programme of the ensuing year, as sanctioned by the Secretary of State in Council; and (2) they may, when the actual amount of the lapse is known, sanction an addition to the programme, or an increase to any addition already made under provision (1), not exceeding any amount by which the actual lapse in the grant for the previous year may have been greater than the lapse that was anticipated when the final revised estimates of that year were framed. All such regrants will be subject to the following conditions:—

(*a*) that the total amount of any regrant made under provisions (1) or provision (2) or under provisions (1) and (2) combined, in respect of any one year shall not exceed Rs. 50 lakhs;

(*b*) that if the actual lapse in the grant of the previous year prove to be less than the regrant sanctioned under provision (1) that regrant shall be reduced accordingly; and

(*c*) that no regrant shall be made unless it can be provided for without disturbance of the ways and means programme."

The only effect of this provision is to empower the Government of India to alter the amount sanctioned by the Secretary of State for the railway programme to the extent of Rs. 50 lakhs to provide for the effect of a lapse, provided that this can be done without upsetting their ways and means programme. Obviously this provides no sort of assurance, and the small amount makes it ineffective as a remedy for any large lapse of grant such as those which have occurred in recent years.

42. It will perhaps be useful in judging the actual facts of the position if we give a few figures of the capital lapses which have occurred in recent years.

(In thousands of rupees).

Year.	Grant.			Lapse or excess.			Distribution of lapse or excess.			
	Open line.	Construction.	Total.	Open line.	Construction.	Total.	India.	England.	Total.	
1910-11 ...	11,81,37	4,48,63	16,30,00	— 4,30,94	— 82,17	— 5,13,11	—3,42,79	—1,70,32	— 5,13,11	(a)
1911-12 ...	9,53,61	4,71,39	14,25,00	— 1,94,85	— 42,99	— 2,37,84	— 86,55	—1,51,29	— 2,37,84	(b)
1912-13 ...	9,51,18	3,98,82	13,50,00	+ 1,18,95	+ 15,47	+ 1,34,42	+ 74,76	+ 59,66	+ 1,34,42	(c)
1913-14 ...	15,18,69	2,81,31	18,00,00	+ 26,77	+ 19,17	+ 45,94	—1,11,97	+1,57,91	+ 45,94	
1914-15 ...	15,91,88	2,08,12	18,00,00	— 11,74	— 73,30	— 85,04	— 33,11	— 51,93	— 85,04	
1915-16 ...	10,42,05	1,57,95	12,00,00	— 4,62,42	— 63,89	— 5,26,31	—1,03,91	—3,22,40	— 5,26,31	(d)
1916-17 ...	4,09,50	40,50	4,50,00	— 2,24,03	+ 70,83	— 1,53,20	+ 15,86	—1,69,06	— 1,53,20	(e)
1917-18 ...	5,25,85	14.15	5,40,00	— 2,86,57	+1,25,97	— 1,60,60	+1,08,79	—2,69,39	— 1,60,60	(f)
1918-19 ...	5,50,19	80,16	6,30,35	+ 23,76	— 30,93	— 7,17	+ 60,26	— 67,43	— 7,17	
1919-20 ...	25,78,78	76,22	26,55,00	—11,85,96	— 55,39	—12,41,35	—3,55,36	—8,85 99	—12,41,35	(g)*

(a) Due mainly to a number of projects included in the programme not having been started owing to want of sanction to detailed estimates.

(b) Due to amount provided for purchase of stores in England not being utilised.

(c) The grant was raised to 15,76,41 in the course of the year compared with the increased grant ; the actuals show a lapse of about a crore of rupees.

(d) Due to non-supply of materials owing to congestion in the workshops at home.

(e) and (f) Due to difficulties attendant on the supply of materials from England.

(g) Mainly due to the difficulties attendant on the supply of railway materials from England and to fluctuations in exchange.

(* *Memorandum by Railway Committee.*—It was subsequently pointed out by the Financial Secretary that if allowance were made for exchange the real lapse in 1919-20 was about Rs. 6 crores.)

43. One fact which stands out clearly from these figures is the predominating influence of the English transactions. In this connection, we should like to draw particular attention to a fact which appears to have been given very insufficient attention in all previous considerations of this question. Railways derive their supplies of material very largely from England, and their English expenditure is, therefore, compared with other departments, disproportionately heavy. The English grants in the last ten years have been as follows :—

Year.	£ (in millions).
1911-12	5·97
1912-13	6·47
1913-14	8·69
1914-15	8·85
1915-16	5·69
1916-17	2·42
1917-18	2·92
1918-19	2·49
1919-20	18·00
1920-21	18·14

A failure or delay in the English supply is therefore a very serious matter. When a failure of this nature occurs the railway department is unable to spend the grant allotted within the year, but is, nevertheless, left with the liability for orders placed which *has got to be met in a subsequent year*. Meanwhile, the balance of grant unexpended which was intended for the purpose becomes part of the Government ways and means for next year, and if circumstances should occur to necessitate a restricted allotment the railways are left to meet the last year's liability as best they can. There is, therefore, an important distinction between a lapse in the railway grant and that of any other department of Government. In any other department a lapse represents *mainly* work deferred which may or may not be resumed in next year. In the railway department it represents *mainly* a liability incurred which must be met whatever happens.

44. Before we leave this important matter we should like to mention specially an argument which has sometimes been put forward in defence of the existing system. It has been contended, and this view was concisely stated in the report of the Mackay Committee of 1907, that since a lapse forms part of the ways and means for the next year, in which railways share, it is in effect virtually re-allotted. It is obvious, however, that though this may be generally true of all departments of Government taken together, it may cover a fallacy in respect of a particular department. A famine or a frontier war may compel the diversion of a disproportionate amount of ways and means to a department having no connection with railways, and the money provided in the first instance for the railway department is to that extent diverted from its object, which, though quite justifiable from the Government of India's point of view, does in effect leave the railways to meet their liability without the necessary funds.

Extent of Funds Required.

45. We have deferred to the end of this section of our memorandum the important question of the amount of capital which is required and the methods by which it shall be raised, because we did not wish to confuse the issue in respect of main principles with the practical difficulties attendant on the raising of the necessary funds. We will, therefore, now deal with this side of the subject.

The first point for consideration is in respect of the financial provision which we consider will be necessary for capital expenditure in future. In this matter it is admittedly very difficult to formulate an estimate with any claim to precision, since such estimates as we have in the three years' forecast already referred to are unreliable owing to the rise in prices, and our only guide based on direct information from railways is contained in the figures in the railway forecasts for the two ensuing years referred to below. In respect of the past, the figures during the war period are, of course, no guide at all, since the demands were formulated by agents after a very definite warning that their expenditure would, for financial reasons, have to be restricted to a minimum, though even the amount so asked was not allotted Going back still further to the years before the war, the wide difference in the value of money makes any comparison impossible. We think, therefore, that the only way in which a really reliable estimate of requirements could be formulated would be to collect the necessary information in detail from railways, and this has not been possible in the time at our disposal. Taking, then, such recent figures as we have, the demands of railways since 1919-20 and provisional estimates for 1922-23 and 1923-24 are as follows :—

(In lakhs of rupees.)

Year.	Open lines.	New construction.	Total.	Remarks.
1919-20	27,22·79	76·22	27,99·01*	* Actuals allotted Rs. 26,55·00.
1920-21	26,16·20	3,41·12	29,57·32†	† Actuals allotted Rs. 21,97·64, but the reduction in this case is largely due to alteration in rate of exchange.
1921-22	31,55·24	4,14·72	35,69·96	
1922-23	28,66·81	4,94·16	33,60·97	
1923-24	24,67·02	4,17·03	28,84·05	

46. It must be borne in mind that these figures of demand for open lines of the last four years represent estimates put forward by agents after they had been warned that their expenditure would have to be confined to works which were vitally urgent, and that all large schemes of improvement, however desirable, must be deferred. It may, therefore, be taken that, in the opinion of the agents themselves, these programmes were limited to essentials. It is doubtful if the figures of 1922-23 and 1923-24 can be taken as a full measure of the limit of necessity, and the decrease shown is probably without any significance. In making these estimates for future years agents usually take into consideration only works in progress and such other works as they consider will have to be started. When, however, the year's estimates are eventually made out, other urgent demands present themselves. We do not think there is any reason to suppose that the open-line arrears would have decreased by 1923-24 to an extent justifying any relaxation of effort, and it is certain that the eventual demand in both 1922-23 and 1923-24 will not be less than 30 crores. This omits all consideration of new construction, and, as already stated, it will not be possible to provide anything considerable for this purpose from programme sources for some years to come.

From such information, therefore, as we possess, we are of opinion that the needs of open lines for perhaps the next three years will be not less than 30 crores per annum. Thereafter the total amount required may possibly be reduced as arrears are brought up, but this will almost certainly be counter-balanced by the normal increase in open-line requirements.

Methods of Raising Capital.

47. The question of the method by which these large sums of money are to be raised is admittedly at present a very difficult one. As already stated, we consider that the Government of India's direct borrowing should be in the form of specific railway loans to be raised in England and in India. To supplement this source of supply, we have already suggested to the Secretary of State a scheme of raising money by Indian companies affiliated to the existing main-line administrations. We see no reason why, in cases where this is possible, further sterling capital of the existing companies should not be issued, provided that the principle of predominating Government interest in the line as at present is retained. The existing arrangement of raising money by means of debentures might be utilised in England, and also in India if the income-tax trouble can be surmounted.

48. There is, however, one important difference in principle in our proposals in respect of all forms of borrowing except the Government of India loans above referred to. Hitherto money raised by means of railway debentures has been treated by the Secretary of State as a repayment, in terms of the contracts, of expenditure incurred from funds provided by Government, and has, consequently simply served to augment the Secretary of State's balance available for general purposes. We have proposed in connection with the scheme now before the Secretary of State that rupee capital raised by means of affiliated companies should be treated as additional resources of the company concerned, and we suggest that a similar principle should in future be adopted in respect of fresh capital raised by companies either in the form of shares or debentures. This method of assistance will usually be adopted to provide for specific works or schemes associated with a particular administration, and it will obviously facilitate the operations of the company in enlisting the assistance of existing shareholders if they are assured that the money so raised will directly benefit their own administration. Further, we have already under consideration the proposal to relieve our immediate necessities by meeting liabilities for heavy items such as rolling stock by means of short-term bonds. The idea is, however, only designed to enable us to meet our immediate necessities by a deferred payment and, apart from the present exceptional conditions, is probably not necessary or desirable.

The extent to which all or any of these expedients shall be utilised must depend on the circumstances of the market, but we are of opinion, in view of the great importance of the matter, that no expedient with any promise of success either in this country or in England should be left untried.

49. The funds for new construction will, at any rate in the immediate future, have to be raised by private companies, and for this purpose the existing branch line terms are inadequate. In the face of the existing demand for capital in India for commercial enterprise, it is impossible to raise money for railway construction unless good prospects are backed by a substantial guarantee. The terms of the guarantee necessary should be, however, dependent in each case on the circumstances of the line, and it appears to us to be a mistake to lay down one limit for all projects. A line which is for commercial reasons an urgent necessity, and which will bring a heavy long lead traffic on to a main line, may safely be allowed very liberal terms on a rebate basis, and can, therefore, be carried out when the money market is comparatively unfavourable. It would, however, be economically unsound to concede similar terms as a general proposition. We have, therefore, suggested when dealing with the proposed board's functions that they should be empowered to fix and vary these terms at discretion, subject to any limitations which the Government of India may consider necessary to prescribe.

Part IV.—Government Control of Rates and Fares and Settlement of Disputes.

CONTROL OF RATES.

50. The scope of the enquiry under this last head of our memorandum refers more particularly to matters in respect of which the committee will presumably be guided in their decision principally by the evidence of the public. It is obviously for the public rather than for the Railway Board to say whether the extent of control which the latter exercise over railway administrations in respect of rates is sufficient to safeguard the interests of the individual where these are in conflict with the action of the company.

In practice, the control of the Board over rates is exercised by the imposition of certain maximum and minimum limits within which the company are at liberty to vary the rates to accord with local conditions, water or road competition, or to agree with competitive rates on other lines. It is admittedly the case that this system leaves a large measure of discretion with the individual line concerned, and this appears to us to be unavoidable. It would certainly not be in the public interest to establish a central control which would fetter the elasticity of the company's arrangements for regulating rates to accord with the necessities of trade. It would, moreover, be obviously impossible for any central authority to exercise any effective detailed control over these constant variations which are governed entirely by local conditions, and depend generally on the rate which a particular traffic is able to bear. It may occasionally happen that a rate so fixed is considered by the public to be excessive, and in such cases they may refer, in the first instance, to the local railway officials, and, in extreme cases where satisfaction is not obtained, to the Railway Board. Such applications to us have, however, in practice been few, and we have found that, apart from any actual power of the Board to compel the alteration of rates, the companies have in all cases been ready to make an ample examination of complaints put forward and to remedy them where good ground was shown to exist.

We have, therefore, in the facts before us, very little evidence based on concrete cases that the powers delegated to the companies in this respect have in general been harshly used, or that they have deliberately, as a matter of principle, manipulated rates to suit their own administration without regard to public interests. The statements in support of this view which appeared in the evidence collected from public bodies in 1916, and which are often made in the press, are almost invariably of the nature of general charges without reference to any specific instance, and as such of small value in arriving at a true estimate of the real position.

We think, however, that these complaints do point to a deficiency in our existing arrangements. The Government of India's power of direct control is, as already stated, exercised only to the extent of fixing maxima and minima rates, and it is certainly within the power of companies, if so minded to use the discretionary power vested in them, to vary rates within these limits in a way that may give rise to well-founded complaint on the part of the public. We think that as a matter of principle this position is unsatisfactory and that it may reasonably be held that the Government of India should in all cases be able, where necessary, to exercise the fullest control in a matter in which the general public interests are involved. We consider, therefore, that the present powers which the Government of India exercise under the contracts should be enlarged, and that it should be definitely provided that in any case where legitimate ground of complaint in respect of railway rates fixed by companies is shown to exist, the Railway Board shall have power to compel the company to make such revision as appears to be reasonable and in the public interest.

MACHINERY FOR SETTLING DISPUTES.

51. In regard to the efficacy of the existing machinery for settling disputes, it is difficult to express any very decided opinion since it appears never to have been used. The records show that on only four occasions has a Commission been called for, and in every instance the demand was eventually withdrawn or not pressed. The provisions of the Act and the rules governing Commissions may appear at first sight cumbrous and the machinery unduly elaborate and expensive; but it is difficult to see what other alternative could be suggested. In point of fact this legislation provides for a class of case that seldom occurs in India, and, probably, the existence of the ultimate right of appeal to a Commission is in itself sufficient in most cases to prevent the need for its employment arising.

CONCLUSION.

52. In conclusion, we should like to offer some explanation in regard to the general principles which we have endeavoured to keep in view in putting forward our proposals.

From the public evidence collected by the Railway Board in 1917 and from such public opinion as is represented by the press at present, it is evident that there is a tendency in some quarters to suggest wholesale changes in the administration of railways. The advocates of this view put forward as a remedy for all evils that the system of administration which has stood the

test of time shall be discarded and nationalisation or some similar alternative shall be adopted in place. It is evident, however, that these proposals are made without full consideration of the elaborate machinery which would be necessary to give effect to them. We have already referred to this side of the question when dealing with the staff of the Board's office. A very little consideration will show that it would be impossible to expect a board of anything like the present dimensions to assume the control now exercised by the boards of 10 separate companies. The existing control over State lines is simplified because the Board always numbers among its members a State railway agent, and sometimes two, who have practical knowledge of the lines in question. To secure the same conditions in respect of companies' lines the Board would have to be enlarged to about 20 members and, presumably, would conduct its operations by committee, the larger issues forming the subject of collective deliberation. Even so it is very questionable of the same degree of individual attention would be secured, and the inevitable difficulties in working such cumbrous machinery are self-evident. Apart, therefore, from the prospective political danger to which we have already referred, we consider that the adoption of this alternative would be difficult to arrange and would in effect re-introduce all or many of the evils of centralised control to which particular attention was drawn in Mr. Robertson's report and which the changes then and since introduced have been particularly designed to prevent.

53. We should also like to say a few words in connection with the general question of reform in administrative procedure. Apart from the important question of finance, we have recommended very little immediate change. It is possible that in taking this view we may be thought unduly conservative, but we have adopted this attitude from the deliberate conviction that it is desirable at present to avoid anything of the nature of change for the sake of change. All alterations in administrative machinery are inevitably accompanied by temporary disorganisation, and this, it is particularly desirable at present to avoid. India is on the eve of great changes, economic as well as political. Important schemes of manufacture and mining and other development are being initiated, the progress of which depends in almost every case on adequate transportation facilities. It would, therefore be extremely unwise to do anything at the present juncture which might introduce administrative complications in the conduct of railway development and general business. What is required at present is not drastic changes of administration, but measures to improve its efficiency and to get rid of the drawbacks which have in the past prevented railways from keeping pace with the needs of the country. The difficulty in this respect is in our opinion mainly, if not wholly, financial, and we have therefore devoted our principal attention to this important feature.

We are fully conscious of the gravity of the issues involved in the proposals which we have put forward in this connection, and they have only been advocated after very careful consideration and because we are convinced that no other alternative is possible if a steady and consistent scheme of finance is to be secured. Unless this can be attained the question of State or company management is of comparatively little importance and all other schemes of improvement in future must eventually prove delusive for the same reason that has caused a similar disappointment in the past.

STATEMENT No. 80.

B. A. COLLINS, Esq., I.C.S., Director of Industries, Bihar and Orissa.—NOTE (revised by the Government of Bihar and Orissa) DATED 31ST JANUARY, 1921.

1. I have not had sufficient experience to offer any opinion as to which is the best system of management, State or company, but I am inclined to think that at the present stage there is room for both. If State management were, on the whole, best for the community, it has this disadvantage, that the development and efficient maintenance of the railways depends on the amount of capital which Government can raise at the rate of interest which it pays on all its loans. The present system, by which practically all the railways depend on Government for funds for development, has had a most unfortunate effect on the development of the country and the efficiency of the railways. Government has not been able to raise all the money required, and the whole country, and Bihar and Orissa in particular, is suffering accordingly. See oral evidence, paragraphs 6360/6378.

2. It is hardly necessary to insist on the very large sums required if the railways are to catch up to the needs of the community. Money must be spent, and spent at once, on the building of new wagons, the doubling of lines, and the provision of marshalling facilities. Even at the present time the position of our industries is most precarious. Not only is expansion prevented, but the stability of existing concerns is threatened. In Bihar and Orissa itself, which provides more than half the coal raised in India, it is not too much to say that no single concern is getting all the coal it would like; many do not get the minimum they require, while all live in a state of constant apprehension of failure of supplies. Not only is industrial expansion hampered, but the wagon famine itself prevents the proper development of the coalfields. If collieries could be sure of a regular supply of wagons suitable for overhead loading capital would be freely invested and the production of coal could be enormously increased, since the labour available for underground work would be raised by 50 per cent. The industrial future of India depends on the early solution of this problem, and the only possible solution is the provision of adequate funds.

3. The real difficulty in Indian railway management is, therefore, finance, and everything else must be subordinated to the solution of it. It is for this reason that it has been suggested that there is room for both State and company management. The State can only raise a limited amount of money on the general rates and conditions of Government loans. Let it, therefore, only undertake the management and finance of a limited number of lines for which it can make adequate provision. The remainder should be placed in the hands of companies on such terms that capital can hope for profits over a sufficiently long period at the rates ordinarily associated with commercial ventures of this class.

4. The three chief questions asked in this connection are: (1) Should such companies be domiciled in India? (2) Could proper boards be secured for management in India? (3) Could adequate funds be raised in India? Here, again, finance should be the predominant consideration. If Indian companies can raise funds, either in India or abroad, they should undoubtedly have the preference.

It is my belief that very large sums indeed could be raised in India if suitable terms were offered, and that it would be in the best interests of India to offer such terms. Masses of capital are awaiting safe and profitable investment if rates of interest and conditions are such as will appeal to the wealthy Indian. Railways will have to compete with other industrial and commercial ventures and with the attractions of landed property.

5. It is only if the State and Indian companies cannot finance adequately all lines existing and proposed that companies domiciled elsewhere should be encouraged. But in this event they too should be offered the same terms as are needed to attract the capital required. Somehow or other the capital must be forthcoming.

6. One of the main difficulties which is hampering the expansion of trade in India is the concentration of both commerce and industry at a few large ports. The north-east of India is particularly unfortunate in this respect. All trade has to pass through Calcutta, where the port is both difficult of access and unusually expensive. This one port has to serve a population of more than one hundred millions, and every year becomes more congested. The development of an alternative port for Orissa and the south of Chota Nagpur is a matter of the greatest urgency.

7. The Governor in Council considers that the control of rates is essential, but is not in a position to suggest the form the control should take. The Local Government are aware that there is considerable dissatisfaction with regard to railway rates.

[N.B.—A note by Mr. Collins on a project to develop False Point as a harbour is not reproduced.]

STATEMENT No. 81.

The Hon. Sir MANECKJI B. DADABHOY, Nagpur.—NOTE DATED THE 3RD JANUARY, 1921.

See oral evidence, paragraphs 6479/6509.

Question No. 1.—The point is not free from doubt, but I am inclined to the view that the State-owned railways should be worked by companies rather than by the State. There has of late been, especially since the war, a good deal of strong feeling in almost all civilised countries in favour of nationalisation of railways. India has not been outside the current. Even before the war State ownership with State management was favoured in many countries of Europe. The system was in operation in Belgium from the very first, and was adopted on different dates by Scandinavia, Hungary, Austria, Russia and Germany. It was also in vogue in Australia. In the United States of America about 30 per cent. of the railways were the property of the State. In Mexico, State management was favoured and in Argentina 15 per cent. of the railways are in Government hands. In British India the policy of buying up railway concerns from the old guaranteed and subsidised companies was consistently followed by Government. The State also took over the management of important lines, and in other cases the management was left to companies under terminable leases and on conditions fairly profitable to Government. The bulk of the trunk lines and important systems of railway are now the property of Government. Leaving aside the status of light railways and branch lines which are private property worked by companies under a system of guarantee of interest upon capital from either the Secretary of State for India or District Boards, of the fourteen important systems the State owns eleven. Of the remaining three the Bengal and North-Western and the Rohilkund and Kumaon were constructed by companies without any Government assistance. The third—the Southern Punjab—is at present owned by a private company but is worked by the State as a part of the North-Western Railway. The total length of the railway, including the branch line from Narwana to Kaithal, is a trifle over 424 miles. The State has the right of purchase on successive specified dates which, I have little doubt, will be enforced. The Bengal and North-Western Railway and the Rohilkund and Kumaon Railway will automatically become State property in 1981 unless Government choose to exercise their right of purchase earlier (1932).

The question of State ownership has thus practically been determined in India in a manner consonant to the wishes of the public. The only question open to debate is that of management. And this cannot be determined on general principles only. The whole point is one of comparative merit. Judging from experience, it is by no means certain that State management is most advantageous to the travelling public and traders. I have experience of both systems of management, having travelled on the Eastern Bengal, the Oudh and Rohilkhand, and the North-Western which are all both owned and worked by the State, as also on the Bengal Nagpur, the East Indian, the Great Indian Peninsula, and the Bombay, Baroda and Central India, which are owned by the State but managed by companies. From the points of efficiency and safety and comforts of passengers, State management is no way superior to company management. My experience about movement of goods is derived from my operations as a proprietor or lessee of coal and manganese mines and manager of mills. On this point I am not in a position to institute a comparison between the two classes of management, but company management does not appear to fall short of the Indian standard. There is undoubtedly ample scope for improvement both in regard to safety and quickness in transit. The rates charged cannot vary to a large extent under State and company management. No company is likely to maintain a schedule more onerous than that adopted by the State. In India practical uniformity in this matter is secured on all systems of railway by legislation. Government have large powers of control over rates.

There may, however, be weighty reasons unconnected with efficiency for a change in the present system of management. The companies enjoy complete freedom as regards choice of staff, and this might, and does, operate in some measure as restrictive of the right of free and full employment of Indians on the railways. The higher ranks are generally staffed by Europeans. This is a source of grievance to Indians, and there is considerable soreness of feeling on the subject. But besides the adoption of a more and more progressive policy by the different companies in the matter of employment of indigenous talent, with the gradual improvement in the nature of the education of Indians and increasing limitations to the supply of European labour, due as much to the war as to industrial expansion throughout the civilised world, qualified Indians stand a fairly good chance in the competition. Companies work for profit, and they are not likely to settle their budget of expenditure on establishments on racial grounds alone. Even if they do not of their own motion

adopt a more liberal policy, their hands can be forced by arrangement at every renewal of contract. Government, after all, have got the power to enforce their will, and companies will ultimately find it to their interest to surrender a part of their present freedom even in the choice of staff. With the gradual evolution of responsible government in India, Government will not be slack to take full advantage of their position as arbiter. Already there is evidence of a healthy change in the policy of the companies. Indians are being appointed in larger numbers in responsible positions on company-managed railways, and arrangements are being made for the training of Indian apprentices in the technique of the subject. Other advantages assured, the case for a change in management for facility of employment of Indian talent is thus weaker now than it was before.

State management is justified by its protagonists for increased revenue through elimination of the company's share. There is much to be said in support of this view. But there are important considerations on the other side as well. State management of commercial concerns is not likely to be equally economical with company management. Companies working for profit are expected to make economy their first object. The State cannot regulate its budget on such a narrow basis. The cost of establishment must of necessity be larger under State management. The scale of salaries will be determined not only by the principle of supply and demand, as under company management, but also in view of the scales prevalent in similar technical departments of Government. State management may in some particulars be also wasteful and arbitrary. Companies have to work under Government control; the State, especially in India, is responsible to no authority. The lay public cannot profitably interfere in matters requiring technical knowledge. Even in advanced countries of the west, with a large percentage of intelligent, active and politically-minded people, management by the State is free from restrictions so necessary for efficiency and economy. The staff, too, has a tendency to become unnecessarily large. In a country like India the evils of State management are likely to be aggravated, as the corrective of a strong public opinion will be absent. The fact that the evils are not so notorious now on the State-managed lines may be due to the existence of company management alongside of State management, and any important distinctions in the details of management soon attract public attention and are removed. Both the State and the companies follow the same standard, and in broad outline management by the two bodies is similar. But with the elimination of healthy competition the conditions will be different. It may thus be that any gain in revenue to the State through disappearance of profit-sharing companies will be neutralised by loss in economy and increased expenditure.

State management might likewise lead to increased burdens upon the travelling public. The rates charged will then assume more and more their real character of taxes, and the scale will be determined by the financial necessities of the State.

Moreover, some lines must be left to companies. The construction, maintenance and development of branch lines and feeder lines have been due to private enterprise. The working expenses of these railways are usually higher than those of trunk lines, and the State cannot possibly think of taking over this branch of railway development in their own hands. There has been a healthy competition among different companies for construction of this class of railways. The development has been fairly steady, and were it not for the opposition of companies managing trunk lines, on the allegation of the trunk lines being "short-circuited," development would have been much more rapid. It would be a mistake to check private enterprise. It would not be to the advantage either of the State or the country. In Indian conditions companies must be tolerated to some extent.

To my mind, therefore, management by companies has certain points in its favour which make it more acceptable to the public than State management. With important changes in political, social and educational conditions, the policy now advocated by me may have to be revised in future, but for an immediate change the necessity is not clear.

Questions Nos. 2 *to* 9 may be taken together. While I prefer management by companies for reasons set out above, I would certainly like some modifications in the details. In deciding the broad question of the location and the constitution of the board of directors, note must be taken of important changes in the conditions, industrial and political, due to the war. Formerly neither the requisite capital nor the stores could be had locally in India. London was the market for both. Again, the Secretary of State for India was the final authority in all matters connected with the extension and development of Indian railways. Expert opinion was also more easily obtainable in England than in India. But these restrictive conditions have to a large extent disappeared. India is now more self-contained in regard both to capital and stores. The war has disclosed the immense possibilities of the Indian market. With the gradual liquidation of the different War Loans there will be plenty of loanable capital in India, of which full benefit can be taken by Government as much as by companies. And industrial development, which is bound to come now more rapidly than ever before, will gradually leave India fully equipped with the most up-to-date engineering establishments capable of turning out the best railway material locally. That one firm of Tata's helped a good deal in the solution of supply during the difficult times of the war. Such firms can be and will be multiplied in the near future. It may be that for some parts of locomotives India will be dependent upon the West some time longer, but for the purchase of such materials as are not procurable in India the direction need not be located in England. There is all the less reason for insistence upon a home board in view of the appointment of a High Commissioner in England to do the agency work so long done by the Secretary of State for India. There is, again, to be steady devolution of authority under the reform scheme from the Secretary of State for India to the Government of India. Every decision regarding railways will sooner or later—rather sooner than later—be taken by the Government of India without reference to the Secretary of State Every important business must thus be transacted in India. A Home Board will be an anomaly in such circumstances. A Home Board is certainly out of touch with Indian conditions. It is likewise not cognisant of the currents of Indian thought and feeling. Even by the management of railways note must be taken of the wishes and wants of the Indian public. A Board of Management domiciled in India is expected to prove more progressive and popular than a Home Board.

The apprehended lack of continuity can be provided against *inter alia* by the suggested appointment of a permanent Chairman nominated by Government. To my mind, there

is not much point in the adverse argument about lack of continuity. The policy pursued is a matter of record, and the recorded reasons for a particular line of action will not be ignored by succeeding Directors. Besides, it is unlikely that all the Directors will retire from the Board simultaneously leaving the management in the hands of a fresh body of Directors with no one to enlighten them about past action. In the extreme contingency of the simultaneous retirement of all the Directors continuity of policy will be secured as in other departments through the records. The Secretary will also be there to help the fresh Board with past experience. Should, however, doubts be still entertained the suggested nomination by Government of a permanent Chairman skilled in railway work will meet the needs of the situation.

It is just possible that some members of a Board domiciled in India will be more or less interested persons through active participation in particular industries; but the danger of bias is present in the case of members of a Home Board too. As far as I know there is nothing to prevent the Director of a railway company from being connected with industrial concerns and promoting industrial projects in India. I do not know of any particular instance where this has happened, but in the absence of a prohibitory rule, the combination of different functions in the same person is not unlikely ,But whereas interested members of an Indian Board will have to work in the strong limelight of public opinion, the members of a Home Board are free from the influence of any such corrective. Moreover, it is easy to devise means for minimising the evil. An inhibitory order will be effective.

I am not in favour of a combination of the two systems of management referred to in Question No. 9. For one thing, it is too cumbrous and will more or less be attended with delay in execution. There will not be any compensating advantage either.

The composition of a Board domiciled in India should engage the earnest attention of Government. While expert knowledge is useful and desirable in the Chairman, it need not be insisted upon in the members. The Board should be in a position to decide all questions from a broad standpoint consistently with railway interests. It will be enough if the Chairman is an expert. It is also desirable that a qualified Indian should be associated with the Board. It is necessary that someone should be present to place Indian views before the Board. The appointment of an Indian will remove causes of irritation and make the Board popular. By " qualified " I do not mean skilled in railway work. An educated Indian with business habits and business experience should prove a vauable acquisition.

The Board need not be large. A small body ought to prove satisfactory.

The railway companies should continue to share in the net profits of the railways under their management. The existing system of participation in profits affords sufficient encouragement to the companies and ensures economy in management. The company's share of profits is at present only a small fraction of the total. Government are entitled to the bulk of the profits under the terms of the various contracts. From the public point of view there is nothing objectionable in the system while it creates an interest in the companies in the undertakings.

I would, however, suggest one change calculated to ensure further the popularity of the companies. A percentage of the shares must be placed upon the market for the behoof of Indian investors. The charge is freely made that Government favour foreign capitalists and exploiters. There is at present a strong body of public opinion against railway companies, and the investigation about the comparative merits of State and company management is the result of the agitation against the companies. The public opposition to companies can be easily countered by associating Indians with them. That will be a wise move.

Part II.

Question No. 10.—Yes. The Government of India must exercise adequate control over the railways whether State-owned or company-owned, and it is far better that that control should be exercised through a special Board than through the general department in charge of public works. In India no controlling agency like the British Board of Trade exists. The Railway Board is expected to discharge the functions of the Board of Trade in relation to railways.

Question No. 11.—I would liberalise the Railway Board. As already indicated, the President alone need have expert knowledge. The other members may be wholly unconnected with railways. To watch the financial interests of Government an officer of the Finance Department should have a seat on the Board. The Indian Industrial Commission recommended the addition of a commercial member to the Railway Board and the representation at the Railway Conference of recognised commercial bodies. The suggestion is supported by Indian public opinion. In my opinion a seat should also be thrown open to the lay public. It is eminently desirable that some one should be present to protect the interests of the general taxpayers and the travelling public. There is no machinery now to place before the Board in time the views of the persons most affected by their decisions, especially as regards rates, etc. The same principle which underlies the Industrial Commission's recommendation about a commercial member justifies the admission into the Board of an accredited representative of the general public.

Question No. 13.—The Railway Board was invested with powers of control by special legislation (Act IV. of 1905). The powers of the Governor-General in Council under the Indian Railways Act of 1890 devolved upon the Board with certain exceptions. The final authority is still in the hands of the Government of India. As the law stands the powers reserved are ample. It would seem, however, that the present freedom of the companies as regards choice of staff is viewed with some degree of distrust by the Indian public. The restricted employment of Indians on company-managed railways is a source of irritation to the people, and is one of the two powerful reasons for the public predilection for State management. It is better that Government should have control in respect of staff too, and should facilitate the employment of Indians to the fullest extent. I accordingly think an extension of the Board's powers necessary to enable it to secure the admission of Indians in responsible positions on company-managed lines With wider powers Government and the Board can do much in this respect. At least one Indian trained at Home (Mr. N. K. Basu) has been appointed Assistant Loco Superintendent on the East Indian Railway on the recommendation, it is believed, of the India Office. Larger powers of control should enable Government to protect the rights of Indians more adequately and effectively.

Question No. 14.—The Indian public somehow does not appear to be satisfied on the point. The complaint is general that the decisions of the Railway Board are influenced too much by the railway companies. It is, however, difficult to collect the details.

Question No. 16.—Yes; I do not think any important change is necessary.

Part III.

Question No. 17.—I have consistently advocated a policy of conservation and improvement, and have deprecated further construction of main lines. I think maintenance and improvement on the existing lines are far more important than extension. India is now fairly well equipped with main systems of railway, and having regard to financial conditions and the financial results of the railways, the time has come for a halt in new construction. Extension at the expense of improvement is indefensible. The annual allotments for new construction, far from being inadequate, have erred on the other side. I know this view is opposed to the conclusions of the Mackay Committee. Whether this view is justified or not, there can be no question that the financing of new schemes while improvements are not adequately provided for, is unsound in principle, and involves the Government in ever-increasing financial commitments. The larger the total mileage the heavier is the recurring financial responsibility for maintenance and improvements. This is anything but conducive to public interest And not only that: Government will have the greatest difficulty for supply of funds. Railway development by starving other departments is certainly not good for the country. The greatest difficulty about movement of goods is not lack of railway communication, but shortage in wagons and locomotives and absence of double line. The removal of the deficiency is a question of improvement and not of extension.

Question No. 18.—Yes, generally speaking, with only this reservation that improvements as a rule should be a first charge upon the railway revenue. The application of borrowed capital to this object is not quite right. A commercial concern which fails to provide against depreciation and for improvements would not be regarded as sound. Why a different principle should be adopted in the case of railways, it is difficult to see. The United States of America, which is far ahead of other countries in the matter of mileage, provides for improvements out of the income more liberally than Great Britain. It is wrong to appropriate the net profits, by which is meant the surplus income after payment of interest upon the capital borrowed and of working expenses while improvements are not provided for. The true financial results of the railways are thus obscured.

Question No. 20.—In India, certainly. The strength of the Indian money market justified larger exploitation before the War. This point was pressed with some insistence upon the attention of Government by me in Council. The necessities arising out of the War forced the hands of Government. The possibilities of the Indian market now stand revealed. Besides, the conditions of the London market is anything but encouraging. Reliance must accordingly be placed more and more upon Indian capital for the necessary loans.

Question No. 21.—Yes, only in view of the worldwise increase in rates of interest the rate of guaranteed return under Branch Line Terms should be increased. 3½ per cent. was all right before the War, now 6 per cent. would be required.

Question No. 22.—Upon the premises laid down I prefer the method indicated in (b) (ii). Government of India railway debentures would be readily taken up by the investing public. But not so the other issues suggested.

Question No. 23.—I am opposed to extension. I would for the present not encourage the idea of making ampler provision for construction. On the question of additional resources in the, abstract, the only suggestion that can be made is that of a special railway cess collected along with the land revenue. But such a cess would be so unpopular and so inequitable in its incidence that no responsible statesman would think of imposing it upon an already overtaxed people. The idea must be abandoned.

Question No. 25.—The Government of India's annual borrowings are mostly for capital expenditure upon railways and irrigation works. The revenues are generally sufficient for their ordinary expenditure. If, therefore, borrowing on railway account is eliminated, the necessity for loans is negligible. Railway loans cannot accordingly interfere to any large extent with the ordinary loans of the Government of India.

Question No. 26 (*a*) and (*b*).—The budget allotments for railway expenditure on capital account have been ample. They have failed, it is true, to satisfy the needs of the large schemes for extension which its protagonists have in view. The question of strengthening the Government resources for railway purposes should not be debated now, especially in view of the fact that under the Reform Scheme money is urgently wanted for a number of wholesale purposes to which the people attach the greatest importance. The attempt to increase the supply of funds for railway purposes, be it by additional taxation in the shape of increased railway rates or by increased budget allotments, will be viewed with suspicion by the Indian public and will lead to agitation of a disagreeable character.

Question No. 26.—The financial results are not at all satisfactory either to the State or to the public. Coming as they do after years of actual loss to the State, they do not justify further immediate extensions either by the State or through subsidised companies.

Part V.

Question No. 34.—No. Shortage in rolling-stock lies at the root of the failure. There have been large additions to the number of wagons during the past couple of decades, but still the total is not adequate. The maintenance of the system of control of traffic even after the disappearance of War conditions proves that, if any proof be necessary. The only thing to remedy the defect is to bring up the rolling-stock to the requisite level and to duplicate the important lines, both matters of improvement. The employment of all available funds in this direction is absolutely necessary.

Question 35.—Safety on railways is one of the clamant needs in India. Collisions and accidents are evidently on the increase which is not explained by increase in mileage. These

have become frequent even on old lines like the East Indian Railway. This frequency of collisions and accidents on old lines cannot be explained by additions to the mileage. The machinery for investigation is not satisfactory. The method followed by the British Board of Trade has resulted in a sensible diminution. The detailed causes of every collision or accident are promptly and thoroughly investigated and published. The publicity given proves by itself a check. Here in India the reports are neither so full nor such as to inspire confidence among the public. And the arrangements for publication are anything but satisfactory. Exaggerated reports naturally find currency. The offending staff is not adequately dealt with. The punishments so far have not proved deterrent. In the United States of America automatic couplers have come to be introduced in freight cars. I would suggest the association of the general public in the work of investigation. A representative or representatives might with advantage be admitted into the committee of inquiry. And the reports about the causes of the collision or accident must be published promptly. Train thefts have assumed scandalous proportions in India, and something must be done to check them.

STATEMENT No. 82.

PUNJAB CHAMBER OF COMMERCE, DELHI.—LETTER DATED 22ND NOVEMBER, 1920.

See oral evidence, paragraphs 6518/6544.

I am directed to acknowledge the receipt of Resolution No. 405-F.-19, dated the 9th October, 1920, of the Government of India, Railway Board, on the subject of the terms of reference to the Railway Committee and to observe thereon as follows:—

My Committee, *primâ facie*, accept the principle that the railways owned by the State should be managed by the State itself either directly or through a company domiciled in India with a board sitting in India and having representatives of Government serving on the board. They consider that it is undesirable to entrust the management to a company domiciled in England and with a board sitting in London inasmuch as such a course is inconsistent with Government's accepted policy of developing responsible institutions locally in India. Moreover, in actual practice it is becoming increasingly difficult in these days of labour and economic trouble for a company to sit in London and directly manage railways at a distance of several thousand miles.

2. My Committee think that the question of administration is entirely a matter for experts to decide. But they urge the necessity for the association of experienced commercial men in the Board of Management in India and in this connection wish to draw the attention of the Committee to the following resolution adopted at the last Conference of Chambers held in Calcutta in February, 1920, on the motion of this Chamber. "That this Conference recommends to the Government of India that the recommendation of the Indian Industrial Commission about the desirability of appointing a non-official commercial member on the Railway Board be given effect to at the earliest possible date."

3. As regards the financing of railways my Committee are of opinion that the responsibility should be with the Government. They think that the maximum recommended by the Inchcape Commission is out of date and that a capital programme of 25 to 30 crores a year should be made so as to make up for the inactivity during the war. My Committee fully appreciate the difficulty of raising such a large Imperial loan in India and would suggest that loans should be raised in London, if necessary, at a fair and reasonable rate of interest. If in any particular year the full amount allotted for expenditure on railways be not spent for any reasons the balance remaining unspent should be carried forward for the next year.

4. My Committee strongly urge that the system of control by Government of rates and fares should be remodelled and that a fair ratio in rates and fares must be established for the development of industries as well as for the expansion of import trade. In this connection my Committee would draw attention to the following recommendation of the Industrial Commission on the subject, "The governing principle we think should be followed in railway rating so far as it affects industries is that internal traffic should be rated as nearly as possible on an equality with traffic of the same class and over similar distances to and from the ports."

5. For the settlement of disputes between traders and railways my Committee think that arbitration boards should be established as the provision in the Railways Act for the appointment of Railway Commissions for such purposes is unworkable.

STATEMENT No. 82 (A).

PUNJAB CHAMBER OF COMMERCE, DELHI.—MEMORANDUM DATED MARCH, 1921.

See oral evidence, paragraphs 6584/6607.

Questions Nos. 1 *to* 9.—The Chamber are of opinion that railways owned by the State should be managed by the State itself either directly or through companies domiciled in India, with boards sitting in India and having Government representation on the boards.

They consider that it is undesirable to entrust the management to a company domiciled in England and with a board sitting in London, as such a course is inconsistent with Government's accepted policy of developing responsible institution locally in India.

In actual working it is becoming increasingly difficult in these days of labour and economic trouble for a company sitting in London to directly manage railways at a distance of 6,000 miles.

Questions 10 *to* 16.—The Chamber urge the necessity for the association of experienced Commercial men in the Railway Board, and in this connection would draw the attention of the Railway Committee to the following resolution adopted by the Associated Chambers of Commerce of India and Ceylon at their conference held in February, 1920:—

> "That this conference recommends to the Government of India that the recommendation of the Indian Industrial Commission about the desirability of appointing a non-official commercial member on the Railway Board be given effect to at the earliest possible date."

The existing Railway Board should be constituted as a Department of the Government of India with a Minister having a seat in the Council, and secretaries to deal with the various branches of railway construction and working.

Question No. 17.—The Chamber are of opinion that the supply of funds for new construction and improvement of existing railways has not been adequate in the past. They are also of opinion that the maximum recommended by the Inchcape Commission is out of date, and that a capital programme of 25 to 30 crores a year for a few years should be drawn up to remedy the inactivity during the war. They would also urge that if in any particular year the full amount allotted for capital expenditure on railways is not spent the lapse should be carried forward and made available for expenditure in the following years.

Question No. 18.—The Chamber support the principle that the available capital funds should for the present be devoted to the improvement of existing railways and to the provision of an adequate supply of rolling stock.

Question No. 19.—Please see reply to Question No. 17.

Question No. 20.—Capital funds should be raised entirely by Government at the best rate obtainable either in England or in India. These funds should not be merged into the Indian Budget, nor should they be utilised for any purpose other than railways.

Question No. 21.—The Chamber do not favour the policy of raising capital by means of the "Branch line terms." The formation of private companies for the purpose of financing the construction of new lines should be discontinued. The promoters of these companies receive a handsome commission which would be saved if Government raised the necessary capital. The directors and managing agents take a good slice out of the net earnings, and the poor shareholders have to be content with a modest 4 per cent. dividend and depreciated scraps of paper.

It is the duty of Government to provide communications to help in the development of the country. Private enterprise and capital should be devoted to industries. The existing branch lines should be purchased by Government and merged into their parent lines. The capital thus set free would find its way into industries and thus benefit the country.

Question No. 22.—The Chamber are in favour of all the funds required for capital expenditure on railways being raised direct by the Government of India or by the Secretary of State for India on the best possible terms.

Questions Nos. 23, 24 *and* 25.—No remarks.

Question No. 26.—The Chamber are distinctly of opinion that making the railway capital programme dependent on the general revenue position of the Government of India has been detrimental to railway improvement and development, because in the case of war or famine the railway budget is curtailed, work is dislocated and the completion of projects delayed considerably, thus involving a loss in the shape of interest on unremunerative capital.

In view of the increased rate of interest at which capital can now be raised, coupled with the increased cost of working, it appears to the Chamber that rates and fares on railways must be enhanced to prevent railways being a burden on the general taxpayer.

Question No. 27.—The statements indicate that company's working is more beneficial to Government than State management.

The Chamber would venture to point out that the comparison is not a fair one, inasmuch as the State managed railways presumably include expensive military railways on the N.W. Frontier which give little or no return on the capital invested in them.

Question No. 28.—The Chamber are of opinion that the Railway Budget should be entirely distinct from and independent of the Indian Budget and that lapses should be carried forward.

Question No. 29.—The Chamber agree that no alteration can be made in the existing system of reserving funds to meet English liabilities for stores to be supplied, but would suggest that early intimation be given to India of anticipated lapses in England so that arrangements may, if possible, be made to utilise the funds in India.

Question No. 30.—The Chamber strongly urge that the system of control by Government of rates and fares should be remodelled, and that a fair ratio in rates and fares should be established for the development of industries as well as for the expansion of import trade. In this connection the Chamber would draw attention to the following recommendation of the Industrial Commission (page 272) on the subject:—

> "The governing principle we think should be followed in railway rating so far as it affects industries is that internal traffic should be rated as nearly as possible on an equality with traffic of the same class, and over similar distances to and from the port."

Question No. 31.—No remarks.

Question No. 32.—For the settlement of disputes between traders and railways the Chamber think that arbitration boards should be established, as the provision in the Railway Act for the appointment of Railway Commissions for such purposes is unworkable.

Question No. 33.—No remarks.

Question No. 34.—To enable railways to meet the requirements of industries it is essential that an adequate supply of rolling stock be arranged for as early as possible, particularly for the transport of coal, which is of vital interest to all industries.

STATEMENT No. 83.

HARCHANDRAI VISHINDAS, Esq., M.L.A., President, Karachi Municipality.—MEMORANDUM DATED 11TH MARCH, 1921.

See oral evidence, paragraphs 6584/6607.

1. I am in favour of State management for the following reasons:—

Railways should not be regarded as a merely commercial concern, but as one of the greatest products of science which has brought incalculable facilities and comforts to mankind. Incidentally it turns out to be a profit-making machine also. But the benefit to the people must be kept in view as the predominant object. And whatever tends to the attainment of that object should be given preference. A company consisting of shareholders will have money making as its chief purpose. And naturally so. Their conduct in so managing their business as to bring out the

largest return on their shareholders' investments would not be reasonably open to censure. And, therefore, where the convenience of the people who make use of railways militates against the pecuniary interest of the shareholders, that pecuniary interest is more likely to be looked after by company management than the good of the public. Not so in the case of the State, the constituent governing members of which collect funds from the public and administer them for the advantage of the public, merely as trustees without any motive of bringing any gain into their private purses. They in managing railways will be more guided by considerations of happiness of the people than large dividends.

As time goes on, the public gets growing influence over Government. The pressure of public opinion as expressed in the press, from the platform and other sources oftentimes has the effect of forcing the hands of Government even against their will. Therefore, whenever there is a public outcry against any hardship in railway management, that hardship stands a by far better chance of redress at the hands of Government than at those of a company, who will give greater weight to what brings more earning to their constitutents, the shareholders.

Further, it was pointed out in the debate in the Legislative Assembly yesterday on the demand for railway grant, by Mr. Kamat, that the G.I.P. Railway mostly entertain European and Anglo-Indian employees in their several departments and do not employ Indians—companies which are all more or less of foreign composition will have a tendency to exclude Indians from their services. This has to be deprecated on the ground of costliness as also on the public ground that the children of the soil would have a legitimate grievance on account of this unfair treatment to them in their own country. Whereas in case the management were in the hands of Government, the latter would be subjected to criticism if any such unfairness on their part became rampant, which they could not disregard.

In this view I am supported by so eminent an authority as the Bengal Chamber of Commerce. See their Report for 1907, Vol. I, p. 12, paragraph 4: "There is in State management also room for providing for the more extended employment of Indians of education in other than clerical work. Many of the higher appointments on Indian railways might be filled by Indians after a course of suitable training; and though a career is, I understand, theoretically open on company-managed lines to Indians with the requisite talents, I believe that in practice the higher grades are almost entirely recruited from England."

I have had no direct connection with any railway, and, therefore, speak only from my experience as a travelling man, a consignor and consignee of goods, and as one who has been in public life for long. But I have been in touch with this question of State *versus* company management and interested myself with debates on the subject in the Viceroy's Council.

The only objections that can conceivably be raised against State management are that Government wheels grind slow, that their methods are vitiated by red tape and circumlocution. The reply to that is that Government have been working railways for a long time and must have acquired enough experience to rid themselves of these shortcomings. Besides they have had before them the example of the working of the company railways for a sufficiently long time to be able to copy them.

But even if these objections are well founded, they ought to give way to the larger considerations above referred to.

This disposes of the whole Part I of the questionnaire.

Part II.

Question No. 10.— The Railway Board have not proved the success it was intended to be, and has disappointed expectations. At yesterday's debate in the Legislative Assembly, Sir C. P. Sivaswamy Iyer launched a severe and grave indictment against it, calling it a useless and obsolete body, instancing cases where it had failed in its duty or to be of any use to the public. The speaker went so far in this condemnation as to move for the refusal of the whole grant for its maintenance charges for the ensuing year; in fact, he wanted it to be cut out root and branch at that very moment. Although the Assembly did not vote for this extreme proposition, nor did the mover seriously press it to be carried to a division, the sense of the Assembly seemed to be in favour of the motion. Indeed, Government defence itself was feeble. I think both European and Indian mercantile opinion is against the continuance of the Railway Board, as it seems to have failed to remove legitimate grievances. One European Member in yesterday's debate, although not favouring the immediate aboltion of the Board, did bear testimony to its unsatisfactory conduct of business.

My answers to Questions 14 and 16 are in the negative. And my opinion is that while nationalising the railways Government themselves should take charge of the department and the Board be done away with.

Part III.

Question No. 17.—Considering that many demands for railways in the country have remained unsatisfied, and, speaking of nearer home, our demand for the Karachi Delhi direct broad-gauge route, which will open up the traversed country and be of great benefit to the mercantile, agricultural, and general public, in so far as it will materially quicken all sorts of traffic between the territory covered and foreign countries in the West, *viz.*, Europe and America, through the port of Karachi, and that that demand will go on waiting for long before it is satisfied; the reply to this question must be an undoubted negative. In fact, the point has been hitherto admitted on all hands and the question must have been framed only for form's sake without there being any doubt as to what the answer would be. The inadequacy exists in all the branches mentioned.

Question No. 18.—The soundness of the policy is self-evident. On every business principle you must try to preserve, keep fit and going what you already have before you run after new acquisitions.

Question No. 20.—Wherever they can be had on the cheapest terms.

Question No. 22.—In favour of (*b*) (ii). Naturally, this ought to be the only method in case f State management, which I advocate.

Question No. 26.—Railways and irrigation being the two purposes for which Government nder ordinary conditions borrow, I don't think borrowing for railways will cause a strain on its orrowing powers.

(*a*) Yes. When another purpose like famine has turned up, railways have to be partially starved.

(*b*) No. The tax-payers' burden will be inappreciable whilst the encouragement to trade by low freights and benefit to the poor by low fares will more than repay him for the burden

Question No. 27.—The larger earnings of company-managed railways are, in my opinion, due o the richer tracts served by them. It is possible that if these same were State-managed the arnings would be still better.

Question No. 28.—The system of "lapses" leads to waste and extravagance, as unfinished orks on the expiry of the Budget term have to hang up, and should be remedied. The remedy ientioned in the N. B. to this question has been, I am informed, discontinued.

Part IV.

Question No. 30.—No. The range between the maximum and minimum rates sanctioned by overnment is so wide as to afford enough scope to the railway companies to exercise their vagaries nd injustice as witness what are called the block rates which are charged with the object of and ave the effect of diverting trade from its proper currents. This would not be possible under the anagement of Government who, having the management of all the railways in their own hands, ould have no motive to unduly favour one tract of the country at the expense of the other.

Question No. 31.—No. See Industrial Commission's Report and the evidence given there.

Question No. 32.—No. The machinery is too complicated to be brought into effective opera ion. There is on record the case of the Ambala merchant who approached the Government for he appointment of a Commission, but without result. It needs simplification.

Question No. 34.—No.

Question No. 35 (a).—I would strongly recommend greater facilities for third-class passengers, ho contribute the bulk of earnings from passenger traffic, in the shape of more accommodation, anitary convenience in carriages, food facilities, guidance by railway servants, etc. At present, he railway employees do not accord them courteous treatment.

(*b*) Another thing that requires looking into is the heavy bribes Indian merchants are obliged o pay to secure wagons. Of course, the uppermost question that will present itself will be how o stop it. This stands on the footing as other forms of bribery. My reply is that whilst it is mpossible altogether to stop bribery, there are not wanting means of checking and minimising it. he principal thing is vigilance on the part of higher officers, stricter supervision and control, and nviting and listening to complaints, and making genuine efforts to redress grievances, and have it mpressed on the lower staff that oppression will not go unpunished.

(*c*) The third thing I would suggest is the more extensive employment of Indians on the railways in all the higher and lower branches. I have quoted above the unbiassed testimony of a ody like the Bengal Chamber of Commerce as to how companies disregard the claims of the hildren of the soil. In these days it cannot be honestly denied that there are Indians of sufficient apacity to render a satisfactory account of themselves in service.

Moreover, they should be given training in all branches of railway services and for higher-rade services be sent to England for that purpose.

STATEMENT No. 84.

WALIMAHOMED HUSSANALLY, Esq., M.L.A., Karachi.—NOTE DATED 10TH MARCH, 1921.

Question No. 1.—I am of opinion that railways owned by the State should be directly managed by the State. The only connection I have had with railways is that of a traveller, and as such I have travelled over several railways in India and Europe. See oral evidence, paragraph 6584/6

My reasons for the above opinion are that such an arrangement will—

(*a*) Save the State the share of profits now paid to the managing companies.

(*b*) Trade and commerce will be developed equally all over India without any partiality to any particular locality by artificial means, such as block rates.

(*c*) Foster and develop industries of India.

(*d*) State management would be more amenable to public opinion than companies or their directors.

(*e*) While the State would look more to the development of the country, a company has more an eye on percentages they earn.

Question No. 10.—The general opinion, so far as I am able to gather, is that the railways should e managed as a department of Government of India under a Minister who should be a railway xpert, but I confess I have no experience in the matter.

Question No. 20.—In my opinion, as much capital as can be got in India should be secured, and he rest raised in England.

Question No. 27.—The statements show that company-managed railways pay better. This is robably due to the fact that companies are more economical. But if the profits that now go to the companies revert to the State there will probably be no more loss to the State than at present. But even if the return to the State be smaller, other advantages outweigh a larger return.

Question No. 28.—If the sums that lapse are rebudgetted the difficulty will vanish.

General.

1. In my opinion, all block and preferential rates should be abolished. This will, I hope, stimulate local industries.

2. As far as passenger trains are concerned—

(*a*) The number of trains now run on several railways are inadequate, and should be increased.

(*b*) Time-tables do not look to local convenience, and local trains between neighbouring large towns should be run according to a time-table made after consulting local convenience.

(*c*) Rolling stock upon almost all railways is lamentably short, and should largely be increased.

(*d*) Overcrowding in all classes, especially in the third, is most lamentable. All seats in all carriages should be numbered, and at all large stations there ought to be an officer whose duty should be to assist passengers to find accommodation and to prevent overcrowding. This matter has for years remained unremedied.

(*e*) Conveniences for third classes should be provided in all carriages.

(*f*) All reserved accommodation for Europeans and Anglo-Indians should be done away with.

(*g*) In my opinion, corridor trains are the best remedy against attacks on unprotected ladies travelling by train, and should be had recourse to on all trains.

(*h*) Restaurant cars run at present are only intended for Europeans. In my opinion, such separate cars should also be run for the benefit of Indian gentlemen; those who have scruples to take food in those now run.

(*i*) Food ordinarily supplied to third-class passengers at wayside stations is often unwholesome, and there is very little supervision over vendors. This should be remedied.

(*j*) At many large stations, like Karachi and several others, the number of coolies at the station is very limited, to the great inconvenience of passengers. These, again, demand extortionate rates, though I am aware the railway has fixed their charges. Nothing that you pay them satisfies them, not even double the fixed rates. It seems it is nobody's duty to see to this grievance of the travelling public.

(*k*) There are no through carriages provided to carry inter and third-class passengers from one line to another at junction stations, with the result that they are put to a great trouble, especially women and children, and frequently they lose their things. Moreover, a considerable time is lost in transhipment, to the great annoyance of passengers. For instance, there is hardly any reason why a few through carriages of all classes could not be run from Hyderabad Sind to Ahmedabad. Why not, again, from Karachi to Hyderabad by the Quetta mail?

STATEMENT No. 85.

Sir C. C. McLeod.—Letter dated 3rd November, 1920.

See oral evidence, Vol. II. paragraphs 7368–7609.

I am in receipt of your favour of 30th ultimo, asking if I would give evidence on the subject of the Reference to your Committee on Indian railways, which I very much regret I am unable to do as I am likely to be out of town and the time is very short, but I would like to make the following remarks on the points in the Reference that might be of some use to the Committee:—

(*a*) I am not in favour of direct State management beyond any lines that are situated where a strategic purpose is involved and, perhaps, one or two lines to enable the Government to see how the comparison with company-worked lines works out.

(*b*) I should strongly advocate management through a company domiciled in England and with a board sitting in London as against

(*c*) Management through a company domiciled in India and with a board sitting in India.

Shortly, my reasons are that no company domiciled in India could obtain members for a board in the usual way, as merchants and others who go to India obviously go to attend to their own business, and would have no time to attend so closely to the business of a railway as to be of any adequate value. For the same reason I would not advocate a combination of B and C, because the capital for these railways is usually obtained in England, and it requires capable and experienced men to guide the affairs of these companies financially as well as otherwise. I would also recommend that members of the board should not be confined entirely to officials who have served on Indian railways, but to have amongst them experienced business men who are conversant with the financial side of the question in London.

It may be of some little interest to the Committee if I hand them a copy of a note attached to the evidence I gave before the Royal Commission on Currency in 1913, and although some of the matters contained therein are rather out of date, the statement which I made and which was then correct has some points in it which bear upon this question.

Enclosure.

Note by Sir C. C. McLeod (originally prepared for the Currency Commission of 1913).

Indian Railway Finance.

The question of Indian railway finance is one that deserves the closest attention at the hands of the Royal Commissioners, seeing that Indian railways have become, perhaps, the most valuable and remunerative asset the State possesses. It is an asset which would become still more valuable if satisfactory arrangements were made for providing the capital necessary for its development. It is a factor which is not only in itself remunerative, but renders possible the development of other businesses in India. In this connection it may be convenient to refer back to March, 1907, when Lord Morley received two deputations from the Indian railway companies and from East India merchants respectively on the subject of the alleged inadequacy of the existing arrangements for railway traffic and railway finance in India. I had the honour to appear as one of the deputation of East India merchants. Lord Morley was so impressed with the representations made to him that he appointed a committee, with Sir James Mackay (now Lord Inchcape) as chairman, before which committee I gave evidence.

The committee's report, dated 5th March, 1908, was an exhaustive one, and dealt with every phase of Indian railway administration and finance.

Several witnesses before that committee gave their opinion that the 30,000 miles then open would be in the near future, increased to 100,000 miles, and the committee, from the evidence before them, stated:—

> "We believe that even their estimate of mileage is short of what will ultimately be found to be necessary in India, and we are convinced that there will be fruitful fields for large reproductive expenditure on railways in the country for years to come.".

The mileage open at present is 33,484 miles.

The average annual expenditure that could then be advantageously and profitably incurred was estimated by several expert witnesses to be from £10,000,000 to £21,000,000 annually, and the committee finally recommended an expenditure of £12,500,000 annually for eight years. If the recommendation had been acted upon, Indian railways would have been in a very different condition to that in which they are now, as I pointed out to the Secretary of State on 10th June, 1912, and 3rd June, 1913, when he received a deputation from the East Indian Section of the London Chamber of Commerce on the subject of the congestion on Indian railways, due to want of adequate financial arrangements. I annex copies of what I said on both of these occasions.

The amounts actually expended for the last five years have been as follows:—

	£	
1908-1909	10,045,071	Including lines under construction and rolling stock.
1909-1910	8,384,694	
1910-1911	7,445,928	
1911-1912	7,865,206	
1912-1913 (revised)	10,214,100	

The average annual expenditure has been £8,790,999.

During some years the expenditure has been less than the grant given by Government. The reason of such "lapses" is that the amount of the grant has not been known soon enough to enable the railway authorities to make satisfactory arrangements for the economical expenditure of the sums granted.

The whole Indian railway system is so dependent on well-considered financial arrangements that it is, in my opinion, necessary to recommend that a very much more liberal and comprehensive policy should be adopted. As a financial asset showing a rapidly increasing enhancement, that there is no other enterprise connected with the Government of India which can compare with railways. The returns for 1912 show that after meeting all interest charges on capital outlay, annuity payments, etc., there was a net surplus of 5½ millions sterling. Omitting the item of annuity payments in redemption of capital which is not properly a revenue charge, the true result for the year is a net gain of 6½ millions, with a net addition of 645 miles to the open lines. The significance of such a rapid and substantial increase is surely sufficient to call for a more liberal and far-seeing policy.

The attached diagram, extracted from the Administration Report of Railways in India for 1912, clearly shows how the gross earnings of Indian railways are rising much more rapidly than the capital expenditure, and how remunerative increased capital expenditure has proved. The percentage of net earnings to capital expenditure has been most satisfactory over a long period of years.

Sir Guy Fleetwood Wilson, the late Financial Minister to the Government of India, in his last budget speech acknowledged the "immense signficance" of our railways "as an instrument of general progress, their necessity for development of trade, their growing and, indeed, their momentous importance to the finance of India." He also adds, "our responsibility is all the greater now that they have attained a position of supreme importance in our financial system."

It is a matter of regret that he deprecated on the same occasion "any departure from a policy of the utmost caution in railway finance," while at the same time he was dealing with a record surplus return from these railways.

I have no hesitation in stating that if the recommendation of the committee appointed by Lord Morley in 1907 had been carried out the figures would have by this time shown a very much larger return, and the benefit to the trade of India as a whole would have been immense.

The railway finance policy has for many years past been very far behind the times. Traffic has overtaken the railways and left them behind it. The demands of Indian railways have quite outgrown the provision made for their betterment and extension, and it appears to me that if a very drastic change is not made in the arrangement for the regular provision of funds for railway expenditure India will suffer and her rapidly increasing industries be throttled.

The latest reports of Indian railways show a remarkable series of increases in traffic. During the period (nine months) which the several reports cover the Bombay Baroda traffic increased 200,000 tons, the Great Indian Peninsula 482,100 tons, and the East Indian 1,128,500 tons.

In the report issued by the Great Indian Peninsula the following statement appears:—

> "In the nine months under review Rs. 59,99,377 have been spent in quadrupling the line at the Bombay end, in doubling the remaining sections of the Nagpur branch, and in adding to the capacity of station yards, and the same activity must continue until the line is in a position to carry what is offered to it."

If the Government finds itself unable to supply the financial wants of the railway system it is open to them to transfer a part of their interest in Indian railways to companies working the railways, who could supply their own capital in such a way that their action would not interfere or compete with Government issues.

Mr. Robertson, after full enquiry into the system of management of railways in India, came to the conclusion that it would be to the benefit of India that Government should lease all the State railways to companies for them to work, and a similar conclusion was arrived at by the Committee

on Indian Railway Finance and Administration which sat in 1908 under the presidency of Sir James Mackay (now Lord Inchcape); and the adoption of this policy would, by freeing them from the cares of management of the State railways, probably enable the Railway Board more efficiently to develop the Indian railway system as a whole to meet the rapidly growing needs of India.

The "annual programme," carrying with it an annual allotment, has many objections. It does not allow for a sufficiently broad view to be taken of what is required by the railways. To enable the railways to arrange a comprehensive and economical programme of development it is necessary that they should have an annual allotment fixed over three or five years of the minimum amount they would have, with such additional amounts given each year as Government may find possible. This would enable each railway to work economically in carrying out the more important works. The leading companies are most anxious to improve the efficiency of their railways, and only lack the necessary funds for doing so.

In this connection, I am strongly of opinion that a connecting link between the Railway Board in India and the Financial Department would be of material advantage.

It is argued that the difficulties of arranging finance for a period of three or five years is inconvenient, but I would point out that it has never been attempted, nor can I see where any serious difficulty presents itself with such a valuable asset to work upon, and a security that can be pledged, if necessary, outside of the ordinary circle of Indian loans.

With the expansion of irrigation schemes and the natural progress of the trade of India the call for transport will become more urgent and insistent, and if a policy of foresight is now pursued it will be possible for railways to keep pace with the increase, while, on the other hand, an overcautious policy of railway finance will only lead to an aggravation of the difficulties now experienced, and the ultimate cost of setting matters right will be enormously increased.

In dealing with railway finance it should be borne in mind that it is equally necessary to help the financial position of the principal ports, which have lately been quite unable to cope with the increased traffic.

STATEMENT No. 85 (*a*).

Sir C. C. McLeod.—Memorandum dated 18th May, 1921.

State versus *Company Management*.

1. I am not in favour of direct State management for the following reasons:—

(*a*) State management removes the useful element of competition and is apt to get into a system of red-tape grooves which is not conducive to efficiency as it loses the vital force which raises company managed lines from the dead level of State management. It is also much more likely to be influenced by political considerations which are not always favourable to great and important undertakings like Indian railways. There is also the most important factor of administration. In State railway management there is no continuity of officers which is so essential to the success of a railway. This phase was a constant source of complaint in regard to the Eastern Bengal State Railway in my time—no sooner had an inexperienced officer made himself conversant with the most efficient way of working the line and studied the interest of the trade than he was removed to some other appointment to the detriment of the efficiency of the system and the interests of the State and the commercial and trading community. The State cannot be a business concern and in placing the management in the hands of companies it commands the services of keen and capable business men who have been trained on commercial principles.

(*b*) Management through companies domiciled in England is calculated to meet all that is essential for the best and most important considerations railway undertakings have to face. Their directors are responsible business men who having acquired ripe experience in India are in a position to grasp the many difficulties that occur from day to day and deal with them promptly. They are in touch with the financial world and can command the use of capital from shareholders who have faith in their conduct of management. The State is fully protected by its contract with such companies against mismanagement whilst the Railway Board, the Railway Act and Government Inspectors protect the interests of the public.

(*c*) Management through a company domiciled in India with a board sitting in India is not a feasible or desirable departure. There are few Europeans who can devote sufficient time outside of their own work to what would be required by a large railway company, and it might be difficult at present to find a board of Indian gentlemen who have the experience of such work. Moreover, and this is important, capital in India could not be raised under such conditions to any very large amount. It may come in time, but beyond some light railways and feeder lines nothing of the kind has been accomplished.

(*d*) I cannot see how a combination (*b*) and (*c*) could possibly work. The control would require to be vested at one end or the other resulting in one board becoming advisory or a constant state of friction being established.

Railway Board.

2. Although there have been complaints from time to time of the working of the Railway Board I cannot offer any alternative suggestions—a board of three to five of experienced men versed in all the different phases of railway work such as traffic engineering rates and finance should be the best way of controlling Indian railways but they should have power to decide important questions without having to wait for the time that is lost in obtaining the final sanction of the Secretary of State.

Finance.

3. This question is so large and comprehensive that it deserves the closest consideration. All the other points are minor in comparison. The whole system is more or less dependent on its finance. The Government Budget cannot provide it and it must be dealt with by the companies concerned. I cannot do better than repeat some of the points I put before the Currency Commission in 1913 which carry even more weight to-day:—

"The whole Indian railway system is so dependent on well-considered financial arrangements that it is, in my opinion, necessary to recommend that a very much more liberal and comprehensive policy should be adopted. As a financial asset showing a rapidly increasing enhancement, that there is no other enterprise connected with the Government of India which can compare with railways. The returns for 1912 show that after meeting all interest charges on capital outlay, annuity payment, etc., there was a net surplus of 5½ millions sterling. Omitting the item of annuity payments in redemption of capital which is not properly a revenue charge, the true result for the year is a net gain of 6½ millions, with a net addition of 645 miles to the open lines. The significance of such a rapid and substantial increase is surely sufficient to call for a more liberal and far-seeing policy.

"The railway finance policy has for many years past been very far behind the times. Traffic has overtaken the railways, and left them behind it. The demands of Indian railways have quite outgrown the provision made for their betterment and extension, and, it appears to me that if a very drastic change is not made in the arrangement for the regular provision of funds for railway expenditure, India will suffer and her rapidly increasing industries be throttled.

"If the Government finds itself unable to supply the financial wants of the railway system, it is open to them to transfer a part of their interest in Indian railways to companies working the railways, who could supply their own capital in such a way that their action would not interfere or compete with Government issues.

"The 'Annual Programme' carrying with it an annual allotment, has many objections. It does not allow for a sufficiently broad view to be taken of what is required by the railways. To enable the railways to arrange a comprehensive and economical programme of development, it is necessary that they should have an annual allotment fixed over three or five years of the minimum amount they would have, with such additional amounts given each year, as Government may find possible. This would enable each railway to work economically in carrying out the more important works. The leading companies are most anxious to improve the efficiency of their railways, and only lack the necessary funds for doing so."

With the increased cost of material and labour it will be seen by comparison that anything less than a grant of £20/25,000,000 per annum would not meet the present needs.

4. I understand the present system of control by Government of rates and fares and the machinery for deciding disputes between railways and traders work satisfactorily.

5. If Feeder lines are to be encouraged it will be necessary for the guarantee to be raised to 5 per cent. under existing conditions. I think encouragement should be given to Indian Companies producing wagons and other railway accessories.

STATEMENT No. 86.

Sir G. H. Ryan, Bart., Chairman, Phœnix Assurance Company.—Memorandum dated 26th May, 1921.

I am happy to attend as a witness before the committee, but cannot lay claim to any specialised knowledge of the subject with which the committee has to deal. As an official concerned in the investments of one of the larger insurance companies for many years I have had to study the peculiarities of Indian Government and Indian railway investments, but it is only with this measure of knowledge and experience that I can profess to deal with the subject.

See oral evidence, Vol. II. paragraphs 7610–7707.

Insurance Companies' Holdings.

2. I have endeavoured to ascertain to what extent the leading Insurance Companies are, or have been, interested in the investments under consideration, but I have not been able to obtain accurate figures as the Parliamentary returns include in the same heading Indian and Colonial railways.

In the case of my own company we held 8 per cent. of our total funds in these securities 10 years ago against 4½ per cent. at the present moment. I am, however, unable to say whether the figures relating to other companies would be similar to ours.

Alleged Unpopularity of Indian Railway Securities.

3. Dealing in the first place with the railway as distinguished from the purely Government securities, I think there can be little doubt that as a class Indian railway securities have been falling into disfavour with insurance companies and investors generally throughout the last 20 years. Many reasons contribute to this fact among which I should place the following:—

(*a*) Ignorance as to the effect of the true nature and value of the guarantee of the Government of India. Some imagine this to be equivalent to the guarantee of the British Government, and when it is pointed out that this is not the case, fail to understand why it is not so or to attach full value to the guarantee.

(*b*) The manifold and complicated nature of the various railway securities: terminable annuities, with and without sinking fund; guaranteed stocks, with and without participation in surplus earnings; and so on. No identical policy is followed in the case of the several leading companies.

(*c*) The large number and often small subscribed capital of Indian railways. In many cases the capital is insufficient when sub-divided into its various issues to make a free market.

(*d*) Political and social conditions, such as military disturbances, civil disaffection, the reduced status of the Indian Civil Service.

The State as a Borrower.

4 In addition to the above inherent sources of objection, the loans have been issued by a Government Department, lacking all personal authority and support from leading financiers in touch with the Home market, and have not been adequately explained by public advertisement. A glance at the press during the past five years at times when British Government War Loans were being issued will show how important the art of advertising is now held to be in presenting new loans to the public.

Future Needs and Methods of Raising Capital.

5. It is apparent that large sums of money will be needed to carry on effectively the Indian railway system in future. I understand that the committee invite suggestions as to the methods in which the necessary sums can be obtained from investors. I may be pardoned, therefore, for making a few purely personal remarks on this head.

I am disposed to think that if it were feasible a scheme should be adopted by which future capital should be raised by a consolidated railway loan, following somewhat the lines of our local loans stock by which funds are collected to be applied under the authority of the Government for various reasons Indian railway securities stand on a less favourable basis of value than the similar this course would be that, so far as the future raising of money was concerned, all complicated and cumbrous methods of past Indian railway finance would be abandoned, and in course of time a large comprehensive loan would be created which might rank in popularity with the various issues of great-trunk railway systems like the Canadian Pacific and the Central Argentine. For various reasons Indian railway securities stand on a less favourable basis of value than the similar securities of the two systems I have mentioned, and I see no reason why this difference should not disappear under the condition named.

Another suggestion I would throw out is that Indian Government and Indian railway loans should in future be placed upon our market through Advisory Council of the Secretary of State for India. The appearance on every prospectus of the names of this Council, including financiers of high status in London, would ensure in my judgment a better reception for the loans than if they were issued direct from the Government department, as is now the case.

STATEMENT No. 87.

BOARD OF DIRECTORS, BURMA RAILWAYS COMPANY.—LETTER DATED 9TH NOVEMBER, 1920.

See oral evidence, Vol. II. paragraphs 7708–7973.

In reply to Mr. Gauld's letter No. P. W. 5265 of 30th October, 1920, I am directed to say that the Board of Directors of the Burma Railways propose to put evidence before the Commission as regards paragraph 1:—

(*a*) Against State Management.

(*b*) In favour of Management through a Company domiciled in England with a board sitting in London.

(*c*) Against Management through a Company domiciled in India with a board sitting in India.

(*d*) Against Management through a combination of (*b*) and (*c*).

As regards paragraphs 2 and 4, the board have no evidence to offer.

In regards to paragraph 3 they propose to draw attention to the inadequacy of capital allotments, under the present financial system, especially in case of new construction, and to point out that existing branch line terms are not likely to attract Indian capital to undertake such branch lines as are necessary for development of Burma.

The board propose to offer their evidence to the commission in India through the Managing Director.

STATEMENT No. 87 (*a*).

BOARD OF DIRECTORS, BURMA RAILWAYS COMPANY.—MEMORANDUM DATED MAY, 1921.

State versus *Company Management.*

The guaranteed railways are now a source of considerable profit to the State. Is it likely that they would be as remunerative under State management? Each company has a direct interest in fostering its system as a profit-earning concern, by means of developing traffic and introducing the most efficient types of rolling stock, permanent way, etc. Would a large central department give the same individual attention to railways and be likely to produce as satisfactory results?

State management is liable to political pressure, which is not always in the interests of successful railway working. Company management is not so susceptible to such influence.

The staff of a company-worked railway belong to that railway; the senior officers have spent all their service on it, know it thoroughly, and their interests are wholly identified with it. The officers of a State railway are liable to be transferred from time to time from one system to another, and cannot have the same personal knowledge of, or interest in, the particular railway they may find themselves attached to.

Management by a Board in India versus *a London Board.*

The question of management by an Indian *versus* an English board seems to resolve itself into:—

(1) Whether as competent boards could be obtained in India as in England.

(2) Whether Indian boards could as efficiently carry out the duties required of them as English boards.

As to (1), the board of a railway is composed, first of men with expert railway experience, then of financial and business experts. To obtain men of this type in case of a board sitting in London is an easy matter. Railway experts retired from service in India, who can devote their whole energies to the work and are willing to accept the small salaries paid are readily available. the same may be said of financial and business experts.

In case of a board located in India, it would be difficult to obtain the same class of railway expert and impossible on anything like the scale of pay now ruling. Men of the requisite type would necessarily have retired or be near their retirement, and would demand high salaries to induce them to throw up their appointments, or stay in India if retired. Moreover, few men after the age of retirement can remain long in India with advantage to themselves or their business. The same may be said of financial experts of anything but purely local experience. Financial and business experts with local experience could be obtained, but they would be men whose time was taken up with their own business, and would have little leisure to spare for railway work.

As to (2), in addition to directing railway policy generally, scrutinising revenue estimates, watching over and controlling revenue expenditure and dealing with such matters as pay and allowances of staff, leave rules, additional traffic facilities, distribution of dividends, and registration of transfers, etc., the London boards are in touch with the Secretary of State on the matter of their contracts, the raising of capital and other questions; they place contracts for materials and rolling stock in consultation with their consulting engineers, and arrange for shipping and insurance of stores sent to India. They must keep up to date in all matters connected with improvements in railway working, increase in the power of locomotives, use of high capacity rolling stock, strengthening of permanent way and girder bridges, and of late in case of the Burma Railways, the possibility of using inferior qualities of coal in pulverised or other forms. All such questions they discuss with their consulting engineers, who are necessarily in London. To efficiently study such questions and perform such duties, a board located in India should include one or more railway experts on high salaries. Boards composed of local business men, would not possess the necessary qualifications, and it is submitted that such duties could not be carried out as efficiently in India as in London; some of them, the placing of contracts and arranging for shipping and insurance, could not be done at all without the establishment of an office or agency in London.

There seem to be no directions in which boards in India would be more efficient than those in London. They would be under the same financial control and disabilities connected therewith as boards in London. The London boards exchange weekly confidential letters with their agent, who keeps them in touch with Indian requirements and conditions, and frequent visits to India are made by the managing director.

The London boards are thus not out of touch with conditions in India.

Management by London Board with a Board sitting in India.

The establishment of boards both in London and India does not seem to have anything to recommend it. It would probably result in overlapping and disputes, while the Agent having two masters would be in an unenviable position. The Indian Board would consist of local business men, who might have local axes to grind and whose influence in regard to the purchase of stores locally might not be desirable. Such a board with merely advisory powers, would not be so objectionable a proposition, but it might prove an embarrassment to the agent in many ways.

Most of the Chambers of Commerce already possess railway sub-committees, who, it is contended, do all that is necessary in bringing before agents questions in which local interests are concerned.

Finance.

In common with other Indian guaranteed railways, the Burma railways are dependent on the Government of India for funds for financing new lines. For some years before the War money was not forthcoming for the construction of certain branches the company wished to undertake.

Of late the local Government have decided to devote part of the profits, made from the rice control, to the construction of branches that would benefit the culivator; this has relieved the position, and some branches financed in this way are being commenced.

To develop the traffic of the railway, however, further capital is required for the provision of more rolling stock, extension of workshops, relaying with heavier rails, renewal of weak girders and remodelling of station yards. Funds for such purposes should, the directors consider, continue to be provided by the Secretary of State, or by debenture loans raised by the company. Indian capital raised by branch line companies could provide for further branches or extensions, but branch line terms will require improvement, as those now in force cannot attract capital.

The system under which capital, whether raised by the Secretary of State or the company, is doled out for expenditure in accordance with the exigencies of the Government of India Finance, rather than with the requirements of the railway is, of course, detrimental to the interests of the railway.

STATEMENT No. 88.

Sir JOHN PRESCOTT HEWETT, G.C.S.I., K.B.E., C.S.I.—LETTER DATED 1ST NOVEMBER, 1920.

See oral evidence, Vol. II. paragraphs 8411—8495.

I much appreciate the invitation given to me in your P.W. 5265, dated 30th October, which reached me to-day, to give evidence before the Committee on the administration of Indian railways. I feel very doubtful, however, whether, for the following reasons, I should be able to give evidence of any value:—

(1) No. 1 of the order of reference. I have never been a director of a railway company working in India but with a board in London, and I feel that lack of experience of the working of such a board disqualifies me from giving an opinion of any value on this point. I am opposed to direct State management except as an example.

(2) My official connection with the Railway Board ceased on 31st December, 1906. I believe that considerable changes in the system of control exercised over the railway administration have taken place since then, but I am quite ignorant of the direction which they have taken. Consequently I could not give an opinion of any value regarding item 2 of the terms of reference.

(3) I have a general opinion that private enterprise and capital should be much more freely used for the construction of new lines than has been permitted in the past, and that it has been a misfortune that the extension of the railway system has been checked by the inadequacy of the railway programme for many years, but I have not recently given any study to the figures of the past years.

(4) Item 4 of the terms of reference. I have no knowledge of the present system of control by Government of rates and fares or of the machinery for deciding disputes between railways and traders.

I am very much occupied at present in making my own arrangements for a visit to India, and feel that I should not have leisure in which to refresh my knowledge on the matters under reference to the Committee in time to give evidence before they leave for India. If, in spite of what I have written, the Committee should still desire to ask me any questions, would it be possible for them to put them to me while they are in India?

PART II.—STATEMENTS IN CONNECTION WITH WHICH WITNESSES WERE NOT ORALLY EXAMINED.

STATEMENT No. 89.

SOUTHERN PUNJAB RAILWAY COMPANY.—LETTER DATED 11TH NOVEMBER, 1920, TO THE INDIA OFFICE.

I have the honour to acknowledge receipt of your letter P.W. 5265 of 30th October, 1920, enclosing a copy of the terms of reference to the Committee which the Secretary of State has appointed to consider various questions in connection with the administration of Indian railways.

In reply, I am instructed to enclose a note by Sir Bradford Leslie,* the chairman of this company, and to add that he does not desire to give evidence, but has ventured to put forward for such consideration as the Committee may think desirable his views on the several methods of management, (*a*), (*b*), (*c*), (*d*), mentioned.

I am also instructed to enclose a note by Sir Stephen Finney, the deputy-chairman of the company, and to add that he is prepared to give evidence thereon if the Committee desire to hear him.

* Note by Sir Bradford Leslie, not reproduced.

NOTE BY SIR STEPHEN FINNEY.

Terms of Reference.

1. *Paragraph* 1 (*a*)—*Direct State Management.*—The following considerations have led me to deem this arrangement unsuitable:—

(1) Undesirable for Government to be concerned directly in trade in India and to be liable to be put into court by aggrieved traders.

(2) The business of the direct control of all the railways is too big a one for the Government of India as constituted at present; it would be difficult, if not impossible, for adequate supervision to be given if the State owned and worked all the lines of the country.

(3) The great evil of over-centralisation.

(4) The difficulties of dealing with staff. I do not in any way imply that the State railway staff is less efficient than that on a company line, but any State railway manager will know what these difficulties are.

(5) The pliability of Government in regard to the grant of concessions for the benefit of a particular person or class, which are provided and paid for by the taxpayers generally.

(6) The danger of the introduction of rates or concessions in deference to the views of someone high in authority, which result in no advantage to the railways or the public.

(7) Political considerations. These did not exist in India 20 years ago, but they are increasing in force year by year.

2. But I should not advise any alteration in the status of the existing State railways, and in respect to this aspect of the case desire to make the following remarks:—

Two questions seem to arise: first, State ownership, and secondly, State management, and the points should be considered separately. As regards ownership, I think experience shows that the State should have the option of owning or of purchasing every line at certain stated intervals, but it does not follow that the State should manage and work the line, or even that it should construct it. No doubt when railways were first made in India there was considerable extravagance, but the work was novel, and experience had to be bought and paid for; it is true that the early contracts gave Government the option of taking over the lines at certain intervals, but the terms were too favourable, as a rule, for the companies.

At the present time the tendency is to alter the terms considerably in favour of Government; the latter in modern times supply a large portion of the capital—19-20ths or 39-40ths, or any portion which may be decided on—and the shareholders the remaining portion, so the Government money in the railway work is very large, and the bulk of the profits go for the benefit of the taxpayer.

But with this enormous interest in the results of the working of the railways, it is necessary for Government to have officers with special local knowledge and experience of railway working to supervise the operations of the company-worked lines, and for this reason alone, in my opinion, it is necessary to have a certain number of railways worked directly by the State; at present there are three—the North-Western, Oudh and Rohilkhand, and the Eastern Bengal—and I think they are sufficient for the purpose indicated.

3. *Paragraph* 1 (*c*)—*Company domiciled in India.*—Difficulty of obtaining directors with the necessary technical qualifications, and want of continuity on account of retirement or absence from India of the English directors. Objections of English stockholders.

4. *Paragraph* 2—*Railway Board.*—Insufficient authority of the President, who should be an Ordinary Member of Council. The Railway Department is one of the most important in the country, and is not adequately represented in the Supreme Council.

5. *Paragraph* 3.—The terms offered by the Bombay Government for the Development Loan are not encouraging to anyone proposing to obtain money in India for new lines, and I doubt if funds could be raised in this manner except at exorbitant interest. Money to construct branch lines on rebate terms may possibly be subscribed, but adequate inducement would, I think, be required to get them. I am not, however, an expert on finance.

6. *Paragraph* 4—*Rates and Fares.*—Present system of control by Government of rates and fares is workable, but the machinery for deciding disputes between railways and traders under Section 26 of Act IX of 1890 is cumbersome. The companies would, I think, accept Government arbitration in regard to concessions, and in most cases the views of the Government regarding rates and fares would not be disputed by them.

STATEMENT No. 90.

THE GOVERNMENT OF BENGAL.—LETTER DATED THE 15TH FEBRUARY, 1921.

I am directed to say that his Excellency the Governor, acting with the honourable Minister, has considered the questionnaire framed by the Indian Railway Committee, 1920, and to furnish the Committee with the following replies to some of the questions:—

Question No. 1.—The Government of Bengal are in favour of State management, provided such management is conducted on up-to-date business principles. At the same time the advantages which accrue from company management are fully recognised, specially when accompanied by effective State control.

Question No. 2.—On the whole, the Government of Bengal are satisfied with the existing conditions in the Province, *viz.*, that some lines of railway should remain under State management and others under Company management. The co-existence of the two systems is beneficial both to the public and to the railway administrations.

Question Nos. 3 *and* 5.—While not advocating management by companies of every railway system, the Government of Bengal are of opinion that the existence of Home boards of the more important company-managed lines constitutes a serious difficulty in railway administration in India inasmuch as these boards are conservative, slow, and inaccessible. They would have no objection to the constitution of boards domiciled in India, provided that such boards really take the place of Home boards, and are not simply the delegates of the latter.

They are not blind, however, to the probability that this arrangement may be resented by the large number of sterling shareholders of leading trunk lines who are usually resident in the United Kingdom.

Question No. 6.—The shareholders might be represented on the boards by the election of directors from the general body.

Officials of the companies acquainted with the management and financing of railways might be *ex-officio* directors. Some of the directors should be men with commercial experience.

Government should be represented by an *ex-officio* officer of Government.

Question No. 7.—It is believed that, notwithstanding the fluctuations in the personnel of the commercial community in India, it would be possible to form local boards domiciled in this country.

The Government of Bengal offer no opinion on the second part of the question.

In reply to the third part of the question, some of, not necessarily all, the directors should be conversant with construction and finance of railways.

Question No. 8.—Yes. The possibility should receive consideration. It could be arranged that the number of directors having such interests should not form a majority.

Question No. 9.—The combination which has been suggested does not appeal to the Government of Bengal as either practicable or desirable.

Question No. 10.—While it is not considered entirely satisfactory, the Government of Bengal have no definite alternative to propose.

A means of bringing the Local Government, commercial interests, and the public more closely and quickly into touch with the management is required.

Question No. 13.—To the Government of Bengal it appears that the Railway Board exercise too meticulous a power of control in these matters and that railway administration should be given greater powers of final control. The management should be in more direct touch with the Local Government, which would then be in a position effectively to impress their views in these matters.

Question No. 17.—Judging from results in Bengal, the supply of funds appears hitherto to have been inadequate under (*a*) new construction and (*c*) improvement of existing railways in so far as the provision of adequate rolling stock for both passenger and goods traffic is concerned.

As regards (*b*), the Government of Bengal are satisfied that, except in the circumstances created by the late war, maintenance has generally been satisfactory.

Question No. 18.—The results indicate that the policy is unsatisfactory and unsound as it has resulted in tardy development of the resources of the country owing to insufficiency of railway extension.

Question No. 20.—Yes.

Question No. 21.—Results appear to indicate that the arrangements are inadequate.

Question No. 26 (*a*).—The results appear to indicate that it has.

(*b*) Yes. Railways should be run on sound commercial lines and should not be a burden on the general tax-payer.

Question No. 27.—No.

Question No. 30.—Yes.

Question No. 31.—Generally speaking, the powers have been wisely used in the interests of the public. Cases of dissatisfaction expressed by representations from comparatively small sections of the public are generally met by the railway administration by the plea of inadequate funds.

Question No. 34.—No; the most urgent and vital reform called for is the adequate supply of wagons. If a really serious effort were made to remove this crying defect which has been allowed to exist for ten years or so, the restoration of the balance of trade, and with it of exchange, would be accelerated and the revenues of the Government of India much improved.

Question No. 35.—Assuming railway companies' boards of directors to remain in England, it has been suggested that there should be local boards in Calcutta, either with certain limited powers transferred to them or, possibly, only advisory. Local boards of this nature would be useful not only for Company-managed, but also for State-managed railways. They would enable both the Local Government and the public to be in closer touch with the management of the railways than is the case at present. At present the public do not appear to realise that railways are under the control of the Railway Board, and they do not, as a rule, make representations direct to the Board They are not in direct touch with the management . As a result, a considerable number of representations and memorials from the public are submitted to the Local Government, who, having no power of administration, have no option but to forward the representations to the Railway

Board for disposal. No reply can, as a rule, be given until the Railway Board have consulted the management and ascertained their policy and views. There is no doubt that if the Local Government had a representative on local Advisory Boards of Railways, it would bring the Local Government and the public into more direct touch with the management than at present. Replies to representations and memorials would be expedited in matters relating to the internal economy and management of railways to the extent to which the management is vested with powers. Moreover, in cases in which a decision rests with the Railway Board, the management would be able to place their own views as well as those of the public before the Board in a comprehensive form instead of waiting for the Board to address them. The public would thus obtain quicker replies to their representations and would feel that the Local Government had their interests at heart. The Local Director of Industries would be a suitable representative of the Local Government on Advisary Boards in all matters connected with industrial development. There is no reason why he should not also be "liaison" officer between the Local Government and the management in matters connected with the comfort and welfare of the public, which the Local Government may direct him to take up, as a member of the Local Board, with the management. Matters of this nature would be referred to him by the Secretary to the Local Government in the Railway Department.

STATEMENT No. 91.

THE GOVERNMENT OF BURMA.—LETTER DATED 18TH JANUARY, 1921.

With reference to Mr. Tomkins' letter No. 405—F.-19 of the 3rd December, 1920, I am directed to submit herewith a Note which has been personally written by Sir R. Craddock, Lieutenant-Governor of Burma, on the points raised in the Questionnaire forwarded with the letter cited above. This Note incorporates the views of the Local Government on the matters included within the scope of the Committee's reference and the Local Government does not desire to add anything to the Note recorded by His Honour.

2. It is understood that the Burma Chamber of Commerce and Messrs. J. P. Hardiman and W. J. Keith, C.I.E., both of whom are Divisional Commissioners and who are the local officers best qualified to speak on railway matters, have already forwarded to you direct their replies* to certain questions in the Committee's Questionnaire.

ENCLOSURE.

Note of the 27th December, 1920, by the Honourable Sir Reginald Craddock, K.C.S.I., I.C.S., Lieutenant-Governor of Burma.

I cannot claim to be an expert on any of the matters dealt with in the Questionnaire of the Indian Railway Committee, but in the course of my service I have had some contact with railway problems, and, in so far as I have formed any views on the subject under enquiry, I put them down for such consideration as they may be worth.

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

One has only to look at the expansion of the revenues of the country since railways were constructed, and to imagine what would have happened if they had not been constructed, to realise this. Naturally the private investor is not anxious to wait for several years for a return on his capital. But the State, even though the direct return in the shape of net earnings does not cover the interest it has to pay for the loans, is either receiving or paying the way for receiving an indirect return for its outlay and can feel assured that the railway, sometimes rapidly, sometimes more slowly, but always certainly, is adding to the wealth of the tract and the people which the line serves.

3. In deciding the question whether the State should or should not undertake the construction of a particular line the Government is apt to examine the issue only from the point of view of the prospects of the line to the private investor, forgetful of the fact that if the private investor were going to participate as the State is, in the general revenue returns, he would put money into many enterprises which he does not now favour, simply because he has only the actual net earnings to which to look for his profit. Moreover, there are few new railways now that could be constructed which would not bring traffic to lines already in existence in which the State is largely interested, either as sole owner or a large sharer. These profits again are not open to the private investor. Hence it is clear that the mere fact that a particular project will not attract the necessary private capital required for its construction is no reason at all for the State to refuse to undertake it from public funds or from loans raised from the public. In earlier days Government was somewhat bolder than it is now in these matters, and there are many important lines in India which migh never have been constructed if the test had been the immediate net earnings of the project undertaken. The Bengal Nagpur Railway offers a good example.

4. The question whether the State should or should not undertake the construction of additional railways must depend upon the ultimate prospects of a return indirect as well as direct. A few railways can safely be undertaken on the direct return basis when these will be constructed through tracts already well developed but in the great majority of cases direct returns on the railway are a matter of gradual realisation. A former Agent of the Bengal-Nagpur Railway, the late Mr. Manson, used to reproach me because I had induced the Company and the Government to make certain 2 ft. 6 in. gauge extensions in the Chanda District of the Central Provinces which after construction were slow in attracting traffic. He used to say to me "You made us make those lines just about 15 years too soon." It is quite true that, in the case of those particular lines that I recommended, there were strong reasons for anticipating that they

* *See* Statement Nos. 102, 127 and 128 following.

would open up an iron field which at that time was likely to be worked at a very early date. That expectation was not realised for reasons connected with the discovery of equally good iron fields much nearer situated to Bengal coal. But putting that matter aside, my reply to Mr. Manson was that whenever those lines had been constructed they would always, from his point of view, have been constructed 15 years too soon. The fact was that though those tracts presented great possibilities of development they had reached a stage at which further development could not take place without the assistance of a railway. Road construction had produced as much progress in a thinly populated country which it was likely to produce and it needed the stimulus of a railway to start it on a further course of progress. Those particular lines may not have carried enough traffic on their own particular lengths to have justified their construction from a narrow point of view, but no one has ever examined what traffic they have brought to the main lines, and no one so far as I know has fully examined what development in cultivation and in other various forms of revenue has taken place in the tracts which those lines serve. These lines may possibly only pay a 2 per cent. on their capital cost, but taking all other factors into consideration they were certainly worth the cost of their construction.

5. In examining a project, therefore, as a likely project to be constructed by the State, it is necessary to estimate first the immediate direct returns likely to be obtained, and secondly the amount of development which is likely to follow the construction of the line. If the State lays too much stress on the first consideration, and neglects the second, it will hardly construct any railways at all. Or if it takes the line that the potentialities of these tracts must be further developed independently of railways before the construction of the railway would be justified in nine cases out of ten it would be postponing the project indefinitely, because the country will have advanced to the farthest stage that its lack of communications will permit of, and if you wait until it reaches a stage in which it will return immediate profits to a new railway enterprise you will have to wait for ever. That is to say, whenever it is constructed it will, from this narrow point of view, be 15 years too early.

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

7. Of late years, for reasons which are too widely known to require statement, progress in railway construction has almost come to a standstill, and simultaneously, again owing to those circumstances, the demand made upon existing railways for the carriage of additional traffic has been so great, and the expenditure, maintenance and betterment so small, that the country is confronted with a most difficult problem. It has to bring up the railway systems not only to the pre-war standard from which they have deteriorated, but to a much higher standard of efficiency in order to cope with the increased traffic, and it has also to finance a programme of new works which are crying out vainly for construction. At the present moment it would seem that new works will have to wait indefinitely and that the funds available will not even suffice for the restoration, improvement and betterment of existing railways. Simultaneously with the solution of this problem there have arisen other questions which would have arisen independently of the method of management now in force over the various systems of India. These latter questions are to some extent questions of ordinary efficiency and of methods as now in force, but to a large extent also they have a marked political origin.

8. It is contended that the railway systems managed by companies are not managed in the interests of the people of the land: that the boards of these companies sitting in London are completely out of touch with local conditions, and that the remedy lies either in converting these enterprises into pure State railways or else in changing the location and personnel of the boards from England to India.

Under Question 27 of the Committee's Questionnaire certain figures are furnished comparing the earnings of State-owned and managed railways with State-owned but Company-managed lines and the figures therein give the advantage to company-managed lines. These figures are by no means decisive, for the net earnings of a line of railway depends only partly upon relative efficiency of management and mainly on the relative productive power of the country which the railway serves. It is difficult for a layman to pronounce a competent opinion regarding the relative merits of the two systems. My own impression is that they should co-exist and that their co-existence is of mutual advanage. Experience gained on State railways which are under the direct control of the Government may enable the Government to lay down instructions for company-managed railways which without that experience they would not venture to enforce and the greater individual enterprise which particular company-managed lines may display may prove the requisite stimulus against conservatism on the part of the State railway. It is pointed out that as a matter of fact the share of the capital and profits which the State has in company-managed lines is very large, sometimes overwhelmingly large. This, in my opinion, is a great mistake. It deprives the company-managed lines of a great part of the distinctive benefits which attach to private as apart from public enterprise. Or, on the other hand, it may give to the private management a voice in settling the affairs and conduct of the enterprise which is far greater than its participation in the capital cost of the railway can possibly justify. It seems to me expedient that where company-management is permitted to continue it should be accompanied by an equal share with the State, both in the capital outlay and in the returns enjoyed.

9. The question whether the controlling board on behalf of a railway enterprise should be located in London or in India seems to me to turn very largely upon the extent to which the capital invested in the lines has been provided by English or Indian investors, and where the majority of the shareholders have their domicile. I would point to the case of the Argentine railways. Here you have a large country belonging to a sovereign State outside the Empire, but notwithstanding this fact the headquarters of the great Argentine railway companies is situated in London as that is the best centre from which new capital can be attracted. In the case of India, if in the course of years when these companies are permitted to raise further capital so as to bring up their share in the enterprise to the one-half which I have recommended it is found that the greater part of the requisite capital has been forthcoming in India and not in London, then the case for shifting the location of the Board of Control from London to India would be a strong one. There is no reason, however, why even if the Board remains in London and the number of shareholders domiciled in India is substantial or increasing that a sub-board in India should not be constituted. At present, so far as I am aware, the agent of a great line of railways stands alone. He has to conduct a battle with the Railway Board in Simla as representing the State and another battle with the board in London as representing the shareholders. The board in London and the Secretary of State in London have their additional battles *vis-à-vis* their respective interests, and the provision of new capital but for improvements which an Agent wishes to carry out, or changes in policy which local circumstances convince him are necessary, he stands practically alone when he conducts his battle with the Home Board It inevitably happens that the directors of a company at home while sitting on a board in London whatever may have been their qualifications when they were first appointed, must be growing out of touch with modern developments and modern requirements out in India, and it seems to me that a great advantage might be obtained if the agent of the company could support his recommendations by the resolutions of a sub-board of shareholders domiciled in India to whom he could personally explain the circumstances and problems with which he is dealing and who could better appreciate the strength of his arguments and the suitability of his proposals. I am firmly of the opinion that greater and more rapid progress would be attained if our large railway companies were in a position to obtain additional capital for the betterment of their railways guaranteed by the earnings of these systems and if the half and half arrangement to which I have referred were in force the demands upon the State to finance these betterments would be reduced to one-half of their present figure which would leave them greater resources wherewith to construct additional State lines where these are required and private enterprise is not forthcoming to assist.

10. Leaving aside these major considerations of larger policy I can confidently state that my experience as a Government officer in India leads me to the conclusion that the staff and personnel of the company-managed line identify themselves to a far greater extent with the progress and success of the company which they serve than do the ordinary employees of a State line. By this I do not mean to imply that Government servants employed on State railways are slack or indifferent to the efficiency of their work. But they are merely one of an enormous body of Government servants serving in one department of Government. They are not permanently attached to any one railway system and are from time to time likely to be transferred. It is possible for a Government servant to be somewhat indifferent, where purely business interests are at stake, whether that particular State railway on which he serves makes a profit or does not make a profit. Whether it is progressive or not progressive is to him no particular concern of pride or disappointment. Narrowness has its advantages when you are dealing with a semi-private enterprise. I am convinced that the advantages in these respects lie with a company-managed line. A company's servant has not the security of a Government servant whose failure or slackness is probably not visited with the same rigour, and his success and keenness not rewarded with the same personal advantage. Moreover, a company's servant may often be a shareholder in the railway.

11. Subject, therefore, to the various qualifications and suggestions that I have made, which may or may not be of any practical value, I am decidedly of opinion,

(1) that State railways and company-managed railways should co-exist,

(2) that company-managed railways should more and more tend to become company-owned railways to the extent of half the capital and assets.

(3) that so long as a substantial proportion of the capital required for the improvement and betterment of railways is forthcoming from England the Boards of Control should have their habitat in London, but that where Indian capital or capital provided by persons domiciled in India is not a negligible factor a sub-board of India-domiciled shareholders is expedient, whose views and recommendations would be of value either as supporting proposals of the agent on the spot, or of giving another point of view to be laid before the board in London as a counterpoise to the agent's recommendations,

(4) that apart from these larger questions of finance, company-management is more conducive to individual efficiency than State-management,

(5) that it is a general proposition that the railway policy of the Government in regard to future expansion should be on much bolder lines than they are at present on the ground that the Government as the shareholders of a State enterprise are also shareholders in all indirect additions to revenue which the development effected by a railway will bring about and that these indirect returns are as important, sometimes more important, than the direct dividends which a railway pays out of its traffic earnings.

12. There is one other question raised in the Questionnaire upon which I offer an opinion for what it is worth, namely the question whether the Railway Board at the Headquarters of Government should be maintained, mended or ended. As long as the Government of India administer State railways managed by the State and have such a great financial interest in railways managed by companies they must clearly have some agency at their headquarters through which they can supervise the working of the State railways and safeguard their financial interests, as well as the general safety and convenience of the public, over railways as a whole. Formerly railways were under a Member of the Government of India charged with the supervision over all public works. The reasons why this system was replaced by the Railway Board, largely at the instance of Lord Curzon, are fully accessible to the Committee on Indian railways. There has, I believe, been a general impression in railway circles that the Railway Board has not fulfilled the expectations formed when it was brought into existence. On the one side it had no independent power in respect to more important questions affecting the member

for Commerce and Industry or the Finance Member of the Government of India. On the other side it had no effective power of control over railway administrations. No one who is not working inside the office of the Railway Board is in a position to know how far these general impressions were really justified, but as far as I was able to gather while at Simla no special merit transpired from the board system. For most of my time all three members of the Board were railway experts, who while they differed *inter se* upon somewhat fundamental questions surrendered their functions to the judgment of the President. Part of the time that I was at Simla the President of the Railway Board was a non-railway man. The experiment of having a non-railway man as President could not be said to have had a fair trial on the experience of a single incumbent only. I have no doubt, notwithstanding these impressions, the Railway Board did a great deal of very useful work which had to be done by somebody. It was a kind of body with which some dissatisfaction was inevitable and similar dissatisfaction is bound to occur whatever the agency employed. But I am not at all sure that the necessary functions could not equally well or better be exercised by a Member of the Government of India for railways, with a secretary in the same department, plus technical advisers exercising inspecting and advisory functions similar to those exercised in the Forest Department by the Inspector-General of Forests, or in the Public Works Department by the Inspector-General of Irrigation. A buffer between the Government of India and the heads of railway administration is more apt to delay than to expedite, and I cannot help feeling that a member of the Government of India with his proper staff of technical advisers would be a more effective agency than a board composed of professional railway men without the full power of a Member of the Government of India to make decisions, and at the same time themselves requiring technical experts to advise them. My experience, however, is now not quite recent and later changes in the composition of the board or in the methods of its working may have altered the views held regarding it since I was up in Simla.

13. From the point of view of a Head of Government I may say that I found the board of very little use indeed in dealing with complaints that I may have had to make against the policy followed by railway administrations. But it is only fair to say that these usually related to the administration of company-managed railways with which the board expressed their inability to interfere. It is possible, had the railways in question been State railways, the board would have been able to exercise their authority more effectively.

But my general impression is that while the Railway Board exercises an almost meticulous control over expenditure of money its control over the action of railways in their relations to the public is hazy and ineffective. This is probably due to the absence of power under the existing contracts. For example, the controversy in regard to the apportionment of charges for railway police has been going on for the last fifteen or twenty years. Yet that is a matter in which the State should have been able to exercise a plenary power in the interests of the travelling and trading public. The railway administration would have a voice as to the strength of the force required—a point on which negotiations are generally conducted to agreement; but, that being settled, the apportionment of charges should follow a rule of thumb having statutory force.

STATEMENT No. 92.

THE GOVERNMENT OF ASSAM.—LETTER DATED THE 6TH JANUARY, 1921.

(1) A. L. Playfair, Esq., M.L.C., Chairman, Assam Branch, Indian Tea Association, Dibrugarh.
(2) Rai Bahadur Promode Chandra Dutta, B.L., M.L.C., Government Pleader, Sylhet.
(3) J. N. Taylor, Esq., C.I.E., Offg. Chief Engineer and Secretary to the Government of Assam, Public Works Department.

With reference to your telegram dated the 16th December, 1920, I am directed by the Government of Assam to forward copies of answers to the Indian Railway Committee Questionnaire by the above-noted gentlemen, and to say that as the new Government has just been formed it has not been possible for his Excellency the Governor to consider this case in Council or along with his Ministers. Speaking personally, however, his Excellency is in favour of the direct State management of all main line railways, with a substantial business element and Indian element on the Railway Board.

2. I am to add that Sir Nicholas Beatson Bell is also in favour of raising the guarantee in the case of "branch line companies" so that the total guaranteed interest should be at least equal to the interest obtainable for the time being by the purchase of Government paper; the Imperial Government might guarantee 4½ per cent. and the Local Government the balance. His Excellency considers that branch lines to steamer routes should be on the same footing as branch lines to railways.

ENCLOSURE 1.

Answers to Indian Railway Committee Questionnaire by A. L. Playfair, Esq., M.L.C., Chairman, Assam Branch, Indian Tea Association, Dibrugarh.

ANSWERS.

Question No. 1.—This must depend on the locality of the railways and the powers allotted to the companies. Generally speaking, when competition exists, I believe that, both as regards administration and finance, companies are preferable. As regards administration, I think employees of companies have more incentive to work and gain promotion through efficiency than Government servants have; and as regards finance, I believe that directors of companies who are responsible to shareholders are in a better position to control staffs, supervise expenditure, and raise capital when necessary than a Government department; in fact, I believe that in railways, as in all other industrial enterprises, as a general rule, Government control cannot compete with private enterprise.

There are, however, local exceptions to the above, and we have a very prominent one in Assam in the shape of the Dibru-Sadiya Railway Company. This company, which is not State-owned, but

which the State has the option of acquiring on certain terms, which, I believe, is 150 per cent. of its capital, after ten years from the date of the last renewal of the agreement between the company and Government, has a monopoly which I consider harmful to the tea industry, and more especially to the inhabitants of the district through which it runs.

I have already brought the matter to the notice of the Railway Board, and I have asked them to either take over the railway as a State one or transfer the control of it to the Assam-Bengal Railway, so that figures and correspondence on the matter can be obtained from the Railway Board, but I may, perhaps, be allowed to briefly sketch the position in order to illustrate my contention.

The two main arteries of communication in Assam are the Assam-Bengal Railway from Chittagong to Tinsukia and the river steamers from Calcutta to Dibrugarh. The Dibru-Sadiya Railway runs at right angles to these and is the connecting link with both, and therefore controls the booking of outward and inward goods for stations on its system, and is in a position to charge freights out of all proportion to the mileage that it conveys them, with the result that food prices are unduly inflated and all commodities cost more than they should. The answer to all protests that have been made is that, owing to the short lead, high freights have to be charged to cover the cost of working, and no doubt this is so, but it only demonstrates the fact that the railway is being uneconomically worked, and that if the short line was worked as an extension of the Assam-Bengal Railway the disadvantage would not exist.

I think, therefore, in the interests of the public, the line should be acquired and made over to the Assam-Bengal Railway. I understand that the lease has been renewed lately and that no change can now be made for nine or ten years, but it is a typical case of Government control being necessary over a private company when no competition exists.

Question No. 2 is answered by No. 1. That is, that as a general rule company management is preferable, but when company management is a burden to the public, and where economies can be effected by amalgamation, the State should interfere if by doing so a railway can be worked in a more businesslike way.

Question No. 3.—I think that a company domiciled in the United Kingdom would have more continuity of policy than one domiciled in India, especially as the superior officers in railways are mostly Europeans who ultimately leave India.

Question No. 4.—I think working companies must have an interest in the undertakings and a share in the profits of the company, otherwise the company would not exist. It might be advisable to amplify their interest, but I am not in a position to make a useful suggestion on this point.

Question No. 5.—With a strong and experienced agent there should be no delays.

Question No. 6.—I do not think companies should be domiciled in India.

Question No. 7.—I think there would be lack of continuity; but if this system is given a trial the Board should consist of both mercantile and skilled railway members.

Question No. 8.—It should be possible to appoint directors interested in particular industries or areas who would also be impartial.

Question No. 9.—I do not consider this possible.

Question No. 10.—Some controlling authority must exist in India, but I am not prepared to say that the present system is perfect, nor am I in a position to suggest improvements.

Question No. 11.—I think a province like Assam should have a representative on the Railway Board, though this might mean an increase in the number of members.

Question No. 12.—My experience of the Railway Board is confined to my protests regarding the Dibru-Sadiya Railway, in which the Board acknowledged my letter and there the matter ended. It does not appear that the Railway Board is very expeditious in its enquiries or decisions, and cannot be accused of going into unnecessary detail.

Question No. 13.—I do not know exactly what powers the Board possesses, but they should be sufficient to safeguard the interests of the public.

Question No. 14.—The Local Government have always been prompt in dealing with railway matters, and it is for them to say if they consider their powers sufficient.

Question No. 15.—I am not in a position to answer this.

Question No. 16.—I am not in a position to answer this.

Question No. 17.—Absolutely inadequate—under (*a*), (*b*) and (*c*) as far as Assam is concerned.

Question No. 18.—The first consideration must be to work a railway properly on its existing system as regards rolling stock, but there should be sufficient funds available to allow of this and also for reasonable expansion as regards extensions.

Question No. 19.—We have been starved hitherto, and the expenditure desirable annually should be regulated by the amount of work that it is possible for contractors to undertake. The list of projects considered in their order of urgency by the Advisory Committee are all-important, and as far as the Assam Valley is concerned, the Tangla-Bajuli extension, costing Rs. 25,00,000, should, perhaps, rank first.

I would not like to commit myself to figures as regards our annual capital requirements, as this must be dependent on the financial condition both of the province and of the Central Government; and as with the depreciation of the rupee it appears that we shall be worse off than we expected, we would not be justified in embarking in capital expenditure through the agency of loans unless the expenditure was likely to bring in a very quick return. In other words, as the interest on loans has to be met by a Government that can hardly make both ends meet, and as the Secretary of State has vetoed further taxation for the present, we must conserve our resources until the revenue and expenditures under the reform scheme has allowed us to see how we are likely to stand financially in the future.

Question No. 20.—I think this is conditional on exchange and the rate of interest required. Money should be raised in the most favourable market.

Question No. 21.—Local Governments having the power to arrange the rate of interest can, of course, make their own arrangement, but if the Government of India have found difficulty in raising capital at the old rate it would probably be advisable to raise the rate of interest for all railway capital.

Question No. 22.—This is a matter for financiers in touch with the money market, and must depend on the amount of capital required, the locality in which the extension is to be made, and

other factors. I should imagine the most satisfactory procedure would be to call for tenders of capital or raise the money by the means which at the time would appear to be the most acceptable to the public.

Question No. 23.—No.

Question No. 24.—No.

Question No. 25.—It appears to be a matter of interest, and railway loans should bear interest a fraction higher than Government bonds or loans, and the question of interest paid by Government free of income-tax should be considered by railways.

Question No. 26.—If the Central Government has sufficient funds for railway construction from balances their funds should be fairly distributed amongst the province for railway construction, and as the communications in Assam are probably worse than in any other part of India, this province should receive a very generous share, but I do not see how we can expect a balance when there is an enormous deficit which has to be met by the provinces.

(*a*) I do not see how control by the Government of India or Central Government can be done away with.

(*b*) I consider railways are business propositions and should pay for themselves by their freights and fares, but this is not always possible, and the rule must be somewhat elastic.

Question No. 27.—Seems to prove that my contention is correct that company-managed lines are worked in a more businesslike way than State-owned ones, and must, therefore, be more satisfactory to the State and to the public.

Question No. 28.—A province like Assam, where the big contractors are practically non-existent, must be at a disadvantage as regards completing work in the allotted period, and is more likely to suffer from " lapses " than other parts of India, so I am more in favour of an extension of time than the chance of re-allotment.

Question No. 29.—I have not sufficient experience to venture an opinion.

Question No. 30.—I have not sufficient experience to venture an opinion.

Question No. 31.—In the case of the Dibru-Sadiya Railway.

Question No. 32.—The complaint was referred to the Railway Board. Result, nil.

Question No. 33.—I am not in a position to say.

Question No. 34.—It appears that the carrying capacity of most railways is inadequate. No doubt partly due to the late war. As I have already said, the first object of a railway should be to work efficiently as regards rolling stock, etc., its existing system before embarking in extensions, and the means must be one of finance.

ENCLOSURE 2.

Answers to Indian Railway Committee Questionnaire by Rai Bahadur Promode Chandra Dutta, B.L., M.L.C., Government Pleader, Sylhet.

PART I.

Question No. 1.—It is difficult to answer this question by a simple yes or no. The advantages of State management generally speaking are (1) that the entire profits go to the public exchequer, (2) that appointments connected with the railway service will be available to Indians in larger numbers, and (3) that the Government will have the full liberty to regulate the policy of its railway administration in such a way as it may think best having regard to the conditions prevailing in this country from time to time.

Management by companies on a profit-sharing basis is on the other hand said to be more economical and, therefore, likely to yield larger profits. It is further claimed on its behalf that it relieves Government of a great burden.

That the State management is more costly is hardly open to doubt. The Public Works Department has earned a notoriety for extravagance. Not that the Department puts a premium on waste of public money, but because those who are entrusted with the actual execution of the works have no incentive whatsoever to be economical.

The same must be the case with the State management of railways. On the other hand, companies managing State railways will in their own interest try to be as economical as possible with a view to augment their profits. Looked at from the view-point of profits, company management is ordinarily the better of the two.

But it has its drawbacks as well. To secure higher profits companies will, naturally, be inclined to restrict expenditure in disregard of public convenience and efficiency. The Assam-Bengal Railway is an instance in point. As a member of the travelling public I feel that very little regard is paid to public convenience or public comfort. The station staff is badly housed, and there is hardly any waiting-room at any of its stations for the intermediate and third-class passengers. There is a persistent cry for the removal of that complaint, but hardly any attention is paid to the same. Government has been appealed to by members of the Local Council, but the reply has almost invariably been: The Government is advised the company is doing this or that or does not admit this or that complaint to be true. I think the Government says so more out of helplessness than any disinclination on its part to see the complaints removed. The policy of the Government should not be to make the railways a mere profit-earning machine, but that the public comfort and convenience should be the first consideration. Under company management this is not possible.

Secondly, the general policy of the Government is to Indianise the services, and under State management Indianisation of the railway services will steadily go on, but the company management especially with regard to higher appointments will insist on European agency.

Thirdly, whatever powers of control Government may reserve to itself over the railway administration, it can have no freedom of action; its railway policy will be largely influenced by the exigencies of company management.

PART II.

Question No. 10.—Control by a Railway Board in which non-official Indian opinion adequately represented would be preferable to control by Government.

PART III.

Quesiton No. 20.—I think the capital funds should as far as practicable be raised in India. This will obviate complications created by exchange and, at the same time, retain the money paid out in the shape of interest in this country.

Question No. 26 (*b*).—If we must have railways we must submit to unavoidable increase of rates. But I would rather have no railway than increase the cost of travelling. To throw the burden on the general taxpayer cannot in all cases be inequitable, for he may have use for it for other than travelling purposes.

PART IV.

Question No. 30.—Government has sanctioned maximum and minimum rates for all classes of passengers. Within these limits railway administrations have the power to vary passenger rates. It seems to me that any increase even within these limits should be examined by the Railway Board and sanctioned or disallowed in accordance with its recommendations.

I desire to bring to the notice of the Commission certain matters in which I believe the Railway Board has been invested with powers under the Railway Board's Act, but to which the said Board does not appear to have paid the attention they deserve.

(1) Overcrowding in the inter and third-class compartments. The prescribed number is as a rule exceeded by far and the railway staff, instead of preventing it, exercise their authority to cram in as many as possible, disregarding all protests. This has been my experience so far as regards the Eastern Bengal Railway and the Assam-Bengal Railway.

(2) Railway thefts. They are too common, but I am not prepared to believe that if a special staff is employed for the purpose they may not be stopped or reduced to a minimum.

(3) Provision of female guards in the inter and third-class female carriages. The necessity is obvious. The question is one of funds.

(4) Provision for suitable waiting-rooms, especially for inter and third-class passengers, with separate arangements for males and females.

The 20th December, 1920.

ENCLOSURE 3.

Answers to Indian Railway Committee Questionnaire by Mr. J. N. Taylor, C.I.E., Officiating Chief Engineer, Assam.

Question No. 4.—It would be a forward step if the companies managing State owned lines had a large share of the capital. This would, I think, give the company a greater interest in economical working and set free Government capital for new lines.

Question No. 5.—The objection raised in this question could be remedied by giving the agent of the railway larger powers.

Question No. 6.—I personally do not see how the paramount interests of Government would be effected or need any safeguard if the companies were domiciled in India.

Question No. 8.—I think that directors at home are also actively interested in particular areas or industries.

Question No. 9.—I agree with the opinion expressed by Mr. Playfair.

Question No. 10.—The Board should, in my opinion, be subdivided into two branches with a non-technical president. The members of one branch should be entirely recruited from men skilled in railway construction and management and the members of the other recruited from firms with large trading interests.

Question No. 11.—Reply to the question No. 10 above disposes of this question, but I agree with Mr. Playfair that no province should be unrepresented on the Board.

Question No. 12.—I agree with the opinion expressed by Mr. Playfair. Assam is likely to receive little or no consideration as long as it has no representative on the Railway Board.

Question No. 13.—The powers possessed by the Board appear to be ample, but whether these powers are always exercised in the interests of the public is perhaps open to doubt.

Question No. 14.—I think that the Government of India have full power of control, but provincial Governments have only very limited powers.

Question No. 15.—The present powers are sufficient.

Question No. 16.—I consider that the present status would be satisfactory if the Board was constituted as suggested in the reply to Question No. 10.

Question No. 17.—I agree with the opinion expressed by Mr. Playfair.

Question No. 18.—I certainly do not as far as provinces with few railway systems like Assam are concerned. The available capital funds seem to be used up in improving the equipment and rolling stock of the large railway systems in the more fortunate provinces, and little or no money is left over to meet even the most pressing needs of the smaller provinces.

Question No. 19.—I agree with the opinion expressed by Mr. Playfair. Assam should get a fair share of whatever funds are annually provided.

Question No. 20.—I agree with the opinion expressed by Mr. Playfair.

Question No. 21.—The present resources of the Government are adequate, but the rate of guarantee must be raised if any new construction is to be undertaken.

Question No. 22.—I can offer no suggestion, but if the guarantee is raised to, say, 6½ or 7 per cent. I can foresee no necessity for resorting to new methods.

Question No. 23.—No.

Question No. 24.—No.

Question No. 25.—If the rate of interest is not made too favourable for railways I do not see how borrowings for new lines could interfere with ordinary Government borrowings.

Question No. 26 (*a*).—I do not consider that this has been detrimental to railway improvement as a whole, but it appears to me that the railway capital programme has been based largely in the interests of the bigger provinces.

Question No. 26 (*b*).—I agree with the opinion expressed by Mr. Playfair.

Question No. 27.—In the statements giving figures for State owned and State managed as contrasted with company managed railways no information has been given regarding strategic lines. These are certainly State owned and State managed, and must always be run at a loss so that in the absence of information it is not possible to draw any inference from the figures as to which system of management is more satisfactory.

Question No. 28.—Money once allotted for a railway should not lapse. It is not always possible to spend the full allotment during a given period owing to unforeseen causes, such as epidemics, floods, etc.

Question No. 29.—The present arrangements are quite satisfactory.

Question No. 30.—Yes.

Question No. 32.—Yes.

Question No. 33.—No.

Question No. 34.—I agree with the opinion expressed by Mr. Playfair.

Question No. 35.—The Branch Line Terms Resolution should be amended so that branch-line feeders to rivers will be in exactly the same position as feeders to railways.

STATEMENT No. 93.

CHIEF COMMISSIONER, North-West Frontier Province.—LETTER DATED THE 16TH DECEMBER 1920.

With reference to paragraph 2 (4) of the Resolution of the Government of India, Railway Department (Railway Board), No. 405—F., 19, dated the 9th October 1920, I am directed to state that the Chief Commissioner has nothing to suggest regarding the present system of control by Government of rates and fares but in regard to the machinery for deciding disputes between railways and traders there is a great deal of room for improvement. It has come to the notice of the Chief Commissioner that there is the greatest difficulty in getting any claim, however petty, settled, and even when the claim is admitted, in obtaining payment of the money. Since the 1st of January last 40 notices of suit have been received by the Revenue Commissioner, North-West Frontier Province against the North-Western Railway from traders in this Province, who have been unable to obtain settlement of their claims by other means. This number exceeds the total notices for the last three years and makes it appear that the machinery for the settlement of claims is gravely defective.

I am to add that though the Chief Commissioner is unable to suggest a remedy, he trusts that the Committee will be able to devise some more expeditious and reliable method of settling claims than that at present in force.

STATEMENT No. 94.

THE DEWAN OF TRAVANCORE.—NOTE DATED 27TH MARCH 1921.

Part I.—The Management of Railways owned by the State.

ANSWERS.

Question No. 1.—It is the considered opinion of the Travancore Darbar, that the Railways owned by the State should be managed *directly* by the State. The present company management should be abolished at the earliest opportunity. The aim and object of Railway policy is the development of trade and industries, the provision of cheaper facilities for transport, and the reduction of Railway rates to a minimum. The Railway should be worked in the interests of the public and not as a dividend paying concern. The management of Railways on company lines has resulted in public requirements being neglected, and inadequate provision being made to cope with the increasing passenger and goods traffic. Some of the present disadvantages of company management are

(*a*) Influence of Indian public opinion is not felt by private companies and the Indian public looks to Government for redress.

(*b*) The Government often find it difficult to get the companies to redress promptly even well-grounded grievances in time and the Government thus become unpopular.

(*c*) Orders for rolling stock, wagons, &c., are not placed in India to the extent desirable with the result that sufficient impetus is not given to the connected industries in India. This in turn affects railway earnings.

(*d*) Indians have not much chance under company management of filling posts of responsibility on the railways. State management would attract a better class of men for service thereby ensuring greater efficiency and public satisfaction.

For the above reasons, the Darbar is in favour of State management of Railways.

The Travancore Darbar owns about 95·96 miles of railway open line of which the main line (Quilon to Shencotta) is 58·05 miles and the Trivandrum Extension (Quilon to Trivandrum) is 37·91 miles. The main line has been financed by the Secretary of State while the capital expenditure in respect of the Trivandrum Extension is provided for by the Darbar. The whole

line is worked by the S.I.R. as per contracts entered into between the Secretary of State and the S.I.R. dated the 27th June, 1901, 21st December, 1910, and the 2nd October, 1913, and subsisting up to the 31st December, 1945. If the management of the S.I.R. is assumed by the Government of India at any time prior to the expiration of the existing contract "The Travancore Railway," should the Darbar desire, be treated as an integral part of the S.I.R. system and the Darbar given the option of working the railway. Even otherwise the Darbar will be prepared to take over the railway and work it if it receives adequate previous notice, say, three years.

Questions Nos. 2 *and* 3.—If the existing system of management by companies is to continue, the Darbar is of opinion that the companies should have an Indian domicile and that the States whose railways they administer should have power to test audit in the accounts. This test audit should be in addition to the audit and control exercised by the Government Examiner of Railways. So far as the Travancore Darbar is concerned there is no opportunity at present for test auditing the accounts of the S.I.R. in respect of the Travancore Section. Companies having Indian domicile would be more familiar with Indian conditions and more responsive to Indian public opinion and the right of the State to audit the accounts of the railways owned by them would give the State a sense of security and fairness.

Even if the State management is not immediately decided on in respect of company worked lines, there should be advisory boards to offer suggestions in respect of improvements of train service, additions to rolling stock, &c. Further, there should be arbitration boards consisting of railway officials and the public at important railway centres to settle claims by traders against the railway companies.

Question No. 4.—The existing system of allowing the working companies an interest in the undertaking entrusted to them is not a suitable and sufficient method of giving them a *real* interest in the undertaking. In the case of State owned railways of any magnitude, the best course to pursue would be for the State to buy up the interests of the working companies and work the railways itself.

Question No. 6.—The Board of Direction should include one or more Government directors, representatives of the industrial and commercial community, a representative of labour, representatives of the Native States concerned.

Question No. 7.—There will be no lack of continuity in a Board domiciled in India. Sufficient continuity would be secured by the chairman's term being fixed for a sufficiently long period. It would be sufficient if some of the members of the Board possess expert knowledge in railway administration, railway engineering and railway finance.

Question No. 8.—It would be preferable to have as members of the Board suitable directors whose impartiality would not be questioned.

Question No. 9.—The Darbar is not in favour of the suggestion referred to in question No. 9.

Part III.—Railway Finance.

Question No. 17.—The supply of funds for railway purposes, especially for new construction and improvement, has been inadequate.

Question No. 18.—Railways are urgently wanted in various parts of India for opening up the country and for developing trade and industry. Viewed from this standpoint, the policy hitherto adopted does not appear to be satisfactory.

Question No. 20.—So far as Travancore is concerned, some amount of capital could be raised locally for railway construction.

Question No. 23.—*Vide* answer to question No. 20.

Question No. 27.—Not quite. State managed railways leave much room for the exercise of stricter economy.

The indirect advantages are great, but it has not been possible within the limited time allowed to reduce them to a mathematical figure.

Part V.—General.

Question No. 34.—The carrying capacity of the Travancore Section of the S.I.R. is not adequate to the requirements and needs of the various industries. The reasons for the failure are chiefly want of adequate funds and the difficulty of obtaining sufficient rolling stock from abroad. The defect could be remedied by providing sufficient funds, by preventing lapse of budget grants, and by manufacturing, as far as possible, the required rolling stock in India.

STATEMENT No. 95.

THE FINANCE MEMBER, Marwar State, Jodhpur.—LETTER DATED 11TH MARCH, 1921.

I have the honour to refer to your telegram dated 26th February, 1921, asking for an expression of the Durbar's views regarding the general aspects of railway policy, &c., and to say that at present this State is administered by a Council of Regency who has duly considered the purport of your telegram. I am directed to submit for the consideration of your committee the following points:—

(2)—(1) That the Durbar considers that it is vitally concerned with any proposals that may be in contemplation for new constructions, whether in the shape of new lines or of extensions, which will (*a*) pass through its own territories; (*b*) affect the traffic passing over lines constructed by itself or in which it has a pecuniary interest. The Durbar should, therefore, when any such new construction is mooted, have full opportunity of pressing its own views before any decision is come to.

(2) That the Durbar considers that it is entitled when such constructions are contemplated to be put in possession of the full facts, even though of a confidential nature on which the desirability of the new construction or of a particular alignment is based.

(3) That in any case its title to compensation should be recognised for (*a*) loss on its existing lines; (*b*) for land given up for new lines; (*c*) for royalties; (*d*) and any other losses that may be incurred.

(4) The Durbar is prepared to accept for application to its privately owned lines such general rules elaborated by Government for safe working of railways as are considered in the light of experience to be necessary, having regard to the special circumstances of the lines privately owned by it.

(5) That the Durbar is prepared to accept Government unified control of maximum and minimum through rates.

(6) The Durbar is vitally interested in the method and question of coal control and the allotments of coal made to itself, and considers that it should have some voice in such matters.

(7) The Durbar is to some extent concerned with the question of allotments made by the Government for lines from which it derives a necessity of its existence such as coal and with the equipment of lines with which it has direct connections, as deficiencies on them affect its traffic.

(8) In particular that the Durbar is interested in the arrangements made and rolling stock allotted to carry on the traffic brought by its private line to the point of Junction with either a State owned line or other railway administration.

It considers that machinery should be devised by which its representations could be heard and considered, as well as those of the administrations who are connected with it could be discussed.

(9) Circumstances arise in which the desirability or otherwise of direct access to big cities, ports, markets, &c., comes under consideration. The Durbar consider that it is entitled to have due consideration given to its representations in such matters, and use means of pressing its side of the case on Government

In conclusion, I am to say that the Council of Regency do not consider that it is necessary for any representative to go to Delhi to give evidence on its behalf; nor is the above list of points necessarily exhaustive. The wide wording of your telegram makes it somewhat difficult to understand on what precise matters your committee desire the views of this State. None of the points noted above appear in the questionnaire originally sent round by you; and it would appear desirable that if such new ground as this is to be broken, that a fresh questionnaire should be circulated, formulating as definitely as possible the matters on which information is sought.

STATEMENT No. 96.

PATIALA DARBAR.—NOTE DATED 11TH MARCH, 1921.

General Aspect, Railway Policy.

Indian States should be treated liberally in the matter of permission to construct railways which would develop their own territories or tracts lying adjacent to them. Ordinarily they can finance such railways on their own responsibility without asking for any concession in the nature of a guarantee or rebate. It is usual in the case of private companies constructing railways in British India to provide land free of cost, and it would be only just and fair that land required for the construction of a railway financed by an Indian State should similarly be provided free of cost. This free supply of land is not an unreasonable concession, in view of the fact that substantial indirect advantages will accrue to the Government by the opening out of the area traversed by the railway. It should, therefore, be ruled that when a projected railway line passes partly through the territory of an Indian State or in close proximity of it, the State concerned should have preferential right to finance and construct such railway at least on terms similar to those allowed to promoters of assisted or feeder railway companies. The general practice so far has been that an Indian State can only claim a share proportionate to the length actually lying within its own territory.

Some projects are at present refused sanction on the ground of short circuiting existing routes, more particularly so where the interests of an assisted company are adversely affected in the slightest degree. This matter ought to be looked at from the point of view of greatest good to the greatest number. Monopolies and vested interests should not be allowed to stand in the way of improvement of communications and development of backward areas, more especially in cases where the owners of existing route have been earning substantial dividends for many years.

The construction of new branch railways has become a matter of great difficulty owing to scarcity of money and general rise in the rate of interest. Neither assisted companies nor Indian States can in the present circumstances undertake the construction of new railways, unless they have a sure prospect of making them pay their way. One way of accomplishing this would be that special rates should be allowed to be charged on branch and feeder railways to permit of their earning a dividend equal to prevailing rate of interest from the very commencement. These rates to be automatically brought down as soon as the dividend reaches a specified limit (say, not to exceed 10 or 12 per cent.). Unless some such policy is adopted, backward areas may have to wait for the benefits of railway communication for a very long time indeed, as there is little likelihood of cheap money being available in the near future. Even with higher tariff rates necessitated by high rates of interest the cost of transport by rail will not be even half of that paid for the existing means of transport, which moreover can carry a very limited quantity of traffic, thus standing in the way of natural development of the country. If the branch or feeder at any time becomes a link in a trunk route, ordinary trunk line rates can be introduced at once. Another way of cheapening construction would be that in case of branch and feeder railways built on the gauge of the parent line, high standards of construction, applicable to the main line, should be eschewed in favour of economy in first construction. Provided the road bed is substantial, improvements can easily be effected afterwards as the traffic develops. It is very essential in the present state of money market to keep the first cost down as much as possible. Liberal terms should also be given for working of branch lines. Parent line should not make any charge for administrative supervision, or at least reduce it to a mere nominal figure, in calculating the percentage to be charged for working the branch lines.

Relations with Railway Administrations and Government.

The Rajpura Bhatinda Railway owned by this Durbar is worked by the North Western Railway. Cases have arisen when through traffic legitimately belonging to Rajpura Bhatinda route has been diverted by the main line. This should not be permissible, and whenever such diversion is made owing to any reason other than a breakdown on the direct route, earnings from such traffic should be credited to the legitimate route.

During the last few years, whenever curtailment of train service has become necessary owing to military exigencies or other causes, the branch lines have had to bear more than their reasonable share in the reduction of train services involving them in heavy losses of income. Branch lines with their limited traffic, and the existence of competitive means of transport for short distances can ill afford to lose any portion of their traffic, while the main line earns more than its due by the abnormally heavy traffic passing over it. Some sort of arrangement should therefore be devised to protect branch lines against unreasonable losses being inflicted on this account, provision being made to award them compensation when the working agency shows undue preference to its own interests, or is obliged to refuse normal facilities on the branch line for military exigencies.

It is feared, that nothing is at present done by the working agency to foster traffic on branch lines, but what is worse, owing to chronic difficulties due to shortage of rolling stock, very often even the traffic offering is not accorded full facilities of movement.

This greatly hampers the promotion of new railways by the Indian States, and if benefits of railway communication are to be extended to larger areas, very early steps should be taken to do all that can be done to make their existing railways earn the maximum dividend possible. As soon as the existing lines earn more than prevailing rates of interest, the States will have no hesitation in embarking on new projects for the purposes of developing other parts of their territory not at present served by railway communication. Compared with their resources the investments in railway lines made by Indian States are very meagre, and every effort ought to be made to encourage them to take their proper share in railway construction.

STATEMENT No. 97.

The SADR-UL-MAHAM, Political Department, H.E.H. the Nizam's Government, Hyderabad, to the FIRST ASSISTANT RESIDENT, Hyderabad.—LETTER DATED 9TH MARCH, 1921.

Kindly refer to your letter No. 802-P/F.1336/20 dated the 29th of January, 1921.

His Exalted Highness' Government do not consider it necessary to forward any detailed replies to the Questionnaire of the Railway Committee as the general situation as regards railways in the State has been described in full detail by Mr. Lloyd Jones, the Agent of the Nizam's Guaranteed State Railway Company in his evidence before the Committee. His Exalted Highness' Government need only say that with his evidence they are in general agreement. So far as they are aware, there is only one point on which they feel it necessary to differ from the evidence tendered by the Agent of the railway. According to Mr. Lloyd Jones, it is immaterial whether the Board of the Railway is in India or in London. His Exalted Highness' Government are strongly of opinion that a board in India would be preferable to a board in London. This however is not a question within the range of practical politics at present, in view of the legal agreements between the Nizam's Guaranteed State Railway Company and His Exalted Highness' Government. It is sufficient to say that as soon as practicable His Exalted Highness' Government intend to exercise their option of buying out the English company and substituting an Indian administration in its place.

His Exalted Highness' Government understand that their difficulties with regard to the Railway Board of the Government of India have been fully explained by Mr. Lloyd Jones. In the opinion of His Exalted Highness' Government the Railway Board as at present constituted is not sufficiently representative. The Board should be strengthened and should be placed in a position to pass final orders on all railway matters in India.

STATEMENT No. 98.

THE PUBLIC WORKS MEMBER, BIKANIR.—TELEGRAM DATED 12TH MARCH, 1921.

Greatly regret unavoidable delay replying your telegrams 26th February and 4th and 10th March. Question of policy of Government of India regarding railway in Indian States is already being dealt with by Standing Committee of Chamber of Princes in consultation with Political Secretary, Government of India, Law Member and President, Railway Board. Neither at meeting last December nor subsequently was any intimation received of this aspect of question coming up before your Committee. In view of shortness of time and extreme importance of subject which involves political questions of great importance such as jurisdiction and compensation for land acquired by railway administrations in addition to ordinary railway questions of constructions and ownership of line, management by Indian States, purchase, sale, etc. His Highness' Government are of opinion that that part of the question relating to Indian States be entirely left over by your Committee as any decision given by your Committee on which no Indian State is represented might it is feared affect settlement of these important matters with Government of India later on when the question is discussed again at Standing Committee. In view specially of shortness of time His Highness' Government much regret their inability to send any written statement or representative to give evidence before your Committee. Might however add that His Highness' Government would be strongly opposed to any proposals affecting Sovereign rights and the internal autonomy of the Bikanir State or their powers of ownership management and control over their own State railway lines and it can confidently be anticipated that the same views would be held by the great majority if not all the other Indian States.

STATEMENT No. 99.

SRI SRI SRI KRISHNA CHANDRA GAJAPATI NARAYAN DEO, Rajah of Parlakimedi.—LETTER DATED 23RD JANUARY, 1921.

Referring to your circular letter No. 15-R., dated 17th January, 1921, I have the honour to state that I have no particular views or recommendations of mine to put forward for the consideration of your Committee except the following:—

(1) The Local Government should be given power to interfere with the proposals or action of railway companies either on complaint or of their own motion in matters gravely affecting the interests of the travelling or general public. At present the Government have to play the *rôle* of a helpless spectator, and the answer to interpellations in the Legislative Council whenever they were appealed to in such matters has almost always been—" Government have no power to interfere."

(2) Another point that I should like to urge is that when the owners of a branch line resolve to manage the line themselves without entrusting the working of the branch line to the authorities of the main line, Government should reserve power to direct the main line company to co-operate with or help the branch line in a reasonable and friendly spirit and to lay down the terms on which they should regulate their mutual business; as the branch line would otherwise be helpless against any high-handedness on the part of the stronger and more powerful main-line administration.

(3) Again, the control of the Railway Board in distant Simla or Delhi might be efficient and sufficient enough in general " All India " matters, but that Board must be either ordinarily inaccessible or unable to come to right conclusions or to get prompt relief in particular matters requiring local knowledge, and in such matters it is desirable that the Local Government should be able to grant the required relief.

STATEMENT No. 100.

THE RESIDENT IN KASHMIR. MEMORANDUM DATED 17TH JANUARY, 1921.

Question No. 1.—I am in favour of management by companies on a profit-sharing basis. In my opinion a Government Department cannot manage a railway as a commercial business as efficiently as a company can manage it. Under a company more attention is likely to be paid to the requirements and comforts of the travelling public and to the requirements of trade. A company, too, will be more free from political pressure.

Lines built principally for strategic purposes should be managed by Government.

The railway systems of which I have had personal experience are (i) the Bombay, Baroda and Central India Railway and (ii) the North Western Railway.

Question No. 2.—I would suggest that where the practice is not in force, the Agent should convene from time to time a Consulting Committee on which important trades in the areas served by the railway should be represented, and which should also be attended by an officer or officers of the company well acquainted with the needs of the travelling public.

Question No. 3.—In the United Kingdom. A Board located in the United Kingdom will be in a better position to raise necessary loans.

Question No. 4.—I advocate allowing the companies to hold a larger share of the capital and to receive a proportionate share of the profits.

Question No. 5.—The criticism can be met by the establishment of a local Consulting Committee as suggested above, on which Indians can be asked to serve.

Question No. 7.—The answer to the first question is in the affirmative. To the second, my answer is that the appointment of a Chairman skilled in railway work would be essential. To the third, the answer is that it would not seem to be necessary that the other members of the Board be skilled in railway work.

Question No. 8.—I think this possibility would have to be considered.

Question No. 9.—I do not think that it is necessary to do more in the case of a company domiciled in the United Kingdom than to have a Consulting Committee in India.

Question No. 10.—I consider it to be satisfactory.

Question No. 11.—There should be a railway member of Council with secretaries for the different branches of railway work, and an advisory body of expert railway officers for general policy and development.

Question No. 13.—The answer is yes. I would not have any extended interference with the companies beyond insisting on the better fitting in of the timings at junctions of the passenger trains of different railway lines.

Question No. 14.—Not with respect to the proper fitting in of the timings of trains at junctions of different railway lines.

Question No. 15.—No.

Question No. 16.—I would advocate the change suggested in my reply to Question No. 11.

Question No. 17.—The funds hitherto allotted would perhaps have been sufficient if the present system of " lapses " had been modified.

Question No. 18.—Yes.

Question No. 20.—Yes.

Question No. 28.—I would advocate budgeting for a three years' programme instead of for one year as at present.

Question 35.—I think it would be convenient to the public and to the handling of traffic if wagons of smaller carrying capacity were available for attachment to passenger trains and if such wagons were obtainable at rates less than the rate of the full carrying capacity of the wagon. It is necessary sometimes to have boxes, *i.e.*, office records, despatched expeditiously and at rates which are not prohibitive.

STATEMENT No. 101.

THE RESIDENT IN MYSORE.—MEMORANDUM DATED 1ST FEBRUARY, 1921.

In expressing an opinion on questions affecting the future railway policy of India, I propose to confine myself to the most important aspects of the problem, both because my acquaintance with the working of railways is not sufficiently intimate to make it possible for me to offer any useful discussion of the numerous points propounded in the questionnaire sent with your letter, and because, as I am shortly proceeding on leave and have a great deal of important work to dispose of before I start, the time at my disposal is very limited.

2. As regards the political aspect, it is, I think, unquestionable that the State must retain full control of the railway administration of India. This is especially necessary with regard to the trunk lines of the country. These lines, for economic and other reasons, are in the nature of monopolies, and if they were run by companies, whether British or Indian, concerned purely to show the biggest possible dividends, the interests of the public would inevitably suffer. Railway policy is of such paramount importance for the development of the country that I am inclined to think that it will not receive proper treatment until a Ministry of Transport is established. This would not necessarily mean the abolition of the Railway Board, which might still function under the Ministry of Transport. In any case, the Railway Board needs strengthening, with the object, not only of giving it greater weight with the Government of India, but of bringing it into more intimate touch with the public needs. The fact that the Board hitherto has not been sufficiently responsive to public opinion is evidenced by the overcrowding and other discomforts to which third-class passengers are subjected, to say nothing of the inconvenience suffered by the business community of the country. Another point of great importance is to ensure that political considerations should not unduly influence the railway budget. That budget should, so far as possible, be separated from the Imperial budget, except in so far as the ordinary net revenues from railway administration are concerned. The dominant principle in railway finance should be not so much to earn revenues for the State as to provide facilities for the travelling public and to foster economic development, due regard, of course, always being had to the principle that the public, in utilising the advantages thus offered them, should contribute a full return in the shape of reasonable interest on the capital outlay. It is, I consider, a mistake that railways should be regarded as a possible means of expanding the revenues of the State, to meet financial emergencies by raising rates without regard to the economic effects of such a policy. The State should be content to look for financial advantages from railways mainly to the indirect revenue due to economic development in the regions served by them.

3. It is a commonplace of current politics that railways in India have been starved for several years past, this, of course, being mainly due to the financial stringency caused by the war. There is much leeway to be made up, and I do not see how this is to be done and how provision is to be made for reasonable expansion within the next few years unless an enormous loan is floated almost at once—probably fifty millions sterling will be needed. There is the objection that money is very dear in these days; but money is a commodity and if a particular commodity is urgently needed for development purposes, it must be purchased at the prevailing rates. To adopt the opposite view, simply means the paralysis of industry and all the evils that such conditions bring in their train. I would suggest that the amount required for development of existing lines, providing rolling stock, doubling the permanent way there necessary, and so on, should be raised in the form of debentures on the existing railways, and where the lines are worked by a company it may be possible to allow it to raise money, its share in the total capital of the railway administered by it being proportionately increased. The money required for new railways might be raised in the form of a railway loan guaranteed by the Government of India. Without such guarantee it would be difficult to find the money at anything like reasonable rates. It will probably be a very expensive business, but at the same time delay in economic development will mean an immense loss both to the State and the community. If necessary, railway rates could be pushed up to meet the interest charges. The loan should be floated both in India and England. It is desirable that business men out here who subject Government to criticism for their methods should be given an opportunity to show that they are prepared to assist themselves.

4. On the whole, I think Company management is preferable to State management. I should be inclined to give existing companies a larger interest in the lines they manage. It will be the business of the Railway Board to see that public interests are fully considered and to ensure that there is no ground for the complaint very commonly made that companies are interested solely in earning a large dividend and that if the dividend is large, they escape any kind of criticism from the Government of India. If the further capital required by these companies or a considerable part of it is forthcoming in India, it may be possible to establish committees of the Boards in London at suitable centres in India, such committees to be given extensive powers in controlling the management. Indians would, of course, be eligible for appointment on such boards. The objection that these so-called " alien " companies are averse to employing Indians has, perhaps, been overstated. Doubtless the railway board would find no difficulty in ensuring that fully qualified Indians of the type required should be given suitable appointments. British companies out here are not in any way concerned to find employment for their own countrymen, and if Englishmen are, in some cases, preferred to Indians, it is because they happen to have greater economic value, either because of better professional capacity or because they are more reliable. It should not be difficult to find Indians of the right type under a proper system of recruitment, especially if facilities for necessary training are forthcoming in India.

STATEMENT No. 102.

BURMA CHAMBER OF COMMERCE.—LETTER DATED 5TH JANUARY, 1921.

I have to acknowledge the receipt of Mr. Ryan's letter of the 2nd December, 1920, enclosing copy of a questionnaire which has been prepared with a view to eliciting the opinions and recommendations of parties interested in the subject-matter of your Committee's enquiry.

2. In reply, I am directed to say that the whole of the Burma railways system has been under company management for the last 24 years. Prior to 1896, the system was under State management. The two systems having never existed side by side, my Committee are not in a position to compare the relative advantages and disadvantages of State *versus* Company management.

3. Many of the proposals mentioned in the questionnaire have never been tested by actual experience in India, and, therefore, any replies that may be given can only be based on theoretical arguments. The proposals referred to are those relating to the management of State-owned railways by companies domiciled in India and with a Board sitting in India, and to the financing of those railways by capital raised in India. Experience may show that theoretical arguments in favour of, or in opposition to, certain propositions, are not borne out by actual practice.

4. My Committee would prefer to make a general statement of their views on the points raised rather than to reply categorically to the questionnaire.

Part I.—Management of Railways owned by the State.

5. On the general question as to whether railways should be State or Company managed, my Committee are unanimously in favour of company management under an efficient system of control by the Supreme Government. They are of opinion that company management is likely to be less rigid, more in touch with trade, more up-to-date, and more progressive. Under company management the members of the staff are not liable to transfer from one railway to another, as is the case on State-managed railways. Their services are usually continuous on one railway, with which they become identified, and they are, therefore, not only of more value to the company they serve, but they gain the confidence of the public to a greater degree. My Committee view with apprehension any considerable enlargement of the existing bureaucracy such as would be unavoidable were the principal railways in India and Burma managed by the State. They fear that the influence of State management would be deadening and that a detrimental rigidity would very soon make its appearance. Moreover, the political difficulties arising from Government being the sole employer of a vast labour force, such as is required on railways in India, cannot be overlooked.

6. As to the question whether the company managing the railway should be domiciled in India with the board sitting in London, or in India with the board sitting in India, my Committee are of opinion that, so far as Burma is concerned, there would be very great difficulty in obtaining a suitable local board whose members would have the necessary knowledge of, and sufficient leisure to devote to, the working of the railway. Even if such a board could be found there would be frequent changes in the personnel, more especially with regard to Europeans, which would result in lack of continuity and would militate against efficiency.

7. After careful consideration my Committee are of opinion that the advantages of the existing system of working railways in Burma by a company domiciled in England, and with the board sitting in London, outweigh the disadvantages, even although the advantages which ordinarily flow from company management are only partially realised on company-managed railways in India owing to the larger portion of the property being owned by the State, and to the State, therefore, having the controlling power. On the Burma railways surplus profits are divided 23-35ths to Government and 12-35ths to the company, that division representing approximately the capital invested by each. The company proportion in Burma is higher than on the majority of the State-owned and company-managed railways in India.

8. The above remarks do not, of course, apply to railways that are purely strategic, and which must necessarily be managed by the State.

Part II.—The Railway Board and the Government of India's Control.

9. There can be no question that some system of control by the Supreme Government over the working of railways is essential, and my Committee are of opinion that control by a Board is as satisfactory a means as can be devised. Apart from questions of railway finance, about which they will express their views later, they consider that the existing control of the present Board extends to unnecessary detail, and they strongly advocate that much larger powers be delegated to companies' boards of directors and to their agents in India and Burma. To give concrete examples, they consider that much wider powers should be given with regard to the sanctioning of new works (the powers in this respect being at present, it is understood, restricted to Rs. 25,000 in the case of capital) and also with regard to the creation of new appointments, more especially having regard to the fact that the pay of railway employees has been considerably increased during the last few years. The existing limit is, they are informed, Rs. 250 per month, all appointments above that salary requiring the prior sanction of the Railway Board.

10. Apart from questions of finance, they are of opinion that the Railway Board possess adequate powers of control over railway administrations, and are not in favour of enlarging those powers.

11. The Committee recommend that if the services of a man of wide experience in commerce be procurable, such a man should be a member of the Board. They also recommend that in addition to the chief engineer, who is an expert in engineering, the Railway Board should have attached to their staff an expert in traffic matters and also an expert in regard to the Locomotive Department.

Part III.—Railway Finance.

12. The views of my Committee are that the arrangements for the financing of railways are the crux of the enquiry by the Indian Railway Committee.

13. There can be no doubt that the supply of funds from Imperial sources for railway purposes in Burma has been quite inadequate for a number of years.

14. The figures contained in the accompanying statement have been obtained from the Agent, Burma Railways, and show the capital expenditure actually spent and budgetted for on open lines during the years 1910-11 to 1919-20 and on new lines during the years 1904-05 to 1919-20. The figures hardly require any comment; they speak for themselves.

15. During the last few years there has been a large expansion of commercial and industrial activities in Burma which is likely to continue if adequate arrangements for transportation can be made. The Burma Railways are in urgent need of additional rolling stock as well as of improved terminal and roadside facilities, and have advised this Chamber that unless the capital allotment for the open line is considerably enhanced within the next few years they will not be in a position to carry the anticipated traffic. My committee view that possibility with great alarm, and strongly urge that every endeavour be made to prevent it.

16. My committee hold very strongly that the present system under which Indian railways are financed is in need of reform. They consider that the provision of funds, both on capital and revenue account, to Indian railway administrations should be entirely separate from, and in no way dependent upon, the general finances of the Government of India. If that be not practicable, the committee are of opinion that it is imperative, in the interests of economy and efficiency, to earmark over a period of years grants for railway capital expenditure which shall not be liable to reduction or withdrawal. They further consider that the requirements of railways on capital account should be met from loans raised on the London or Indian markets according to where conditions are most favourable at the time.

17. Under the existing system the Railway Board have apparently little voice in the allotment of funds for railway capital purposes, and their function consists of the distribution among the different railways of whatever funds the Finance Department of the Government of India allot them. It is apparent that under that system due attention cannot be paid to the needs of individual railways, and that it is quite impossible to carry out a broad and comprehensive forecast of railway requirements.

18. My committee are not in favour of the suggestion to raise capital for railway purposes by means of ordinary or preference share capital of local subsidiary companies. They consider that the responsibility for the financing of the large railway systems for all works of a capital nature should lie with Government.

19. So long as the standard of equipment of existing railways is so low, they consider the policy of devoting the greater part of the available capital funds to the improvement of equipment and rolling stock of existing railways sound in principle.

20. They do not consider the existing branch line terms are sufficiently tempting to attract new capital.

21. In view of the increased rate of interest which capital now commands, the increased cost of labour, and the high price of materials, they are of opinion that increases in railway rates are possibly necessary in order to admit the return on capital invested being such as to prove attractive to the prospective investor, and also to prevent railways being a burden on the taxpayer. They are not in a position to furnish a rough estimate of the percentage by which rates might be raised if so required.

Part IV.—Government Control of Rates and Fares. Settlement of Disputes.

22. My committee have no complaints to make with regard to the control exercised by Government over railway administrations in respect of rates and fares. They do not see the necessity for fixing minimum rates.

23. They have no suggestions to make with regard to the machinery to be provided for the settlement of disputes between railway administrations and traders.

Part V.—General.

24. It has already been stated that the carrying capacity of the Burma Railways system will not be adequate to meet the requirements and needs of the various industries served by the members of this Chamber unless the allotments of capital expenditure be very much larger in the future than they have been in the past. There is only one remedy, and that is to increase the allotments.

CAPITAL EXPENDITURE

Main Line.

——	Works.	Rolling Stock.	Total.	——
	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	
1910–11...	39·36	13·36	52·72	
1911–12...	38·32	6·29	44·61	
1912–13...	25·82	10·56	36·38	
1913–14...	22·82	9·10	31·92	
1914–15...	17·53	9·05	26·58	
1915–16...	7·94	7·60	15·54	
1916–17...	2·76	3·77	6·53	
1917–18...	2·29	— 4·36	— 2·07	Credit due to rolling stock sold overseas 6·48
1918–19...	3·65	—11·68	— 8·03	" " " " 11·68
1919–20...	11·07	3·95	15·02	" " " " 2·57

New Lines.

—	Pegu-Moulmein.	Henzada-Kyangin.	Southern Shan States Railway.	—
	Rs. Lakhs.	Rs. Lakhs.	Rs. Lakhs.	
1904–05	8·86	5·22		
1905–06	39·49	13·05		
1906–07	48·68	19·94		
1907–08	29·01	13·43		
1908–09	16·15	7·93		
1909–10	5·61	3·04	1·93	
1910–11	1·38	1·15	16·97	
1911–12	1·05	·78	28·86	
1912–13	3·22	·52	38·43	
1913–14	·27	·14	38·51	
1914–15	— ·89	— ·02	20·76	
1915–16	— ·06	— ·34	2·84	Credit due to rolling stock sold overseas.
1916–17	— ·05	— ·26	— ·46	
1917–18	—1·08	— ·06	·44	
1918–19	—1·01	·22	·30	
1919–20	·74	— ·42	—1·04	

STATEMENT No. 103.

THE KARACHI CHAMBER OF COMMERCE.—LETTER DATED 31ST MARCH, 1921.

My Committee have had under consideration your circular letter dated 2nd December last (which only appears to have been received in this Chamber early in February), also your letter of 22nd February to the Commissioner in Sind, and telegram of 2nd inst., regarding any evidence that the members of this Chamber might desire to give to the Indian Railway Committee regarding management of State railways in India, etc.

My Committee regret that owing to the sudden and unexpected decision of the Railway Committee to abandon their visit to Karachi, and the inability of the president or any individual member of the Committee to pay even a short visit to this port, there has been some delay in the completion of the material which it was proposed to lay before the Committee. The first meeting of the reformed Bombay Legislative Council and the visit of his Excellency the Governor of Bombay to Karachi prevented the chairman of the Chamber from visiting Delhi to give evidence as he might otherwise have been able to do; and other members of the Chamber were unable conveniently to leave Karachi at a time when the almost complete stoppage of bookings on the N.W. State Railway and other railways serving Karachi had suddenly cut off exporters' supplies of produce and reduced Karachi export and shipping business to a condition of chaos.

It is now probably too late for the views of the Karachi Chamber in the matter of State versus private railway management, etc., to be taken into consideration by the Indian Railway Committee. My Committee, however, put their conclusions in brief form on record for such use as the Railway Committee may desire to make of them.

(1) *The Management of Railways owned by the State.*—My Committee are of opinion that private management of State railways, *i.e.*, management by private companies on a profit-sharing basis, yields the best results for the reasons that (1) there are less changes of personnel, and (2) promotions and appointments are more likely to be made according to merit rather than by seniority or other considerations, than in the case of State-managed railways.

My Committee desire to add that, in their opinion, *all main* or *trunk* lines of railway communication, and all political or strategic lines in India should be *owned* by the State. *Political* or strategic lines should also be managed by Government officers.

If rapidity of construction, competition, and efficiency of management be ruling considerations, then my Committee are of opinion that it would be to the general advantage if all railways in India other than main, trunk lines, and political or strategic lines, were financed, built, owned, and managed by private enterprise.

With regard to the private management of State railways on a profit-sharing basis, my Committee incline to the opinion that a company domiciled in India with a board sitting in India would be the solution calculated to yield the best results and to fit in best with the spirit of the times. Such a company and board could appoint financial agents and consulting engineers in London to assist them as required.

(2) *The Railway Board and Government of India Control.*—My Committee are of opinion that a Railway Department of the Government of India is essential, be it called the "Railway Board" or any other name. The head of the Railway Department should be a member of the Viceroy's Council with large powers and complete control over railway finances until such time as the railways of India are developed to meet fully the needs of the day. The vital importance of railway maintenance and development in India demands that railway finance should no longer be subordinated to the general needs of Government, but should be managed on strictly commercial lines.

(3) *Railway Finance.*—In the present state of India's railways no possible source of capital supplies should be left untapped. In addition to Government loans (a definite portion of which should be allotted in advance to the Railway Department or Railway Board for disposal as the railway member considers best), private companies—railway and others—should be encouraged to raise capital in England, America, India, or any other part of the world. Further, private enterprise should be encouraged to come to the assistance of India by financing, constructing, and managing as many railways as possible, other than main, trunk, political, and strategical lines. The present concession terms for the construction of feeder railways by private enterprise need complete revision.

(4) *The Government Control of Rates and Fares.*—Needs further consideration. The principle of *rigid* maximum and minimum mileage rates should only apply to competing main or trunk lines serving the same locality. The application of such a principle to all feeder railways is an absurdity. On feeder railways and, indeed, on all railways in India, goods' rates and passenger fares should be maintained at levels that will bring a good return on the capital invested, thus encouraging further supplies of capital to be placed at the disposal of the Railway Department of Government and of those private companies and others who are directly interested in the maintenance and construction of railways in India. But there is no need whatever to establish a strict uniformity of levels, *i.e.*, equal mileage rates as at present, except in the case of competing main or trunk lines and feeders serving one district, locality, or town, *e.g.*, Delhi and parts of the United Provinces, whose surplus produce may be transported to Karachi, or to Bombay, or to Calcutta by competing main or trunk lines.

(5) *Recommendations Germane to the Enquiry.*—Having regard to the handicap endured by portions of the Western districts of the United Provinces in marketing their surplus products to the best advantage owing to lack of direct broad-gauge railway communication with Karachi, and also to the difficulty now being experienced by Government in finding sufficient supplies of capital to carry out the many urgent railway and other remunerative public works schemes demanding immediate attention, my Committee urge that private enterprise be given every opportunity of carrying out the proposed Sind Cawnpore "Great North Central" trunk railway *via* Hyderabad. Jodhpore, Beawar, and Gungapur on terms that will permit of Government taking over the ownership of all the portions of the line that will pass through British territory as soon as Government are in a position, financially, to acquire the property. To defer the construction of this most important trunk line of railway communication until such time as Government can themselves produce the necessary capital, would unnecessarily delay the further development of all the localities which the line will serve, including the United Provinces, Delhi, Rajputana, Sind, and its capital—Karachi, the nearest port to Busrah, Aden, Suez, and Europe.

STATEMENT No. 104.

THE CHAMBER OF COMMERCE, Cochin.—LETTER DATED 21ST JANUARY, 1921.

I am in receipt of your No. 15 R.C. dated Madras the 17th instant, enclosing a copy of the Questionnaire relating to the Indian Railway Committee, asking for a brief statement of this Chamber's views and recommendations on the subjects under enquiry and finally whether it would be convenient for a representative of this Chamber to supplement the statement asked for by giving further oral evidence to the Committee in Madras early next week.

In reply I am directed to inform you that this Chamber is, like all Commercial Associations, keenly alive to the importance which attaches to the enquiries of your Committee and would have welcomed the opportunity offered for stating the views of its Members, but in the absence until now of a copy of the Questionnaire the Chamber has not been in a position to go in detail into the various matters embraced in the enquiry and having in the meantime been favoured with a copy of the statement drawn up in relation to the subject by the Madras Chamber of Commerce, of which this Chamber is a Member, we have already signified to the Madras Chamber our wish to be associated with them in their representations.

Such being the position my Members think it best to leave the matter as it stands, more especially as there is now insufficient time in which to study the questionnaire in detail and prepare a statement which would adequately deal with the subject. Moreover, the memorandum drawn up by the Madras Chamber represents the general views of this Chamber, who unfortunately could not in any case now arrange for a representative to proceed to Madras to give oral evidence. This letter, however, may perhaps be accepted by the Committee as a substitute for any more detailed statement.

There are, however, a few special points concerning existing railway facilities and railway development in this locality to which I would wish to draw the Committee's attention:—

(1) At present the trade seeking an outlet *via* the Cochin Shoranur Railway is gravely handicapped by the break of gauge at Shoranur and by the inadequacy of rolling stock (which we know is a universal shortcoming).

(2) The likelihood of the Cochin Harbour Scheme becoming in the near future an undertaking of practical politics instead of merely a matter of academic discussion makes it of supreme importance that railway development in the shape of conversion or duplication of the existing Shoranur Cochin Railway and of the construction of further railways should be undertaken without undue delay and that when taken in hand the question of gauge should receive mature consideration. The Chamber desires to emphasise this aspect of the position in view of the decision arrived at before the war to construct the Polachi Dindigal line on the metre gauge system, which unless Polachi were linked up through Palghaut with Trichur would result in the entire trade of the Polachi district being necessarily diverted to the East Coast, although in point of mileage being, this Chamber believes, legitimately within the area which the Cochin Port would expect to tap.

I may mention that the first of these two matters has been already brought to the notice of the Madras Chamber, whose Chairman has very kindly consented to make verbal representations, should opportunity allow, to the Committee thereon.

STATEMENT No. 105.

TUTICORIN CHAMBER OF COMMERCE.—LETTER DATED 11TH FEBRUARY, 1921.

With reference to your letter No. 15 R.C. dated 17th ulto., I regret to inform you that your invitation arrived too late to enable this Chamber to send a representative to give evidence before your meetings in Madras. This was due to breaches on the South Indian Railway Company's system which cut Tuticorin off from all communication with places north of Trichinopoly for a period of 8 days.

I am directed to pass on to you the undernoted resolution passed at the monthly ordinary meeting of the Chamber to-day, in connection with the management and finance of Indian Railways.

"Resolved, that this Chamber is in general agreement with the views put forward by the Burma and Bengal Chambers of Commerce in their communications to the Indian Railway Committee. This Chamber wishes to emphasise its opinion that a company-managed railway under an efficient system of control by the supreme Government is likely to serve the country better than a purely State-managed concern."

STATEMENT No. 106.

HYDERABAD (DECCAN) CHAMBER OF COMMERCE.—MEMORANDUM WITH PARTICULAR REFERENCE TO H.E.H. THE NIZAM'S GUARANTEED STATE RAILWAY COMPANY.

General.—It is no use denouncing the present company management and setting up a cry for wholesale State management, which would be as bad as the former so long as the staff remains as uncontrolled. What we want rather is an efficient, forceful, active and independent board of directors domiciled in India, representing all shades of Indian opinion and interests, having an insight in local matters, readily accessible to all, and interesting itself on behalf of the public. Such a board will be able to justify its existence by checking and effectively supervising the policy of the Railway Executive and setting it right in consonance with public interests.

Local.—We, like the rest of India, suffer from the want of wagons in our railways, and in the busy season the way the wagons are distributed requires a lot of looking into. The traffic assistants in the railway are absolutely out of touch with the merchants, and do not speak to them, if at all they do, without the station-master being the interpreter. The bulk of our traffic goes to Bombay. Our principal cotton centres are in the metre-gauge. Our goods have to pass through Manmad. The G. I. P. Railway every now and then restrict the quantity that they will receive at this junction to a very limited tonnage. The merchants are compelled to book their cotton and seeds from the metre-gauge stations *via* Secunderabad. Both the N.G.S. Railway and the G.I.P. gain by this arrangement, as the goods are carried over a longer length on their railways. The restrictions, therefore, on the quantities received by the G. I. P. at Manmad are of frequent occurrence. The Chamber feels that they should have an alternative route which is not prohibitive in freight. This can be achieved if the Purna-Hingoli branch is extended to link up with the G. I. P. somewhere near Barsi Road. The Chamber is informed that there is opposition to the scheme from the G. I. P.

The railway does not pay any attention in these parts to public opinion. A radical change in the arrangement of the goods yard at Secunderabad was made, without any reference to the public, whereby the goods have to be taken to the east end of the town. The original entrance and exit were at the west end of the yard opposite the Customs office. The merchants that cleared the goods used to take them to the Customs house. Now they have to go round nearly a mile to the Customs office. Apart from the extra cost involved, there is a great deal of delay. The ostensible reason for the change was that the yard was very much congested. The change has not improved matters now, as the Chamber can quote instances where a number of wagons that arrive at Secunderabad are not unloaded for two and three days for want of room.

We, like the rest of India, suffer from the overcrowding of trains. Where we differ from them is, whereas overcrowding in British India is among the third-class passengers only, here it applies to second-class passengers also. The Chamber can cite instances in which passengers, sometimes a hundred, were travelling on footboards on suburban trains. These are not brought to light, as we have no newspapers here to ventilate the grievances of the public.

The remodelling of the station at Secunderabad was taken up some five years ago and is still unfinished, and it is not known how long the construction will so drag on. Far bigger buildings could have been conveniently finished in less than this time. However it be, there was no particular necessity for the railway to have demolished the old building before they constructed the new one. thus exposing passengers to sun and rain and many other such difficulties. Practically there is no platform, no proper entrance or exit, and as the train service is very irregular and trains are very often late, passengers have to wait very long exposed to all kinds of weather. No railway would have thought it possible to manage without building for such a big station as this for five years. The convenience of the public also should be borne in mind by the railway authorities when they arrange things to meet their requirements.

STATEMENT No. 107.

MYSORE CHAMBER OF COMMERCE.—NOTE DATED 15TH JANUARY, 1921.

The Management of Railways Owned by the State.

Whether State management is superior to Company management, or *vice versa*, Mysore can at least claim that it experiences whatever may be the benefits or the drawbacks inherent in the systems from the fact that the railways running in and through the State are under three different forms of control.

Firstly, we have (*a*) entirely company management in London in the portion of the Madras and Southern Mahratta Railway line from Bangalore City to Bowringpet, 44 miles, and Bowringpet to Marikuppam, 10 miles, and owned by the Government of India; (*b*) a native State-owned line under the same company management as (*a*) for that portion of the line from Bangalore City to Harihar, 211 miles, and Bangalore City to Doddakuragodu, 52 miles; (*c*) native State management entirely of the line from Birur to Shimoga, Arsikere to Mysore, Bangalore City to Nanjangud, and Bangalore City to Bowringpet, all three forms of management being subject to the Railway Board control.

The difficulties of co-ordinating the interests of two separate governments under such circumstances must obviously be a matter of great delicacy, and this is all the greater when the interests of the mercantile community and the public clash. For a native State to possess its own railway system, and the control thereover to be subject to that of the Government of India, as well as the Railway Board in India and a Board of Directors in London as lessees, is a state of affairs which my committee venture to think has no parallel in any part of the world. My committee from this statement do not wish it to be construed that such control has been inimical to the interest of the State, but a situation which might be considerably improved in the interests of the Mysore State and the public and trading community. Under the existing systems of control prevailing in a State containing 663 miles of railway communication there must obviously be difficulties for the adoption of a uniform railway policy or even management. Whatever may be the best form of control, and this is more a matter for the Government experts to decide, my committee venture to submit that for the lines running through Mysore the representatives of the mercantile community and the public should have some voice in the administration, even if such representations partake of the nature of a consulting committee with a definite status and entrusted with specific powers and responsibilities. Some such link between the executive management of the railway and the public would probably result in the latter taking a livelier interest in its railways and be also more willing to invest in them. To such a committee might be entrusted the settlement of the grievances of employees, the redress of disabilities to trade, the consideration of new extensions in the State, and the comfort and welfare of the travelling public. The direct administration of the line would remain entirely in the hands of the executive and managers, and the question of finance left wholly in the hands of the State, but subject to the approval of the State Legislative Councils so far as the matter of provision of funds concerns their respective taxpayers.

Answering questions Nos. 6 to 8 in general, my committee venture to submit that the control and management of railways in South India, as represented by the Madras and Southern Mahratta Railway and the South Indian Railway lines, should be merged into one system and be under direct State management with a board sitting in India, and proportionate permanent representation allowed on such board to the Government of India, the Mysore Government, and to nominees, for three years, from each of the Chambers of Commerce in Madras (2), Tinnevelly (1), Cochin (1), and Mysore (1). Thus, one member each would be nominated by the Madras Chamber of Commerce, South Indian Chamber of Commerce, Tinnevelly Chamber of Commerce, Cochin Chamber of Commerce and the Mysore Chamber of Commerce, and a like number nominated, *pro rata* to capital invested, by the Government of India and the Mysore State, with a permanent chairman and deputy-chairman nominated by the Government of India. My committee strongly urge the necessity for merging the Madras and Southern Mahratta Railway with that of the South Indian Railway, and making same one united system, if there is to be anything like a uniform policy of control and rates over the joint systems for the south of India as a whole. The inconvenience and loss is very great which merchants suffer through these companies not being able to accept goods for carriage over each other's lines without a suspension of traffic, or one company being short of wagons while the other is well supplied. The experience of the absence of uniformity in working of the two lines during the war is sufficient to call for one united management for both of the companies.

Under the control of such a board of representatives it can be claimed that the interests of the Government of India, the Mysore State, the mercantile community and the general public would be fully protected, and Indian conditions and requirements receive greater consideration and expeditious treatment. It is also submitted that under such partially-elected representative control the general public are likely to be more willing to participate in railway investments than under the present system, whereby the question of funds for the railways in India is one made subordinate to the financial requirements as a whole of the Government of India. My committee do not think that there will be any lack of continuity in such a Board of Directors as they suggest, specially as both the chairman and the deputy-chairman would be permanent Government of India nominees skilled in railway work. They do not consider it necessary that the other members of the Board should be skilled in railway work, nor do they think it likely that Chambers of Commerce would elect a representative who, by reason of his being actively engaged in a particular industry or area, would prejudice the impartiality of the Board.

Railway Finance.

My committee do not think it necessary that they should reply seriatim to the several questions raised touching railway finance, but are strongly of opinion that the requirements of the railways, whether for new construction, maintenance, or the improvement of the existing railways, should not be dependent on the power of the Government of India to provide finance either by borrowing or from its balance, but that the railway policy of the Government of India should be one quite independent and in the direction of making the construction, maintenance, etc., of the whole of the railways in India dependent on their own successful working, like any commercial firm or company would be expected to be, even if the carrying out of such a policy necessitates the raising of existing rates and fares. Owing to the complexity of the question of railway rates, a rough estimate of the percentage by which rates and fares might be raised will not serve any useful purpose. but an increase in the rates for all goods (other than food grains) and a fractional increase in third class passengers' fares, with double and treble increases in the case of second and first class fares, are hardly likely to result in any loss of trade or falling-off in passenger receipts. The increase in the goods rates might be raised to the average rate per ton per mile prevailing in 1912, which would

but represent an increase of 10 per cent., and a 15 per cent. increase in passenger rates would raise the average charge per passenger per mile to about 3½ pies. My committee are, however, in agreement with the recommendations of the Industrial Commission as contained in paragraph of their report touching the preferential treatment of exports consigned to seaports.

STATEMENT No. 107 (*a*).

W. C. ROSE, Esq., Manager, Bank of Mysore.—MEMORANDUM DATED 15TH JANUARY, 1921.

(Transmitted by the Mysore Chamber of Commerce.)

So long as no share in the control of railways is given to the people of India I see no likelihood of investments in Indian railways becoming popular with Indian investors. At present, to the Indian mind the whole control and management of railways in India is clothed in a foreign garb—a different case to what prevails in Canada, Japan, and South America. It cannot be denied that the railways in these countries are not efficiently managed or not profitable, on the whole, to foreign investors, who in the case of the Canadian, Argentine, and Brazilian Railways are perhaps more British, but, nevertheless, with no predominant control, if any, over the companies. It must also be admitted that in spite of such local control and management these railway companies experience no difficulty in raising on the London market all the funds they require. It is only a question of the rate that a company is prepared to give for money that has any bearing on the London money market, and not by reason that the particular company is to be managed by a London Board of Directors—composed chiefly of retired Indian civilians and ex-railway officers or agents. What one fails to appreciate is, why the retired Indian official, resident in London, is more capable of directing the policy of an Indian railway, or influencing Home financiers, than his up-to-date and equally expert colleague on the spot, backed up by credit of the Government of India? The company agent in India, presumably, is required to express his views to his London Board on any policy he may desire to have introduced, and it is not the case that the policy of Indian railway company is conceived by the London Board, and its execution only a matter for the agent in India! I see no reason why a Railway Department of the Government of India, with a Minister of the Viceroy's Council at its head, as suggested by Sir T. R. Wynne, with the aid of an Advisory Board, composed of railway agents and commercial men, should not be constituted to take the place of the present Railway Board and London boards. By such a step will the people of India realise that they have a voice in the control and management of their own railways. As regards the question of finance, I am of opinion that given the aforesaid conditions, with popular terms of issue, it would be possible to raise in India all the money required annually for capital purposes. I do not consider that any real attempt, on a regular organised system, has been made in India for the marshalling of the available financial resources of the people in India. The pre-war practice of the Government of India was merely to call tenders for the amount of their requirements for all services. These loans were usually for a few crores and were readily absorbed, chiefly by speculators in Government paper securities. During the war the Government of India advanced a step and took council with the three Presidency banks, and made them their underwriters for the War Loans, and left the pushing of these loans to the other banks without a share of the underwriting commission received from Government. This attitude of the Government of India is in sharp contrast to the policy adopted by the Home Government, who secured the co-operation of all the bankers in the United Kingdom, and allowed, I believe, to such banks a generous commission as well as the use of the funds raised by each one for a fixed period of time. The banking resources (deposits) only of all banks in India in 1917 are said to have aggregated some 150 crores, and if these banks were to act as one large underwriting syndicate for the raising of Government loans in India, say, annually to the extent of 15 crores, it would but mean the diversion, if at all, of their deposit resources to the extent of 10 per cent. only. With the establishment of the Imperial Bank of India, for the existing three Presidency banks, the opportunity for a more co-operative policy, of the nature described with other banks, should now be easier of accomplishment. Further, the opening of a branch of the Imperial Bank of India in London should make it possible for that institution to obtain British funds for investment in Indian railways. The only question is, as I have stated, one of rate. It is useless for me, under the present prevailing financial conditions of the money markets as well as the certainty of further borrowings in the near future by the Government of India, to mention a rate of interest which I consider would have to be paid by the railways; but the rate must not be less than the rate offered by the Government of India for its loans, with a share of the surplus profits, after paying Government, say, 5 per cent. on its capital outlay, and should also be free of taxation. This latter condition is most essential as it is probable that in the future the income tax is more likely to be increased than reduced. A further condition to induce the Home investor would be to fix 2 shillings to the rupee as the rate of exchange for the payment of interest only, the capital to be repayable in rupees.

STATEMENT No. 108.

THE NATIVE SHARE AND STOCKBROKERS' ASSOCIATION, Bombay.—NOTE DATED 28TH JANUARY, 1921.

1. My association is strongly in favour of the management of railways as being taken over entirely by the State, as the management by companies has proved extremely adverse to the interests of the country, and specially its trade and industries. It is notorious that the present management is oblivious of all the interests of indigenous trade and industries, with the result that they have not developed to an extent as could have been anticipated. The company management is naturally anxious that as much profit should be got out of the railways as possible. This may be a desirable course to pursue for purely commercial concerns, but one that cannot, and should not, be followed in its entirety where national interests are concerned. Railways are in all

the countries considered, and rightly so, as national concerns, and the history of the war furnishes sufficient evidence to show how the State had to assume control of the railways in each belligerent country for the proper mobilisation of all the resources of the State in its best interests.

It is a matter of the deepest regret that the claims of Indians for employment of Indians in higher grades of the railway service are not taken into account by the companies concerned. This can only be remedied by the assumption by the State of all management, specially as under the new policy adopted recently a definite proportion of all appointments has been promised to Indians. Another reason why my committee are in favour of State management of railways is the treatment meted out to third-class passengers—a treatment of which there is, perhaps, no parallel in any other country. In short, my association recommend most strongly the adoption of the State management of railways as a principle by the Government of India. It would be a fitting supplement to the reforms inaugurated recently.

20. Capital funds required should be raised in the cheapest market.

21. With regard to branch-line terms my association are of opinion that they must be more liberal than what they are at present. Financial conditions have altogether changed, and the time when it was possible to raise loans even on 5 per cent. has gone. Looking to the big dividends being declared by the cotton mills and banks, people will not go in for railway shares unless there is some equally great inducement offered to them. It is a matter of regret that in all the present industrial awakening being witnessed in this country not much attention is being devoted to the railway enterprise. It is to the interest of both the people and the Government that this neglect of one of the principal industrial enterprises should be replaced by a healthy interest, and this will be possible only when branch-line terms are made more liberal than what they are. In this connection my association may be allowed to point out that, looking to the spirit of the times and their experience of the investing public, the new railway companies should be as far as possible Indian and at least half of the capital subscribed must be in Indian hands.

22. The method of raising loans should be by terminable bonds redeemed by a suitable sinking fund created for the purpose. This method appears to be the best, looking to the financial condition of all the countries in the world.

24. My association cannot give any estimate of the amount which may be raised by loans in India and the United Kingdom. The war period showed a great possibility in this country for responding to the call for loans. Though that response cannot be taken as an index to the future possibilities of the Indian financial market, my association are confident that there will be no lack of response to any railway loans which may be floated. My association cannot pronounce any opinion on the amount which may be possible to be raised in the United Kingdom.

STATEMENT No. 109.

THE CHAIRMAN, Central Provinces and Berar Mining Association, Kamptee.—LETTER DATED THE 4TH FEBRUARY, 1921.

With reference to your letter No. 1129-A/XIII, dated the 15th December, 1920, forwarding copy of Railway Board's letter No. 405-F. 19, dated the 3rd December, 1920, together with copy of the questionnaire referred to therein, I have the honour to state that the experience of the members of this association has been confined to the two company-managed lines, the Bengal Nagpur and Great Indian Peninsula Railways. They are, therefore, not in a position to express an opinion on many of the subjects mentioned in the questionnaire. They would, however, like to point out that the mining industry of the Central Provinces has been very seriously affected by the lack of railway facilities, and as an example of this one company alone has about 350,000 tons of prepared manganese ore on their mines and sidings, which they have been unable to transport to port, although the demand for ore during the past year has been such that they could have disposed of twice the quantity that they were actually able to export. The members of this association are, therefore, of the opinion that there should be an allround improvement in the carrying capacity of the railways by the doubling of open lines and an increase in the quantity of rolling stock.

With regard to the question of whether the board of the leasing companies should be domiciled in the United Kingdom or in India, the members of this association are of the opinion that the answer to this enquiry would depend to a large extent on the ability of India to supply the required funds

With regard to the question of the Railway Board and the Government of India's control of the railways, the members of this association are of opinion that this should be limited as far as possible, because the Railway Board's control over rates, for instance, might prevent competition between railways, and would, therefore, prevent exporters from having the benefit of lower rates than the Railway Board might permit. This, I understand, has already happened in the case of the Bengal Nagpur and Great Indian Peninsula Railways, over both of which railways manganese ore is transported to the ports of Calcutta and Bombay, as the case may be.

STATEMENT No. 110.

BOMBAY NATIVE PIECE-GOODS MERCHANTS' ASSOCIATION.—LETTER DATED 1ST FEBRUARY, 1921.

With reference to your letter No. 15-R.C. dated the 1st ulto., enclosing a copy of the questionnaire of the Indian Railway Committee, I am directed by the committee of the above association to send hereby their views as under on the subject:—

Part I.

Question No. 1.—My committee are of opinion that railways owned by the State should be managed by the State directly.

Question No. 2.—When the State undertakes the management, there should be a change in the system of management and we suggest that separate Railway Trust be created consisting of representatives of Government by nomination, of experts and representatives of Indian trades from each Presidency and a military officer.

Question No. 3.—If at all the railways are to be managed by companies, we think they should be domiciled in India.

Question No. 4.—No.

The reasons are obvious.

Question No. 5.—We are of opinion that the management of railways by companies domiciled in United Kingdom as a rule are out of touch with Indian conditions and requirements, hence, it is desirable that they should be domiciled in India.

Question No. 6.—The board of companies domiciled in India should be composed of directors elected by the shareholders and the Government nominees to the extent of one-fourth, half of which should be non-officials.

Question No. 8.—We do not consider it difficult to obtain suitable directors to take interests in the affairs of the company.

Question No. 9.—No.

Part II.

Question No. 10.—We do not consider it satisfactory and refer to our reply to Question No. 2.

Question No. 11.—If our suggestion in reply to Question No. 2 Railway Trust is overruled and it is thought desirable to continue the control by means of Railway Board, there should be change in its constitution so that there may be a majority of representation of commercial and industrial interests on the Board.

Question No. 13.—Railway Board has never been known as exercising its powers with regard to matters relating to the requirements of the travelling public and of trade. If Railway Board is to continue it must have full powers to exercise them over the management and also should have adequate powers to deal with complaints from the public.

Question No. 14.—No.

Part III.

Question No. 17.—The supply of funds by the present system for railway purposes with regard to sub-questions A. B. and C. is not adequate.

Question No. 18.—The funds available at present are quite inadequate to meet requirements of equipment and improvement of existing railway and of railway extension.

We suggest that two separate grants should annually be provided to adequately meet require ments for both purposes.

Question No. 20.—The funds may be raised for the capital purposes in the cheapest market and preference should always be given to India on equal terms.

Question No. 21.—We do not consider the existing arrangements of supplementing by means of branch line terms the Government of India's resources for railway constructions are satisfactory. Looking to the changed condition in the monetary market of the world they will have to be modified in order to induce capitalists to invest in railways construction and more liberal terms will have to be offered.

Question No. 22.—It may be raised by loans, debentures or by terminable bonds by the Railway Trust as suggested above or by the Government of India for railway purposes.

Question No. 24.—We think at least ten crores of rupees could be raised annually for railway purposes in India and about twenty millions sterling from United Kingdom in normal condition.

Question No. 25.—Not likely.

Question No. 26.—(A) Yes. (B) We are opposed to the increase of rates and fares, but if at all it is necessary to do so, to make both ends meet, the rates on the articles of luxury should be raised.

Question No. 28.—The grants ear-marked in the Budget to be spent in a particular year should not lapse.

Part IV.

Question No. 30.—We do not consider that the Government control is adequate in respect of rates and fares and we deprecate the system of preferential rates for sea ports against internal traffic rates.

Question No. 31.—The powers in this respect dedicated to the railway administration have not been used in the interests of the public.

Question No. 32.—Though there is such a provision for the appointment of a Railway Commission to settle disputes between railway administration and traders, my committee are not aware of any occasion when such a commission has been appointed. They should like to suggest that in every leading commercial town there should be a committee composed of chief commercial bodies out of which two of them should act as arbitrators when there is any dispute between the railway administration and traders. The traders generally are not aware of any expedients to redress their grievances and are practically helpless in the hands of railway officials. This sort of helplessness has been responsible for a good deal of embitterment between the trading community and the railway owing to unnecessary losses which have to be put up with by them. To remove the complaint and to have harmonious feelings, the only course is to have such a committee as suggested here above. Traders will then soon be accustomed to refer in case of any complaint to such arbitration and will even in case of adverse decision be reconciled to it, coming as it will from arbitrators out of their own people.

Question No. 33.—Our committee hopes to submit further statement in reply to this question.

Part V.

Question No. 34.—The carrying capacity of different railways, in our opinion, is not adequate at all, especially when large numbers of wagons are occupied in carrying coal. To immediately relieve the acute position of storage of railway wagons my committee suggest that Government should take steps towards providing sufficient number of steamers to carry coal between different Indian ports.

STATEMENT No. 110 (A).

BOMBAY NATIVE PIECE-GOODS MERCHANTS' ASSOCIATION.—LETTER DATED 3RD FEBRUARY, 1921.

In continuation of my statement dated 1st inst., I beg to send the following statement in reply to Question No. 33.

Under the present management of State railways, following results have been experienced by the mercantile public in transmission of their goods:—

(1) Efforts have been successfully made to relieve railway companies of their liabilities as carriers of goods in regard to short and non-deliveries and pilferages of goods under cover of owners' risk.

When this change in the rates was introduced with two forms of receipts, the public were unaware of the consequences that would result from the protection the railway companies thus sought under "Owner's risk" receipts, under which they now disclaim liabilities not only for damages, but also for short and non-deliveries. Consequently, cases of pilferage and entire loss of goods have been increasing. Traders are put to great losses and to hardships in recovering their claims the settlement of which is indefinitely delayed even in cases under railway risk notes. Our committee, therefore, recommends that as an immediate remedy under the present company management an average rate and one form of receipt should be fixed imposing upon the company full liability as to the safe carriage of goods and merchandise to their destinations with regard to pilferages and short and non-deliveries. This will make the companies alive to their responsibilities and greater precaution will be exercised by those responsible at different railway stations including railways police.

(2) Corruption owing to lack of strict control by the present management has been increasing, and when under plea of shortage of wagons or some such cause booking is suspended, preference is given to goods where arrangements are made through muccadum by way of tips. This state of things continued even during the last year in our city. To avoid such occurrences, my committee thinks that serial loading system and efficient control in the matter is essential as an immediate remedy.

(3) Recently, railways have also been disclaiming their liability for goods awaiting loading in their yards. In the busy season a very large number of merchandise packages are sent to railways, and they have to wait for a day or two before regular consignment receipts are given. After loading, in carts from private godowns, cases of entire disappearance of goods have recently been happening, and the cartmen, lured by robbers, miscarry the loads, and when receipts are not forthcoming after a day or two, inquiries are made, and it is found that goods never entered the yards or were turned back by the drivers induced by some robbers. To avoid such occurrences, a system of gate receipts to be given to consignees should be introduced and proper and vigilant guard by the authorities should be exercised on goods awaiting loading. Such a receipt should eventually be returned in exchange for a regular railway receipt on completion of the loading.

STATEMENT No. 111.

CALCUTTA TRADES' ASSOCIATION.—EXTRACT FROM LETTER DATED 25TH NOVEMBER, 1920.

I have the honour by direction of the committee of the Calcutta Trades' Association, to state that this association has nothing to add to its letter No. C.M.-14—1916, dated the 19th September, 1916, to the Railway Board, regarding the question of State *versus* Company management of Indian railways, and to its letter No. C.M.-4—1918, dated the 2nd April, 1918, regarding the working of the Indian Railways Act.

NOTE.—The letters quoted are reproduced here *in extenso*.

Copy of letter No. C.M.-14—1916, dated 19th September, 1916, from the Secretary, Calcutta Trades' Association, to the Secretary, Railway Board.

I have now the honour, by direction of the master and committee of the Calcutta Trades' Association, to reply to your letter No. 188-F—16, dated 27th June, 1916, requesting to be furnished with such views as the committee may desire to offer regarding the question of the comparative advantages of the management of railways in India by companies and directly by the State.

It is further noted that you will also be glad to be favoured with the replies of the association to the following questions enumerated in your letter under reply:—

(1) What particular railway or railways do your members most frequently have dealings with?

(2) If with both State and Company-managed lines, does the experience of your association lead to the belief that the public are better served by one than by the other in—
  (*a*) promptitude of despatch and delivery,
  (*b*) in rates,
  (*c*) in the manner of dealing with complaints,
  (*d*) in the care and handling of goods,
  (*e*) in the matter of passenger traffic?

(3) If dealings are with one system of railway only, have you complaints to make under any of the sub-heads to the Question (2)?

Before proceeding to deal with these questions, the committee desire me to state that the concensus of opinion is that, both from the point of view of convenience to the public and general policy, the management of railways in India by companies with State control as opposed to direct management by the State is the system to be preferred.

One point in favour of company management is that members of the staff are not first the employees of the State and secondarily of the railway, and, therefore, liable to transfer. Their service is continuous. They become identified with their own line and such a staff, in the opinion of the committee, becomes more efficient than where individual members are subject to frequent transfer. Individuals become personalities in their districts and are not only of extreme value to the company they serve, but they gain the confidence of the public. A good many instances might be given of this feature of company-managed lines. On the other hand, cases could also be given of men of ability employed by State-managed lines being transferred to other systems and being replaced by others again from other districts, who, though possibly as able, had to acquire local knowledge before being, from the local point of view, properly efficient.

Before leaving this point, the committee feel that the question of promotion by seniority in the railway service as a whole is a serious handicap to State-managed railways in contrast to company management. The State railway servant regards himself as a servant of the State and the system on which he is working at the time has second place, whereas the company servant develops a feeling of loyalty to his company, and, moreover, his whole career depends not on seniority, but personal efficiency.

The committee do not wish to go deeply into the question of political influence on State management, but they would remark *en passant* that this is possibly an undesirable feature and one to which company management forms an effective barrier.

Turning to the specific questions that have been asked :—

(1) The lines our members most frequently deal with are the East Indian Railway, Bengal Nagpur Railway, the Eastern Bengal Railway, and less frequently the Bengal and North-Western Railway. The concensus of opinion is that the most satisfactory service is rendered by the East Indian Railway and the Bengal Nagpur Railway. The Eastern Bengal Railway has become more progressive of late years, particularly with regard to passenger traffic, but individual members point out defects in the handling of goods and parcels traffic, while with the few who deal with the Bengal and North-Western Railway, that line seems to be generally unpopular. But although this is a company-managed line and its management is apparently unpopular with the public, this fact must not be taken to offset the general opinion expressed by the committee in this letter.

(*a*) The East Indian Railway and Bengal Nagpur Railway appear to be regarded by members as being on the same grade and ahead of others in promptitude and delivery of goods. More satisfaction is obtained from these lines when complaints arise and more promptness than is the case with other lines.

Members also comment with satisfaction on the excellent passenger arrangements on the Bengal Nagpur Railway and the individual attention they experience when travelling on this system. This feature seems to have been highly developed on this line, but, in all fairness, it must be stated nothing can be said against the East Indian Railway or Eastern Bengal Railway on this score. Reverting to parcels traffic, our members complain of carelessness in handling on the Eastern Bengal Railway, frequent breakages and other forms of damage, also of delay in obtaining railway receipts of goods forwarded by passenger train, whereby the documents reach the consignee a day later than the goods, which, in the case of perishable articles, is often disastrous.

(*b*) We have no remarks to make on this subject

(*c*) We have dealt with this in our remarks under sub-heading (*a*).

(*d*) The concensus of opinion is in favour of company-managed lines.

(*e*) See our remarks under (*a*).

With regard to paragraph 3, the Committee would strongly urge that the management of the East Indian Railway be continued in its present form. From the nature of this communication hitherto it will be seen that the opinion of members is in favour of company management, but in regard to this individual case, it would be borne in mind that the lines controlled by the East Indian Railway are of very great extent, and the excellency of the present management of what must be a difficult and complex problem is very marked. In fact, too great praise cannot be meted out to this company for the successful manner in which they have tackled the problem of managing a huge concern with an absence of friction and complaints. They would therefore view with some anxiety a far-reaching change that might be prejudicial to the excellent service that prevails at the present time.

Copy of letter No. C. M.-4—1918, dated 2nd April, 1918, from the Secretary, Calcutta Trades' Association, to the Secretary, Railway Board.

By direction of the Committee of the Calcutta Trades' Association I now have the honour to reply to your letter,* No. 574-T.—17, dated 31st October, 1917, with reference to the working of the Indian Railways Act.

The question has received the careful attention of my committee, and in respeonse to a circular issued to the several members of the association, certain complaints regarding rates and other defects in the Act have been duly brought to the notice of this association, amongst which the following appear to call for special attention.

1. *Responsibility for the loss, destruction or deterioration of goods delivered to a Railway Administration for carriage by railway.*—In this connection, Messrs. Samuel Fitze and Company, Limited, have placed at the association's disposal copies of the correspondence which has passed between themselves and

(*a*) the East Indian Railway, and

(*b*) the Chairman, Railway Board

* T., January 1918, A. $\frac{574\text{-T.}—17}{1—2}$.

Their letter, dated 11th February, 1918, to the latter, gives a full *resumé* of the facts of their particular grievance against the East Indian Railway, and it is, therefore, unnecessary for us to deal with the matter in detail.

My committee have gone very closely indeed into this case, and it would appear that a very strong case has been made out for the necessity of issuing *kutcha* receipts for such goods as are duly tendered to a railway administration for carriage by railway to up-country stations, provided the goods so tendered are properly marked in accordance with the rules of the railway company in question. The present system of not granting receipts until the goods are actually ready for despatch is one which has met with unanimous disapproval of the members of this association, who are strongly of opinion that they are deprived of any measure of protection against loss, destruction or theft.

The next point in connection with Messrs. Samuel Fitze and Company's complaint is their inability to obtain any redress from the East Indian Railway with regard to the cases alleged to have been lost from the sorting yard at the Howrah goods shed, and with reference to this point the committee would respectfully draw your attention to Section 72 of the Indian Railways Act, which reads as follows :—

> " The responsibility of a railway administration for the loss, destruction or deterioration of animals or goods delivered to the administration to be carried by railway shall, subject to the other provisions of this Act, be that of a bailee under Section 151 of the Indian Contract Act, 1872 (IX of 1872)."

As also to Section 151 of the Contract Act referred to :—

> " In all cases of bailment the bailee is bound to take as much care of the goods bailed to him as a man of ordinary prudence would, under similar circumstances, take of his own goods of the same bulk, quality and value as the goods bailed."

In considering these two Sections together, the committee are of opinion that a very strong case could be made out against the East Indian Railway, and your board's attention is particularly directed to this case.

2. *Disposal of goods not called for by consignees at station of destination.*—The following letter, dated 1st February, 1918, has been received from Messrs. James Monteith and Company on the above question :—

> " It is our experience that consignments which, through some cause, are not called for by consignees at destinations, are frequently relegated to the lost property offices without any intimation being sent to the consignors or consignees, and the matter only comes to the knowledge of the consignors after the lapse of considerable time after the demurrage accruing has greatly increased in bulk.
>
> " The remedy which suggests itself to us is that arrangements should be made to send intimations of non-delivery of consignments a week after receipt thereof to the consignors and a copy of the intimation to the consignee with a request for the production of the railway receipt, and this, we think, will not be found impracticable if printed forms are used for the purpose. We may add that conformity to this procedure at the railway stations will obviate much unnecessary clerical work and complicated enquiries which have to be held afterwards, leading to correspondence which seems to us preventable.
>
> " From what actually takes place, we are inclined to think that the current procedure of summarily consigning undelivered parcels to the lost property offices does not appear to have lightened the work of the railway offices, as enquiries which could have been made at the initial stage of matters, ensuring the interest of the railways and their constituents, have to be made afterwards, to the detriment of all the parties concerned and multiplication of work at all the offices interested."

My committee also commend this matter to the consideration of your board, as it is felt there is a great deal of sound reasoning in the contention raised by Messrs. Monteith and Company, and the remedy appears to be a very simple one indeed.

3. *Mistakes made by a railway administration with regard to the forwarding of goods legibly and clearly marked to a wrong destination.*—The above constitutes a grievance brought to the association's notice by Messrs. Houghtons (India), Limited. This firm's complaint is that two separate and distinct parcels of goods, legibly and clearly marked, were despatched in each case to the wrong destination by the railway company, who decline to accept any responsibility on the grounds that the respective packages, though admittedly legibly and clearly marked, were wrongly pointed out to the forwarding clerk at the station of despatch. The firm claim that this is a misstatement of facts, as in both cases forwarding notes were correctly written out and the packages clearly and legibly addressed, and it is for the railway company to see that the packages were correctly labelled for the station of destination, and the responsibility, therefore, must be with the railway company for any loss or damage incurred either by the consignee or consignor.

4. *Responsibility of a railway company for the loss of goods accepted for conveyance to a particular destination beyond the limit of its own line of railroad.*—This question has been raised by the French Motor Car Company, Limited, who complain that they are unable to get any redress from the Great Indian Peninsula Railway for the loss of a box containing two taximeters worth Rs. 600 which was despatched to them from Bombay by goods train *at owner's risk*. The Great Indian Peninsula Railway are able to prove that the box in question was made over by them to the East Indian Railway and consequently they deny any liability for its loss. The East Indian Railway likewise deny liability on the grounds that the box was booked *at owner's risk*, but admit the firm is entitled under Section 75 of the Indian Railways Act to a maximum compensation of Rs. 99. which the East Indian Railway are agreeable to pay.

In this connection, I am to direct your attention to the English law on the subject, which is as follows :—

> " If a railway company accept goods for conveyance to a particular destination beyond the limit of its own line of railroad, *and the goods are lost while in the hands of another railway company to whom they have been delivered to be forwarded on the journey*, the

first railway company is the party to be sued by the owner of the goods, as being the party contracting with him for the conveyance of them, *unless the company has by express contract limited its liability to loss* and damage occurring on its own line of railway,"

from which it will be seen that the first railway company contracting with the consignor for the conveyance of the goods is liable for any loss or damage occurring to such goods while in the hands of another railway company to whom they have been delivered to be forwarded on the journey. My committee, therefore, feel that this question should be carefully gone into by the Railway Board, for the reason that, as matters now stand, a consignor is unable to fix responsibility upon any particular railway company in the case where goods are consigned to a station beyond the limit of the receiving railway company's railroad and are subsequently lost in transit.

5. *Rates of Freight.*—(*a*) *Musical Instruments.*—These are classified under the highest scale of freight, and, in addition, when the value of the goods exceeds Rs. 100, they have to be insured if sent at *railway risk.*

My committee note that under Section 75 of the Indian Railways Act insurance on "excepted" articles was introduced *by way of a compensation for increased risk* with respect to articles of special value. It is obvious, therefore, that whereas the articles are to be insured according to their monetary value, the increased risk applies mainly to the risk of theft or pilferage, which can hardly be said to be applicable to pianos, although they are classified under the highest rate of freight governing " excepted " articles, while on the other hand, articles which are included in the same list and which are more liable to the risk of theft or pilferage or even damage, are classified at a lower rate of freight.

Again, in the case of cotton or woollen piece-goods, though, bulk for bulk, this class of merchandise is lighter than pianos and consequently carried at a lesser freight, they are just as valuable and more susceptible to damage by fire or damp, and also more liable to theft and pilferage, yet such goods are not considered an increased risk, and consequently are not included in the list of excepted goods, although it must be the experience of railway companies that pilfering in respect of this particular class of merchandise is admittedly heavy.

Furthermore, there is a maximum and minimum rate for each class of freight, but in the case of pianos, they are not only classified under the highest rate, but are also charged at the maximum freight of that rate, whether the consignment be a fraction of a maund or a ton lot, over and above which the goods have to be insured when consigned at railway risk if the value exceeds Rs. 100.

The obvious deduction to be made from the above statements is that as pianos, which are heavy articles, are subjected to the highest rate of freight *plus* insurance, the total carriage charge on this class of goods is detrimental to the trade, and it is contended that inasmuch as present day pianos are no longer the delicate instruments of 20 to 30 years ago, they are not so liable to damage, and no more than ordinary care in their handling is necessary. Consequently, it is considered that they should be classified at a lower rate of freight, and the increased risk (if any) of damage be covered under the scale of insurance.

(*b*) *Fragile goods.*—My committee are of opinion that the question of whether goods under this classification are badly or defectively packed, should be decided at the time of their acceptance by a railway company, and not left to be determined on arrival of the consignment at its destination. They feel that special conditions for packing should be made applicable to the various classes of fragile goods, thus standardising the mode of packing for each particular class.

(*c*) *Bulky articles.*—In the case of iron girders, shafts, rails, etc., where by virtue of their great length such goods cannot be carried in one truck, my committee consider that as the aggregate weight of such consignments is often under the minimum weight per truck specified, it would obviate the payment of heavy extra charge on underweight consignments, if it could be arranged to run trucks in pairs whenever sufficient freight offered, but as in the case of Messrs. Samuel Fitze and Company, already referred to in this letter, *receipts for all such consignments should be granted by the railway company at the time such consignments are tendered for despatch*, and not deferred until such time as the goods are actually railed.

In this connection there also arises the question of inability to specify on the railway receipt the number of articles tendered for despatch in one consignment when the number of such articles cannot readily be counted by the station staff. My committee consider that, for obvious reasons, the correct number of articles received in the goods shed or loaded in a wagon, should be specified in full and in detail at the time of granting a receipt, otherwise the consignor is deprived of any protection against loss or theft.

6. *Insurance.*—In the case of " excepted " articles where insurance has to be effected and freight charges prepaid, my committee are of opinion that compulsory *pre-payment* should not be imposed by the railway company, but that consignments should be accepted at " to pay " rates at the option of the consignor.

In conclusion, I am to inform you that a copy of this letter is being sent to the Indian Railway Conference Association for information.

STATEMENT No. 112.

CHAIRMAN, Madras Trades' Association.—LETTER DATED 10TH JANUARY, 1921.

I have the honour to acknowledge receipt of your circular communication No. 15 R.C., dated 30th December, 1920, on the subject of the Government of India (Indian Railway Board) questionnaire, etc., forwarded to my association for attention. The matter has been considered in a meeting of my association and it is with regret they do not feel themselves in a position to offer any very definite views on the matter.

The same subject was discussed in July, 1916, and a communication was sent to the secretary of the Railway Board, a copy of which I enclose herewith for ready reference. None of our members feel that they are in a position to deal adequately with the matter and therefore do not wish to send any representatives to appear before the Commission during its sittings in Madras.

While not wishing to go fully into the matter, I at the same time desire to express on their behalf the considered opinion that company-managed railways are preferable to State-managed, as they believe better results can be obtained in working, both as regards return on capital invested, and convenience of the travelling public.

The Railway Board, we think, should be further strengthened in all departments and consideration should be given to the representation on the board of South Indian Interests.

Regarding finance, while believing that it will be necessary for the Government of India to find the necessary funds, we at the same time think that companies, if they desire, should be given a greater financial interest.

We believe that for the present and for many years to come it will be advisable to have the management of the companies domiciled in London as we do not believe that a sufficiently strong board of experts in railway management is available in India.

Question No. 26, *paragraph* (*b*).—We believe that railway rates should be sufficiently high to enable railways to be worked at a reasonable profit. The general taxpayer should not be asked to bear any of the burden of the loss on the railway working.

ENCLOSURE.

Copy of letter dated the 31*st July*, 1916, *from the Chairman, Madras Trades' Association to the Secretary, Railway Board.*

I have the honour to acknowledge receipt of your circular communication No. 188-F/16, dated 27th June, on the subject of State *versus* Company-controlled railways.

The matter has been considered at a meeting of my association and it is with regret we do not feel ourselves in a position to offer any definite advice upon the subject.

The only railways with which our members are in any way intimately associated are the Madras and Southern Mahratta Railway and the South Indian Railway, company-managed lines under nominal State control.

With State railways pure and simple we have had no experience.

In reply to the various queries raised by you on page 2, the opinion of my association is that, considering the difficulties under which the above-mentioned railways work in the direction of shortage of rolling stock, the fact that they have only a single track throughout the major portion of their systems and so forth, they have afforded and are affording to the general public every facility within their power. There are of course complaints, but we find that they are handled in a businesslike way.

The officials in general have always shown themselves easy of access and anxious to develop the facilities of their lines to the utmost for the benefit of the general public. My association is of opinion that the present system is working satisfactorily, and that the State has ample powers of control if it chooses to exercise them. Company control has very many points to recommend it, and my association is not in favour of any alteration.

STATEMENT No. 113.

THE INDIAN MERCHANTS' ASSOCIATION, Karachi.—LETTER DATED 7TH FEBRUARY, 1921, to the COMMISSIONER IN SIND.

With reference to your telegram dated the 5th instant and various telegraphic communications from the Indian Railway Committee in connection with railway policy and management, I am directed to state that my association are not in possession of questions framed by the Railway Committee in order to enable them to put in their written statement as per questions. My association gather from the wire of 26th January, 1921, to you by the Railway Committee that what is wanted is an expression of views of various interests.

2. In this connection. I am to state that my association are in entire accord with the general Indian view in favour of State management of railway against that by companies. As you are aware, this matter was fully threshed out in the then Imperial Legislative Council on the occasion of a resolution moved by the Honourable Sir Ibrahim Rahimtoola in favour of State management of railways (*vide* the *Gazette of India*, April 3rd, 1915, part VI, pp. 342 to 365).

3. My association need not reiterate the arguments in favour of State management of railways. It is expected to bring railway policy more and more into conformity with Indian opinion, as well as Indian interests. It will put a period to the present system under which low rates are charged for foreign goods as against those charged for Indian products. The railway policy regarding risk note forms B. and H. has been one of opposition to true interests of Indian merchants.

4. In this connection my association would urge that the liabilities of the railway companies should be extended to loss of contents or of a part of consignment, even though it is not a complete package, and also to " robbery from a running train." I am to add that the railway policy on the Sind section of the North Western Railway is, in connection with railway risk, getting more prejudicial to the interests of merchants. Risk note form A. applies only " when articles are tendered for carriage which are either already in bad condition or so defectively packed as to be liable to damage, leakage or wastage in transit " (North Western Railway Goods Pamphlet, No. I.P. 438). Of late, risk note form A. is being freely applied to all consignments, whether securely packed or defectively packed. Surely this is unfair to the mercantile community.

5. The railway policy should also undergo a change for the better regarding third-class passengers, who contribute the bulk of the revenue in passenger traffic. The distinction shown to Europeans (or Anglo-Indians) in railway compartments should cease to exist.

STATEMENT No. 114.

SECUNDERABAD TRADES' ASSOCIATION.—NOTE DATED THE 2ND FEBRUARY, 1921.

The Secunderabad Trades' Association favours the management of railways by the State.

Railway business being practically a monopoly in most parts of the country, companies which are managing railways with the object of making profit are not competent bodies to give the public that just and equitable treatment which they are entitled to, as their own profits must be the first consideration of the companies.

We also presume that if such monopolies are handled by the State direct, there will be more consideration shown to the public representations regarding grievances or inconveniences which may arise and a more sympathetic attitude shown.

STATEMENT No. 115.

ANSWERS to the QUESTIONNAIRE, by Mr R. S. D. LAHARY, representative of the Delhi Hindustani Mercantile Association.

Question No. 1.—I think that the State-owned railways should be managed by the State directly, rather than on a profit-sharing basis. The tables given on page 4 of the questionnaire show that the company-managed State railways bring more net profits on capital to the State than the State-owned and managed railways do. This proves clearly that the company management of the State-owned railways is less expensive, and hence less efficient. It further proves that such management naturally cares less for the comfort of passengers and more for its own profits. This is my theoretical reason. Now I come to the practical side of the question, based on personal and commercial experience. The B.B. and C.I. Railway (both gauges) is owned by the State and managed by the company on profit-sharing basis. The company is careful to show to the educated public and officials, who generally travel by mail, that it has an up-to-date rolling stock, and every attention is paid to the comfort of the passengers. But when we travel by passenger trains and in third-class the inconvenience is unbearable. It is very difficult to differentiate between the trouble that a third-class passenger has to bear on the N.W. and O.R., the State owned and managed railways and on the B.B., and C.I., and the G.I.P. railways, which are both State-owned railways but managed by companies. But, on the whole, I should consider that third-class and higher-class passengers are better off at the State-owned and managed railways than at the company-managed ones.

With regard to the commercial facilities and claims, the State-managed railways are decidedly better and certainly more prompt than the company-managed railways. The company-managed railways are studiously careful to put up a very pleasant appearance at such occasions as the Royal visits and the like. But this is simply to hide the ugly that lurks behind all this pomp and show. Excepting the European and Eurasian, staff of the E.I. Railway, including officials are comparatively meagrely paid, and are dissatisfied, while the State-owned railways' staff is better paid and is not so dissatisfied. It is a great hardship that the State-owned but company-managed railways and company-owned and managed railways' servants of lower, as well as higher grades, except only the superior staff, which is mostly European or Eurasian, are dealt with, rather summarily with regard to their dismissal or discharge by the immediate superior, whose mistakes, instead of being rectified, are upheld by the heads of departments, as really no appeal lies against their orders, and thus the officers arrogate to themselves a lot of power which they misuse. There are lesser complaints of this nature against the State-owned and managed railways.

Question No 2.—I advocate State management of State-owned railways, and State control and effective supervision of the State over company-owned and managed railways; for which purpose I would suggest that there should be a well-paid Government officer, preferable an Indian of vast experience and ability in matters appertaining to railways, as also general affairs, and well conversant with the customs and manners of the whole country. He should be assisted by an able staff of experienced and willing hands, mostly Indians. This officer's function should be to attend to all complaints made against any railway whatsoever, either State-owned or company-owned, promptly and carefully. The final appeal of all railway servants should go up to him as the final railway authority, and several other important affairs should also be entrusted to his charge. Without such an official and office, it would be impossible to make corrections and improvements wherever necessary, and public travelling and traffic will always be something troublesome in accordance with the famous Persian saying: "Saffar Surat-i-Saqar," *i.e.*, Travelling and Hell are alike in appearance."

The very existence of this official will considerably better the treatment of the railway officials and reduce the amount of illegal gratifications, that the railway officials and even officers accept more as of right now.

Question No. 3.—No, I advocate management by the State. State is likely to be less aggressive and money-making than a company. Further the State will take into consideration the ulterior benefits that a railway might give to the locality, while the company will think of the *profits* and profits alone in the shape of gold and silver only.

Question No. 5.—I do not advocate management by companies of the State-owned railways. But even in case of company-owned and managed railways, I would urge that the directorate should be an Indian domiciled one, and must have on it an Indian or two to represent Indian view of conditions and requirements in India.

Question No. 6.—I would repeat what I have said above. Further, I would suggest that even if a company is floated in India and sanctioned by the Government with a purely Indian directorate, the interests of the Government can very well be safeguarded by certain laws, rules and regulations for all railway companies alike, so that no company may be able to infringe them.

Question No. 7.—The question suggests that for safeguarding the interests of the Government a permanent chairman be nominated by the Government and who may be skilled in railway work. I perfectly agree with this, but I would suggest that this chosen mortal be an Indian, otherwise there is a danger of the people and shareholders losing confidence in the Government and believing that the company is under the thumb of a foreigner, with hardly as sympathetic a temper as an Indian should be.

Question No. 8.—This question shadows that human nature is frail, and it is so, there is no doubt about it. Because this is exactly the indictment that I have been bringing against a foreigner. Being a foreigner he will have very little in common with India and Indians. It is better to have a partial director than to have an ignorant or unsympathetic one. Further, I beg to suggest that in the face of other directors present it would be impossible for one or two to show partiality in particular industries or areas, unless they are actuated by honourable and unselfish motives.

Question No. 9.—This suggestion is a splendid one, but it is very doubtful if it is practicable and will not create unsurmountable difficulties. But for the sake of efficiency I would not mind the combination only if practicable.

Question No. 10.—I have already suggested the establishment of an effective and influential Government official. I do not consider the Railway Board, constituted as it is at present, and the way in which it discharges its duties, to be satisfactory or wholesome for the purpose for which it is or ought to be meant. I should suggest that, if an Indian is the chairman of the board, better care would be taken for the comfort of the passengers and goods traffic.

Question No. 11.—Board's subordinate officers should be mostly Indians of education and experience. (When I use the term Indian, I do not preclude Anglo-Indians who may be fully conversant with the language and thoroughly acquainted with the customs and manners of this country.)

Question No. 12.—I am for a radical change in the system, as indicated above. Until and unless the whole system is overhauled, no satisfactory results will be possible.

Question No. 13.—They have adequate powers, which they seldom exercise for the benefit of the traveller and of trade. The whole department needs conversion into a sympathetic advocate of the public, rather than a supporter of the official wrongs and irregularities.

Question No. 14.—No.

Question No. 15.—They do not require so much enlargement or modification as they require a better exercise of the powers already possessed.

Question No. 16.—The answer to this has already been suggested above.

Part III.—Railway Finance.

Question No. 17.—I do not think that the supply of funds for railway purposes has been adequate, or else so many important stations will not remain unconnected by rail, nor will the rolling stock be so poor on different lines:

(*a*) More funds should certainly be provided for new constructions.
(*b*) The maintenance of rolling stock is not nice and good, and therefore does need improvement. The shortage of wagons for goods traffic needs to be remedied; and
(*c*) the existing railways must therefore be improved and more money spent on them.

For goods traffic and for convenience of poor passengers I am of opinion that new lines should be undertaken and accomplished as soon as practicable. No civilised country should remain without railways to the extent as India is even at present. One has to travel by cart, tonga, or motor, even distances which are nearly 200 miles at the most. The road from Rawalpindi to Srinagar is 198 miles, and has to be travelled over by any other conveyance except a railway. There are other smaller distances, which are equally troublesome to travel, specially in the heat of Central Provinces and Central India. There are timber and stone treasures in Central India, within the knowledge of the witness, which if explored will mean a large amount of wealth for the locality they are situated at, and will afford useful commodities at comparatively cheaper rates to the outside world.

Question No. 18.—I have explained myself more clearly above. I do not consider that the policy hitherto adopted has been satisfactory or is sound in principal. I have already discussed the principle also at some length above.

Question No. 19.—I have no definite idea. But I would suggest that for experiment we should provide cent. per cent. more for extension of new lines and 25 per cent. for the better maintenance and upkeep, and improvement of the existing railways should be provided.

Question No. 20.—Yes, and in other allied countries also.

Question No. 22.—Capital should be raised by preference shares to insure certain regular income to subscribers both for:—

(i) working companies, and
(ii) subsidiary companies;

and also by ordinary shares to promote speculation among purchasers, as this affords a greater advantage to the capitalist to come forward with his money to invest.

The (*b*) and (*c*) methods do not appeal to an average Indian in these days of non-co-operation. The general idea is that the capitalist uses our money for his own profit and benefit and returns it to us when done with. We do not acquire a partnership for which Indians are craving, and rightly, too, at present.

Question No. 23.—I am opposed to raising money by loans, but I am for securing funds by the sale of ordinary and preferential shares.

Question No. 24.—I have no idea; but I am sure that if shares of railways are offered to the Indian public they will be more readily subscribed, while I think it will be next to impossible to raise funds by loans in India

Question No. 25.—I am not for borrowing at all. I am afraid whether Government loans, at least for some time to come, will have entire success in India. The reason for this is quite obvious.

Question No. 26.—(*a*) Certainly it is. The railways should be self-supporting. The Government should not be obliged to tax the taxpayer for the benefit of particular individuals who travel or trade to their own advantages.

(*b*) The past loans raised by the Government have not given good impressions. They have, strictly and honestly speaking, rather lowered the confidence. Therefore there should be no borrowing, but shares should be sold to the public.

The rates may, therefore, with advantage be raised as under:—

Third-class: No enhancement whatever.
Inter-class: Two times of third-class fare.
Second-class: Five times of third-class fare.
First-class: Ten times of third-class fare.

There should be no enhancement at all in the goods tariff; the rates have already gone high. Any enhancement, however small, would be an additional burden to each and every pocket in India.

NOTE.—Even the smallest enhancement in the third-class fare will be very keenly felt by the public and may cause disaffection. Increase in higher classes will not even be cared for by the gentry, who generally travel in upper classes.

Question No. 27.—I have referred to this in the answer to the first question. The indirect advantage to Government by railways is certain. The Government, no doubt, . . . exists for the benefit of the people, railways therefore must be made self-supporting.

Part IV.—Government Control of Rates and Fares. Settlements of disputes.

Question No. 30.—Yes.

Question No. 31.—I am sorry I do not quite follow whether this question expressly relates to rates and fares only. If so, I could not throw any light, unless I make a searching inquiry. The railway administrations and the Railway Board could make out a statement on the subject.

But if this question connects with the general complaints of the commercial community and the public, much can be said. A very detailed evidence has already been given by the Secretary of the Hindustani Mercantile Association, Delhi, before the Railway Police Commission. I may be permitted to relate that specific instances can be quoted from everybody's experience. Unfortunately the people of India seldom go to the length of complaining to the higher authorities. The suffering classes are generally the poor people or ignorant traders To avoid the trouble (as they consider) they never think of making any complaint, because when they appear before an official, they are very contemptuously received. The unnecessary harassment they are subjected to in the course of inquiry is much felt by them, and they, so to say, prefer to bear and tolerate the loss and inconvenience at one time than to appear again and again.

To the best of my knowledge there is hardly any case in which the Railway Board has taken pains to interfere. The general reply in such cases which the Board send is that the complaint has been sent to such and such for disposal, or some such like reply. The railway officials and authorities deal with such complaints and cases most shabbily. The immediate station master or the goods clerk tries to save his staff. The office staff in most cases concurs with the report of the station master, etc., and a reply is sent to the complainant in those terms. This causes great annoyance to the complainant.

I have personal experience of such cases.

Question No. 32.—The sections of Chapter V. of the Railway Act appear very sound, on pen and paper. I do not find even one example under which a commission to settle dispute between a railway and certain trader was formed.

For ordinary commercial complaints Indian Railways Act, Chapter V, does not allow any facility. I will explain my ideas in the last resettlement of disputes.

Question No. 33.—I beg leave to make the following recommendations:—

(1) That the Railway Board Office suggested by me be located in the capital of India. Delhi being the centre.
(2) That a body or office be created to check the expenditure of stock, etc., and their verifications annually. It should have a president, assisted by secretaries, each of whom should have charge of two railways only, which might be adjacent.
(3) That at every town of importance there should be a body of sensible men like our association, to receive complaints from the public and to dispose of them in consultation with the railway authorities This will save lot of unnecessary correspondence, worry, and trouble to the public and railway.
(4) The railway receipts of the different railways are one-sided. They require modification and uniformity.
(5) The risk notes forms per A. B. & H. need some changes. I remember the Railway Police Committee is taking up this question, while discussing the causes of pilferages and thefts.
(6) Contracts for the handling of goods should not be allotted to the incharge of the station. The railway staff must be very clearly made to understand that they are public servants. They must be taught to be more courteous.
(7) The illegal gratification, which is rather daily increasing, must be checked. I shall be able to explain this personally, if I am called on to do so.
(8) The salaries of the staff must be so that they may be able to live at least comfortably, if not richly.
(9) A trader or his agent, etc., should not be made to suffer humiliation, especially in goods sheds controlled by European staff.
(10) The sender must be given opportunity to see that his goods are loaded with care.
(11) The railway authorities must be distinctly told that only the number of passengers allotted to each compartment are allowed to occupy. Under no circumstances should the carriages be overcrowded. This only applies to third and inter-classes.
(12) Short journey trains to meet the demands of the vicinity must be run to avoid overcrowding on through trains.
(13) Travelling ticket collectors are often a source of inconvenience to third-class passengers *re* luggage, etc. This needs attention.
(14) Issue of return tickets should re-enforced.
(15) Convenience to lady passengers, specially those who have to travel alone, should be specially kept in view.

Part V.—General.

Question No. 34.—No, the carrying capacity is not adequate. The E. I. Railway, of course, has got sufficient number of wagons for the goods traffic and vehicles for the coaching traffic.

The crowded condition of the trains shows that sufficient accommodation in trains and sufficient number of trains are not provided. For the goods traffic, it is not a secret that goods ready for despatch are often kept in abeyance for want of wagons. There are two reasons for this. Leaving the question of military traffic, I would like to point out that very long hours are taken by a goods train on the road. Thus the rolling stock is not freely made use of. Detentions follow this and so the empty stock is not returned promptly.

Secondly, the interchange of stock between the railways is not rightly observed. This is because certain charges are demanded by the owning railway if the wagon is sent loaded. If the wagon is returned empty the sending railway has to pay nothing. This reason is based on the information gathered. I am not perfectly sure of its correctness.

Question No. 35.—It is the sacred duty of the Government to see that the commodities of life are carried from the place of their production to the place of their consumption as cheaply as possible. This can only be done if the best possible means are adopted and greater facilities through the railways are afforded to the public.

STATEMENT No. 116.

REPLIES BY A COMMITTEE REPRESENTING THE COMMERCIAL INTERESTS OF PESHAWAR TO THE QUESTIONNAIRE.

Question No. 1.—We are firmly of opinion that railways owned by the State should be managed by a Board of Directors nominated by the shareholders (Europeans and Indians) in proportion to their holding of shares with the veto resting with the Government of India. Private companies should never be encouraged to exploit Indian resources by raising capital money in England alone. *We prefer State-managed railways to Company-managed.* We have experience of this, as members of commercial communities and as travellers. State-managed railways look after the convenience and comforts of passengers much more than company-managed railways.

Question No. 2.—We advocate certain modifications in the existing State management system, *i.e.*, increase of Indians in the Railway Board and the establishment of Indian Advisory Board at the headquarters of each Province.

Question No. 3.—We are bitterly against management by companies domiciled in the United Kingdom, because such companies are not in full touch with the Indian opinion. We would prefer companies domiciled in India having both Europeans and Indians on the Boards in proportion to their holding of shares, which will give a very valuable training to Indians in such concerns.

Question No. 4.—Pending the acceptance of the proposal urged by us above, we would consider the existing system of allowing the working companies an interest to the extent guaranteed to them now quite adequate, but the Government should have increased control over such companies.

Question No. 5.—To meet the criticism, which is genuine, the companies domiciled in United Kingdom should have a Board of Directors sitting in India to expedite all references.

Question No. 6.—In the case of companies domiciled in India the board of directors should be elected by the shareholders and the Government should reserve the rights of nominating at least one-third of the directors from amongst its own officials to safeguard the interest of the Government.

Question No. 7.—The board of each railway's system should work as the Joint Stock Companies boards do. The members of the board should certainly be skilled in railway work.

Question No. 8.—Generally speaking such directors who are exclusively interested in particular industries should not be appointed. The directors should be men of liberal views interested in the economic advancement of India.

Question No. 9.—We would uphold the view advanced by the Madras Government through the Secretary to the Government in the Public Works Department who has already tendered an evidence before the Committee. We agree to the combination proposed by him, as the scheme outlined by him goes a long way to remedy the defects noticed in management of railways. Before concluding this portion of our evidence we should strongly urge that the whole railway policy should be revised in view of the changed conditions, and Indian capital, Indian talent, and Indian enterprise should be more and more utilised to advance the prosperity and economic interest of India, because prosperous India will be a source of great strength to the Empire, while India with her resources exploited by foreign capitalists, will cause weakness to the Empire and react on the industrial supremacy of England.

Question No. 10.—The present system of control by means of Railways Board is an improvement upon the old system, but with an increase in Indian element the administration will further improve.

Question No. 11.—We are of opinion that there should be Local Boards for each railway system, and these Local Boards should be subordinate to the existing Railway Board.

Questions Nos. 12 *and* 13.—The present Railway Board does not deal effectively and expeditiously with matters relating to the requirements of the travelling public and trade. The third-class passengers are treated like animals, though they supply a major portion of the revenue derived from the railway. Similarly the traders' grievances are not expeditiously removed, probably owing to the shortage of rolling stock, but these troubles and frequent suspensions of booking entails a severe loss to the traders.

Question No. 14.—We are afraid we should answer it in the negative. The Government ought to be more responsive to the requirements of the travelling public and trade.

Question No. 15.—We do not consider any enlargement of powers already entrusted to the Railway Board as desirable.

Question No. 16.—The answer is in the affirmative.

Question No. 17.—The supply of funds has not been adequate in the past. Funds should be raised for new constructions and improvements by means of loans floated in India, and shareholders should have a voice in the control and management.

Question No. 18.—Yes, the policy hitherto pursued is satisfactory.

Question No. 19.—We suggest that approximately eight crores of rupees should be annually provided for capital purposes.

Question No. 20.—Capital funds should be raised principally in India, though a certain proportion thereof be offered in England for subscription.

Questions Nos. 21 *and* 22.—We are of opinion that funds should be raised by issuing Debentures by the Government of India like other loans.

Question No. 23.—None.

Question No. 24.—We believe a very large sum can be raised annually in India, provided the Government gives the Indian shareholders an effective voice in the control and management of the railways.

Question No. 25.—Government loans should be floated for pressing needs of the country, and Indian money held in England and lent to banks or firms there at a small rate of interest should be drawn upon, and invested in industrial and commercial concerns tending to promote the prosperity of this country.

Question No. 26.—The first charge on the revenues of the Government of India should be for sanitation, then education, then railways, and if the allotment be insufficient, more money should be raised by public borrowing. We believe with the present rates of fares railways can be worked at a profit under proper management containing a respectable proportion of Indians, and economy might be effected by employing Indian talent in an increasing measure in place of high-salaried foreigners and retrenchment of comparatively higher railway officers. If even under such a system railways were worked at a loss, the deficit might be made up by income from other departments, and the people would not grumble. In view of the appalling poverty of this country and an unprecedented increase in the cost of living and the meagre comforts which the railways supply, particularly to third-class passengers, we strongly oppose any increase in railway fares, In the event of any increase being found absolutely indispensable, it should be confined to first and second-class passengers.

Question No. 27.—We do not consider these results satisfactory and the whole question should be overhauled. We are strongly of opinion that with the employment of Indians in the higher branches of the railways the expenses would be reduced and the profits would rise.

Questions Nos. 28 *and* 29.—We cannot answer.

Question No. 30.—The answer is in the affirmative.

Question No. 31.—Powers have not been abused, but at the same time little regard has been paid in the past to the requirements of the travelling public and trade. Railway administrations should be more responsive to public needs.

Question No. 32.—Full advantage has not been taken of the machinery provided by the Indian Railways Act, and trade suffers owing to the apathy of the railway administration.

Question No. 33.—The strikes which are now the order of the day in the various railway systems would not occur if Indians get a representation on the local board and the various railway unions are recognised by the Government and their representatives are granted proper hearing. The administration should take into consideration the rise in the cost of living and should accord recognition to labour as it is done in England.

Question No. 34.—The answer is in the negative. This defect would be removed by an increase in rolling stock and the provision of more money for extensions.

STATEMENT No. 117.

RANGOON MUNICIPALITY.—LETTER DATED 15TH FEBRUARY, 1921.

I am directed to state that the Rangoon Municipal Committee have seen and endorse the views expressed in the letter* of the Burma Chamber of Commerce containing their opinions and recommendations on the subject matter of your Committee's enquiry as set out in the questionnaire. The committee agrees in particular that a company-managed railway has much more control over its men than Government can have over the men employed on State railways, and that in general such a railway is in a very much better position in relation to its staff than the State could be.

STATEMENT No. 118.

Dewan Bahadur V. K. RAMANUJA ACHARIYAR AVARGAL, B.A., President, District Board, Tanjore.—LETTER DATED 18TH JANUARY, 1921.

I have the honour to acknowledge the receipt of your letter No. 15 R.C., dated 30th December, 1920, regarding the evidence to be furnished before the Committee.

2. The letter was addressed to the Vice-President, District Board, Tanjore, who referred it to me, as he does not deal with railway subjects. My experience of railway matters as president of the District Board is so limited, and the questions put are so technical, that I am not able to give you any useful replies.

3. This much I may say. My experience of the South Indian Railway Company is such that I unhesitatingly advocate the managements of railways directly by the State, and not by any company, whether domiciled in England or in India, and working on a profit-sharing system. The company looks only to its dividends, but is incapable of appreciating the difficulties of the travelling public. For many years the overcrowding of third-class passengers has been the subject of

* *See* Statement No. 102 above.

numerous complaints. No arrangement satisfactory to the public has yet been made. To give another instance, during the war and since, the South Indian Railway Company has raised its charge for the carriage of road metal to such an extent that the District Board feels utterly unable to maintain the main roads in the district and the railway feeders. The company forgets that the District Board co-operates with it in developing communications for the benefit of both the public and the railway administration. I made a representation to the agent of the company and have got a small concession, and I am making a further reference.

STATEMENT No. 119.

Mr. F. H. BIGG-WITHER, Acting Agent, Burma Railways Company, Rangoon.—LETTER DATED 7TH JANUARY, 1921.

In continuation of my telegram No. 3, dated the 4th January, 1921, I beg to say that I have been consulted by the Burma Chamber of Commerce as to the answers to be submitted by that Chamber to the questionnaire of the Indian Railway Committee, and that I agree generally with the opinions expressed in the letter,* dated the 5th January, 1921, from their secretary, to your address.

I would like, however, to add that there has, so far, been no time to obtain the views of the Board of Directors of the Burma Railways Co., Ltd., on the subjects dealt with in the questionnaire, and that this reply, therefore, should be taken as my own views, and not necessarily the views of the company. Further, I understand that Mr. Home, our managing director, who is now on his way out, proposes to give evidence before the Committee.

STATEMENT No. 120.

THE HON. LALA SUKHBIR SINHA, General Secretary, All India Hindu Sabha, Muzaffarnagar.—LETTER DATED 15TH JANUARY, 1921.

On behalf of the All India Hindu Sabha, I have the honour to forward the following grievances for the consideration of your Committee:—

(I) When there is a fair to be held on religious centres like Hardwar, Allahabad, Benares, and similar other places, Local Governments find it very easy to notify that train accommodation would not be available and no especial train could run. This proves a great bar in the religious performance of many people. This should not be done, and Railway Department should so arrange as to borrow extra stock from other lines and make necessary arrangements.

(II) The number of passengers for third-class compartments is, no doubt, fixed, but no attention is paid to this number, and in many cases passengers are so much packed up that they suffer in health, specially in the summer and rainy seasons. Steps should be taken to stop this nuisance, and in no case more than the fixed number of passengers should be allowed to travel in a compartment.

(III) The present arrangement of third-class booking office is not sufficient in big pilgrim centres, and arrangements should be made to open permanent booking offices in those places, I would strongly recommend for a booking office to be opened at once at Hardwar before the Kumbh fair takes place there in April next.

STATEMENT No. 121.

THE NATIONAL LIBERAL LEAGUE, BENGAL.

I have been directed by my committee to mention that our League, being a political association, we desire to limit our remarks to the political aspect of the question as also to the point of view of the public and I desire to make it quite clear that we do not want to touch on the technical or the business aspects of the question.

In the opinion of my committee, railways are intended rather to serve the requirements of trade and of passengers than to earn a profit for their owners whoever such owners may be. They are instruments for conveying the national traffic and they ought to serve the public and general interests. From this general point of view my committee is opposed to any form of ownership which will tend to tinge railway concerns as profit-earning instruments. My committee looks upon railways as something in the nature of public roads serving great economic interests of the nation and as such should be under the control and guidance of those who are best able to serve and protect such interests. My committee is not so much concerned with the question as to whether at the present moment the existing State-managed railways or the existing company-managed railways are serving the public better, because at the present moment the public has very little influence and certainly no power or control over the Government of India and the Railway Board in whom the control of State-managed railways is vested, but my committee is of opinion that under the constitution recently promulgated by the Government of India Act the public through their representatives ought to be able to exert a good deal of influence over State-managed railways and my committee hopes that the time is not far distant when the representatives of the public will be able to exercise their power effectively and to control the policy of State-managed railways. For these general reasons as also for reasons which will appear later in this memorandum my committee is of opinion that the objective of the railway policy in India should be to bring all railways in India under State management. My committee realises that it will take a little time to realise this objective and during the transition period when on the one

* *See* Statement No. 102 above.

hand the representatives of the public will have more influence over the Government of India and the Railway Board, while on the other the vested interests of the existing company-managed or company-owned railway concerns are existing facts, a progressive policy keeping the aforesaid ideal in view should be followed and due regard should be paid during this transition period to public and national interests on the one hand and the just demands of the vested interests on the other.

The question of finance is an all important question and should be examined generally. It has been stated that it will not be possible for the Government of India to get the necessary funds for a progressive policy of railway expansion as it will be difficult to find the necessary capital in India. Without entering into the debatable and difficult question as to the extent to which funds may be available in India, my committee sees no reason in principle as to why the English market or, for the matter of that, any market in the world which may be open to promoters of railway concerns in India, should not be open to the Government of India. If a new company about to be formed or any existing company about to expand its activities can find money in the British market or in any other market by offering certain prospects of profit, the Government of India with the credit of a big Empire at its back should be able to find money on more favourable terms. It is true that subscribers of a public company do not often look to the immediate dividends which the company will earn but are very often more tempted by the prospects of the future. This aspect of the question also may be met by the Government of India by providing for a rate of interest which will be payable as soon as the loan is raised and also perhaps by promising some share in the profits to be earned in future. With regard to the last mentioned point the distinction between railways in the nature of strategic railways which may not be expected to earn any or much profit and other railways may well be kept in view in the accounts of the Government of India as also when loans are raised. The deficit of a strategic railway or any other railway of that type may be met from the general funds of the Government of India, whereas railways of other types should be able to earn profits which will be sufficient to pay the interest and the sinking fund on the loans raised by it.

My committee favours State-owned and State-managed railways because such railways ought to be and, my committee has no doubt, in the near future will be more responsive to public opinion both with regard to its dealings with the passengers and with regard to its handling of goods and merchandise. State-owned and State-managed railways in future will be able to afford better facilities for co-operation and co-ordination between the different railway systems and while providing for centralised action where such action is desirable in national interests ought at the same time to be able to allow expansion and efficient management to the different railway administrations each according to its own peculiar needs and problems.

In a province like Bengal the question of waterways as a means for naticnal transport is of the utmost importance. State-managed and State-owned railways will be able to provide for co-operation and co-ordination in the expansion of the waterways of Bengal; whereas if we have the company-managed system it will be difficult to arrange for suitable co-operation and co-ordination and perhaps at times it may operate unjustly if during the period of an existing contract of a railway concern a competing waterway be allowed to start its work or to expand its activities.

State-owned and State-managed system of railway administration will be of great assistance to the people of India in developing industrial education which is a crying need of the nation at the present moment and in this connection my committee may be permitted to mention that the question of making adequate provision for technical and industrial education is a question of far-reaching political importance as well. Confining ourselves for the moment merely to the question of railway administration, provision for cheaper and at the same time more efficient railway employees is a question of utmost importance and some educational institutions may well be develcped in this country which will provide for suitable types of education for lower, middle and higher departments of railway employment and from this point of view also State-owned and State-managed railways will be of utmost importance to the Indians.

Lastly, on the question of profit earning my committee is of opinion that State-owned and State-managed railways should limit their profits only to the extent that will be necessary to provide for the interest on loans, sinking fund and the progressing expansion of a railway system necessary for service to the public and for conveying the national traffic, whereas a company-managed railway is bound to intercept a good portion of the profits for payment of dividends to its shareholders and when it is remembered that in the preliminary stages of a railway concern the shareholders have to keep their money idle they would naturally expect future profits on a large scale—a circumstance which is bound to affect the future generations.

STATEMENT No. 122.

THE COMMITTEE OF THE INDIAN ASSOCIATION, CALCUTTA.

Part I.—The Management of Railways owned by the State.

ANSWERS TO QUESTIONS 1—9.

The Railways in British India should, in the opinion of the Committee of the Indian Association, be managed by the State.

The Committee of the Indian Association are in favour of State management of Railways in preference to management by companies, whether such management be through companies domiciled in England with boards sitting in London, through companies domiciled in India with boards sitting in India, or through a combination of the two aforesaid methods of company management.

The Committee of the Indian Association advocate State management of State-owned railways because they think that under such a system the needs and requirements of India as regards trade, commerce, and the development of indigenous industries, as regards passenger traffic, and as regards other matters would be looked after to a greater extent and more satisfactorily than at present.

In India, although the State owns by far the largest portion of the capital invested in railways, the railway policy is determined for all practical purposes by the various Boards of Directors of railway companies which are located in the United Kingdom. The Government of India, of course, exercises a sort of control, but this is more in theory than in practice and even in the case of railways under the direct control of the State the interests of Indian passengers, traders, and businessmen are very often overlooked, and preferential treatment is accorded to the interest of others. This has been the natural consequence of the system of Government that has hitherto existed. The Government being of a bureaucratic character and the higher appointments being held almost wholly by Europeans, Indians exercise no potent influence either with reference to the determination of the railway policy or on the administration. The result of this has been that proposals affecting Indian interests prejudicially have often received the support of the authorities. If this condition of affairs is to be terminated it is essential that the railway policy and administration should be made amenable to Indian public opinion by bringing the management of railways entirely under the control of the State. The Government of India still remains bureaucratic in character, but the fact that the Indian legislature has been enlarged and made more representative and its opportunities of influencing Government have increased paves the way for making Indian railway policy and administration amenable to Indian public opinion. If State management is substituted for company management, Indians will gradually have an effective voice in the determination of the railway policy and in controlling the railway administration. They also expect that under such a system they will gradually be able to modify such methods as are found to be prejudicial to Indian interests.

It has been urged that the system of management by companies domiciled in India with boards sitting in India or by some other modification of the present system of company management may be expected to remove the grievances of Indians in the matter of railways. The Committee of the Indian Association are firmly of opinion that such management would, rather than removing the evils of the railway administration prevailing at present, perpetuate them.

The trend of modern railway policy in the most advanced countries in the world supports the view taken by the Committee of the Indian Association. The information available to the Committee shows that railways are almost entirely State-managed in the following countries:—Germany, Italy, South Africa, Australia, Japan, Belgium, New Zealand and Roumania. In countries such as Canada and France, where privately-owned railways have so long predominated, measures have already been taken for bringing the management of railways under popular control. The majority decision of the Royal Commission that was appointed in 1916 to consider the future railway policy of Canada was that a great extension of Government ownership was unavoidable. In France also a measure has been adopted introducing popular control.

In the United Kingdom where the railways have so far been entirely managed by companies, a great change in the railway policy and administration appears to be impending. Lord Haldane has declared himself entirely in favour of the nationalisation of railways. Mr. C. F. G. Masterman, another prominent Liberal politician, says that the present railway system in the United Kingdom cannot endure, and that the only way out will be unification under State ownership and working. Mr. Asquith speaks of certain industries and certain services which, in the interests of the community can be better and more safely carried on by the State. These are the views of some of the most prominent among Liberal statesmen in England. British Labour leaders are more insistent in their demand that railways in the United Kingdom should be owned and managed by the State under popular control.

The experience of other countries where State management and State ownership have been successful and the direction in which modern railway policy in most of the civilised countries in the world has been moving have led the Committee of the Indian Association to the conclusion that the only solution of the railway problem in India is to bring the railways under the control of the State.

The underlying principle of the reforms that have been just introduced is that the people of a country are best fitted to administer their own affairs. Railways are one of the principal concerns of a country. Besides, in India, these railways are owned by the State, the taxpayers supplying mostly the capital invested in railways and being held responsible for the portion that has been supplied by others. Under these circumstances the only logical conclusion to which it is possible to come in the matter is that the railways in British India should not only be owned by the State but should also be managed by the State.

Part II.—The Railway Board and the Government of India's Control.

We do not consider the present system of control by means of the Railway Board satisfactory. We think a suitable alternative arrangement would be to abolish the Railway Board and to entrust a member of the Governor-General's Executive Council with the management of railways. He should have a Board to advise and help him in important matters of railway policy and administration. This board should be representative in proper proportion by the three following interests: (1) Government, (2) railway administration, and (3) the public. There should, of course, be a proper proportion of Indian representation on the Board. The Board should not consist of salaried officials. Besides, along with each railway system there should be a similar board to deal with questions relating to that particular system of railways.

Part III.—Railway Finance.

It appears to us that under the new conditions, and if the State is entrusted with the management of railways owned by it, the people of the country will be naturally inclined to invest their money in them. This is expected, first, because of the great chage that has taken place of late in the attitude of mind of the investing public in the country, and secondly, owing to the change in the form of Government. The introduction of reforms has led Indians to think that such concerns as railways belong to their own country, and the benefits that are likely to accrue therefrom will profit not only themselves but the people of India generally. Under company management you cannot expect this feeling among Indians. The fact that a very large proportion of

shares in many of the companies that have been started of late is owned by Europeans does not show that there is any ground for the fear that, owing to the introduction of reforms, people in England do not feel encouraged to invest their capital in India. Railways should be extended according as funds are available, and loans should be floated only when the money market is easy. When we say all this we refer to normal times, and not to the special circumstances and conditions such as those created by the war. During normal times we are sure there will be no difficulty in finding money for railways if proper terms are offered. The money needed should be raised as far as possible in India, because the interest and other charges are a loss to this country.

Part IV.—Government Control of Rates.—Settlement of Disputes.

Although Government possesses very great powers in respect of rates and fares, it does not appear that these powers are adequately exercised. The railway administrations also do not generally appear to have wisely used the powers that they possess in these matters in the interest of the public. The Indian public have through representatives on the Imperial Legislative Council and in other ways protested against the rates in force as being inequitable, unfair and unjust, and as being prejudicial to the interests of trade, commerce and industries of the country. The Committee of the Indian Association are not aware that anything has been so far done to remove the complaints that have been made repeatedly in the matter. The Committee of the Indian Association do not consider that the machinery provided for the settlement of disputes between railway administration and traders in India are either effective or adequate. The Committee would suggest the constitution in India of a Commission like the Railway and Canal Commission in England for the settlement of disputes in matters of railway rates and fares.

STATEMENT No. 123.

P. C. SARKAR, Vakil, High Court, Secretary, Bengal Agriculturists' Association, etc.

The great question that confronts us at the present day, the agricultural masses and the public in general, is the want of easy transport of agricultural produce and foodstuffs from one part of the country to another for want of adequate rolling stock. This can, I think, very well be met from the incomes of the railways and from Government grants. As a portion of the lines and roads were blocked up for military purposes, I think the big main lines ought to be quadrupled. The military lines must always remain under direct State control. As the public feel the greatest inconvenience in travelling in times of fairs, national congregations, and the like, it is quite the duty of the Government we live under to provide for a sufficient and adequate number of passenger trains. The fares ought to be lessened than as now, and an additional "fourth" class in passenger trains for easy traffic of labourers, coolies, workmen and artisans ought to be created, as they have in America and the European Continent, and even in some of the English railways. The rate of fares ought to be minimised, and greater comforts of middle-class passengers ought to be looked to by the railway authorities. For this reason, a special Board of Control to set complaints and grievances right ought to be constituted in India, and must consist of both European and Indian elements, with always a European and Indian president every alternate five years of office. I, therefore, am of opinion that the Board of Directors should be constituted within England and India, and a branch of it ought to exist in India. Any matter of extraordinary importance may be placed before the full board for discussion. I, therefore, am of opinion that railways owned by the State should be managed directly by the State, but with greater supervision, so that the public are not inconvenienced in any way or the easy goods traffic hampered in any way; rather, for both goods and passenger traffic, greatest facility should be given to the passenger as well as to the merchant. For better and more efficient working the staff ought to be increased, and the pay of the new as well as existing hard-worked staff ought to be increased from the incomes of the railways. Working by companies on a profit-sharing basis has been very unsatisfactory in some of our Indian railways, and should not be repeated again to bring in greater loss to the Indian taxpayer ultimately. The board of directors, I have said, ought to be constituted in India, and must be constituted such as to safeguard the interest of the Government, *i.e.*, in the English branch someone from the Secretary of State's Council should be there, and in the Indian branch the Director of Indian Railways should always have a seat in it.

2. That the supply of funds for railway purposes has hitherto been quite inadequate. This deficit can be made good to some extent from the profits and incomes of State-driven railways. New constructions can be managed by funds raised both in India and England. The improvement of existing railways can be husbandised, however, from the incomes and special State grant funds for that purpose.

3. The principle involved in question 18 has not been satisfactory. If at all a certain portion of available capital funds to improvement is allowed for equipment and rolling stock, an equal portion also from the same sources ought to be applied for railway extension work and opening out new mineral areas for development. All such new extension lines should be *Government guaranteed*. Funds for railways should have to be raised both in England and India, and all such loans ought to be Government guaranteed. Generally, fares in Indian railways should be lessened, and fares on those articles that are to be exported outside India ought to be charged more in comparison to commodities that are consumed in the country. There ought to be a preferential tariff.

4. Then, in the next place, "running train thefts" which, if carefully searched, are in many cases systematic thefts of the consignors' goods by the irresponsible petty underlings of the company's servants, ought to be put a stop to by a high hand and more closer supervision. This laxity in supervision has been very much deprecated, and Government has to pay large sums in settling claims of private bodies which ought not to have arisen at all had there been a system of more careful method of working and closer supervision. Greater liability ought to be shouldered upon the Indian common carrier than as at present. The liability of railways in India and the Western countries are quite different. The case laws both Indian and English-American clearly prove this. The principle underlying this liability of common carriers ought to be the same. The risk note system ought to be altered to some extent. The present system of exoneration leads to great incentive to thieving.

5. Then the high rate of freight for live stock and dairy and poultry produce by railways and steamers in India ought to be made easy and just to exist in the lines as they have in packet services for similar commodities in English and Danish or English and Irish or English and American ports. The Union line of British steamships carried live stock and breeding cattle to the Cape ports free of costs, the sending parties bearing only the costs of attendants and fodder. Similar concessions are given to parties sending live stock in the State of Dacota, in the United States Commonwealth. In some of the Danish and Norwegian railways similar concessions are allowed to farmers and breeders. I advocate and urge that in an agricultural country like India the Indian railways ought to carry breeding cattle at very easy rates of fare from one place to another or from one province to another. This will give the farmers an incentive to improve the local breeds of cattle, and thus the cry of the country for easy and cheap milk and dairy produce supply will be met. Again, I should here say that dry cattle ought to be carried under similar concession rates for *bonâ fide* breeders and stock raisers of the country. For this reason, I am of opinion that State management of Indian railways with greater degree of close supervision in the internal management may be introduced.

6. In conclusion, I would suggest that in all claim cases of merchants and private individuals the claims may be settled by a responsible officer of the railway staff as now, assisted by co-optive members from amongst the merchants or members from Indian and English Chamber of Commerce, and that their decision may be final. This may be reversed by reference by the parties by decision of a Court of Justice above a certain valuation, say Rs. 10,000.

7. There ought to be larger number of both goods and passenger trains, and the speed of passenger trains ought to be enhanced and fast-going passenger trains ought to be more than as now. I close here, and if anything is to be explained or elaborated I may be called in.

8. One thing I beg to place before the Committee. I beg to impress here that the transport law of milch cattle, dry animals, dairy and poultry produce may be made more easy in English, American and European lines. The Mahishyas of Bengal have been memorialising the Government since 1912, and in this connection I may draw the attention of the Committee to their memorials to the Bengal Government, dated the 12th August, 1919, 31st May, 1914, to the Imperial Government, dated the 17th September, 1913, and 6th January, 1915, which, being returned, was re-submitted through the Local Government of Bengal on the 3rd March, 1915, the original memorial to His Excellency being sent, as above stated, on 6th January, 1915.

9. Lastly, I beg to say that, as in the Western countries, provision for the carriage of milch cattle and service bulls in passenger trains at very easy and nominal rates may be made in Indian railways. The rates of existing fares by goods wagons and passenger trains are prohibitive.

I hope the matters herein contained may receive the kind consideration of the Committee.

STATEMENT No. 124.

Messrs. HOARE, MILLER & Co., LTD., Calcutta.—LETTER DATED 22ND DECEMBER, 1920.

In regard to the question of whether the railways of India should be managed by the State or by companies, we advocate the broad principle of the management of railways by companies on a profit-sharing basis; but we do not consider that a rigid policy can be laid down, for it is obvious that railways constructed principally for military purposes or strategic reasons on the Frontiers cannot be operated as dividend-earning concerns and those lines must continue, if for this reason alone, to be administered by the State.

2. In accordance with the foregoing, we consider that two of the three railways at present administered by the State should be re-organised. The North-Western system as it exists is unwieldy; and if the commercial sections of this administration were divorced from those of purely military importance and placed under company management they would be equally attractive to the investor as any of the present company-managed lines. The Oudh and Rohilkhand Railway being merely a link between other systems, without the advantages of what might be termed a terminal trade, could not exist as a dividend earning concern under the management of a company; but a re-arrangement of the North-Western Railway system on the above lines would permit of the allotment to the Oudh and Rohilkhand Railway of certain of the eastern sections of the former; and if the Delhi-Umballa-Kalka Railway were added to the Oudh and Rohilkhand system, to which it would geographically belong, under a re-arrangement of the North-Western Railway, the disadvantage now suffered by this railway from the lack of a terminal would be largely removed and it would become possible to operate it at a cost compatible with the present cost of a company-managed trunk line.

3. As to whether such companies should be domiciled in India or in the United Kingdom, we imagine that everything is moving in the direction of the former and the real point at issue is whether the change should be made now or relegated to the indefinite future. The opponents of Indian boards lay stress on the very real argument that sufficient continuity of directorate would be difficult to secure, and that the members would not have as much experience as home directors possess. The commercial population of India is however growing so rapidly that the field of selection is being broadened. But there is a real danger of an automatic rotation of directors holding office only during the last year or two of their residence in India just at the time when they are incurring added commercial and public responsibilities. These dangers could be avoided by—

(1) appointing no director who at the time of his first appointment is over 40 years of age;
(2) never replacing one director by another from the same firm.

In regard to the latter point we believe that the Court of the Bank of England have a somewhat similar provision which acts well in practice. We believe that such a board located on the spot and selected from the best men available would be as strong as boards located at home which, owing to the rapidity of India's commercial progress, must be out of touch with present Indian

conditions. We also think it might be a distinct advantage if the boards were domiciled in India so as to be in close touch with the Railway Board. Small boards of an advisory nature and with no executive control composed of ex-directors might be useful in London.

4. In regard to the Railway Board, we wish to make the following points. The general tendency is for men at the head of their profession to demand their own terms, and if the railways are run under company management the best men will be obtained regardless of cost. It is questionable whether the Government of India will care to offer such men sufficient inducement to join the Railway Board, and if not, the personnel on the railways will be stronger than the personnel of the Railway Board. If, on the other hand, the Indian railways are State controlled, men of proved ability in the administration of railways will find scope for their energies outside India to the detriment of all progress rather than accept " civil service " pay as railway managers in this country. These questions appear to us to have a real bearing when considering the powers to be entrusted to the Railway Board.

5. Our second point is the danger of too much control of business enterprises by any Department of Government. We would strongly combat any attempt to set up a controlling authority on the lines of the British Ministry of Transport to administer the Indian railways. In our opinion the functions of the Railway Board should be limited to co-ordinating the work and the needs of the various railways, and acting as a medium between the Government and the railways. And the Railway Board should have at its disposal the finest technical brains in India, for advisory and consultative purposes.

6. With reference to Railway Finance. In its railways the country possesses one of its greatest and most valuable assets. The policy of Government in regard to this asset must necessarily be progressive; but, for a long period the railways have been starved of the funds necessary for their proper maintenance and development and consequently the resources of this great asset have remained fallow; and we consider that in the future the needs and requirements of the railways should be met in a spirit of much greater liberality, for there can be no doubt that the wise expenditure at this juncture of sums comparatively small, compared with the capital invested, on plant and improvements to the existing trunk lines and their branches will not only enable the railways to produce a much greater return for the money invested in them than the mediocre percentages of nett profits on capital now realised but the attendant benefits to the country will be correspondingly greater.

7. We should like to add a word on the subject of branch line companies. The old terms of a 3½ per cent. Government guarantee or a 5 per cent. rebate guarantee more or less served their purpose, the former especially being useful to attract trust funds. These terms are however completely out of date owing to the rise in the value of money. We think that the Commission might be asked to consider another side of this question. A branch line benefits (firstly) the Government in its revenue, (secondly) the population of the districts through which it passes and the district board, (thirdly) the main line which it feeds and (fourthly) the shareholders of the branch line company. Whilst four interests are served only the last named has to put up the money. In going to the public on a small branch line proposition it is necessary to prove that the proposed railway will produce an immediate profit for the investing public. In order to do this the future must be sacrificed to the present, a narrow gauge built where a broad gauge might be a better proposition in the long run and a parsimonious and cheese-paring scheme prepared in order to prove that the traffic immediately available can earn an immediate dividend on a minimum capital outlay. Thus, where four interests are concerned, only one is really considered and the ultimate interests of the whole are sacrificed to the requirements of the stock exchange.

STATEMENT No. 125.

Messrs. Shaw, Wallace & Company, Madras.—Letter dated 18th January, 1921.

We have the honour to request that you will be good enough to place before the Commission the following figures and particulars relating to difficulties experienced by us in getting coal from the collieries.

The disadvantages experienced at Waltair necessitated the closing of traffic to this Presidency from time to time owing, we believe, to the congested state of affairs at the Waltair, B. N. Railway and M. & S. M. Railway Junction.

We placed the following orders with our Bengal collieries for the supply of over 3,500 tons of coal to buyers at Madras and in the Mofussil:—

(1) *5th August*, 1919. *Krishnamuorty Bros.*—650 tons Adoni and Kupgal.
(2) *10th March*, 1920. *The Japan Co.*—1,000 tons to Tutticorin and Virudupatti.
(3) *12th March*, 1920. *The Bombay Co.*—1,750 tons to Tuticorin, Virudupatti, Adoni and Bellary.
(4) *Other buyers.*—200 tons Tuticorin.

The above quantity necessitated about 200 wagons for transportation of the coal from the collieries, whereas only about 25 were actually supplied.

The rules and regulations affecting the supply of wagons were duly complied with by us but the coal Transportation Officer could not see his way to grant us a sufficient supply of wagons to meet the demands of our buyers. We may here mention that most of the coal was required for cotton mills.

The question of wagon supply for the orders aforementioned was also taken up by our Calcutta friends, and our buyers assisted by approaching the C.T.O. direct, but all to no purpose and we were therefore reluctantly compelled to cancel the orders of our buyers thereby entailing considerable loss of business to us.

Produce.—For transport of wheat, bran, etc., though supplies of wagons are fairly free, we should like to see a larger number available for transport.

STATEMENT No. 126.

The Honourable Sir John Maynard, K.C.I.E., C.S.I., I.C.S., Finance Member, Punjab.—Note dated the 26th February, 1921.

Note on the eliciting of local capital for investment in railways.

In connection with the Shahdara-Narowal Railway it is proposed that the Local Government should guarantee 6 per cent. interest for 10 years. The suggestion then arose that a portion of the capital to be raised should be reserved for local investors, and in order to throw open this opportunity to as many as possible it was suggested that shares might be collected through central co-operative banks.

2. Last year the amount of members' deposits in primary societies increased from 8½ to 11 lakhs, while the deposits by societies in their central banks and unions increased from 10 to 15 lakhs; so that it would appear that the co-operative movement is bringing into circulation money that has hitherto been idle. If a productive outlet could be found for this money, sufficiently attractive to bring out the hoards there would be some prospect of stimulating thrift and of developing the province's resources.

3. The difficulty was that if the central banks began to collect money before the prospectus was issued, an offence under the Indian Companies Act was committed; while if merely promises to take a share were registered, there would result much confusion in bringing these promises into effect. In so far as central banks would provide facilities for the collection of shares from people anxious to subscribe, the legal difficulty would prove no obstacle; but in so far as the staff of the Co-operative Department would undertake propaganda in favour of the acquisition of shares by small investors, the Companies Act would prove a serious stumbling block.

4. In actual practice much will depend upon the season of the year at which shares are to be subscribed and the state of the preceding harvest. After a good harvest the co-operative banks have a surfeit of money which they find difficult to employ. At this time there would probably be no difficulty in raising several lakhs of capital for any scheme promising assurance of safe return. This, however, involves a further difficulty that the constructors of the railway desire to know a long time ahead the amount of capital which they should reserve for local investors, and cannot await the reaping of the harvest.

STATEMENT No. 127.

J. P. Hardiman, Esq., C.B.E., I.C.S., Commissioner, Tenasserim Division.—Note dated 20th December, 1920.

Question No. 1.—I consider that State-owned railways should be managed by companies on a profit-sharing basis, my reasons being that State management is less efficient and is wasteful. The only system in India of which I have personal experience is the Burma Railways system, and as a member of the travelling public.

Question No. 3.—I recommend that such companies should be domiciled in the United Kingdom, the reason being that a competent Board of Directors is more likely to be obtained in London than in India. Further, if a board were located in India, there might be the possibility of otherwise suitable directors being so actively interested in particular industries as to prejudice their impartiality.

Question No. 4.—I consider the existing system suitable.

Question No. 8.—I consider that it is necessary to consider the possibility of otherwise suitable directors being so actively interested in particular industries or areas as to prejudice their impartiality.

Question No. 17.—Writing as the Commissioner of the earliest Civil Division in Burma to come under British Administration, which remains after a century's administration, the most backward in the Indian Empire from the point of view of communications, I am emphatically of opinion that the supply of funds for railway purposes has hitherto been inadequate, particularly in the direction of funds for new construction, which is what the Tenasserim Division wants.

Question No. 18.—I do not consider the policy of devoting most of the capital funds for improving of equipment and rolling stock satisfactory, since this results in very slow development of a backward area. The correct policy is that followed by the Colonial Administrations, namely, to spend all available capital on new lines, which should be at first inexpensively equipped.

Question No. 20.—I consider that capital should be raised both in India and the United Kingdom, not only because the more sources of supply of capital there are the better, but also because Indian investors will take a more intelligent interest in the railways if they are financially interested in them.

Question No. 26 (*b*).—I consider that rates and fares should be raised, so as to prevent railways being a burden on the general tax-payer.

Question No. 27.—I consider the results in the case of company-managed railways satisfactory to the State and in the case of State-managed railways unsatisfactory.

The indirect advantage to Government attributable to railways through the development of areas served by them cannot be stated in figures, but in Burma each unit of the population is worth about Rs. 12 in revenue to Government calculating on the 1911 population figures (12,115,217) and the 1918-19 gross revenue figure (Paragraph 139, Burma General Administration Report, 1918-19) Rs. 14,64,23,000.

Qustion No. 34.—It is very generally believed that the rolling stock avilable on the Burma ways lines is gravely insufficient at certain seasons.

STATEMENT No. 128.

REPLIES by W. J. KEITH, C.I.E., I.C.S., Commissioner, Magwe Division, Burma, to the QUESTIONNAIRE.

Part I.

Question No. 1.—I consider that railways owned by the State should be managed by companies on a profit-sharing basis. My knowledge of Indian railways is practically confined to the Burma railways. I first made their acquaintance under State management. My own experience is merely that of a member of the travelling public, but in the course of my enquiries as Settlement Officer, Meiktila District, during three years 1907 to 1910 I came into contact with a large number of traders and others with experience of sending goods by rail. My opinion, however, is not based on experience of the working of the Burma railways but on my belief that as a general rule the State management of a profit earning concern is usually less efficient than private management.

Question No. 3.—I consider that all Indian railway companies should be domiciled in India. My chief reason for this conclusion is the necessity of avoiding English income tax if Indian capital is to be attracted.

Question No. 4.—I consider that companies working State railways should be required to provide half the capital and should receive half the nett earnings.

Question No. 6.—I consider that if my suggestion that the companies should supply half the capital is adopted the interests of Government will be sufficiently secured by reserving the appointment of managing director for a nominee of Government and by requiring a reference to Government in certain matters.

Question No. 8.—The objection to Boards of Directors being domiciled in India on the ground that difficulty will be experienced in obtaining continuity in the membership is based on the assumption that the members will generally be Europeans only temporarily settled in India. This objection will disappear as Indian capital replaces European and Indian business men take the place of Europeans on such boards. More than one commercial company in Burma has recently transferred its headquarters from London to Rangoon, *e.g.*, the Rangoon Electric Tramway and Supply Company, Limited, and the Burma Mines. The difficulty about lack of continuity is one which must be faced at the outset.

Question No. 8.—My answer is in the negative so far as Burma is concerned.

Part II.

Question No. 10.—I do not consider that the Railway Board provides a satisfactory system of control. I believe that one-man control would be more effective.

Question No. 14.—I do not consider that the powers of control already possessed by Government have been sufficiently exercised in the public interests. The continuance of the overcrowding of third-class compartments and of the system by which railway wagons during the busy season are frequently sold to the highest bidder are surely matters which Government could remedy if its powers of control were exercised effectively.

Part III.

Question No. 17.—So far as Burma is concerned the supply of funds for railway purposes has hitherto been very inadequate. Conditions in the province are such that the chief benefits accruing from the construction of a railway line are in the form of increased population, of increased area under cultivation and of increased prices received by cultivators for their produce. As an investment for capital the receipts obtained from the railway may for many years be barely sufficient to pay running expenses, but this does not mean that the construction of the railway was not justified. These remarks have reference to the provision of funds for new construction. As regards funds for improvements, the building of the Sagaing bridge over the Irrawaddy and the doubling of the main line from Rangoon to Mandalay are projects which should have been carried out long ago.

Question No. 18.—For Burma the correct policy is to devote the greater portion of the available funds to railway extension rather than to the improvement of equipment and railway stock.

Question No. 20.—I consider that as far as possible capital funds for the construction of railways should be raised in India and that in deciding between rival claims preference should be given to that scheme towards which the largest amount of local capital is produced.

Question No. 21.—Provincial Governments and local funds should be permitted to guarantee up to half the rate of interest guaranteed by the Government of India under the branch line terms.

Question No. 23.—I consider that premium bonds carrying no interest but eligible for participation in quarterly drawings when the bonds drawn will be repaid in full with the chance of participating in a large number of prizes of moderate amounts offer the most promising method of obtaining capital for railway purposes from amongst the enormous number of possible small investors in India. The knowledge that the capital is safe and that it will be received back some day with possibly a considerable accretion in the shape of a prize would be much more attractive to the small investor than a certain return in the shape of interest. The expenses of management —the chief objection usually raised to the system of premium bonds—would be reduced to the minimum. I have no use for a system of premium bonds carrying low interest in addition to prizes. Such a system is a compromise which is wholly unsatisfactory.

Question No. 25.—A system of premium bonds would not clash with Government borrowing so long as Government borrowing is carried on on the present line. Persons who would invest in premium bonds are not persons who at present invest in Government securities or even persons who find Post Office Cash Certificates attractive.

Question No. 26.—(*a*) The answer appears to me to be undoubtedly in the affirmative.

(*b*) I consider that railway rates and fares should be raised in the same proportion as expenditure has increased, whatever that may be.

Question No. 27.—So far as Burma is concerned I have no doubt that the indirect advantages accruing to Government from the construction of railways combined with the actual nett profits on the Government capital invested have fully justified their construction and that the lower the percentage of profits has been the greater have been the indirect advantages.

Question No. 28.—I consider that funds granted should never lapse and that sums which have not been spent before the 31st March should be added to the budget grant for the following year. This has been done for the last few years by special arrangement with the Government of India in the case of Public Works Department budgets in Burma where the amount of any ascertained lapse is transferred from the revised estimate to the budget of the coming year in the final issue of that budget. I also consider that when it appears that the railway receipts for the year are likely to exceed the budget estimate for that year grants for expenditure additional to the budget provision should be made so long as no reduction is thereby made in the nett estimated receipts.

Part IV.

Question No. 30.—I was Revenue Secretary to the Government of Burma from the middle of 1912 to the middle of 1919, or for rather more than seven years, and it was part of my duties to deal with railway questions other than those in which the Public Works Department was interested. I do not remember a single occasion on which the Local Government took any action in regard to rates and fares. Unless local officers and provincial Governments interest themselves in these matters and bring to light cases where concessions are called for by local circumstances I do not think that Government can ever exercise adequate control over railway administration in respect of rates and fares.

Part V.

Question No. 34.—The carrying capacity of the Burma railways is usually regarded as inadequate to the requirements of the rice trade which is the chief trade in Burma in which railway carriage is employed. Lack of railway stock is probably the chief reason for this defect.

STATEMENT No. 129.

MEMORANDUM ON THE FUTURE MANAGEMENT OF INDIAN RAILWAYS, BY SIR D. E. WACHA.

About three years ago, in response to a request made to me by Sir Robert Gillan, the then President of the Railway Board, I had furnished him with a memorandum expressing my views on the question of State versus Company management. I therein observed that on balancing the advantages and the disadvantages of the two systems I was certainly in favour of the latter.

2. A further and closer study since of the most authoritative literature on the subject has amply confirmed me in the views I had originally entertained. Many indeed are the recognised experts who have said and written on this all-absorbing subject, which has continually engaged the attention of economists and statesmen of those countries where the largest and the most organised systems have been in vogue. But for the purpose of this paper I only content myself with quoting at some length the deliberate views of two such eminent authorities as Mr. Samuel Dunn, of Chicago, and Sir William Acworth, the President of the present Railway Committee appointed by the Government of India. Nothing, I am free to confess, has more fortified me in my long-entertained conviction of the preferability of company management to State than the reasoned conclusions arrived at by these two railway economists, based on widely-ascertained and closely-examined facts of the greatest complexity and diversity. I am not aware of any leading and responsible Indian organisation or individual having given a decisive expression on the subject with such wealth of authentic data and illustrations, such searching analysis, and such logical precision as they. Neither am I aware (and I stand corrected if I am wrong) that among those who have agitated for the substitution of direct State management for the existing management of most of the State-owned railways by companies any one who has hitherto presented to the public convincing evidence in support of his contention. Parrot-cry on a public question of a momentous character, far-reaching in its consequences for better or for worse, is to be greatly deprecated, if a just and sound decision is to be finally arrived at. I am therefore at one with Mr. Dunn when he says that " the effects of every public policy is a resultant of the action and reaction between it and the general conditions under which it is carried out. It is difficult enough to anticipate the future efforts of a public policy that has been and is being followed under a known set of conditions. But in that case we can, to a large extent, judge of the future by the past and the present. It is very much more difficult to foresee the various consequences of trying a wholly different policy under the same set of conditions, for then we can only vaguely and uncertainly anticipate the action and reaction of the new policy and the conditions on one another. Ordinarily, therefore, there is much less danger of a capital mistake being made by adhering to, but perhaps also steadily developing and strengthening a policy that has been followed with some success under given conditions; and, consequently it requires less evidence in the court of reason to justify adhering to an existing policy than to justify adopting a new and wholly different one." If any policy, therefore, demands a radical change at this hour in the country, it is the policy of the future management of Indian railways. And I respectfully submit that no care that the Committee may take to recommend a careful policy, after searching investigation and examination, will be deemed too little or wasted. It should be a policy which, when once practically adopted, would prove to be a success, and not which might have to be reversed a few years afterwards as has been unfortunately the case in France, in parts of Germany and elsewhere. For it goes without saying that the policy of railway managment is far-reaching in reference to the whole domain of Indian finance, Indian trades and industries, and Indian economics generally. I therefore further concur with the principle which Mr. Dunn inculcates that " in countries where private ownership and management have been tried with considerable success, the burden of proving that the adoption of public ownership and management is desirable clearly rests with those

who advocate the change to public ownership and management." This is the more imperative at the present juncture, having regard to the past history of Indian railway finance. It is a gruesome one on which I had fully dilated some ten years ago. Whatever the financial blunders and whatever the colossal losses which were committed in the past, for 60 years, say from 1850 to 1910, many an extenuating circumstance, to which it is needless to refer in this place, has been urged in reference thereto. But no such circumstances can be reasonably urged at present as they are all non-existent. The history of the costly, nay improvident, policy of railway finance in the past should serve as a warning at present. What is imperatively needed, while recommending a new policy, are great foresight and circumspection, which shall lead to an avoidance of those huge financial blunders of a similar character.

3. I now crave leave to reproduce here some of the most pertinent observations of Mr. Dunn as I consider them to be quite relevant to the inquiry. "If we broadly consider the experience of the leading and typical countries, we can hardly conclude that it indicates that the public advantages gained from Government ownership ordinarily are greater than those derived from private ownership or the disadvantages suffered from the State ownership are ordinarily less than those suffered from private ownership. Besides, the evidence shows that the results to the public of Government ownership of railways vary widely. There must be causes of the first importance for the differences between the results of State management in Prussia and Japan and in most other countries. The main differences between the conditions in Prussia and Japan and in other countries that affect State railway management and the results are those between the temperaments of the peoples, between the forms and character of the governments and between the relations of the governments to the peoples and to railway employees." I have not noticed anywhere that these essential conditions have at all been examined by those who have advocated State management of railways in India.

4. But let Mr. Dunn speak in his own words about the Prussian system which has off and on been put forward as a model to follow. "The Prussian system is highly undemocratic and the conditions in Japan are still highly feudal. . . . In Prussia, railway labour is forbidden to belong to unions, and subject to a discipline hardly less rigorous and exacting than that of the army." I do not believe that commercial India, European and Indian, are keen on the imitation of this part of the Prussian railway system. Moreover, at present there are no labour unions to speak of in India. But it may be taken for granted that the Indian Government will not forbid the formation of Labour unions. Indeed so far as the trend of the discussion has recently gone on, they would like to see such unions established on well-considered foundations. Then, take the case of Japan, another country which is also held up before the Indian Government to follow. Says Mr. Dunn, "In Japan loyalty of all classes of the people to their government and everything connected with it borders on fanaticism. . . . Since, doubtless, it is owing to these *differences in conditions* that the railway management in Prussia and Japan is a success, while in most other countries, it is much less successful, or a failure, as it does not seem logical to consider that any other country, in order to attain as high a degree of success in the management of railways as Prussia and Japan have, must follow the example that Prussia and Japan, especially the former, have set in organising and managing their railways. For the people of countries such as the United States, France, Canada and Australia to follow the political example of Prussia would be for them to revert to a form of government and to political institutions which they regard as inconsistent with the rights of the individual to great freedom of action and with the right of the people as a whole to govern themselves." Here, in India, we have just begun responsible self-government and the people do require greater freedom of management of their own affairs, so that it would be illogical for them to demand railway management of the political character of Prussia and Japan. But even apart from the facts as described by Mr. Dunn, if Indians are keen on the State wholly and directly managing the Indian system of railways, it is to be hoped that they will carefully consider the balance of advantages and disadvantages before committing themselves to a policy which, after a few years' experience, it may be found necessary to change at an indescribable cost.

5. Lest it should be considered that I am speaking without the book, I may be allowed to bring to the notice of the Committee the deliberate opinion of a famous Royal Commission in Italy which some 35 years ago exhaustively investigated the question. I reproduce its main conclusions as formulated by President Hadley, of Yale (History of Railway Transportation):—

1. "Most of the pleas for State management are based upon the idea that the State would perform many services much cheaper than they are performed by private companies. This is a mistake. The tendency is the other way. . . . The State is much more likely to attempt to tax industry than foster it."
2. "State management is more costly than private management."
3. "The political disadvantages would be very great. Politics would corrupt the railway management and the railway management would corrupt politics."

Italy nationalised her railways in 1906, despite the Report of the Commission of 1886. Switzerland did the same. Recently the French Government has taken over the system of the Western Company. Mr. Hadley comments on this as follows:—"But an impartial study of the railway history not only of the countries mentioned but of State-ownership all over the world shows little to invalidate and much to confirm the conclusions of the Italian Commission." A large number, again, of people argue that because the State runs the Post Office, the telegraphs and the telephones, though with very qualified success, it can therefore run the railways also. The same plea has been frequently urged by the advocates in this country of State management. But another railway expert particularly points out the fundamental fallacy of that argument. For, says he, "in Post Office business, there is no question of varying charges. The charge for a letter is one penny from Lombard Street to John o' Groats. Nor has anyone claimed that a universal sending out 100,000 circulars should have a reduction on the postage charged because of his wholesale quantity. But if the cost of a postage stamp were a serious amount, we may be very sure that long ago there would have been an irresistible demand for a tariff varying according to distance and difference between retail and wholesale consignments. And this is essential to railway working."

6. It is to be presumed that we are all well supposed to believe that the State will make considerable financial sacrifices and incur even larger financial liabilities in connection with the railways.

7. Returning to Mr. Dunn, the following further observations of a thoroughly businesslike character must commend themselves to those who in the matter of railway management would take a business point of view:—"A Government to be successful in the management of large commercial enterprise must to a very great extent be organised and administered as successful private business concerns are organised and administered. The fundamental requisite of successful business management cannot be attained by the simple expedients of transferring concerns from private to public ownership. Whether a business is managed or owned by a corporation or owned and managed by the public, the owners, in order that it may run successfully, must choose and retain the managers solely because of their special fitness for their duties. Having done this, the owners must give the managers wide discretion and authority, specially for dealing with the employees. The owners must interfere very little with what the managers do, and ordinarily must try to hold them responsible only for general results."

8. Without unduly arguing at length this most important point with further details, it may suffice if the following answers are given in the language of Mr. Dunn to the fundamental question: Will the adoption of direct State management pure and simple, be, on the whole, beneficial to the public?

(1) The railways of the United States are, considering all pertinent conditions, economically managed as any in the world, and it is probable that under Government management there would be an increase in the total expenses incurred in rendering railway service.

(2) Under private ownership the development of the railways of the country had gone forward at a rate which until recent years, has not been equalled in any other country. The capacity of the railway trackage and equipment provided in proportion to both area and population is not surpassed in any other country.

(3) The quality of the freight and passenger service rendered here is in most respects equal or superior to the quality of that rendered by railways in such countries under conditions at all comparable.

(4) The service, however, is very deficient as compared with that of most other countries in respect of the extremely important element of safety. But the evidence indicates this is due rather to local conditions than to private management, and that the situation in this regard probably would not be imposed under Government management.

(5) Passenger rates are probably no higher than in most other countries for similar services, but the average rate per passenger per mile is much higher than it is on most State railways; and State railways usually make lower passenger rates than private railways.

(6) The freight rates of railways have been, and are yet, based largely on what the traffic will bear. In other countries under public management, the domestic freight rates are usually based rigidly on distance. The rate-making policy followed in this country is well adopted to promoting the fullest development of industry and commerce, but it has led to many unfair and extremely harmful discriminations. Public regulation has greatly reduced the number of these unfair discriminations and doubtless can reduce it further; but in the nature of things, unfair discrimination seems more likely to recur under private management than under State management.

(7) The average freight rate per ton a mile is the lowest in the world excepting, apparently, that of the State railways of Japan; and relatively to the conditions under which they are charged freight rates here are probably the lowest in the world. Private railways generally tend to make lower freights than State-railways, and low freights are of more benefit to the public than the low passenger rates.

(8) While in many countries State railway causes financial losses to the public, in the United States, the public derives large sums from the railways in the form of taxes. Furthermore, the amount of taxes being collected from them is rapidly increasing.

(9) The condition of the labour employed in the railways of this country relatively is as good as that of the labour employed on the railways of any other country; and it could not be substantially improved without imposing an additional burden of rates on travellers or shippers or both, or an additional burden of taxes on the general public. In either case, the greater part of the added burdens would fall on the middle and the working classes in general.

(10) In view of many other countries with State management of railways and of the conditions existing in our own country it would seem that the State management here would have a tendency rather to corrupt than to purify parties. Clearly then, the preponderance of evidence does not indicate that under existing conditions, at least, the adoption of Government ownership in the United States would be beneficial to the public.

9. I am not aware of any crying complaints brought against the management by companies of State-owned railways in India. No doubt in many a case there may be a justification for such complaints. But they are not of such a character as could not be removed by special legislation. At the same time, it should be carefully noted that they do not go so far as to make out anything like a conclusive case for pure direct State management. I am firmly of conviction that were such management adopted, not only complaints of a similar nature and many others besides would crop up, but that the management would in a few short years be found to be so intolerable as to give rise to a strong agitation in the country to revert to the existing conditions. The war has proved to demonstration in how many important directions the management even temporarily taken over by the Government in England of many an industrial and business concern proved a failure. Business men under pressure of enlightened public opinion had had necessarily to be invited when matters were going hopelessly wrong under bureaucratic management to put them right. They did so. That fact proved to the hilt that the State was not fit to manage colossal business matters so well as those engaged in every day private business. Take the case of the

Munitions Department. How much of waste was incurred? What extravagant prices were paid and what corruption prevailed? No such evils could ever have arisen under private enterprise.

10. Thus what is most wanted is the wisdom of adopting a policy of leaving the management of such a colossal industrial enterprise as that of railways to private enterprise, but at the same time develop and perfect the existing system which, in my personal opinion, is a fair success, by means of wholesome legislation in consonance with well-founded popular needs and requirements. Abuses should be prevented at all costs and hazard and by means of vigilant and honest supervision. Were State-owned railways continued to be managed by companies, with all the improvements and restrictions called for, it should not be impracticable to develop a railway public policy whereby both the public and the State may be greatly advantaged.

11. I may now refer to the views expressed by Sir William Acworth in his most excellent work called "Historical Sketch on State Railway Ownership" very recently published (John Murray). The author in the concluding part of his preface correctly observes that his facts and figures, which have not been challenged as inaccurate, "prove conclusively that a democratic Government cannot with the ordinary political machinery successfully run a commercial business." which, nobody can venture to deny, a railway is. At the outset Sir William gives some comparative statistics. According to the Prussian Railway Administration Report, "there were in Europe at the end of 1913, 216,396 miles of railways, of which 116,111 were State railways, and there were in the whole world nearly 700,000 miles of railways, of which less than one-third were State railways. The capital invested in railways amounted to 208 billions of marks, say, in round figures 10,000 million pounds. It is not possible to work out the respective proportion of State and private capital. Suffice to say that whereas 33 nations own their railways in whole or in part, the United States and Great Britain, where the railways are all in private hands, account between them for more than half of the world's total railway capital." But it is needless to further quote Sir William's comparative statistics. It is sufficient to quote here his broad statement:

(1) "That two-thirds of the railway mileage of the world has been provided;
(2) "Two-thirds of the railway capital of the world has been provided; and
(3) "Two-thirds of the current railway of the world is done by private enterprise,"

and "only the remaining third by State undertakings."

But what are "the lessons of experience," the lessons which the history of railways almost during a century, teach? Sir William Acworth, after very tersely and accurately analysing that history, observes: "Railway history conclusively refutes the idea that State ownership promotes railway development." After making references to the different important systems of railways in the world, the author expresses himself as follows: "A railway company exists for a single end. If an extension offers reasonable financial success, and if capital can be raised on reasonable terms a company will always build it." I fully concur with this opinion. The experience of railways in India is that time out of number the State has been most obstructive to construct new railways essentially required for the development of the country's resources. Time out of number the mercantile communities in India have submitted practical proposals for building such railways, and it is well-known that they have had to wait for years and years before the Government with its tortoise-like machine, could be goaded to build the essential railways. The driving force has always come from the mercantile communities but seldom from Government. One important reason alleged was the difficulty of raising capital. Left alone, the different companies originally launched by private enterprise could have obtained all the capital. But there were so many restrictions in the contracts made by the State with guaranteed and other companies that at every step, the latter were hampered. I myself was against building unprofitable railways with breathless space, while irrigation works were starved as I have shown in my brochure on Railway Finance. But I must assert that the Government had in the past for long long years delayed the construction of new popularly demanded railways absolutely needed for the development of the country. The fact can never be gainsaid. It is writ in large capital letters in the history of Indian railways which he who runs may read. Is it possible that with such a history in the past the State, when directly managing its own railways, can build economically and speedily the new railways wanted for the country's industrial development and extended inland and foreign trade as a company by private enterprise can? Says Sir William, "if even success is problematical, ambition and the desire to forestall a possible intruder will usually turn the scale in favour of a forward policy. But a Finance Minister is quite in a different position. Calls upon him for money coming from a dozen different directions. The Army, the Navy, education, development schemes, social betterment, and fifty things more, all press their rival claims. The money is limited. New taxes do not conduce to popularity. The budget has to be made to balance and the railways go short like all other claimants." This, indeed, is a true portraiture, and it is to be feared that with the democratic form of government now introduced into India, it is as certain as night follows day, that the representatives of the people in the Councils will clamour for such great demands on account of education, sanitation, industrial and agricultural development, social welfare and other objects, that it will be hopeless to get new railways built by the State save by new loans, the interest charges on which will be a further burden on the Indian revenues. Under such a condition of the near future, it would be a grievous mistake to alter the present policy and agree to railway management directly by the State.

12. There is another important point on which it is worth quoting Sir William Acworth's opinion. "It is about the quality and cost of service which, it is needless to say, are essential factors in the consideration of State *versus* Company management. The vital question is not concerned with construction and capital cost, but with day-to-day working of the actual existing system. Will the public on the whole get better services or lower rates or possibly both these advantages?" Sir William Acworth's answer is not indecisive. He says that on this question "there is a mass of accumulated information." There is a difficulty of making a fair comparison between one country and another. "National custom differs widely. To give one striking instance. The average American railway charges its passengers a penny a mile, and admittedly makes no profit. The East Indian Railway charges a fifth of a penny a mile, and makes a handsome profit, means that the Bengal ryot is content to travel under conditions of speed and accommodation and convenient frequency of service which imply reductions in operating costs more

than counterbalancing the five-fold reduction of charge and even the 0·2d. rate is a much larger tax on the income of the ryots than the 1d. rate is upon that of the American labourers, etc. What shall be said? Would it be reasonable to say that all things considered, the passenger fares in America are really lower than those in Bengal, in spite of the fact that in Bengal a man can travel five miles at the price of one mile in the States? Must it not be acknowledged that where conditions are so absolutely different, one cannot really compare but can only contrast? If comparisons are to be of value they must be made where conditions are, if not similar—that we shall never find—at least as similar as may be. This much seems clear. Given two countries in which the standard of living and the purchasing power of money are substantially the same, and where the quality of railway service is substantially the same also, the country in which the rates charged are lower is the best served by its railways." This is a clear exposition as regards comparisons and contrasts. But unfortunately in India, the advocates of State management do not seem to have at all given the slightest consideration to the circumstance to which Sir William refers. There has been no *reasoned* statement of facts touching the quality and cost of service.

13. Then take the question of freights. "It is a matter of common knowledge," says the same authority, "that the freight rates of the United States are out and away lower than those of any other country with which comparison can reasonably be made. The figures for the average receipt of ton mile for Germany and France are nearly double those for America, 0·68d. per ton mile respectively as against 0·37d. and all the other countries of Western Europe except Belgium, are higher than France. The Belgian rate is 0·56d. As we get towards the East, rates fall. In Russia the average is 0·47d., in Japan 0·43d. and finally in India it gets down to 0·37d., which is the same as the American figure. The reason why Oriental rates are low is obvious. Roughly half the cost of railway operation is direct labour cost, and in Japan a railway employee earns two shillings and in India one shilling, whereas in America he earns a sovereign. Why then are not the rates still lower? Because it needs many orientals to do the work of one American, with his efficient methods and his labour-saving appliances. To give an instance, railway embankments in India were, till quite recently, and probably are still, constructed by gangs of coolies running to and fro with small buckets of earth upon their heads." All this is perfectly true. The same may be said of Indian operatives in cotton mills. Though labour is comparatively cheap in Indian and very dear in Lancashire mills, it is an absolute fact, based on a careful examination of production per spindle in the two countries, that despite dearer labour wages, Lancashire is in reality cheaper so far, having regard to the efficiency and intelligence of work.

14. Next, it cannot be gainsaid that private railways lead in inventions and improvements. Says Sir William: "In all the history of railway development, it has been the private companies that have led the way; the State systems have brought up the rear. It will be difficult to point to a single important invention or improvement the introduction of which the world owes to a State railway." In India the State is as slow as the mule in point of improvements and inventions as Prussia, which the advocates of State management constantly point out (no doubt ignorantly) as a model to follow! It is the same Prussia, which Sir William says, clings to old machinery and old methods! But where is the enlightened advocate of State management of Indian railways who cares to learn that "railroading," as Sir William observes, "is a progressive science. New ideas lead to new inventions, imply new plant, new methods. Another means spending of much new capital to be recouped by larger economics later on. The State official mistrusts ideas, pours cold water on new inventions, grudges new expenditure." Very true. If the Government of India has been known to be so backward in this respect what may be the case with the new democratic Councils? It is extremely doubtful whether the pound-wise and penny-foolish policy will ever come into play? And what may be the result? It need not be foretold that State management, if introduced, will be a byeword of reproach and the subject of the most bitter criticism.

15. Yet another point to be touched is civilianism in railway matters. Sir William Acworth says:—"Railway management on its main sides of policy, operation and traffic, is essentially a commercial business, requiring commercial training and commercial aptitude. The railwayman, if he is to serve his customers and his shareholders properly must look ahead, plan boldly for the future, and not fear to take risks. His mind must be alert to recognise and use every new technical improvement, so that he may give the best possible service at the minimum possible expense. He must be quick to observe the course of trade, the change of demand, the potentialities of new markets and new sources of supply and to adjust his tariffs accordingly. Above all he must keep abreast of his work, however arduous. If he fails—at least in the employ of a private company—he goes and a better man takes his place." This is again too true; and in India the civilian is supposed to be a superman! As the late Earl John Russell once observed, he is good enough to govern a State or man a navy or command the army or grow a potato! Instances have been numberless where a civilian is pitchforked to take charge of duties or work of which he has no conception or in which he never has had a training. Even to-day, not to go too far, we have civilians who are at the head of an Improvement Trust and a Port Trust. Civilians are pitchforked into such places where a life-long experience in engineering or estate-managing and in trade and commerce are required. Practically the work is done by other officials who *are trained*. All the same the civilian is at the head. It is so in Bombay as regards the Improvement Trust and Port Trust. It is so in Calcutta as far as the Improvement Trust is there concerned! The unwisdom of placing a square man in a round hole seems to be in India the very acme of administrative statesmanship. Is it a wonder if Sir William asks whether anyone can expect the qualities needed for a railway chief from a State official?" He quotes in answer to his question a passage from the Italian Commission— the same to which reference has been made in the earlier part of this memorandum and on which Mr. Hadley has based some of his inferences. "It is true," says Sir William Acworth, "that the Commission wrote 40 years ago, but human nature has not greatly altered in the interval." Certainly not. The passage runs thus: "On a State railway system the personnel would be chosen according to Civil Service rules. Seniority would count more than merits or special qualifications. There would be bureaucratic dilatoriness incompatible with railway service. This applies specially to the Executive officers who need to have in the highest degree industrial energy, initiative in planning improvements, commercial intelligence, essential in controlling the various claims of expenditure; who have to encourage traffic, improve service, maintain discipline and so forth. The chief officers and their personal

staff must have a personal interest to stimulate them, and a high sense of responsibility to encourage them to perform their duty and for men like them the State would substitute officials with no personal interest in the operating results. Further, the Government employee, is, as a rule, worse paid and subject to less severe discipline than men in private employment and consequently he does less work. When the operation of the Upper Italian Railways was temporarily taken over by the State, only a short time elapsed before the discipline, energy and promptitude of the staff, which had been excellent, broke down, and the service became abominably bad. The general rule is that Government employees do less work; consequently more men have to be employed, and the wages bill accordingly goes up." This is a gruesome picture but no more gruesome than true, having regard to civilian management wherever business and special training are essential. Here too, Indian advocates of State management of railways, must be presumed, to be ignorant of what is likely to be in store when State management is unfortunately resolved upon.

16. Neither can State-managed railways turn out so profitable as under company management. Sir William Acworth says:—" In the two countries where the railways are still wholly in private ownership, the United States and the United Kingdom, nationalisation cannot be justified on the ground of lack of private enterprise. Nor is it necessary to avoid abuses; for these abuses can either be prevented or cured by adequate State regulation and supervision. Further it does not appear that the State is likely to build railways cheaper. Still less, that it will surpass private companies in efficiency of management, and will therefore have available more net revenue to be applied either to improvement of service or reduction of rates in the country as a whole " . . . . " With the exception of the South African Dominion, Prussia is the only country where the State-system shows a substantial profit after payment of operating expenses and interest on capital, and this fortunate position Prussia owes to two things. It bought the railways at a most opportune moment, just before the great industrial and commercial development that has made modern Germany; and the Government has been powerful enough to maintain the scale of rates as practically unaltered over a long series of years. Belgium roughly makes both ends meet. Switzerland the same. The smaller German States and the Australasian, speaking broadly over a series of years, have to make up some part of their interest charges out of general taxation; Austria, Italy and France produce deplorable financial results."

17. Lastly Sir William Acworth dilates on the parrot-cry generally raised by advocates of State management that rates and fares would be more equitably adopted. Here are his reasons against such a delusion. " The claim that the State will adjust rates and fares more equitably is more difficult to deal with. The famous Prussian Finance Minister, Von Miquel, asserted categorically that the possible policy for a State system was to adopt a rigid tariff uniform over the whole country. Another is, in fact, the Prussian system. For 500 miles the rate of normal tariff is ten times that for 50 miles. Whether this is equitable is another question. It does not cost the railway ten times as much to do the business. Nor does it seem to be treating the trade in accordance with the canon of taxation which says that the end to be aimed at is equality of sacrifice by the taxpayer. Be that as it may, while such a policy is possible for Prussia, with only a small seaboard, and where the Government not only owns railways, but the canals, it is unthinkable in England or America. Imagine an English Government charging from London to Edinburgh ten times as much for the first 40 miles out of London. The only result would be to drive the whole of the traffic to the coasting steamers."

18. It may now be instructive to quote the conclusions arrived at by Sir William Acworth on a careful and exhaustive study of railway history very much as Mr. Dunn has. He first gives the summing up of the conclusions by President Hadley of the Italian Railway Commission. This need not be repeated as it has already been quoted. Says Sir William that he has made an attempt to bring his history of railways up-to-date.—" hampered by the condition that the most important facts of contemporary history are not always those that can be most readily published." The conclusions, however, of the Italian Commission, in his opinion, " still seems to stand firm."

" The essential lesson of history may be said to be this. It is impossible to obtain satisfactory results on Government railways in a democratic State unless the management is cut loose from direct political control. . . . In France, in Belgium, in Italy, parliamentary interference has never been abandoned for a moment. Without imputing a double dose of original sin to politicians, it is easy to see why this happens. The railways belong to the people. Parliament is the authorised representative of the people. It seems therefore, to the ordinary citizen, only right and natural that Parliament should control the management of the people's railways. And yet facts are stubborn things, and the facts show that Parliamentary interference has meant running the railway, not for the benefit of the people at large, but to satisfy local and sectional, or even personal interests. They show further that under Parliamentary management it is easier to get money for big schemes of new construction than for inconspicuous day-to-day betterments and improvements, which probably would produce much greater public benefit. Some day, perhaps, having learned wisdom by experience, a parliament and a people may recognise that management for the people is not necessarily management by the people; that there are branches of government, besides the judicial branch, unsuited for popular interference; and may establish a permanent State railway organisation, with its own Board of Management, with its own separate Budget, and entirely independent of parliamentary control, but controlled where necessary, like any private company, by judicially-minded Railway Committee, required also like a private company to earn a dividend for its shareholders, the people. And then a main objection to Government railways in a democratic State will have lost its force. But hitherto, no Parliament and no people have recognised this fact, even though it stands out abundantly clear on the pages of railway history." Sound as these views are, and impartially based on " stubborn " historical facts connected with the greatest railways of the world, I fully endorse them. I am convinced that the management of Indian railways directly by the State will prove a dismal failure. The present system is the most advantageous. It only requires to be improved and the complaints and abuses made by the largest users of railways removed, and the Railway Acts legislated anew on equitable lines, which, while securing to the State all the benefits served by private enterprise shall save the people from all those evils and disadvantages which other countries have suffered by reason of State management, and in the bargain give them all the benefits they are entitled to."

19. Having observed at length on the question of management as above, I should say, in answer to Question No. 3 (part 1) that a company should be domiciled in England with a Board there, but having in India a local board which would be in a position to inform the London Board from time to time of the needs and requirements of the public, so that the necessary action might be taken as speedily as possible. The London Board should not be dilatory in the transaction of all business. Thus consideration of a given subject and decision thereon should be expeditious for purposes of executive action. There is a long-standing complaint that the London Boards of the different companies take an unconscionably long time to arrive at decisions. The importance of the retention of a company's head office in London is essential for purposes of finance, supply of rolling stock and other railway materials and so forth, and for purposes of consultation with experts and the India Office. The local Board will be able to supply all necessary information of an accurate character to help the London Board. There will thus be a mutual advantage on both sides in the final disposal of all business as it arises from time to time. I do not approve of a company wholly domiciled in India. It will hardly be helpful and advantageous. There are a number of matters which could be effectively attended to and concluded in London alone.

20. I approve of the expediency of allowing companies to hold relatively small share of the capital and to receive a proportional share of the net earnings. No other alternative would be as suitable as this.

21. My answer to Question No. 3 will meet the criticism referred to in Question No. 5.

22. I am of opinion that the paramount interests of government will be very fairly and satisfactorily safeguarded by the method I have suggested in my answer to Question No. 3.

23. I do believe that continuity will never be maintained by a Board domiciled in India unless it is wholly constituted of Indians which, under existing conditions, and for some years to come, will not be possible. Members of a Board domiciled in India will continually change as a matter of course—a state of things in no way desirable in the interests of the public and the Government alike.

24. Directors of Boards in London should be as far as possible persons of an impartial character and men who will not grind their own axe to the disadvantage of common interests. This is *the* danger to be guarded against in the future constitution of London boards. Similarly members of the local board of a company should be selected from business persons of experience but not known to push the interests of certain classes of trades and industries at the expense of others. They should be men of grit not amenable to pressure or influence of any kind, men in whom the public—Indian and European—will have every confidence. I should limit the number of a local board to three; for it would be difficult to find a large number of persons of that grit of character and sterling honesty to carry on communications with the London Board *impartially* so as not to mislead them or misrepresent the facts. They need not be necessarily more skilled in railway work. *Business men* are essential; for after all the local board will have more or less to redress grievances in reference to *business* by business men coming daily in contact with questions of railway transport. Where expert knowledge purely of railway construction and railway technicalities are concerned, the local board can always invite such for consultation and advice. Question 9 is answered by all that I have said in the foregoing.

Part II.

25. The Railway Board as at present constituted is unsatisfactory. I should prefer business men conversant with the railway needs and requirements from each of the principal provinces should be selected. Say, six or seven or so. Beyond these business men, there should be three expert engineers, not necessarily engineers belonging to companies. But they must be real experts in all matters of railway engineering. The Government should appoint a President, a thorough business man who combines business knowledge with some expert knowledge also. The Board should thus have no more than 11 persons, and the votes will thus be 7 to 4 or 7 to 5 in case the President gives his casting vote. In such a case Government should finally review the proceedings of a subject thus decided by the Board. In fact, the Government would act as the umpire and the final decision will rest with them. I suggest this course in cases only where the President is obliged to give his casting vote.

26. In answer to Question No. 12, I may say that from my experience of one or two matters, I do not think the way in which the Railway Board decides is satisfactory. The members seem to be more or less not open to views other than those to which they are committed. They act on foregone conclusions, and besides are more or less obstructive to progress besides dilatory in despatch of business

Part III.

27. As to Part III, I am afraid opinions will differ. I myself think that as far as possible all borrowings by government on account of railways should be in India and that the loans should terminate say, at the end of 30 or 40 years. At the same time, the Government should provide a sinking fund, by statute, as the Government is bound to set apart from the general revenues the annual sum which at interest might accumulate equal to the original amount of the loan borrowed. India has greatly suffered in the past by reason of there being absolutely no provision made in the original contracts of guaranteed companies for the repayment of capital by sinking funds. Perhaps the Indian revenues in the early days of railway era in India were too poor to provide such sinking funds. But Indian revenues are now in a healthy condition. It may be admitted that there will be large demands in the immediate future for many an important object of public utility. If the revenues will not suffice, additional taxation will have to be necessarily provided. Beyond taxation, there should be a statutory provision obliging Government to utilise the annual net profits of railways, which are now swept away into the general revenues, for the purpose of setting apart the sinking funds. The ultimate financial gain to the public will be great. What has been happening for years past is that the net railway gain goes to the Treasury.

This is expended for purposes of general administration. That should be put a stop to at once. It will be found that for the last 12 or 15 years the Government annual finances, in a majority of cases, would have shown a deficit instead of a surplus. That deficit has been concealed by reason of this manipulation of the net railway surplus. It has also led to great extravagance in civil expenditure so that not only will extravagance be checked, but the reserve will act as a fund to meet future terminable loans as they expire. I am sorry I have little time to explain this most important matter of railway finance at length, but I have more than once informally brought the present method, which in my opinion, is very unsound, to the notice of more than one Finance Minister. Even I had alluded to it in some of my observations on the annual Budget in the Imperial Council. But, perhaps, with the changes that have taken place under the reformed Constitution, there will be enough to be said on this all-important subject of Indian railway finance, to which I have paid the closest and most continued attention for the last 30 years. Meanwhile, I may be permitted to say that it is worse than useless to offer any criticism, though I can fill sheets with statistics, on the two tables of earnings underlying Question No. 27. As a matter of fact both company railways and State-managed railways have turned the corner only during the last ten years. From the commencement of railway construction in 1849 down to 1910, there was no such financial result of railways as a whole by way of " net gain." It was invariably a " net loss." No doubt the East Indian and Rajputana Malwa Railways showed a net gain, but it was not so with any other railway. According to the official returns an annual loss averaging one crore was incurred. And no State railway incurred a heavier loss than the N.W. Railway, which was long known as the cinderella of railways. Of course, the corner was satisfactorily turned from 1910. The record earnings since 1916-17 are no doubt more or less owing to war. It remains to be seen what they may be during the current year. Looking at the disappointing financial results of 60 years ending 1910, I would rather offer no opinion on the two tables of net gain, inasmuch as the gain shown during each of the three years must be deemed as fortuitous and cannot with confidence be asserted as an index of what may be the gain for the coming years. The railways have been charging heavily for freights on coal, with this disadvantage that all industries have had to buy coal at prices which will not pay during normal times. If cotton mills in Bombay have been able to bear this large expenditure on coal, it is simply because these too have been earning abnormal profits. These will not last long. The margins of profit must diminish, so with other large industries where coal is an important item of expenditure in production. Railway freights of the future will have to be adjusted to the burdens of trades and industries. No freights can be levied which really cannot be borne by these. To force them signifies so much hampering of industries.

28. I am therefore not in a position to show that the results shown in the two tables are " satisfactory to the State and to the public." Seemingly they are, but whether they will be so permanently or even better is problematical.

29. As I have long been of opinion that the *entire* system of budgetting of the Government of India is not only obsolete but faulty and unbusinesslike, it necessarily follows that the railway budget is also faulty. The whole system demands a radical overhauling.

Part IV.

30. I am not in a position to say one way or the other in reference to the questions of rates and fares. I am aware of serious complaints by Indian merchants about the way in which freights are regulated. They have more than once memorialised the Government on the subject of differential treatment, that is, preference by rebate and kindred reductions given to influential European merchants which are denied to Indian. How far the complaint is founded on facts, I have no means of judging. But when it has been ascertained on the authority of Western railway experts that abuses have prevailed on American, German, English, French and other railways in this matter, there is a likelihood that such abuses have prevailed in the system of Indian railways too. All that I should say in this place is that railway goods rates should be so fixed as to prevent abuses by way of secret bargains. There should be equality of interests. There should be no favours to one set of traders and industrialists against another. Given a business-like Railway Board of independence and impartiality the chances are that complaints in future under this head will be few or next to nothing. At the same time the railway legislation should be of so strict a character as to achieve the same end.

31. Lastly, I must say that the carrying capacity of the various railways is very inadequate. There has been for years a paucity of wagons to carry heavy produce. The rolling stock imperatively needs sufficient addition which can be brought up to the necessities of the country say by annual accretions extending over five years. But this difficulty will never be cured till the remedies suggested by Messrs. Gattie, Horniman and other experts have been adopted. There remain so many " sick wagons." The fact is established that there has been an enormous drawback by reason of the carelessness of haulage and regulating of wagons. As a rule no wagon should remain idle. But if it does, it should be for the minimum number of days in a year. It is here that the closest attention of Indian railway experts should be concentrated. If a really efficient system is devised, it would prove of the utmost advantage to the State by way of economy of rolling stock expenditure, and to the public by way of expansion and development of further traffic.

APPENDIX.

STATEMENT SHOWING NET SURPLUS OR DEFICIT OF ANNUAL ACCOUNTS, EXCLUDING NET RAILWAY SURPLUS, FOR TEN YEARS FROM 1909-10 TO 1918-19.

(*Vide* Annual Parliamentary Return of *Net* Revenue and Expenditure.)

Year.	Net Surplus according to Annual Accounts.	Net Deficit according to Annual Accounts.	Net Annual Railway Surplus.	Net Deficit (—) or Surplus (+) after excluding net Railway Surplus.
	Million £.	Million £.	Million £.	Million £.
1909–10	0·606	—	0·824	— 0·218
1910–11	3·936	—	2·017	+ 1·919
1911–12	3·940	—	3·787	+ 0·153
1912–13	3·107	—	4·803	— 1·696
1913–14	3·312	—	4·789	+ 2·477
1914–15	—	1·785	2·158	— 3·743
1915–16	—	1·888	4·075	— 5·963
1916–17	7·478	—	7·481	— 0·003
1917–18	8·087	—	7·914	+ 0·173
1918–19	—	2·820	10·568	—13·888
Total ...	29·466	6·493	48·416	—25·443

N.B.—It will be seen that but for the railway surplus swept into the General Account, there was a *true annual* deficit averaging 2·54 million £.

STATEMENT No. 130.

The Honourable HRISHIKESH LAHA, C.I.E., Calcutta.

The following answers to the questions contained in the Questionnaire will indicate my views on the policy to be followed in the management of railways in India owned by the State, as stated in the Terms of Reference of the Indian Railway Committee:—

The Management of Railways Owned by the State.

Questions Nos. 1, 2, 3, 5 *and* 9.—It is well known that both the systems of State and Company managements have their advantages and disadvantages, the former being run for military and political purposes, and the latter for private profit. It is understood that State management has the interests of the public at heart, but experience has shown in other countries that it is too costly, and at the same time inefficient. The combination of the two systems on a profit-sharing basis under State control will be of immense benefit to the country. As an instance, I may cite the management of the East Indian Railway, which, however, during the years of war, has greatly been hampered by want of funds for renewals, etc. There should be formed a Local Board with executive powers to look into the workings of railways. This combination will necessitate the establishment of a Board of Directors domiciled in India for the efficient control of railway administration as well as for promptly deciding cases of importance and urgency, and this will rectify the defect of a London board which are " out of touch with Indian conditions and requirements," and no undesirable delay will occur in settling references. But it must be clearly understood that the functions of the two boards should be clearly defined and demarcated, so that there would be no conflict as regards the duties to be assigned to each. The London board would be entrusted with the work of raising loans at cheap rate in England if it could not be raised here, for the purchase of stores at fair rates if not available in India, and for the appointment of trained men for the purpose of good management in India, while the Local Board would exercise direct control over the clerical staff and the administration of railways in India generally.

Question No. 4.—The existing system is to allow the working companies an interest in the undertakings entrusted to them by permitting them to hold a relatively small share of the capital and to receive a proportionate share of the net earnings. Over and above this, the companies should be given the dividend at the fixed rate if guaranteed.

Question No. 6.—In the case of railway companies being domiciled in India, a permanent chairman should be appointed by Government together with two railway experts, and the remaining members will represent the various interests with which the railways have connection, and they will be both Europeans and Indians, the latter predominating in order to help the rising Indian industries. The adoption of this proposal would secure continuity, and safeguard the paramount interest of Government.

Question No. 8.—I do not think that the impartiality of any director actively interested in particular industries or areas can be so affected as to produce any baneful influence upon the deliberations of the board consisting of so many members who have got their respective interests to look after.

Railway Board and the Government of India's Control.

Questions Nos. 10 *and* 11.—The present Railway Board should be reconstituted and enlarged in such a way as to include therein representatives of commerce and industry and various other interests, both Indian and European. The Indian element should be strong, so that there should be no undue tendency on the part of the Board to conduct the railway administration more in the

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interests of foreign enterprise than in those of the Indian. As an instance in point, the majority of the Indian collieries are starved for want of wagons and no remedy has yet been suggested for transport facilities to meet their pressing complaints. The Railway Board should exercise control over all the local boards and should see that the rates should be such as to help the development of trade and industries to the fullest possible extent, keeping in view the policy of "minimum of profit with the maximum of traffic."

Railway Finance.

Question No. 17.—I reply in a general way that the supply of funds to the railways was quite inadequate to meet all their requirements in the matter of repairing rolling stocks, etc.

Question No. 18.—It was not considered satisfactory that the greater part of the capital funds should be used in the improvement of the rolling stock and equipment. Railway extension is absolutely necessary, and a fair portion should be employed in it.

Question No. 19.—Funds are required, and about eight to ten crores of rupees, at least, are required for capital purposes annually.

Question No. 20.—Yes.

Question No. 22.—For the main lines the capital must be raised by the Government, and for other lines by private companies.

Question No. 25.—If three to four crores of rupees are raised in India for railway purposes it will not interfere with the ordinary Government borrowings.

Question No. 26.—(*a*) The general revenue position of the Government of India exercises a detrimental effect to railway improvement and development, as the revenue is generally diverted to other purposes at the expense of the railway.

(*b*) Railway rates will have to be enhanced to a small extent in view of the increased rate of interest, but it should not be so raised as to be considered a hardship by the trade.

Question No. 28.—The "lapse" system is a vicious system, and, so far as the railways are concerned, it should be kept in abeyance. The unspent balance should be allowed to be brought forward for the next year.

STATEMENT No. 131.

The Honourable Khan Bahadur A. K. G. Ahmed Thamby Maricair, Member, Council of State.—Memorandum dated 25th January, 1921.

I am a leading merchant of several years standing in the Madras Presidency. I have also been the Passenger Agent of the British India Steam Navigation Company at Negapatam for several years. I am the President of the Negapatam Taluk Board which owns the largest mileage of railways in the Province. I am also the Chairman of the Municipal Council, Nagapatam. I had also been a member of the Madras Legislative Council for eight years and served in several committees, such as Ship Building Committee, Civil Supplies Committee, etc. I am also a member of the Landing and Shipping Fees Committees, Negapatam. My experience of railway administration is confined only to the railway system in the Madras Presidency. During the eight long years that I have sat in the Madras Legislative Council several questions connected with railway administration have been discussed, and I can speak with personal experience of the helplessness of the Local Government in the matter of railway administration.

I do not propose to answer seriatim all the points raised in the *questionnaire*, nor can I profess any special knowledge of the technicalities of the railway administration. I shall therefore confine myself to a mere expression of my personal experience and views on what I think should be the future policy of the State in the matter of railway administration in this country.

State versus *Company Management.*

The question whether the railway owned by the State should be managed directly by the State, or by the companies on a profit-sharing basis, is a very simple one, and there can be but one answer to it. No financier, much less a European financier, would invest his money willingly with any philanthropic objects. He will always have an eye on getting a sufficient return for his investment. It naturally follows that to achieve his aim, he should choose either of the two alternatives, increase of the fares and rates or reduce the comforts of the public to the lowest possible minimum. It is true there are certain limitations in the agreements entered into between the Secretary of State and the railway companies, by which the former has retained power to settle the classification of goods and to authorise maximum and minimum rates within which the companies shall be entitled to charge the public for the conveyance of passengers and goods of each class, but the retention of such power in the hands of an individual 6,000 miles off from the actual scene of operations, and under the direct influence of the directors in charge of the management of the companies precludes all possibility of his understanding the real situation and the actual needs and wants. The companies have therefore at present a free hand in raising the rates and fares to the maximum limits without showing any justification whatsoever for the increase. The relationship that now exists between the guaranteed railway companies now working railways and the Government is stated to be:

(1) The lines that they work are the property of the State.

(2) The greater part of the capital is the property of the Government, either through having been originally supplied by it or through the acquisition of the Government of the greater part of the companies interests on the termination of old contracts.

(3) When funds are required for further capital expenditure the Government has the option of either providing them or of calling upon the company to provide them. The company receives a guaranteed interest at a fixed rate on its capital; and similar payments out of the earnings are paid to the Government. If after these have been made, surplus profits remain, they are divided between the Government and the company in the various proportions provided for by contracts. The company's share is in all cases only a small fraction of the Government's share.

(4) All the contracts except one, which is for a fixed term of 25 years, are terminable at the option of the Secretary of State, at specified dates, and on termination the company's capital is repayable at par.

It will thus be seen that the Government has the largest interest in the railways and this is due to the fact that the railways are recognised as a means of public conveyance in the interests of the people of the country, to promote their interests and well-being. The necessity for great and rapid extension of the railway system was recognised even so early as 1880, by the Famine Commissioners, appointed after the great famine of 1878, for the very same reasons. If, therefore, the object of the construction of railways on a larger scale is to be achieved, the Government which is morally bound to promote the interests and the well-being of the people should take up the management of the railways in their own hands and not allow them to be run by companies on a profit-sharing basis. The main object of railways should be the maximum comfort and convenience to the public at the minimum cost possible.

This brings me to the question of private enterprise. The Famine Commission of 1880 remarked "that there would be manifest advantages in giving free scope to the extension of railways by private enterprise if it were possible." The District Boards of this Presidency have shown a remarkable public spirit, and I am sure my own District Board has taken the lead in undertaking the construction of branch and feeder lines, and besides several lines already constructed, they have schemes for the construction of nearly 900 miles of railways in the various districts of the province. But progress in this direction is impeded on account of the objections taken by the railway companies, who have consistently opposed the construction of these lines, though urgent and essential from the public point of view, on the ground that they will affect their regular course of traffic. This only supports the view that I have above set forth, that the railway companies care more for their profits rather than for the convenience and welfare of the public. I can quote a particular instance in this province itself. I myself moved a resolution in the Madras Legislative Council for the extension of the Tanjore District Board Railway line from Vedaraniam to Point Calmere with a view to facilitate traffic between Ceylon and India, but the railway company is reluctant to agree to this, on the ground that it will affect their traffic now diverted through Danushkodi and Tuticorin at enormous cost. Unreasonable claims for compensation for short circuiting are not also uncommon. The State, if it managed the railways, will deal with these questions from a broader and public point of view, and progress in the direction of private enterprise would be greatly accelerated.

I am not unmindful of the fact that the railway companies have entered into agreements with the Secretary of State to work out their lines for a particular period. If, however, it is possible to terminate the existing contracts, this should be done at once in the larger interests of the public. This brings me now to the question of finance to meet the railway companies' share of the capital. We have, therefore, to consider if the Government of India will be in a position to pay off these amounts. Already large loans have been raised by the Government in 1842-43, 1854-55, 1865, 1879, 1880, 1900-01, carrying 3½ per cent. interest, income-tax payable. But the subsequent raising of loans at higher rates of interest free of income-tax has created dissatisfaction in the public mind in the matter of investment in Government loans. To ease the situation and to create confidence in the public mind, either the old loans carrying a lesser rate of interest should be repaid or interest should be allowed to them at the higher rates now given. If either of these courses is adopted public confidence will be restored and Indian capital will be forthcoming. The question will then be whether railways pay to meet the interest without involving any additional burden on the State. This is a serious question which requires the careful consideration of the Committee. The nationalisation of railways will also afford wider scope for Indians to enter the higher grades of railway services, as the State has committed itself to a policy of employing more Indians in the State railways. In case the immediate termination of the existing contracts is not possible, steps should be taken to terminate them at the periods fixed.

Alternative Proposal.

In case the Committee decides on the continuance of railway management by companies, the power now vested in the Secretary of State to enter into contracts with the railway companies should be transferred to the Government of India, who will hereafter have the power of framing railway budgets, to avoid any conflict between the Secretary of State and the Government of India. Railway boards in England should be abolished, and boards established for each railway system in this country, which should consist of three directors of the respective companies, three representatives of the Local Governments concerned, and three non-official members of the Legislative Councils who should have taken shares each to the extent of at least 20,000 rupees in the respective companies. They should be the sole authority on all matters relating to the railway administration, subject, of course, to the power of veto by the Local Government and the Railway Board to be constituted by the Government of India as stated hereunder. The Local Governments should have preponderating influence in the administration of railways. The administration of railways in the Central Government should be placed in the hands of a member of the Governor-General's Executive Council, assisted by a board of experts on finance, engineering, loco, traffic, and members of the Legislative Assembly and the Council of State in such proportion as may be considered desirable in the interests of the public; and this board should be the final authority on railway administration in this country, subject, of course, to the supervision of both Houses in the Government of India. These arrangements should also apply in cases of companies whose contracts are to be terminated at the time fixed

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STATEMENT No. 132.

G. A. MIRKAR, Esq., Konkan South-West Coast Railway, Bombay.—NOTE DATED 15TH DECEMBER, 1920.

(The numbers in brackets refer to the Questionnaire.)

(1.) I think the railways owned by the State should be managed by the companies on a profit sharing basis. This will lessen the troublesome task of Government. It does not seem proper to deprive altogether the efforts of the former owners and founders of the Project.

(2.) The present system of management should be retained with somewhat increased control of Government.

(3.) It is not essential that companies should be in India, if the management is satisfactorily carried out through their agents.

(4.) I consider the existing system of allowing the working companies an interest in the undertakings entrusted to them by allowing them to hold a small share of the capital and to receive a proportionate share of the net earnings is a suitable method of giving them an interest in the undertaking and is a reasonable one.

(5.) In case of the companies domiciled in the United Kingdom and the directors out of touch with Indian conditions, the remedy will be to empower the Indian Government with option of deciding on their behalf with the consent of their agents such references as would demand urgent consideration in order to avoid undesirable delay. In this case the companies should have implicit confidence in Government.

(6.) If the railway companies are formed in India I would suggest the board should be composed of equal numbers of Europeans and Indians, half of this number should be nominated by Government in order that the interest of the British Government should be watched.

(7.) I do not think that there will be any lack of continuity in the board domiciled in India. I would suggest the chairman of the board should be approved of by the Government and if he is skilled in railway works, it is far better. All the members of the board should be skilled in railways if possible.

(8.) In the case of the companies domiciled in India, we should have, as far as possible, directors actively interested in particular industries or areas within which the railway is proposed to be executed.

(9.) The systems of management by companies domiciled in England and domiciled in India should be combined and each one should have sympathy towards each other and conduct the business without prejudice of caste or creed.

Powers of Railway Board.

(10.) In my opinion the control by the Railway Board is advisable.

(11.) I consider that the organisation of a board is desirable and it should be constituted with an equal number of European and Indian gentlemen. I cannot say anything about the subordinate officers.

(12.) Functions exercised by the board should be limited and the powers sanctioned by Government.

(13.) The Railway Board should possess greater and more adequate powers to exercise control over railway administrations to enable them to deal effectively and expeditiously in relation to the requirements of the travelling public and the trade.

(14.) The powers possessed by Government are not sufficiently exercised in the interest of the public is the general belief.

(15.) The powers now allowed to Railway Board are sufficient in the interests of the travelling public.

(16.) The status of the Railway Board of the Government of India is satisfactory and requires no further suggestion.

(17.) Funds for railway purposes are not adequate. I would only say (about) the new constructions of the railway are often delayed for want of funds.

(18.) I consider the policy adopted for enlargement of rolling stock of existing railways and other purposes out of available capital is based upon wise principles.

Finance.

(19.) I am not prepared to answer this question.

(20.) I would suggest that the funds required should be raised in India and in the United Kingdom also.

(21.) As regards borrowing in India, the existing arrangements for supplementing by means of branch lines terms, the Government of India's resources for railway constructions are not adequate. I would suggest that the Government of India should invest some more capital.

(22.) This is a matter for financial experts.

(23.) I have no other new method to suggest.

(24.) I am unable to give an exact estimate.

(25.) I am unable to say anything in connection with the railway rates. These should be proportionately charged.

(26.) The railway capital programme, as it is said, depends on the power of the Government of India which provides finances either by borrowing or from its balances. I suppose that this policy is detrimental to railway improvement and development.

(27.) No answer.

(28.) I have no criticism nor recommendation to make.

(29.) I do not prefer this.

(30.) In respect of rates and fares the Government should exercise sufficient control.

(31.) Numerous complaints are heard in connection with certain railways regarding overcrowding, suitable arrangement for traffic, etc.

(32.) The appointment of Railway Commission should consist of half the number of Indian native merchants in order to give general satisfaction.

STATEMENT No. 133.

Lieut.-Colonel G. R. HEARN, R.E., Engineer-in-Chief, Khyber Railway.—MEMORANDUM DATED 17TH MARCH, 1921.

Railway Experience.

My service in Indian State Railways extends over nearly 27 years, broken by two periods of active service, in which I was not employed in railway work. I have been an Assistant Engineer and Executive Engineer on Open Lines, Surveys and Construction. I have been Engineer-in-Chief of Surveys on four occasions, and am now Engineer-in-Chief of a construction. Of Open Lines, but not of State Railways, I have had experience as Deputy Consulting Engineer or Government Inspector on three occasions. In the course of my service I have served in most of the provinces of India, excepting Bengal and Assam, and I have served in Burma.

Company and State Administration.

As a traveller, as well as a Government Official I may say that I see little difference in the two systems of working in practice, and although it may cost something to let the working out on contract, so to speak, yet there are solid advantages to be gained thereby. Sometimes, inevitably, the contractor may take every advantage of his contract, and it does appear to me that of recent years the control has been almost too much relaxed, owing to the centralisation of control in the Railway Board. It is, however, quite arguable that the State Railways are allowed quite as much of a free hand, if not more, for I believe all the Boards of Directors do not give their Agents all the powers the Board possesses.

It is not, however, in the direction of purely financial control that I would wish to see some return to the old system of consulting engineers for railways, and indeed I would not advocate a return to that system. But the State was, in my opinion, aided by the local knowledge of the consulting engineers, whereas it is physically impossible for the few members of the Railway Board to have or to maintain, what I consider to be necessary, local knowledge and the power to confer on the large questions which arise. Just as an example I may refer to the question of the workshops of the South Indian Railway, a question which has been discussed for twenty years.

I say that I would not advise returning to the old system of consulting engineers. It has been proposed, I believe, to make some use of the Senior Government Inspectors, but I do not advise this. Certainly they are of very little use as it is. They are totally ignorant of negotiations between the agent and the Railway Board, of whether the former's proposals to renew or improve have been rejected, and all they can usefully do is to inspect and report, and, with the great pressure of work in the Railway Board's office, they may doubt whether their reports receive more than a cursory perusal.

In my opinion a member of the Railway Board ought to be stationed in Bombay, Calcutta and Madras, with great delegated power, and responsibility, to settle large questions, not infringing railway policy.

Constitution of the Railway Board.

The Railway Board, in my opinion, must be responsible for the technical control of the railways, and therefore must be composed of railway experts. I do not see how commercial or Indian interests can at present be represented on the Board, nor am I a believer in advisory committees without responsibility. The places for such interests are on the Boards of Directors of the Guaranteed Railway Companies, but the proper amount of share capital should be held and qualification insisted on. The representatives of such interests will then be vigorously attacked by their rivals, and the local member of the Railway Board, as Government Director, will soon hear of it. A commercial director will have to look into the question of supply of wagons, and the representative of Indian interests will be kept extremely busy. By offering a seat on each Board of a Guaranteed Railway to Indians, something like a dozen directors could exercise influence, instead of just one on the Railway Board.

The Railway Board at Headquarters should consist of a President and Vice-President, and for the present one member to carry on until the "regional" members are established. And I should like to see the Chief Engineer with the Railway Board recognised as the Consulting Engineer to the Railway Board, with the status and salary of the Inspector General of Irrigation. Moreover, the Senior Government Inspectors, not so many perhaps, should be Consulting Engineers to the Regional Members.

Further Recommendations.

I would bring to notice that the members of the Indian State Railway Engineers, though possessing special qualifications, and many having accepted this service as heads of their years at Cooper's Hill, while also having great responsibility, are paid no more, indeed receive less as Chief Engineers, than members of the Indian Service of Engineers. They have also fewer amenities, not all being able to escape the summer in the plains, while apparently they suffer in the matter of pensions, being unable to earn an addition as Superintending Engineers.

They are not represented by a Chief Engineer, the Chief Engineer with the Railway Board not being consulted in matters of pay. Their only remedy is to join with their fellow-members of the Civil Engineers Association, and the latter are not likely to memorialise for better pay on their behalf. A Chief Engineer in a Province has direct access to a Lieut.-Governor, while the Chief Engineer of the North-Western Railway has to take their case to the Agent.

I would also point out, as Engineer-in-Chief of several surveys, and of this Construction, that there is a considerable body of Temporary Engineers and Subordinates, who have been often engaged on Surveys and Construction, but who lead a somewhat precarious existence. This does not tend to economy for several reasons, which will be found in an attached note* on a Survey and Construction Corps.

* Not reproduced.

This Corps, directed by a Chief Engineer, with the training school which I recommend, would be a means of bringing about, in the words of the Montagu-Chelmsford Report, "the recruiting year by year of such a number of Indians as the existing members of the services will be able to train in an adequate manner, and to inspire with the spirit of the whole."

And, lastly, speaking of economy, which has become most necessary in view of the rises in cost of material and labour, I recommend the establishment of a Bureau of Research and Railway Intelligence, to study the railway problems special to this country, so that the school I have mentioned in my note, and other schools which may follow it, may be enabled to study railway economics, a subject which few of us know much about, while many are ignorant of its existence.

This Bureau would have to be adequately staffed, not necessarily entirely by State Railway men, and should be directed by the Consulting Engineer. It could not, however, succeed without the co-operation of the Companies' Railways, but there is not much fear of this being wanting, to judge by the investigation now proceeding into Impact on Girder Bridges.

STATEMENT No. 134.

MANILAL H. UDANI, Esq., M.A., LL.B., Vakil, High Court, Rajkot.—LETTER DATED 7TH MARCH, 1921.

I, the undersigned, most respectfully beg to submit the following statement regarding the Kathiawar Railways for your just and proper consideration, in the interests of the public.

1. The railways in Kathiawar consist of the following separate administrations, each of them traversing over the number of miles stated against them respectively:—

	Miles.
1. Gondal Railways	228
2. Morvi Railways	90
3. Jamnagar Railways	51
4. Bhavnagar Railways	193
5. Junagadh Railways	140
6. Dhrangadhra Railways	—

2. The Dhrangadhra Railway is managed by the B.B. & C.I. Railway administration and the other railways are managed by the respective states, as proprietors.

3. The proprietors of each of the above-mentioned railways have been making a very high profit from their respective lines and which in most of the cases come to nearly 20 to 25 per cent. owing to a continued and great increase in the traffic of goods and passengers since several years.

4. At present each of the States have their own separate management. Previous to the split, the management of Kathiawar Railways was in the hands of a joint administration and were known as B.G.J.P. Railways.

5. Owing to the separation in management, it has become impossible to make arrangements which would be suitable to the people of Kathiawar as a whole and in case of complaints each of them try to throw the responsibility upon the other and thus we see the grievances of the people unredressed.

6. Thus we see that the third-class carriages are almost always overcrowded, being fully packed with passengers. With the change of management, the engineers, drivers, guards and in some cases even the carriages have to be transferred and thus in a journey over a short distance the passengers are put to very great inconvenience.

7. The trains are generally required to stop for a long time at junctions, proper attention is not being paid to the keeping of lights regularly in night trains, the trains generally run at a very slow speed and the travellers feel generally disgusted in this short journey.

8. Owing to separate managements, each of them are careful for their own convenience and thus it is not possible to get time tables so as to suit the public of Kathiawar in general, and the people are not able to get their complaints attended to and their wrongs redressed, as it would be possible if there was one person's management over the whole of the Kathiawar Railways.

9. Some of the administrations have not even got sufficient engines and carriages, and thus they are incapable to avoid the general complaint of over-crowding in all the convenient trains.

10. Although the proprietors are making a very high income from these railways they are very reluctant in investing more capital for improving their line and for providing more comforts to the public. The rolling stock is not only not sufficient in comparison with the increase in traffic, but even the carriages in use are hardly kept in proper repairs. If there was one management over the whole line, such complaints would be easily removed.

11. These railways charge the maximum fare allowable under the rules. The rates for mail as well as other slow trains are all kept equal, and as no distinction in fares is kept in fast and slow trains, there is always overcrowding in the convenient trains. The fares of 2nd class have recently been increased by the Jamnagar and Gondal Railways, without giving any more compensating comfort or convenience to the public.

12. Almost all the trains in Kathiawar have the risk chains without vacuum; their carriages are not kept clean and such complaints are usually heard at every place. The low-paid railway servants hardly pay any attention to the poor third-class passengers, and in spite of repeated complaints in the papers from the public, the condition of these railways has hardly been improved.

13. After the war time the traffic in goods has greatly increased and instead of giving any more facility for the goods traffic, the proprietors are always careful to find out ways to increase their income. The merchants generally recover all their charges from the people by increasing the prices and thus the want of facilities in goods traffic is indirectly a heavy burden upon the people. As a matter of fact, the proprietors ought to have given better facilities for transporting the articles at reduced rates.

14. It is a significant fact that thefts of articles have of late greatly increased over railways and the large number of railway cases testify to the above fact. We hear every day complaints from the merchants of Kathiawar and unless due measures are taken for the prevention of such thefts it is a further burden upon the people, from whom the merchants would not fail to recover their losses in the shape of high prices.

15. The railway servants in Kathiawar except high officials are not paid properly according to the work taken from them, in comparison with railway servants on other lines in India. Some of the administrations are not allowing proper allowance to them and thus they are not only disinclined to do their work properly, but they are often induced to corruption.

16. All these and many other grievances are usually heard regarding the Kathiawar railways and it is an undisputed fact that no steps have been taken as yet to remedy them in spite of continued complaints from the public. These hardships are mostly due to the split of railways and the system of separate management.

17. Unless some radical reform will be made in the management of these railways it is not possible to remedy these continued evils. Before the split the Government was also firmly of opinion that efficient management was impossible in Kathiawar if each State would be allowed to work its railway separately. An opportunity was, however, given to the States and it is an apparent fact that it has turned out unsuccessful. Thus it is now essentially necessary in the interests of the public that the different railway lines in Kathiawar should be entrusted to one corporate management and until such a system may be introduced, there is very little hope of due improvements.

18. By keeping one responsible management over the whole line the administration will become economical and will not only save unnecessary expenses of separate management but give more facility at less expense. If the different proprietors unite together and make a joint Board of Kathiawar Railways and allow the public to have some representation in the management, it is possible that it may turn out to be efficient.

19. Looking to the special condition in Kathiawar consisting of different States I believe, that it is necessary in the interests of the public that proper improvements should be soon made in the Kathiawar Railways, by adopting a system of efficient management.

20. I have read the Questionnaire issued by the Railway Commission and published in the Bombay Chronicle of 8th December, 1920, and so far as they affect the railways in Kathiawar, my suggestions are as under:—

21. The first ten questions refer to management of the railways by the State or by the company. Regarding the Kathiawar Railways, the proprietors are the chiefs of the native states, who conduct these lines from their own state capital. So there is no harm in entrusting the inner working of the lines to them under a control of the Government, so that the States would be compelled to improve the system whenever it may be found to be defective.

22. *Re* Question No. 10. The system of control by the Railway Board at Simla is not found satisfactory regarding these railways. As Simla is very far from Kathiawar, the representatives of the states are able to go there now and then and represent their voice, whereas the voice of the people represented through the local papers hardly reach the Railway Board, and even if it reaches there, no body has ever cared to improve the condition. The Inspector of the Railway Board comes once every year to inspect these lines, and there he is carried by decent engines in specially reserved saloons, and thus he is hardly able to see the grievances of the suffering public. Thus the present system of control by the Railway Board at Simla is found not to be efficient.

23. *Re* Question No. 13, etc. I believe that the Railway Board does not possess adequate powers to control the railway administrations so as to deal effectively with the requirements of the travelling public and of the trade. It often happened in the past that whenever the Railway Board wanted to exercise its control over the railway companies, the companies used to complain against the Board, and the disputes went to such an extent that, in 1912 A.D., Lord Inchcape was specially required to make the settlements of these disputes. At that time Lord Inchcape remarked that the Railway Board is not invested with sufficient power of control over the railway companies, and so it is necessary that a special member regarding railway work should be appointed in the Executive Council of the Viceroy. This suggestion is not still carried out, and hence the Board has not sufficient power to control these railways.

24. *Re* Question No. 33. The condition and management of the railways in Kathiawar being distinct in several ways from other railway companies managed by directors from India and England, the questions regarding the finance, etc., have little relevancy with our lines. But, first of all, the general maxim that the railways are meant for the convenience of the public is required to be put into effect. In Kathiawar, the railway administrations pay no attention to the requirements of the public or for the development of trade and industry in the province, but they consider that they have made the railways only for making profits for themselves and for their own convenience. The angle of vision is thus specially required to be changed, and it is essentially necessary that the public should be relieved from the present autocracy of the railway management and should be given due comforts.

25. In England and in America the Government compels the railway companies to look to the interests and convenience of the people, whereas the state of things is quite different in India. Here the control of the Railway Board is only nominal, and, as a matter of fact, every proprietor or company acts in its own way and cares only for increasing its own earning. The greatest part of the income of all the railways comes from the pockets of the poor third-class passengers and general traffic of goods, and it is very regrettable that the third-class passengers are everywhere treated in no better way than dumb creatures, and in the traffic of goods, instead of increasing any facilities of transport, the merchants are required to suffer many hardships, and thus for want of business facilities, neither commerce nor industry has thriven in Kathiawar.

26. Thus, in short, to improve the condition of these railways it is essentially necessary that the separate systems of management by different States as proprietors should be soon abolished, and the management of the whole line in Kathiawar should be entrusted to a joint board responsible to the Government as well as to the public.

STATEMENT No. 135.

HIRJEEBHOY HORMUSJEE, Esq., Messrs. Hormusjee, Nowrojee and Co., Yeotmal.—NOTE DATED THE 6TH JANUARY, 1921.

I would prefer the management of railways owned by State through a company domiciled in India with a board sitting in India only, because the board sitting in London is, in my opinion, of no use to us here in India, as it is simply dependent upon one individual, viz., the agent of the railway, who is their sole guide in every matter. The board consequently has no recourse, in the absence of Indian experience, but to follow his advice and suggestions. Again, the board working in India should be composed of the leading trade magnates, Indians as well as Europeans, and should have a managing director appointed by Government and managing under the guidance of the board. I would also prefer the railways owned by State managed by companies on a profit-sharing basis, because when profits are shared by the public it will give its full support to the company and thus help in making railways lucrative. As for the qualifications of the members of the board, I think that, besides the managing director appointed by Government, the other members of the board need not be skilled in railway work, because experienced men in other business will be found ultimately quite up to the mark in the management of railways also.

At present there is a body known as the Railway Board over all the Indian railways which, in my opinion, has not appreciably fulfilled the expectations formed by the public. Whatever references or complaints go to them are in many cases dealt with by them without due consideration of the public grievances. I would suggest the entire abolition of this Railway Board, and in its place different boards with a separate managing director for each line of railway separately. The managing director in every case is to be a nominee of the Government and skilled in railway management.

If the Government is desirous to have the Railway Board controlling railways as it is, the Board should tour round over all the railways once a year and investigate matters of public grievances by meeting the leading firms and merchants in their respective business places. I am here for the last thirty years, and although it is a long time since the Railway Board has been established, I have not had a single occasion either to see the chairman or a member of this Board in this place. Last year, myself, as well as all the members representing trade in this place, were hard hit owing to the bad management of the Central Provinces Railway. We all had suffered unbearable losses. As a last resource, we all assembled in the Town Hall at Yeotmal and made representations to the Railway Board. We expected in return a speedy action in the matter by them, but to our disappointment all our labours in approaching them were found to be without any substantial result. As soon as such gross grievances reach the Board, I think it is the duty of the Board to proceed to such places without delay and look into the complaint and remedy the same. If the Board remains fixed at Delhi and Simla and is at the mercy of those administrators of railways who lack in their duties to the public, I think the sooner the Board is done away with the better.

The feeder lines, such as Central Provinces and other railways, which feed the main lines with traffic, should be always open to accept the traffic that is brought to them. There should be no restrictions to their constant work, because when the traffic is restricted and allowed to get congested at their various stations they find it impossible to cope with the demand, while the rolling stock on such feeder lines is generally limited, and will only meet with the demand if allowed to carry goods regularly and without break or restriction. The latter is detrimental to the working of these small branch railway lines.

The goods traffic on almost all the railway lines is moving tremendously slow. It should be expedited. I would suggest that during the harvesting seasons even special trains (goods) should be run to carry goods. As, for example, Yeotmal railway station, if it sends and gets every week one special goods train for cotton and one for cotton-seed, I think it will remove hardships of the merchants as well as constant disputes and troubles with the railway companies. At present there are a few number of wagons available daily, and none when there is restriction. I would suggest that Yeotmal should be given 30 wagons a week for cotton and 20 or 30 for seeds. These goods should be sent from the main line by a special train to Bombay, stopping only at watering stations Thus the goods that take eight days to reach Bombay will be unloaded there in less than half the time, and thereby tension on the staff as well as the rolling stock will be considerably relieved.

STATEMENT No. 136.

S. B. MEHTA, Esq., Manager, the Empress Mills, Nagpur.—LETTER DATED THE 3RD JANUARY, 1921.

With further reference to your favour No. 1129A-XIII of the 15th ultimo, enclosing a copy of the Railway Board's letter No. 405-F-19 of the 3rd idem and of the questionnaire referred to therein, I beg to submit herewith a copy marked "A" of my letter No. 993 of the 14th August, 1916, addressed to the Local Administration on the subject of the State and company management of Indian railways. The views therein expressed still hold good as far as we are concerned.

I may, perhaps, be permitted to amplify them in view of the questions asked.

In a profit-sharing management there would be greater interest taken with regard to economy, the increase of traffic, and in consulting the public convenience than in the somewhat inert and rigid State management, where State officials would be often transferred from place to place and position to position, and where their responsibility would be limited and their prospects would be fixed and unalterable, besides being open to political influences.

I can see some advantage even in having the Board of Directors in the United Kingdom, where at present the largest number of shareholders are, and from whom competent directors could be selected, and who would be able to exercise independent and strict supervision over their officers, who would feel their responsibilities all the greater, being farther away from them, and try to do their duties with utmost vigilance, whereas if the boards were near them they would be too readily accessible to the officers, who would, on the slightest pretext, approach them and try to shelter themselves from responsibility under the protection of their boards. It would be difficult to obtain

competent directors in India. It would only complicate matters and cause unnecessary expense by having Boards of Directors both in England and India. The communication between England and India is not now so difficult or dilatory as it used to be.

I think that the Railway Board must have far larger, almost autocratic, powers of control, especially over the company-managed railways, if these are to exist. For there is certainly an element of jealousy in the conduct of their business. For instance, I may point out a single instance within my knowledge where, due to apparent jealousy, a small gap, not more than a mile and a-half, was left open for years and is only now being made up, between the Great Indian Peninsula and the Bengal Nagpur Railways at Parassia, to the great inconvenience of passengers and to the detriment of other traffic. I attach hereto copy, marked "B," of correspondence on the subject, which will explain the matter more fully.

I consider the Railway Board has also failed in looking after the interests of the public by having allowed a gap of about 150 miles between Balharshah and Warrangal to remain open even up to now, though promises have often been made to bridge it over. If this had been made up, what an amount of unnecessary and roundabout haulage would have been saved, to the great benefit of all concerned, except, perhaps, the Great Indian Peninsula Railway, who must have been apprehensive of the loss of traffic over their longer route. But even in its case it would have been advantageous to have had its wagons spared for other more paying traffic. It is due to the short-sighted policy of this railway that the development of traffic, especially between the Central Provinces and Berar on the one side and the Southern India on the other, has been much retarded. Were the link line opened increased traffic on its own lines would have been available. I enclose copy, marked "C," of correspondence on this subject to explain further my meaning. If either of the railways concerned had declined to carry out the project the Railway Board ought to have been in a position to compel one or the other to do it or get the State to do it, looking at its great importance.

The Railway Board requires to be greatly strengthened so as to be able to command respect and obedience to its rules and orders. In fact, it ought to be a superior Board over all the Boards of Directors and to act entirely in the interests of the public. It ought to be so constituted that it may be able to overcome the various objectionable features both in the Company and the State managed railways. It ought to consist not only of experts in the railway construction and management, but also of men of high and responsible industrial and commercial position, both European and Indian. In short, the Board ought to be in place of the State, as if it were managing all the railways.

I think railways should be constructed by State funds so far as they can be made available, and by companies on business principles if State funds fall short. The State system of funds lapsing when not utilised during the year in which they are voted is very faulty, and must be remedied. It causes waste and retards development. The maintenance, equipment and improvement of existing railways should have priority over construction if funds fall short. Capital funds should be raised where they can be had cheaper.

The Government control of rates and fares is not adequate. There is too wide a difference between the minimum and maximum limits fixed by Government. The maxima ought to be much reduced. I enclose a list, marked "D," of rates, which will show how rates are fixed inadequately and unfairly in many respects.

I also think that the difference between the railway risk and the owner's risk rates is too great If the risk on the whole be taken, the loss would amount to an insignificant percentage, which shows clearly that the railway risk rates are too high and should be reduced considerably. If this be done many disputes may be avoided by most of the traffic being booked at railway risk rates and the railway revenue increased to a certain extent even after the reduction of the rates.

I would in this connection press upon your attention the urgent necessity of a very early revisal of the Risk Note Forms "B" and "H," which consignors who elect to send goods at owner's risk have to sign. Under the terms of these risk notes the railway is for all practical purposes absolved from liability even in the case of loss of a whole consignment, for the burden is thrown upon the consignor of proving that the loss is due to theft by, or wilful neglect of, the railway people. This is certainly very inequitable, inasmuch as all the circumstances connected with the loss are within the knowledge only of the railway. It would, therefore, only be fair if the risk note were so altered as to make the railway completely liable for the loss of a whole consignment, or of complete packages out of a consignment, except when the loss is due to (1) fire, (2) robbery from a running train, and (3) unforeseen events or accidents, in which cases the railway should furnish the consignor with satisfactory proofs in regard to the loss.

It is a patent fact that the carrying capacity of the railways is hopelessly deficient. What is chiefly wanted, in my opinion, is not so much the increase of wagons for carrying the traffic as their rapid transit and great facilities for loading and unloading them with greatly increased siding accommodation. The increase in the number of wagons only adds to congestion. If the Railway Board would require the railways to give the history of the running of wagons and the time taken by individual wagons, they will find how much time is lost in transit and in detentions due to congestion at stations.

I have tried to answer such questions as I could without exact reference to their divisions or numbers. I do not propose to offer myself as a witness.

ENCLOSURE A.

Copy of letter No. 993, dated 14th August, 1916, from Mr. Mehta, to the Government of the Central Provinces.

I have the honour to acknowledge receipt of your favour No. 773-VIII-24-26 of 27th ultimo, with copy of the Railway Board's letter regarding State and Company management of Indian railways, and I beg to give my views as desired by the Chief Commissioner.

2. As regards the specific question asked by the Board in paragraph 1 of their letter, I regret my experience is too limited to enable me to give any definite answer. Our daily business is concerned almost exclusively with the two company-managed trunk lines having their termini at Nagpur. Our imports of cotton, coal and stores come entirely from stations served by the Great Indian Peninsula and the Bengal Nagpur Railways, and practically the whole of our exports and manufactured goods find an outlet on these or other company-managed lines. The only exception is Amritsar, on the North-Western State Railway, where we do some business in piece-goods, but this is a very small fraction of the whole, and besides, it concerns traffic through-booked by the Great Indian Peninsula, our actual contact with the North-Western line being almost nil.

3. Coming to the general question of State *versus* Company management, it is no doubt one of the thorniest problems connected with the administration of railways all over the world. Much can be said on both sides, while the success or otherwise of a particular railway administration depends to no small extent on the personnel it employs, especially in its higher branches, rather than the system under which it works. An enterprising agent or traffic manager, thoroughly in touch with local conditions and necessities, and gifted with a driving force to make his personality felt as an energising influence among his subordinates, is likely to render the administration of any railway efficient as well as popular, be it a State-worked or a Company-managed one.

4. The Railway Board, in the note appended to their letter under reference, have summed up the pros and cons of the problem in a fair manner. The debates on this subject in the Imperial Council clearly indicate the existence of a large body of opinion in favour of the State working all the lines, but it is evidently influenced by considerations which seem rather serious drawbacks in State management. It is held by many that railways should be worked so as to help in the general development of the country irrespective of an adverse or favourable balance in the annual profit and loss account. Now few could gainsay the proposition that more railways are needed for exploiting the economical and industrial potentialities of the country, and it seems to me progress towards the desired end would ultimately be all the quicker if these work at a fair profit rather than prove a burden to the general taxpayers. The existence of company management, with all its faults, would ensure working on some commercial principles after all, while with all the lines worked by the State there is every chance of these being subordinated to political influence or vested interests in the degree in which these have the power of making themselves felt in the councils of the Government.

5. Far be it from me to suggest that State lines are models of efficient management or that political influence is necessarily pernicious. Some of the Indian members, both of the Imperial and Provincial Councils, are effectively voicing public opinion in regard to the many real grievances of the trading and the general community in connection with the working of our railways. The main trunk lines in many cases afford considerable facilities to import and export traffic by preferential rates to the detriment of indigenous industries; the treatment of third-class passengers is a scandal on many lines. But even in company-managed lines the State as the predominant partner, being provided with ample powers, can in my opinion, use them so as to have its influence felt towards the amelioration of such public grievances. The existence of State as well as several independent company lines side by side creates a healthy spirit of competition which must exercise a stimulating effect on the efficiency of railways as a whole. To bring every line under the administration of a centralised State department would lead to a deadening influence which might do away with all incentives to healthy progress by reducing the whole to a dull level of departmentalism.

6. At the same time I think the suggestion that the company-managed lines be controlled by boards not in London but in India, is worth serious consideration. The only difficulty that might be experienced will be that perhaps there are not many shareholders in India holding a qualifying number of shares for directorship and capable of managing the concerns. If there are such including capable Indians, the boards in India would be ideal.

7. The question of finance is also a very important one. Some of the advocates of State management suggest that funds could be found for building new lines by the Government raising loans on the security of their railways at a higher rate than their borrowings on rupee paper. I am afraid such a proposition stands self-condemned. Such railway loans would be considered as unquestioned a security as ordinary Government paper. The price of the latter would be depressed and it would be very difficult for Government to borrow for ordinary purposes. It seems to me if the State owns and manages all present as well as future lines, the ordinary rupee paper will be the only stock to fall back upon for all our capital railway requirements; and with the increasing demands on Government, for other pressing needs and the London market not as helpful as in the pre-war days, it is doubtful if the furtherance of new railway projects is to receive any impetus when private enterprise is excluded from any share thereof. The latter appeals to a class of investors who are desirous of a little speculative interest in their holdings, and the way in which small feeder lines are floated one after another in such quick succession during the last few years is a most hopeful augury for the future.

8. On the whole then, I am inclined to the opinion that it would be best to retain the two systems side by side as at present, to transfer all control in the case of companies, from London to India wherever practicable on the termination of present leases or earlier if possible, and to facilitate in every way the promotion of new lines by private agencies.

ENCLOSURE B.

(i) *Copy of letter No.* 459, *dated the* 31*st August*, 1915, *from Mr. Mehta, to the Traffic Manager Bengal-Nagpur Railway.*

As you must be aware, the Pench Valley Branch of the Great Indian Peninsula Railway Nagpur-Itarsi Extension is to be opened next month for all descriptions of traffic. The terminus of this branch—Parassia—is, I understand, only about 1½ miles from the Bengal-Nagpur Railway narrow gauge station Kirsadoh, and I trust you will arrange for this small connecting link being made up as early as possible. In fact, looking to the trifling cost at which this tiny link will at once afford a means of direct and considerably shorter through communication to your main line,

and all the narrow gauges converging at Itwari with the various sections of the Great Indian Peninsula meeting at the important junction of Itarsi, I should be surprised if the project has not already engaged your agent's attention. A junction of the Great Indian Peninsula and Bengal-Nagpur Railways at Parassia will be mutually advantageous to either line as well as the general public, and I trust the Bengal-Nagpur Railway, with its characteristic enterprise, will see that it is not long delayed.

(ii) *Copy of letter No.* 12779, *dated 1st November*, 1915, *from the Agent, Bengal-Nagpur Railway, to Mr. Mehta.*

Mr. Clark has handed over to me your letter to him No. 459, dated 31st August, 1915, in which you advocate the linking up of the Bengal-Nagpur Railway narrow gauge line with Parassia Station on the Great India Peninsula Railway broad gauge line. This matter has already had my attention, and a year ago I expressed my views on it to the Honourable the Chief Commissioner; at that time I reported that I did not think the connection would serve any useful purpose as the two railways had their own lines over which to carry coal, and as for through booking in other kinds of traffic I could not foresee any prospects.

In your letter to Mr. Clark you indicate that in your opinion the line will be advantageous to the public and to the railways. I shall be very glad to receive your more detailed views on the matter and your suggestions as to what sort and kind of traffic is likely to benefit from it.

Thanking you in anticipation.

(iii) *Copy of letter No.* 1384, *dated* 20*th November*, 1915, *from Mr. Mehta, to the Agent, Bengal-Nagpur Railway.*

I beg to thank you for your kind favour No. 12779 of 1st instant, regarding the proposed through connection of the Great Indian Peninsula and Bengal-Nagpur Railways at Parassia.

I was not aware that the Honourable the Chief Commissioner had approached you on the subject, nor had we had any communication with Government on the subject. This will show you that there are independent opinions as to the desirability, if not quite the necessity, for linking up both the termini. We believe Messrs. Shaw, Wallace & Co. of the Pench Valley Coal Fields are just as anxious that such a facility would help traffic.

It is difficult to enumerate beforehand what description of traffic and how much of it may be encouraged; but you know development follows the easiest routes.

It struck me that while the Itarsi-Nagpur line is building, and the construction of which is now being retarded and may be delayed for years owing to the unrighteous and cruel War now raging, it might be possible for us to book our large traffic for Cawnpore, Delhi and Amritsar by this new route, as it would save over 200 miles of haulage and therefore might well permit of relatively cheaper through rates. We might also be able to send a good part of our goods to Itarsi and several other stations in the neighbourhood. Then there might be grain and other traffic from Chhindwara and Seoni and other stations on your narrow gauge line which may find an outlet by the proposed route.

May I venture to add that it would indeed be a great pity to leave such a short gap between the two termini, offering obstruction to traffic which would in all probability largely develop but for the difficulty of transport by carts over a small distance?

Trusting this may receive your favourable consideration, and thanking you again for your courtesy.

ENCLOSURE C.

(i) *Copy of letter No.* 9202, *dated* 10*th March*, 1919, *from Sir B. D. Mehta, to the Government of the Central Provinces.*

I have the honour to enclose herewith copy of a letter I wrote in August, 1914, to Mr. Low, then Director of Agriculture and Industries, on the subject of railway connections between our Provinces and those on the North and South of them.

It happened unfortunately to be written just on the eve of the declaration of the great devastating world War and had no doubt to be put aside. But since better and happier times have come and railway projects are being considered, I take the earliest opportunity of submitting it for the favourable consideration of the Honourable the Chief Commissioner and for such immediate and energetic action as he may deem fit.

I am in hopes that the Nagpur-Itarsi line will be taken in hand at once and the short distance left unfinished, completed without delay.

But unless great pressure and influence be used in connection with the Ballarshah-Warrangal Section, this most important and urgent missing link may again be overlooked as it has been for several years.

As these subjects have been fully discussed in the letter above referred to, I will not weary you with the repetitions of the details contained therein.

Trusting that it will have due consideration as early as possible.

(ii) *Copy of letter No.* 294, *dated the 5th August*, 1914, *from Sir B. D. Mehta, to the Director of Agriculture and Industries, Central Provinces.*

I have the honour to address you the following representation, on a matter which vitally affects the trade, industries and social amenities of the Central Provinces and Berar, and shall thank you to bestow favourable consideration thereon, and take such steps as are best calculated to secure the object in view.

2. As you are aware, our Provinces are deprived of a very large proportion of the natural advantages due to their geographical situation, owing to the want of adequate railway facilities. The two trunk lines serve us well, so far as communication with Bengal and Bombay is concerned;

but, up to only a few years back, we could not boast of even a single direct North to South line, the sole means of communication with Upper and Southern India being the very long and circuitous routes *via* Bhusawal and Manmad, respectively. Matters have, however, considerably improved of late, so far as connection with the North is concerned. There is already a narrow-gauge line between Jubbulpur on the one trunk line and Gondia on the other, extending up to Chanda; and it is satisfactory to note that the Great Indian Peninsula Railway are pushing on vigorously with the construction work of the Nagpur-Itarsi broad-gauge line. The first section from Itarsi to Betul is open already, and the whole is expected to be ready in two or three years. This line has certainly come not a day too soon, and places within the reach of the trade and the travelling public of these provinces a very short and direct means of communication with Northern and Central India, the United Provinces, the Punjab, and, above all, the new capital of India.

3. It is, however, much to be regretted that the most important project of a direct connection with the South, in continuation of the Nagpur-Itarsi line, has been allowed to drift for so long. It cannot be denied that if the Central Provinces and Berar are to have their proper share of trade with his Highness the Nizam's Dominions as well as the Madras Presidency, to which they adjoin, a central and direct North to South communication is an imperative necessity.

4. If one looks at any railway map of India, one is at once struck with the vast expanse of railless territory below the Bombay-Nagpur-Calcutta trunk line, right from Manmad at one end to Khargpur at the other. The large rough triangle formed in the middle of India, by the railway lines connecting Manmad on the Great Indian Peninsula, Bezwada on the Madras and Southern Mahratta and Kharagpur on the Bengal Nagpur Railway with each other, has absolutely no means of through communication between the sides; and yet this railless area, the bulk of which comprises our provinces, contains some of the richest tracts of cotton, coal, rice, timber, etc., with potentialities of no little development and expansion under the impetus of short and rapid means of communication, both North and South. The former will, of course, soon be an accomplished fact, with the Nagpur-Itarsi line in operation; and the map will show that there will then remain only a very small missing link in the South between Ballarshah and Warrangal, to convert the whole into one grand trunk line of standard-gauge through communication, from Madras in the South to Peshawar in the extreme North passing through the very heart of our provinces.

5. Thus the Ballarshah-Warrangal line is destined to play an important part in the chain of communication North and South, and to our provinces its advantages would be incalculable. It will at once afford an extremely short and direct route to the fertile Nizam's Dominions, as well as the Madras Presidency. In fact, the line is likely to revolutionise the conditions of all our trade with these parts of India, which is at present well-nigh annihilated, owing to being forced through the long tortuous channel *via* Manmad.

6. As to how far the absence of direct communication with the South hampers commercial development, I should like to give you the instance of our premier industry, with which I am directly connected.

7. South India is a very large market for cotton yarns and piece goods, and we have more than once endeavoured to obtain a share of this trade; but our attempts have always ended in failure, because of the artificially enormous distance the goods have to be carried *via* Manmad and the heavy freight charges consequent thereon. It will be seen from the map what a tremendous difference it could make if the missing link, Ballarshah-Warrangal, were to be supplied. The following typical figures show how the mileages will be affected:—

Typical large Stations for Yarn and Cloth in South India.	Miles from Nagpur *vid* Manmad.	Miles from Nagpur *vid* Ballarshah.
Madras	1,133	680
Bangalore	1,031	807
Salem	1,255	845
Coimbatore	1,354	944
Madura	1,441	1,027

8. Again, the Southern Presidency and the adjacent Nizam's territory are famous for their cambodia, and some other types of long and strong staple cottons, which they grow profusely. As you know, cultivators here are taking more and more to short staple cotton, and we find it increasingly difficult to secure our supplies of long staple within the limits of the Central Provinces and Berar. We have practically to buy about 75 per cent. of our requirements in this line either in America or other parts of India; and here, again, we can do much larger business with the South than at present, were it not for the high railway freights, which raise the cost abnormally. With the Ballarshah-Warrangal line these cotton centres can also be brought within considerably easier reach, as the following table will show:—

Typical large Stations for Staple Cotton in South India.	Miles from Nagpur *vid* Manmad.	Miles from Nagpur *vid* Ballarshah.
Madras Presidency.		
Nandyal	948	601
Tirupur	1,323	913
Dindigul	1,409	989
Virudupati	1,468	1,054
Nizam's Territory.		
Dharmabad	621	494
Umri	602	513

9. Of course, the advantages even to the cotton industry will be reciprocal. The cotton mills in Southern India will be able to buy the Central Provinces' short-staple cotton, the best of this type throughout India, and cheaper freight might enable them to cater for our markets effectively in manufactured goods as well.

10. Similarly, the trade in various other commodities is bound to be fostered by the railway mileage being brought down to a level commensurate with the natural geographical distances. Besides, it is a matter of common knowledge that new railways planted in fertile tracts, affording direct means of communication with large consuming markets, lead to lines of development and evolve forces of progress in their train, the end of which it is impossible to foresee.

11. Apart from its undoubted commercial advantages for our provinces, this small link will do away with the present hardships of travel to the Southern Presidency. It takes over two days to reach Madras from Nagpur, even by Mail or Express trains; but a Madras-Delhi through-express *via* Nagpur, which will be a certainty with the Ballarshah-Nagpur line, could accomplish the journey to Nagpur in some twenty hours.

12. The link will further be an admirable one from a strategic point of view, as it would at once complete the chain of one-gauge direct communication North to South, traversing the whole length of the country.

13. With all these advantages and its immense possibilities for good, it is very curious this project of linking up Ballarshah with Warrangal, once said to be well on the tapis, has been practically shelved, for reasons best known to the responsible advisers of the Government of India. Sir T. R. Wynne, the late president of the Railway Board, recently stated in his Excellency the Viceroy's Council that the line had been completely surveyed, but he could not say whether it would be constructed at all. In this connection the well-known Calcutta commercial weekly "Capital" makes some pertinent remarks in its issue, dated 23rd ultimo. It says:—

> "Calcutta will naturally draw all the traffic and business it can, but its capacity of absorption will have some physical limits; and it will be necessary to provide for other outlets. England's prosperity is not dependent on that of a single town or port, but on many. Madras may well agitate for a share in the business. It is evident from a glance at the map of India that it only requires a few missing links to provide a through North and South grand trunk communication on the broad gauge between the United Provinces in the North and Madras and Colombo in the South."
>
> "An obstacle to this is to be met in the Nizam's (Hyderabad) railway policy which has been to spend money through the agency of the Nizam's State Railway Company in making the Godavery Valley Railway on the metre gauge, which supplies only a local want. 120 miles of broad gauge between Warrangal and Chanda lies wholly in the Hyderabad State. It forms the most important link to be supplied in a North and South Trunk line. For some reason not completely explained, this link is supposed to prejudice the narrow-gauge railway if made. Except for local purposes the Godavery Valley Railway is at the mercy of the Great Indian Peninsula Railway. By connecting at Chanda, the Nizam's line gets in touch with the Bengal Nagpur Railway and encourages trade with Madras. It becomes a very important factor in all through traffic, when the developments in course of formation North and South are fully matured.
>
> "The Bengal-Nagpur 2 ft. 6 in. gauges running North from Chanda to Jubbulpur, have little traffic from want of North and South objective. Let the Hyderabad State link be made and they may be swamped with traffic to and from Madras, and their conversion rendered imperative. It is evidently Hyderabad that is stopping the way to the North and South Grand Trunk system, with its antiquated Nizam's State Railway contract. If progress is to be made, it will probably require the assistance of an independent company with an up-to-date contract."

14. The above gives one some indication of the difficulties in the way of the new line, and, incidentally, it also shows what decided views people interested in trade and industries hold as to the possibilities of the Warrangal-Ballarshah (Chanda) connection, and its necessity for the full development of the existing lines as well. The same writer, in another issue of "Capital," dated 11th June, 1914, considers this connection to be in every respect much more urgent, both from the Madras as well as the Central Provinces point of view, than the Raipur-Vizianagram line, which was so much heard of in the past, but work on which is also entirely suspended after the opening of a very small section from the Vizianagram end some years ago. He writes:—

> "As far as Vizagapatam harbour is concerned, we find that a connection with Raipur, however much it must have been pressed on the attention of the Government of India, is still marked on the maps with a dotted line, the funds for it being apparently diverted under the pressure of the agitation for wagons and rolling stock exercised from Calcutta. It is not clear that this connection demands a first place in the railway programme of construction. The interest of Madras in the main lies in the connection of Warrangal with Chanda and Nagpur.
>
> If Madras wishes to rise to a real sense of her dignity as an important jewel in the Imperial diadem, she will agitate for the through connection with Upper India by an uninterrupted broad-gauge route."

15. The Railway Board are not likely to spare the large funds required for some 400 miles of the Raipur-Vizianagram Railway for a considerable length of time; and have made it quite clear that this line must await other urgent needs. I submit, this, coupled with the fact that the Ballarshah-Warrangal line is a very short length of some 150 miles, and is much more necessary for the development of trade between Central Provinces and the South, as well as the South and Upper India, makes its immediate construction doubly necessary.

16. I have, therefore, now the honour to request you, as the officer primarily responsible for the fostering and development of agriculture and industries in these provinces, to move the Local Government to use their influence with the Government of India, with a view to have this small

link between Ballarshah and Warrangal sanctioned and constructed by one or other of the railways concerned or by any other agency as soon as possible. As one who was intimately associated with the trade and commerce of this country during his official connection with the Government of India for several years, Sir Benjamin Robertson will hardly need any arguments to convince him of the necessity of this line and all it means for the provinces under his charge. And, looking to the important interests at stake, any differences with the Nizam's Government are not likely to be incapable of friendly adjustment, especially when it is remembered that the line will benefit his Highness' territory as well and that we are fortunate in having at the head of the Government of India a diplomat of diplomats in the person of the present Viceroy.

Trusting you will take up the matter with the Local Government as soon as possible and awaiting an early and favourable reply.

(ii) *Copy of letter dated 29th March, 1919, from Sir B. Robertson, Chief Commissioner, Central Provinces, to Sir B. D. Mehta.*

I have just seen your letter, dated the 10th March, regarding the construction of the Nagpur-Itarsi and the Ballarshah-Warrangal sections of the North and South through railway. I had already written to the president of the Railway Board to have the Nagpur-Itarsi line completed as soon as possible. I may tell you for your private information that the portion of the railway from Ballarshah to Warrangal is now to be built by his Exalted Highness the Nizam's Government as the line passes entirely through Hyderabad territory. This will relieve the pressure on the ordinary railway programme, and I have been informed from Delhi that it is probable that the construction of the railway will be undertaken as soon as material, etc., can be obtained at reasonable rates.

(iii) *Copy of letter dated 2nd April 1919, from Sir B. D. Mehta to Sir B. Robertson.*

It is very kind of you to write personally to me and for which I sincerely thank you on the subject of the missing links of the railway communication from the North to the South of India, affecting seriously the development of our provinces.

I am glad to learn you had already taken up the question of the Nagpur-Itarsi section which, I hope, may soon be completed.

I fear his Exalted Highness the Nizam's railway administration have not fully appreciated the importance of the Ballarshah-Warrangal link; otherwise they would not have neglected it for so many years before the War broke out. Urgent and repeated pressure from our provinces both on the administration and the Railway Board is therefore needed, and I feel sure you will not fail to avail yourself of every opportunity to use it.

If the railway administration wait for " reasonable rates " to get the material required, they may have to wait for years. Prices are not likely to go down soon. I may say we are now after the war, actually asked to pay higher prices for machinery than those definitely fixed during the war (in 1917).

Is there any chance of the Raipur-Vizagapatam project being taken in hand in the immediate future?

Thanking you once more and with best wishes.

ENCLOSURE D.

Comparative statement showing increase in rates for twist and piece-goods over Great Indian Peninsula and Bengal Nagpur Railways from 1912 to 1920.

BENGAL NAGPUR RAILWAY.

From Nagpur to

Stations.	Miles.	O. R. rates in 1912.	O. R. rates in 1920.	Per cent. of increase of O. R. rates in 1920 over O. R. rates of 1912.	R. R. rates in 1920.	Per cent. of increase of R. R. rates in 1920 over O. R. rates in 1912.	O. R. rates per mile per maund in pies in 1912.	O. R. rates per mile per maund in pies in 1920.	R. R. rates per mile per maund in pies in 1920.	Per cent. of increase of R. R. rates of 1920 over O. R. rates of 1920.
		Rs. A. P.	Rs. A. P.		Rs. A. P.					
Raipur ...	188	0 6 7	0 9 2*	39	0 11 9	78	·42	·59	·75	28
Howbagi ...	220	0 7 6	0 10 10*	44	0 13 10	84	·40	·59	·75	27
Bilaspur ...	257	0 8 6	0 12 1*	42	0 15 7	83	·39	·56	·72	29
Raigarh ...	339	0 10 9	0 15 6*	44	1 4 2	87	·38	·54	·71	30
Sambalpur	413	0 12 10	1 2 7*	45	1 8 3	89	·37	·54	·70	31
Chakardharpur ...	509	0 15 6	1 6 7*	45	1 13 7	90	·36	·53	·69	31
Chakulia...	589	0 14 0	1 9 11*	85	2 2 1	143	·28	·52	·69	31
Viâ Asansol	632	0 15 0	1 11 0*	80	2 3 9	138	·28	·51	·67	32
Bankura...	639	0 11 8	1 12 0*	140	2 4 10	215	·21	·52	·69	31
Ranchi ...	654	1 3 6	1 12 7*	46	2 5 8	93	·35	·52	·69	31
Shalimar...	703	0 11 8	1 9 0†	114	2 0 3	176	·19	·42	·55	29

† R. R. rate in 1919 was Rs. 1–5–7.

GREAT INDIAN PENINSULA RAILWAY.

From Nagpur to

Stations.	Miles.	R. R. rates in 1912.	R. R. rates in 1920.	Per cent. of increase.	R. R. rates per mile per maund in pies in 1912.	R. R. rates per mile per maund in pies in 1920.
		Rs. A. P.	Rs. A. P.			
Wardha ...	49	0 3 9	0 4 2	11	·91	1·02
Pulgaon ...	68	0 5 0	0 5 5	8	·89	·95
Hinganghat ...	70	0 5 2	0 5 7	8	·88	·95
Warora ...	94	0 6 9	0 6 11	2	·86	·88
Amraoti ...	114	0 7 7	0 8 3	9	·80	·86
Akola ...	158	0 10 6	0 11 2	6	·79	·84
Nandura ...	196	0 13 1	0 13 9	5	·80	·84
Burhanpur ...	278	1 2 1	1 3 2	6	·78	·82
Bombay ...	520	0 11 8 (O. R.) / 1 2 1 (R. R.)	1 13 11	65	·41	·69
Cawnpore ...	806	1 8 3 (O. R.) / 1 13 4 (R. R.)	1 8 3 (O. R.) / 1 13 4 (R. R.)		·36	·43
Delhi ...	924	1 15 3 (O. R.)	2 2 6		·40	·44

* Show also R. R. rates in 1919.

STATEMENT No. 137.

RAO SAHIB D. LAXMINARAYAN, Kamptee.—NOTE DATED 27TH DECEMBER, 1920.

Part I.—The Management of Railways Owned by State.

1. I consider that railways owned by the State should be directly managed by the State.

The advantages that I expect to result from the entire State management are (1) the saving to the State of the share of profits now paid to the managing companies; (2) the development of trade and commerce on natural lines, instead of the present artificial diversion by means of block rates; (3) the growth and development of industries especially in the interests of this country; (4) the promotion of inter-provincial trades; (5) the centralisation of control in a single State department located in India and amenable to Indian public opinion instead of to Boards of Directors in London; (6) the utilisation of the entire rolling stock as one system; (7) improvement of rates and fares of goods and third-class passengers; (8) proper and convenient accommodation of third-class passengers; (9) larger employment of Indians in the lower and higher services of the railways; and (10) impartial treatment in the supply of wagons to European and Indian firms alike, and the discontinuance of the practice of giving undue preference to any of them.

Sir Convey Gordon placed the whole case against the company management in a terse manner in his evidence before the Select Committee on East India Railways in 1884:—"The disadvantages of having the Indian railways worked by commercial companies are: (1) That the object of a private company will naturally be to develop a dividend; that as long as the maximum dividend be secured the company will be indifferent as to whether that dividend is derived from a small traffic at high rates or a large traffic at low rates; (2) it may often be the true interest of a company, as a dividend-seeking concern, to charge such high rates as may be sufficient to contract the export trade in some particular article of produce, or such rates for the carriage of coal as may tend to strangle the industries in other provinces; (3) that the desire to serve a good dividend on all occasions naturally tends to make the servants of private companies very cautious in trying experiments towards reducing rates and fares; (4) that every rupee taken out of the country by an English company in excess of the normal rate of interest on the State debt constitutes practically a direct tax on transit, which must, of course, have its effect on checking the export and import trade and on the general development of the country; and (5) that where a company is given a fixed guarantee of interest as long as the net profits of the line are not in excess of the guaranteed rate of interest there is no incentive towards economical working practically. I think India has suffered from those disadvantages; on the second and last counts, certainly." Company-managed railways are influenced in the administration and general line of working by feelings and prejudices and vested interests more than the State-managed railways. These companies are, after all, business concerns run by human beings who are not always above temptations; where, therefore, private and selfish interests clash with public and national interests, the latter are bound to go to the wall. The administrations of State-managed railways in Germany was proved to be thoroughly progressive. It was, at the same time, highly democratic. In every district there are committees of representatives selected by the Chambers of Commerce and commercial associations who act as advisory boards to the railway officials. A suggestion to this effect has been made off and on in this country also, but naturally it is not to the interests of European railway companies to consult Indian Chambers of Commerce and commercial associations for their working. European Chambers of Commerce have no need to ask for any change in the present method of working, as their will is law even at present. I shall be excused, I hope, for quoting from the speech of Mr. Lloyd George when he was President of the Board of Trade in 1908:—"I have been very much impressed since I came to the Board of Trade with great and growing discontent with the whole railway system. This is a great contrast to the feeling in Germany, where the traders consider that railway system gives the greatest possible satisfaction. . . . Prince Bismarck considered the question of the State ownership and management of the German railways purely from the point of view of the development of the interests of Germany. The thirty years' experience of Germany had proved this plan a colossal success and a great financial success. In Germany the railway had been used as an instrument for the development of German industry and for fighting against foreign industry; and a very formidable weapon. It was much more formidable, in his judgment, than tariffs. The system known as the Zone system, introduced by the State-managed railways of Hungary in 1889, resulted in reduction of passenger's fares by 50 per cent., giving thus a stimulus to cheapness for travelling purposes in an unprecedented degree." In Belgium, both the State-managed and Company-managed lines are existing side by side together. Twenty years experience convinced the Government of the loss to the country by the company-management of railways, and it was, therefore, resolved in 1870 to take over all the railways under the State management. President Hadley, of Yale University, though one of the opponents of the State management, had to admit that the Belgian and German railways were in many respects extraordinarily good. Sir Leo Money, late Parliamentary Secretary to the Ministry of Shipping, writes in one of his books that Belgium furnishes another instance of successful working of State-owned and State-managed railways, in spite of fares which, to a British traveller, appear incredibly low, and in spite of low railway freights. Switzerland is another country which has dispensed once for all with company management and adopted State management, which has achieved unprecedented success. The same beneficial results have been noticed in Sweden, Italy and Japan. In spite of the almost universal experience of all countries in the world, the Indian Government has ensconced itself behind the time-worn shibboleth of company management of railways, and will not shift its moorings even though the country as a whole has suffered tremendously. Some of the highest officials of the Government in the past, such as General Richard Strachy, Major Conway Gordon, Sir James Caird, Sir Guilford Molesworth and Mr. Edward Cleveland-Stevens, have, even for this country, definitely proclaimed that State management will be the best policy to the progress and development of India. Not only that, but the present harassments and indignities and criminal negligence and indifference towards third-class passengers will, under State management, be a thing of the past.

The experience gained in India and in European countries fully justifies the course that Indian railways should be managed by the State. Mr. Edward Cleveland-Stevens is inclined to think that the effect of consolidation of all railways has generally been to reduce charges and encourage industries, and that any further reduction in the number of companies is likely to have beneficial results. He thinks that it would be more necessary finally to amalgamate all the companies into one system, which would produce unification of rates for long or short distances.

If the Committee has a lingering doubt of the great advantages accruing from the State-management of railways, it will do well to read the excellent volume, ably written by Carl S. Vrooman, on Government regulation *versus* Goverment operation of railways, and published by Oxford University Press, which furnishes an overwhelming evidence on the abuses of numerous kinds which are possible under company management of railways even under Government regulation. The volume clearly shows that Government ownership and Government working of railways is the best; that by studies in comparative efficiency and all-round satisfactoriness it has been clearly demonstrated that, in continental Europe, State railways, as a rule, furnish better transportaion facilities and charge lower rates than private companies do.

I have had the experience of the Bengal-Nagpur Railway Company, Ltd., and the Great Indian Peninsula Railway Company. The nature of my experience is that I have been a constant traveller over these lines, and that my next experience is in connection with my trade in tile and bricks and manganese, which I have been carrying on since the year 1905 both as a member of the commercial community and of the travelling public.

2. I do not advocate the continuance of any of the existing systems of company management of Indian railways, and therefore propose no modifications for the company management.

3. I do not advocate company management of Indian railways, and therefore make no recommendation in that direction.

Part II.—The Railway Board and the Government of India's Control.

10. I do not consider the system of control by means of a Railway Board satisfactory, for the reason that it is like a fifth wheel in the carriage. It has not curtailed the working expenses of Indian railways. It is merely an expensive department. It should be abolished, and its work should fall upon the member of the Commerce and Industry Department, as before. This will avoid a considerable waste of public money.

11. In view of answer No. 10 it is unnecessary to reply to this question.

12. In view of answer No. 10 no separate reply is necessary.

13. If a railway company declines to quote a lower rate for the carriage of any goods, the Railway Board has absolutely no power to interfere, even though such a rate might, in the opinion of the Railway Board, be considered necessary. So long as the rates are quoted within the maximum and minimum limits fixed by the Government the railway companies can practically do what they like, but there is no appeal against the judgment of the railway administration, and it cannot be said that their judgment is always infallible. This position is not very satisfactory, either from the point of view of the Indian Government or of the public. In England, in America, and in the Argentine Republic, railway companies, owned entirely by private enterprise and receiving no financial assistance from the Government, are subject to control in the matter of railway regulations and rates. It is why I consider that the Railway Board possess no adequate powers of control over railway administrations to enable them to deal effectively and expeditiously with matters relating to the requirements of the travelling public and of trade.

14. In the first place, I consider that Government of India have absolutely no powers of control over the railway administrations in the matters of the travelling public or of trade. Under the provisions of Indian Railways Act of 1890 the control of the Government of India is nil over the railways. The agent or traffic manager of a railway company is not in any way subject to the control of the Government of India. I have not been able to find out any statutory powers which vest in the Government of India any authority to interfere with the agent or the traffic manager of any railway company. The Government of India ought to have more control over the railways than it has at present. Even if they possess any such powers of control, they have not been sufficiently exercised in the public interests.

15. As I am of opinion of the entire abolition of Railway Board, I do not suggest any enlargement or modification of such powers to Railway Board.

16. It is said that cases are not uncommon where the Railway Board have been able to get round the Secretary of State for India in certain matters over the heads of the Government of India. As far as I understand, the Railway Board is not constituted or established so as to give any control over it to Government of India under the Statute. I have not been able to trace any statutory powers which vest in the Government of India any authority to interfere with the Railway Board. I suggest that the Government of India ought to possess more statutory control or powers to exercise over the railways than it has at present.

Part IV.—Government control of rates and fares. Settlement of disputes.

30. It is rather strange that the Government has no control in the matter of rates and fares, on which depends a great deal of the revenue, at least on its judicial manipulation. It is true that the maximum and minimum rate limits have been laid down, but there is a very wide play between these limits. As the Railway Act stands at present, the Government have absolutely no powers to order the abolition, modification or introduction of a rate, even though it may be found that a rate is really creating undue preference or is prejudicing a trade, or that a low rate is necessary to develop traffic which is not moving, or has not been created because of the absence of an encouraging rate. The modification of the Indian Railway Act is only necessary to give Government powers which they will exercise with discretion and in real cases where they are reasonable grounds for complaints.

31. I *do* consider that the powers in respect of rates and fares delegated to railway administrations have not been wisely used in the interests of the public.

The Bengal-Nagpur Railway Company have taken over the working of Tumsar-Tirody Tramway from the Central India Mining Company, Ltd., some three or four years ago. The rate then fixed was Rs. 1-8 per ton from Tirody to Tumsar Road. The management of Bengal-Nagpur

Railway was so defective and lacking in business-like way arrangements that since the taking over of this line, the number of trains were considerably reduced and the mineowners could not bring their stocks to Tumsar Road Station in large quantities as they used to do during the regime of the C.I.M. Co. Due to this difficulty and due to the approach of monsoons when the ore could not be railed to Tumsar Road, I asked the railway authorities to rail some ore to the South Bank of Bawanthari River which was one-third of the distance to Tumsar Road. The through rate to Tumsar Road was Rs. 1-8 per ton. The Traffic Inspector at Dongri and the District Traffic Superintendent at Nagpur recommended a rate of 6 annas per ton to Dongri to the Superintendent of Goods, but after railing 3,160½ tons of ore, the Superintendent of Goods decided to charge me Rs. 0-10-2 per ton although the presumption was to charge Rs. 0-6-0 per ton. The enclosed copies of correspondence will show you how arbitrary the orders of the Superintendent of Goods are. Though I represented him to reconsider his decision, he had no courtesy of replying to me (*vide* copies of correspondence as Appendix* A).

Another instance I would like to quote is that the Bengal-Nagpur Railway Company have been giving me concession rates for bringing rails, sleepers and trucks for the working of mines, when I applied for concession rate of 100 yards of track of railway materials, the railway authorities refused to consider my request (*vide* copies of correspondence as Appendix* B).

32. The duties of railway administrations are found in Sections 42 and 44 of the present Act. It is provided in Section 26 of the present Act that the Railway Commission can only be appointed by the Governor-General in Council, by Sections 27 and 28 the Commissioners shall take cognisance of such cases only as are referred to them by the Governor-General in Council and by Section 41 that the Commissioners alone shall have the power of enforcing the duties and objections imposed by Chapter V on Railway Administrations. With regard to the constitution of this Railway Commission, I beg to suggest that the appointment of such Commissioners is so costly and expensive that the party asking for a commission may have to pay the costs. For fear of this costly tribunal the grievances of the merchants and passengers remained unredressed. Mr. Thomas Robertson was appointed two decades ago to inquire into railway administration in India and that after a very careful inquiry he made an important report in 1903. In that report he pointed out that the Railway Commission which is provided for in the Act of 1890 has never been taken advantage of for obvious reasons. Mr. Robertson had gone into this question thoroughly, and this is what he said in his report:—"Under the provisions of the present Indian Railways Act, the calling into existence of the Railway Commission to hear complaints against railways is considered so costly an undertaking that the Commission has never once been created."

In his report he also recommended that to afford the public and the railways the greatest advantages of which the Commission is capable, it should be required to hold its courts not only at a few chief centres but at the place nearest and most convenient to the complainant, having regard to the general convenience of all others interested. The English Act of 1888 provides quite a different machinery, and that is contained in Section 2 of the English Railways Act which constitutes the Commission. Section 5 empowers the Commission to hold sittings in any part of the United Kingdom, and in such place or places as may be most convenient for the determination of the proceedings before them.

Therefore, what I urge is that instead of having a provision such as is contained in Section 26 of Indian Railways Act of 1890, we ought to have a permanent Commission which will be available to any complainant, and they can sit in any part of the country where the complaints can be heard and investigated without putting complainants to additional and extra costs of taking their witnesses to places and undergo unnecessary expenses. Mr. Robertson in his report recommended and urged regarding this matter the following point which I shall give in his own words. Paragraph 61 of his report says:—

"The Commissioners in addition to their duties on the Board should be employed in association with a Law member when a question of law arises as Commissioners for the purpose of Chapter V of the Indian Railways Act (IX of 1890) which regularises Railway Commissioners and traffic facilities, the present Act being revised on the lines of the English Railway and Canal Traffic Act of 1888 so as to permit of the Railway Commission always being in season."

The next point I wish to bring to the notice of Committee is this. The complaints which I would divide into various heads might be heard by this Commission which I propose should be created by the Statute. The complaints would be first of all from commercial and trading firms with regard to rates and with regard to preference which might be given, and in that the commercial community of this country is very much interested. With regard to this complaint it is not unknown that sometimes preference is given and therefore it would be much more satisfactory if any such complaints were made to the Commission which would be an independent tribunal and it would hear both sides, namely, the railway company or those representing the company and the complainant.

The second item which might be considered is passenger's complaints. With regard to passenger's complaints, it is a very well-known fact in India that there is a great deal of overcrowding, which is visible to any casual traveller at any station when travelling, and that is a matter which requires very careful attention and it ought to be put right. Then there are many other matters such as ventilation, lighting, sanitation, and particularly the refreshment rooms.

Thirdly, the question of public safety may be considered. When accidents happen, as far as I have been able to make out, Government have merely the railway officials and somebody representing the Government or the police. Those are the two bodies who have any voice in the matter of inquiring into any railway accident. It is desirable in the case of any serious accident to have some non-official representative at the inquiry. There might be a punch, or there might be one or two citizens who should be associated with the railway authorities, and they should have a voice in the inquiry in the case of any serious accident. At present, the inquiry is made by the railway authorities and nobody else practically.

Fourthly, the question that is of great importance is in regard to the railway employees. In such a case an independent tribunal or commission should be appointed to inquire into this matter.

* Not reproduced.

Therefore it is absolutely essential that there should be some machinery of tribunal by which these cases can be dealt with, and that should be a body which will hold the scales even between the railway company and the employees. There should be a statute for such complaints in India to satisfactorily deal with.

I would submit that in all these matters, not only these complaints and grievances put forward should be investigated by a proper body constituted under the statute, but the reports of the proceedings should be submitted to the Legislative Assembly.

There are some of the points which are such as require very careful consideration and that the Indian Railways Act of 1890 needs urgent modification and revision in these respects.

33. The chronic overcrowding of third-class passengers and putting them up in goods wagons in the trains still continues. The condition of the Indian third-class passengers from the moment of their attempt to purchase tickets up to the time they alight somewhere and hand over their tickets is very miserable. The manner in which tickets are issued to them in almost all the stations is pitiable in the extreme. Tickets are issued only a few minutes before the arrival and departure of trains. At present the interests of passengers are not much cared for. The third-class fares are to be lowered. It must be brought down to 1½ pies per mile throughout. On every railway the rates should be made uniform and reasonably low for third-class passengers. Even in the United States of America, which has got company management of railways, passengers are always styled patrons, thus indicating that the railway companies take every possible care to treat them with courtesy, and not with utter disrespect and indifference as is the case in India. The system known as the Zone system introduced by the State-managed railways of Hungary in 1880 resulted in reduction of passengers' fares by 50 per cent., giving a stimulus to cheapness for travelling purposes in an unprecedented degree. Mr. Thomas Robertson institutes a comparison between the fares and rates in England and America on the one hand and in India on the other, and says, having regard to the cost of construction and the cost of working, Indian rates are excessively high when compared with the rates in those countries. If he had taken the purchasing power of money in these three countries into account he would have found that the rates and fares in India are much higher than he found them to be.

One of the pressing reforms needed in the law relating to railways in India was to insure a more considerable and sympathetic treatment and better convenience of Indian passengers in the lowest class of carriages. Overcrowding and want of closet accommodation for men and women have formed subjects of constant complaints on almost all the lines. The invariable observance and effectual prevention of infringement of these rules must still depend, almost entirely, upon the degree of efficiency of inspection of the passenger traffic at all stations. No failure on the part of the station authorities is more apparent and frequent than that of the performance of this part of their duty of firmly preventing overcrowding of the lowest class of carriages. It is not easy for the higher railway authorities to exercise effectual control in all matters over their subordinate establishments which are scattered over vast areas along the lines without some extraneous aid from Government and public. In addition to a system of constant inspection by responsible officers, a complaint book should be made available at each station in which any public-spirited passenger or visitor, seeing these rules infringed, may be able to note down the fact with sufficient clearness so as to facilitate further inquiry, stating the steps he took to bring the same to the notice of the station authorities concerned. It is to be hoped that with this new specific law on the subject and with the adoption of means necessary for its due observance, we may hear less frequently of its infringement without impunity.

34. The carrying capacity especially of the Bengal-Nagpur Railway and Great Indian Peninsula Railway is deplorable. Since the year 1909 there has been a chronic complaint for short supply of wagons for manganese trade. Numerous complaints have been made by me during the years 1912 to 1920 to the railway authorities, the Railway Board and the Local Government through the Commissioner, Nagpur Division, and the Director of Industries, Central Provinces, but to no avail. As I had already said, neither the Railway Board nor the Government has any control over the railways in India. Appendices C to E herewith attached will give you an idea how the Bengal-Nagpur Railway Company especially treated me in regard to wagon supply from the year 1912 to 1920. The whole trouble is that Bengal-Nagpur Railway Company does not care for any traffic if it is a short distance and Great Indian Peninsula Railway Company says that it is Bengal-Nagpur Railway Company who should supply wagons at the stations in their jurisdiction. One company wants to throw blame on the other and thus tried to shirk off their responsibilities. It is for this reason that I suggested that the effect of consolidation of all railways would be to reduce charges and that the total abolition of company management shall have beneficial results. It is, therefore, necessary to amalgamate all the companies into one system to avoid the doctrine of short and long distances in the interests of trade and commerce of the country.

35. The change advocated by me is not less peremptorily called for in the interests of trade. The need of it in this country is greater. There are differences in rates that cannot be justified for a moment. There is the absence of the right principle in fixing them. Rates for raw exports are more favourable than rates for finished articles; rates for foreign imports are more favourable than rates for indigenous articles and for inter-provincial trade. There is no doubt that a Central Classification Committee which fixes rates, but notwithstanding that, there are these anomalies, and these would certainly be avoided and corrected if the State took over the management of all railways in its own hands and put an end to the competition between the various companies. I would also draw the attention of the Committee to the admirable and instructive series of articles published in "The Empire," of Calcutta, by Mr. R. D. Mehta, C.I.E., of Calcutta, pointing out a number of anomalies and flaws in the methods followed by Indian railways, especially those connected with rates for the carriage of goods. Sir F. S. P. Lely, in his book entitled "Suggestions for the better governing of India" observed:—"The traffic manager wields an irresponsible power over the country commanded by his railways which should not be entrusted to any man, least of all to one who rightly from his own point of view regards nothing but his master's dividend under certain wide limits set down by Government. By a slight readjustment of rates he can, and sometimes does crush, a rising home manufacture in favour of a foreign customer.

An amended code of civil procedure occupies for days and months the wisest of the land, but is of less practical consequence to the people of a district than the local goods tariff book." This is the opinion deliberately expressed by a very high Government official who spent the best years of his service in India, moving in the district and watching the needs of the people.

Another aspect is that rates fixed hitherto were often influenced by rival doctrines and rival policies between Chambers of Commerce in India. My belief is that Indian railway management has not yet been affected by general public opinion at all; but to a very limited extent only by Chambers of Commerce. In Prussia and some other countries they have advisory boards to work along with the Minister for railways, representing every industry, such as agriculture and mining. The representatives form together advisory boards. The Minister of Railways works with the latest and freshest ideas, even in public interests, and the result has been stated to be in the highest degree satisfactory.

In working the Indian State Railways, all idea of making a profit must be eliminated. The working should be so arranged as to meet all requirements of the public with efficiency and economy, special regard being paid to the industrial development of India. This foremost object has unfortunately been sacrificed in the past in order to develop the export and import traffic. Indian railways often refuse to make a reduction in their rates in order to develop local industries, especially where they are likely to lose their import or export traffic, which gives them a longer lead, though with a lower rate per maund per mile. They give very little consideration to the extra work involved in a longer haul, and prefer long-distance traffic to or from Calcutta or Bombay to local traffic to or from a mile in the interior of the country. This is directly against the true interests of India.

Indian railways are, to a very large extent, responsible for the killing of Indian industries and consequent poverty among the people. This poverty can be cured by a revival of Indian industries, which is only possible with a strong support of the Government, including the working of Indian railways in the true interests of the people. Such working can only be assured when the railway management is entirely in the hands of the Government.

Professor Stanley Jevons, of the Allahabad University, and the great Indian economist Mr. N. M. Mazumdar condemned the system of railways in India and their management in no measured terms. In the view of Professor Stanley Jevons, " Indian railways are not managed in order to meet the convenience of the public." Railways in this country do not exist for the public, but the public exist, and specially the third-class passengers, for keeping the railways going. What do the railways stand for, if not to meet the convenience of the public. The bane of the whole thing is that the railways are under the management of companies and the authorities have the question of paying fat dividends to the shareholders abroad uppermost in their mind. So the consideration of the profit overrides all other considerations, even those of justice and equity. Professor Jevons refers to the scandalous overcrowding of third-class carriages, the pilfering of fruit in transit, and the inordinate delays of goods trains. For years the Indian press and the platform have been crying over the pitiful woes of third-class passengers, who contribute the bulk of the revenue to the coffers of the Indian railway administrations, but are usually packed like sardines and are deprived even of the ordinary amenities of life. I wonder if there is any other country in the world where third-class passengers travel under conditions which beggar descriptions and are little removed from those forming the attendant features of the transportation of animals. The inordinate delays of goods trains furnish another feather to the cap of the railway authorities, standing seriously in the way of development of internal trade. The wagon difficulty is another matter over which merchants and traders of my type have set up a loud and persistent wail. There is no knowing whether this difficulty will ever be solved. But the chances are that while European merchants will feel the pinch to a very small extent, Indian merchants will be kept out of the enjoyment of wagon facilities to the incalculable injury of their business. Railways being a monopoly ought to be in the hands of the State. I think that the belief that company management was economical is a misconception—sliding scale and traffic carried by a longer route was certainly far from economical. Dividend interests caused by separate management stood in the way of common classification and uniform rates and fares. I am afraid, in the matter of railways India is ill served and is ages behind the times. Will the Railway Committee be able to do anything to remedy the thousand and one defects tainting Indian railway system and to keep it abreast of the times by meeting the growing wants and the real convenience of the public? This can only be achieved by the State management of Indian railways.

PART III.

STATEMENTS REGARDING INCREASES IN LAND REVENUE DUE TO CONSTRUCTION OF RAILWAYS.

LETTER No. 596, DATED 10TH MARCH, 1921, FROM THE GOVERNMENT OF MADRAS, REVENUE DEPARTMENT.

I am directed to state the revision of assessment at resettlement is based on the variation in the recorded prices of the staple grains of the tract; and it is quite impossible to specify what proportion of the increase in prices is due to improved railway facilities and what proportion to other causes.

The assessment is, however, not usually increased to the full extent justifiable by the rise in prices, a more modest percentage enhancement being prescribed which varies according to the economic condition of the tract. As the construction of new railway projects tends to the development of the tracts thus opened up, it follows that Government would feel justified in treating such tracts less leniently than others which cannot boast the same advantages. At the same time I am to state that it is quite impossible to furnish precise figures and illustrations showing the increase of revenue due to the construction of Railways.

With reference to paragraph 2 of your letter, I am to add that if information had been given as to the district or taluka referred to by the witness, it might have been possible to throw some light on the particular instance specified.

LETTER No. S.T. 273, DATED 25TH FEBRUARY, 1921, FROM THE SETTLEMENT COMMISSIONER AND DIRECTOR OF LAND RECORDS, BOMBAY.

I have the honour of reporting on the advantages in respect of Land Revenue secured by railway development. In Bombay our land revenue was assessed almost before the railway was thought of, and it was then assessed with reference to what was vaguely termed " the profits of agriculture." Actually what was taken was such share of the rental value as it was estimated, on the rough data at first available, the land holders could " reasonably afford." With every decade since the earliest surveys, far more accurate information, both as to the prices of produce and rental and sale values of land, and also as to other subsidiary circumstances affecting the prosperity of land holders (*i.e.*, the rental value) has accumulated. When we now revise a settlement, we take into consideration all those multifarious things which are summed up into rental value. Just as the Income Tax Assessor determines all the income of the assessee, but would find it hard to say how much of his income is due to the fact that he had had a college education, and how much was due to the fact that his father bequeathed him a promising business and goodwill; so too, it is difficult to analyse rental value into its elements. Some of it is due to the improved values of agricultural produce and increased pressure of population leading to greater demand for the land and its products. Then again, new crops, new methods of husbandry, better supplies of manure, all these tend to make a tract more valuable, and send up the general level of rents. The opening of new high roads, still more of a new railway, brings the tract within the reach of markets from which it was before separated by heavy cost of transit. This will also send up the rents and increase the number of people willing to settle on the land and encourage them to apply capital and enterprise to its development.

2. But the problem is, can we give any specific instances in which railways have sent up rents and therefore have justified the enhancement of revenue? Just as one would be perfectly prepared to maintain that decent education was bound to improve any man's income, so, too, I would say *a priori* the construction of a railway was certain to increase the rental value of land within reasonable reach thereon. But on the other hand, it is not easy to disentangle factors, and to say that in such and such an instance it has definitely caused a rise of so many rupees. The best I think I can do is to select certain tracts in which originally there was no railway, and subsequently a railway went through part of the tract, and then see whether the increase in revenue in the part traversed was greater than in the part not traversed.

3. Let me take first Bijapur District. The railway (Hotgi-Gadag) was opened in 1884. The district had suffered terribly from famine in 1876-77; so much so that it was almost depopulated, and not enough people were left to recommence cultivation in 1877-78. Most of the ploughing in that year was done by human beings yoked to the plough, there being no cattle. That was before the Bombay Famine Relief Code and System had been adequately developed. It was the first big famine in which famine relief was seriously attempted.

About 1884 several talukas were resettled, just before the railway was opened, though in the settlement proposals the fact that the railway would be there was taken into account. For instance, Bagalkot, though its settlement was revised just after the big famine, the revenue increased 27·9 per cent., from Rs. 79,819 to Rs. 107,114. Again this taluka was resettled in 1914, thirty years after the opening of the railway and a further increase of over 23 per cent. to Rs. 138,217 was sanctioned.

4. Take the similar case of Badami. Just before the railway was opened in 1884 it was raised from Rs. 51,239 to Rs. 58,989, a rise of 15 per cent. Thirty-two years later a few more villages were included in the taluka, and the revenue was raised in 1915 to Rs. 87,742, a further increase of 10 per cent.

5. Now let us consider talukas not affected by the railway. Sindgi adjoins Bijapur but has no railway. It was first settled in 1874-76, just before the famine. It was revised in 1907, and was found to be still very poor and no increase in the rate was recommended. Again *Muddebihal, another taluka of Bijapur without a railway.* The assessment settled in 1876-79 was revised in 1908, and for the 124 villages again no increase was found possible.

6. Let us turn to Dharwar District. The railway was opened through Gadag taluka in 1884, and 22 years later the assessments were revised. In the case of those villages which were reasonably near to the railway the increase in the assessments was 27·8, 27, and 24·6 per cent. In the case of those villages *not affected by the railway the increase* was 12·6 per cent. Ron and Karajgi are also talukas affected by the M. & S.M. Railway. Here in Ron the assessment was revised 22 years after the railway was opened and an increase of 30·8 per cent. was obtained. In Karajgi they were revised 23 years after, but the increase obtained was 18·5 per cent. only; a substantial part of the taluka lies a very long way from the railway. About the same time the two talukas of Hangal and Kod also were revised. These are also so far from the railway as practically to be quite unaffected. Only those groups which are fairly near to the railway were enhanced appreciably; but over the whole taluka *the increase in Hangal in 1910* was 4·13 per cent. and in Kod 9·94 per cent. We may take these differences as very strongly indicating the great difference which a railway makes; though I should not of course be prepared to affirm that the whole of the difference was exclusively due to the railway.

7. We have similar examples in Satara district. Here the railway was opened in 1886. The taluka of Koregaon was revised in 1891-92. Those villages formerly rated at Rs. 2½ per acre near which the railway passed were raised to Rs. 3½ (maximum rate) while those through which the railway did not pass, formerly assessed at Rs. 2½ per acre were raised to Rs. 3 only.

8. There are of course instances in which tracts quite unaffected by a railway have been substantially enhanced. But many causes may contribute to this. Sometimes at the original settlement the tracts were exceedingly poor, depopulated and unpromising. The rates imposed were so low as to be almost nominal. Thirty years later it was found that great development had taken place, and although there was no railway still, a very large increase in the assessment was justifiable. Instances of this might be found in the Satpuras, a long way north of the G.I.P. Railway, in Khandesh. Again there were other tracts which were hit in exactly the opposite way. When first assessed they seemed exceedingly prosperous and able to bear almost any rate that might be imposed. As a matter of fact they were not so prosperous, and although intersected by a railway, still after thirty or forty years it has been necessary actually to propose decreases, or if not decreases, at any rate very much smaller increases than other talukas. Instances of this will be found in Kaira district, Matar taluka. In Olpad taluka of the Surat district where the railway competes with the former sea coasting trade, and where the railway embankment is said to have injuriously affected the drainage of considerable tracts, I think it might positively be shown that the railway in this limited length and in a restricted area had almost reduced the rental value of the land. I do not by this mean to imply that this would happen in other cases. The conflict between railway and sea carriage at and about Broach is familiar to railway critics.

9. In Khandesh, taluka Erandol, at the first revision the Settlement Officer says, that the taluka has been greatly advantaged by the proximity of the railway (para. 20, page 4, Selection CCXXXIX), and the revenue of this taluka was raised by 32·6 per cent. At the second revision, another branch railway had come right through the middle of the taluka and again the assessment was raised by 33⅓ per cent., so that the original revenue of Rs. 221,652 became ultimately Rs. 334,648. But we cannot say that these increases were solely due to the railway. Chopda taluka, which is lying just to the north and has no railway at all, had almost identical increases. The truth is that these talukas were originally far too lowly assessed, and owing to the existence of a rule limiting enhancements to 33⅓ per cent. at intervals of 30 years, it is very likely that the assessments in Khandesh will never catch up to the rental value at all. I have instances in which in two apparently similar talukas, one with a railway, and one without, the increase in the taluka without railway has been even greater than the other taluka with the railway. But these apparent anomalies can best be explained in the light of the opening paragraph in which I have explained that where there are a number of considerations or factors entering into the assessment, and also there is the 33⅓ per cent. limit upon enhancements, you may get curious results, in which it is very difficult to disentangle afterwards all the causes which have led to the increases or decreases in rental values. Not a small cause of disturbance is the fact that the principles of settlement have not even yet been reduced to anything like a formula. But although there are many trees in the wood, still there is no doubt that, as a broad principle, the advent of a railway is universally admitted to justify substantial increases in the rental value; and the more accurate and formulated our method of settlement becomes, the greater the influence of these considerations will probably be.

NOTE, DATED 16TH MARCH, 1921, BY MR. C. A. H. TOWNSEND, DIRECTOR OF AGRICULTURE, PUNJAB.

I have had the following figures collected; the enquiry has been hasty and not as thorough as it might have been had more time allowed. Every district in the province of which the "tahsils," or subcollectorates, form the component posts, is reassessed to land revenue every 20 or 30 years

Number of tahsils in the province in which the increase in land revenue at the last reassessment was 10 per cent. or less, 9. In none of these had there been any extensions of railways in the intervals between the two assessments.

In 18 tahsils the corresponding increase land revenue between the two last assessments was over 10%, but less than 20%; in 5 of these, railways had been extended in the interval; in 13 this had not happened.

In 29 tahsils, the corresponding increase was 20% to 30%; in 10 of these, railways had been extended in the interval; in 19 this had not happened.

In 22 tahsils, the increase was between 30% and 40%; in 9 of these, railways had been extended in the interval; in 13, this had not happened.

In 3 tahsils the increase was from 40% to 50%; in one of these, railways had been extended in the interval.

In 25 tahsils the increase in assessment was over 50%; in all of these, save one, railways had been extended in the interval.

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

It would, of course, be a mistake to think that all the increase in assessment is due to better communications; many other factors contribute to this increase, of which far and away the most important in the Punjab is the extension of canal irrigation, which has made great strides in the last thirty years, and added greatly to the wealth of the Province. The tahsils which show increases in assessment of over 30% are generally those to which canal irrigation on a considerable scale had been extended in the interval. In itself this is a far more important factor in deciding what assessment land can pay than are improvements in railway facilities. But the latter comes high on the list of these factors.

LETTER, DATED 12TH MARCH, 1921, FROM KHAN BAHADUR ADARJI MANCHERJI DALAL, B.A., PRESIDENT, DISTRICT LOCAL BOARD, BROACH.

I have now the honour to enclose the remaining statement showing the progress made by the talukas through which the Broach-Jambusar Railway is passing during the last 10 years. I may state that the Broach-Jambusar Railway was opened in 1913-14 and it taps the talukas of Jambusar, Amod, Wagra and part of Broach. In all departments a noticeable and healthy advancement is made such as Income Tax, Excise, Stamps, Land Revenue and area under cultivation, although the last two on account of the land revenue Survey settlements being fixed for a number of years are not variable but even in these heads some improvement is noticeable. (*Vide* footnote in the Statement.) I am indebted to the Collector of Broach for his courtesy in supplying me with the information from his Head and Taluka Offices.

2. In regard to relieving distress during famines and scarcity years comparative statistics are not available but as I have been associated with campaigns of relief measures since 1877-78 I can emphatically say that had this Railway not been built the severe famine conditions of 1918-19 would have resulted in an appalling mortality of cattle and human beings which was wholly absent by the facilities of transporting grass and fodder for cattle and food for human beings in this tract. I may also state that this tract in this district is liable to periodic vicissitudes of the freaks of the monsoon and has earned a notoriety for frequent scarcities and famines.

3. In regard to vital statistics and sanitary improvement, reliable data are not available, but the improvement in the economic condition of the people by facilities of quick locomotion have taught the people to avail themselves of medical relief for which there is a dispensary in each taluka, *viz.*, Jambuar Town, Kavi, Amod, Dehej, Wagra. Except the unprecedented mortality in 1918 by influenza, the death rate has decreased and the District Sanitary Association has been able on account of the facility of the Railway to reach the inland villages and talukas to disseminate sanitary knowledge by demonstration, lantern lectures and shows.

ENCLOSURE.

STATEMENT SHOWING THE REVENUES DERIVED FROM LAND REVENUE, STAMPS, INCOME TAX, EXCISE, DURING THE LAST TEN YEARS FROM 1910 IN THE BROACH DISTRICT THROUGH WHICH THE BROACH JAMBUSAR RAILWAY PASSES.

	Land Revenue. Name of Talukas				Income Tax. Name of Talukas.				Area under Cultivation. Name of Talukas.			
	Broach.	Jambusar.	Amod.	Wagra.	Broach.	Jambusar.	Amod.	Wagra.	Broach.	Jambusar.	Amod.	Wagra.
1910	585,332	—	—	276,873	1,738	—	—	—	132,957	—	—	130,157
1911	585,352	459,641	278,516	277,074	1,738	3,310	902	—	132,957	158,279	93,428	130,249
1912	595,596	456,593	278,539	278,066	1,781	3,601	1,138	—	132,959	158,772	93,431	130,613
1913	600,170	462,741	279,048	278,174	1,760	3,364	1,147	—	133,127	159,013	93,432	130,571
1914	602,742	461,385	279,257	277,547	2,100	3,344	1,539	—	133,938	158,830	93,432	130,193
1915	592,302	459,977	278,934	277,451	2,174	4,556	1,401	501	134,476	158,406	93,421	130,019
1916	652,329	458,612	275,559	281,543	2,972	3,609	1,672	529	185,693	157,754	93,042	129,951
1917	645,526	491,958	275,572	282,506	5,569	4,396	2,221	531	108,151	158,575	93,031	129,825
1918	645,526	505,022	276,026	282,636	6,036	3,816	2,771	503	108,195	159,946	92,767	130,028
1919	616,626	469,004	276,126	282,267	10,717	7,208	4,355	548	160,409	160,369	93,039	130,105
1920	582,516	471,308	276,177	281,950	6,889	7,735	5,047	127	160,409	161,238	93,098	139,120

	Stamp Revenue.				Excise Revenue.			
Talukas.	Broach.	Jambusar.	Amod.	Wagra.	Broach.	Jambusar.	Amod.	Wagra.
1911	—	—	6,079	8,416	40,830	17,230	13,010	6,870
1912	—	—	6,243	8,825	41,290	19,990	15,170	7,490
1913	—	—	5,858	10,764	32,970	14,570	12,600	6,440
1914	—	20,426	6,563	9,878	39,480	23,040	19,570	10,000
1915	64,352	18,992	6,007	7,887	48,910	40,420	26,800	15,240
1916	62,123	18,917	6,279	9,182	46,770	35,100	25,720	14,570
1917	67,269	20,194	6,861	8,429	43,800	37,230	27,140	14,560
1918	77,348	23,631	7,575	8,330	63,090	59,870	40,780	22,100
1919	89,253	21,519	7,916	10 119	95,410	75,865	53,480	41,500
1920	99,630	20,767	9,188	2,526	78,510	70,760	49,290	22,100

NOTE.—After the commencement of the Broach-Jambusar Railway, considerable increase in the fluctuating revenue has been effected, which fact will be verified from the figures in the statement above as well as the percentages noted below—

	Broach.	Jambusar.	Amod.	Wagra.
Stamp	40	16	30	11
Excise	135	340	311	485
Income tax ...	511	118	349	nil.

The two items, viz.: land revenue and area under cultivation are fixed and not liable to variations. Even then there is a fair rise in the revenue and also an appreciable increase in area under cultivation is noticeable during the years 1919 and 1920.

LETTER DATED 10TH MARCH, 1921, FROM THE AGENT, ASSAM-BENGAL RAILWAY.

In continuation of my letter No. 1449, dated the 29th January, 1921, and referring to paragraph 14 of my oral evidence before the Railway Committee, I now beg to forward certain revenue statistics for the districts of Bengal and Assam through which this railway passes. These statements show the revenue figures for each civil district ten years prior to and ten years following the opening of the railway in each district.

2. Graphical illustrations accompany the statistics for each district and abnormal variations in the revenue curves have been explained as far as possible from information available in the Official Gazetteers of Bengal and Assam. There is also a statement showing the total annual revenue (from 1892 to 1906) of all the districts through which the railway passes. An examination of the graphs for Chittagong, Noakhali and Tipera districts, which are the most important of those through which the railway passes, indicates a distinct rise in the revenue curve following the opening of the railway; for the Sylhet and Cachar districts this rise is particularly noticeable and also in that of the Sibsagar district; for the districts of Kampur and Nowgong the revenue curves have been rendered of little value owing to great variations in the revenue brought about by the ravages caused by Kala Azar, a virulent fever which overran these districts in the years following 1892.

3. The value of the curves showing the total revenue of all the districts mentioned is depreciated owing to the inclusion of the figures for Kampur and Nowgong and also to the fact that the period for which the figures are shown does not extend to the years prior to the construction of the railway. When starting these enquiries I asked the Governments of Bengal and Assam for the revenue figures for the ten years prior to and ten years after the opening of the railway in each district. If I were starting the investigation again I should like to have the figures for twenty years each way and I feel sure with these figures all curves would show a much more

decided rise after the advent of the railway, but rather than delay submitting the figures to the Railway Committee I send them forward as they stand. In looking at these diagrams it must be remembered that the districts in Assam are very sparsely populated and any very rapid growth of revenue is hardly to be expected, but still in the Sylhet, Cachar and Sibsagar districts the improvement in revenue is very marked.

4. The curves throughout would, I am sure, still more emphasise the point I raised if I had been able to obtain the figures for posts, telegraphs, customs and salt. These, I regret, I was unable to get at district by district.

LETTER, DATED 21ST MARCH, 1921, FROM THE GOVERNMENT OF THE CENTRAL PROVINCES, SURVEY AND SETTLEMENT DEPARTMENT.

I am directed to acknowledge the receipt of your letter 13/P.C., dated the 9th February, 1921, in which you ask for the information of the Indian Railway Committee, for specific instances of increases of land revenue due to the opening of new railways in the districts.

2. In reply, I am to say that the reports of recent settlements show that the main causes which contribute to the increase in the revenue of a district are generally three, viz., (1) the rise in the prices of agricultural produce, (2) the extension of occupation over waste lands during the currency of a settlement, or (3) the imposition of "arrears" of an enhancement foregone, at a previous settlement, for administrative reasons. Of these three causes, the extension of occupation, which sometimes follows the construction of a railway, often occurs owing to natural increases of population. This has happened to a most striking extent in the remotest land locked tracts of the Sironcha tahsil in the Chanda district. In regard to the rise in the prices of agricultural produce, this as a matter of course always follows the opening up of a district by rail which may therefore be responsible to this extent for the increase in revenue. It may, however, be pointed out that an enhancement over a district in this province is rarely as high as 70% of the demand, and with a system of 30 years and subsequently of 20 years settlements and of moderate enhancements it has not been possible to raise the land revenue in any way proportionately to the increased value of the agricultural produce and of the land, and consequently even if the precise figures required by the Railway Committee were attainable, they would not show very striking quantitative results. Some increase in the revenue derived from privately owned forests can no doubt be directly attributed to the opening of railways, but the figures bear too small a proportion to the total revenue of the districts concerned to make them worthy of special mention. It is not therefore possible to estimate accurately the increase in the land revenue of a district which may safely be ascribed to the advent of a railway.

NOTE, DATED 11TH MAY, 1921, FROM MR. D. M. STEWART, DEPUTY COMMISSIONER, GORAKHPUR DISTRICT, UNITED PROVINCES.

This note deals with the western portion of the district of Gorakhpur in the United Provinces which along with neighbouring tracts recently came under settlement. It is of course difficult to analyse exactly how much of the recent enhancements of revenue can be put down to railway development particularly as my inquiries were not specifically directed towards this end and the revenue settlement of this tract presented peculiar features owing to the existence of concealment of rents of the most widespread and flagrant description which makes the analysis of figures of rise in rents peculiarly difficult.

The tract consists of three tahsils, Bansgaon, Gorakhpur and Maharajgang, the first-mentioned being the southern and the last the northern of the three. The railway communications consist of the main line of the Bengal and North Western Railway, opened in 1885 very shortly before the last settlement, running east and west through the centre of the central tahsil with a length of about 30 miles; the Uska loop line opened in 1886 with a length of about 13 miles in the central tahsil and a length of about 23 miles in the south-western corner of the northern tahsil and the Narkatiganj branch opened in 1907 with a length of about 13 miles in the central tahsil and 18 miles in the eastern portion of the northern tahsil.

Prior to the construction of railways here the district must have depended mainly on rivers for its external communications. The principal rivers are the Ghogra which forms roughly the southern border of the tract and the Rapti which forms roughly the south-western border of the northern tahsil, flows through the central tahsil and forms the eastern border of the southern tahsil through a corner of which another navigable stream, the Kuano, also flows on the south-west side while the Gandak river touches a corner of the northern tahsil on the east side, but this part is extremely unhealthy so that it was not favourably situated for the purposes of trade. It is therefore clear that prior to the advent of railway communications the southern portion of the tract possessed a distinct advantage over the northern part and it was largely on this account though also on account of disadvantages of climate that the northern part of the district was much less opened up than was the southern. It is to a large extent the advent of railways with concurrent improvement in communications which has now led to a closer assimilation of the two tracts.

It is true that the northern portion of the district was so undeveloped and the pressure of population on the southern portion was so great that there would probably have been considerable development in any case as in the northern portion there were at last settlement large areas

which wer[illegible]vated. But it is largely the improvement of communications which has made this ext[illegible] cultivation profitable and it must be remembered that the southern portion of this t[illegible] also benefited to no mean extent from the improvement of communications.

In [illegible]se circumstances I consider that a suitable standard of the benefit conferred by the railway construction can be obtained by a comparison of the rate of enhancement of revenue in the northern as compared with the southern and central tahsils. Now, in the case of these latter, while the rate of enhancement is somewhat under 40 per cent. in the case of the northern tahsil the final enhancement of revenue is close on 70 per cent. The difference between the enhancement actually made in the northern tahsil and that which would have been obtained on the same scale as in the other two tahsils is no less than Rs. 130,000, and when other influences are eliminated it would appear that one would be justified in saying that the introduction of railway communications into the neighbourhood of this tract had certainly resulted in an enhancement of the Government revenue in this tahsil by not less than 1 lakh of rupees. It must, however, at the same time be remembered that this tahsil is one which was particularly capable of improvement by this method owing to its previously undeveloped state.

Another method perhaps more reliable in which the problem may be co[illegible] comparison of the enhancement effected in the 30 years from 1859 to 1889 with t[illegible]r from 1889 to 1919 in the northern and southern areas respectively. It is found that while in the southern and central tahsils the enhancement of revenue in the former period of thirty years was greater than in the later period, yet in the case of the northern tahsil the enhancement was much greater in the later than in the former period. This appears to me to indicate the fact that the northern tahsil has benefited from improved communications to a relatively greater extent than the more southerly tract in which, owing to the large rivers, the advent of the railways did not revolutionise communications to the same extent. Had the enhancement in the northern tahsil at this settlement borne to the enhancement at last settlement in the northern tahsil the same proportion as in the two other tahsils the revenue assessed would have been less than has now been taken by over a lakh of rupees. This is a figure arrived at after making all due allowance for certain pecularities of assessment in the matter of jungle grants, and agrees fairly closely with the figure quoted above. There are, however, certain differences in the matter of concealment of rents in the two tracts, but even after allowing for these one is certainly justified in putting the increase of revenue derived in this tahsil from improvement of railway communications at not less than Rs. 80,000 per annum.