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INDIAN RAILWAY COMMITTEE, 1920-21.

VOLUME III.

QUESTIONNAIRE.

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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 [illegible] in England and by companies domiciled in India, might be combined? If you consider this idea [illegible] and desirable please indicate the broad outlines of the scheme by which you think it might be [illegible] effect.

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

[illegible] consider the system of control by means of a Railway Board satisfactory; if

[illegible] control by means of a Board is desirable, how do you consider that [illegible] you any recommendations to make as regards the Board's subordinate offic[illegible]

Question No. 12.—With regard to the [illegible] 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 interest?

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 à 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.

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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 [illegible] 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 [illegible] 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-[illegible]but Company-[illegible]

Year.	[illegible] Earnings.	Percentage of [illegible] nett earnings on capital.	[illegible] charges [illegible] interest, [illegible] of surplus profits [illegible]).	Clear profits to Government.	Percentage [illegible] nett profits [illegible] capital.
	[illegible] lakhs.)		(Rs. lakhs.)	(Rs. lakhs.)	(Rs. lakhs.)	
19[illegible]	2,489·58	6·34	115·57	1,483·25	890·76	2·27
19[illegible] ...	2,726·91	7·01	149·16	1,523·49	1,054·26	2·71
191[illegible] ...	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.

[illegible] Do you consider that Government exercise adequate control over railway administration [illegible] fares?

[illegible] that the powers in this respect delegated to railway administrations have [illegible] the public; if not, quote instances to the contrary? In case of dissatisfaction [illegible] administrations, please quote specific instances mentioning whether these have been referred, with [illegible]

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

(*b*) to the Railway Board,

and, if so, with what results.

Question No. 32. [illegible] you approve of the machinery provided by the Indian Railways [illegible] for the adjustment of [illegible] Commissions to settle disputes between railway administrations [illegible]; if not, [illegible] 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, 1920-1921.

VOLUME III.

MINUTES OF EVIDENCE.

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EIGHTH DAY.

(Calcutta.)

Friday, 17th December, 1920.

[The evidence of Mr. C. A. Innes, C.I.E., I.C.S., Secretary to the Government of India in the Department of Commerce, was taken, and is recorded in the volume of Confidential evidence under Numbers 3864 to 3876.]

NINTH DAY.

(Calcutta.)

Monday, 20th December, 1920.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Mr. J. TUKE.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., C.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Lieutenant-Colonel H. A. CAMERON, C.I.E., R.E., Agent, Eastern Bengal Railway, was called and examined.

3877. With reference to a preliminary note which had been furnished by him to the Committee, Colonel Cameron explained that he had been Agent of the Eastern Bengal Railway since July, 1919. His previous experience had been mainly in the Traffic Department of the North Western Railway, which he had joined in 1897. He had risen to the post of Traffic Manager on that line. During the war he had [redacted] Controller of Traffic, Railway Board, at the Headquarters of the Government of India.

3878. In reply to the Chairman, Colonel Cameron stated that he had no very decided opinion as to the respective merits of management by the State and by companies. He considered that it is mainly a question which system lends itself best to financial requirements. Referring to his recorded opinion in favour of using the State-managed railways as a training ground for officers, he admitted that experience during the war did not show that the administration of military railways has suffered through the lack of similar training facilities in the United Kingdom. He did not therefore lay stress upon this argument in favour of management by the State. With reference to the strategical portion of the North Western Railway, he agreed that it would appear fair to charge the cost of working this to the Army Department and not to railway funds. He considered that a reasonable separation of the military and commercial lines might be made, notwithstanding that to some extent they merge in each other.

3879. Colonel Cameron was inclined to think that, in the event of the railway companies' boards of directors being domiciled in India, it would be difficult to get directors of the right kind, both English and Indian, in sufficient numbers. Some suitable directors would undoubtedly be available. Generally speaking, he considered that business men in India are too busy to devote sufficient time to the business of a railway. The Chairman pointed out that the English directors do not in practice devote a very large part of their time to the business of the railway companies' work; he said that ordinarily they spend only about one day a month on it. In view of this information, Colonel Cameron said that it might be easier than he had thought for business men to undertake similar responsibilities in India. He thought that the *minimum* number [redacted] required for a board would be three. He agreed that the managing director should have wide powers of action, and could work better without detailed interference by his board of directors; the board would be wanted only to deal with questions of real importance; he would be satisfied, as agent or managing director of a railway, with a small board whose functions would be limited in this manner.

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Colonel Cameron thought that funds would be forthcoming to the extent necessary for railway development only if more attractive terms are offered in view of the altered value of money. He thought it would be necessary for Government to offer a guarantee of 6½ per cent. *plus* the same share of surplus profits as at present. He mentioned that the ratio of working expenses to gross expenditure is rising so high that the hope of securing substantial surplus profits are not very promising unless a general increase in rates and fares is made. He considered that the question of making such an increase would require attention in the near future.

3880. He mentioned that at present the ratio of expenses to earnings in the case of the Eastern Bengal Railway is about 70 per cent. as against a normal pre-war figure of about 58 per cent. He stated that during the war expenditure on maintenance and renewals had been allowed to fall into arrears, and the Government took advantage of this saving and appropriated the money to other uses setting up no reserve to meet subsequent heavy charges on account of deferred maintenance and renewals.

3881. Colonel Cameron stated that his experience satisfied him that there need be no apprehension that directors of railway companies domiciled in India would allow their private business interests to militate against the conscientious performance of their duties towards the railways in their charge. He expected that business men, whether Europeans or Indians, appointed as Directors would not only be good business men, but could be trusted to look after the interests of the railways. He laid stress on the fact that business men already have a substantial stake in the well-being of the railway system.

3882. Referring to the Railway Board, Colonel Cameron said that it appeared to him that some such body is necessary. He thought that the President and the Members are too much occupied by office work, and that if this position cannot be altered they should be furnished with the assistance of experts in the traffic and locomotive departments: they have already the assistance of a senior officer in the Engineering Department. The duties of these experts would be to visit railways and carry out inspections on behalf of the Board and investigate on the spot proposals for development, etc. Colonel Cameron saw no need for the imposition of any additional control by the Railway Board upon the administration of railways. With regard to the position of the President he had little personal knowledge, but was disposed to think that he should have a higher status than that which he appears to hold at present; preferably he ought to be a member of the Government. The Board might then consist of the President and three Members; one expert in traffic matters, particularly rates and fares; another skilled in engineering and the third in finance. He observed that an appointment of a traffic officer as a Member of the Railway Board had recently been approved, and one of the Members of the Board already has engineering qualifications. No Member at present has financial experience, but a change has recently been made in the attachment to the Board of a Financial Adviser; he considered that this was a change for the better, but that this officer would carry more weight if he were actually a Member of the Board.

3883. With reference to the question of extending the railway system, Colonel Cameron said that it appeared to him necessary to set the house in order before adding to it. He considered that the traffic facilities of the Eastern Bengal Railway are adequate if the traffic is reasonably distributed throughout the year. The jute crop traffic, however, is at its heaviest [illegible] July and November. He did not think it would be fair to the railway to ask it to transport the whole of this heavy traffic during that period. He thought it would be reasonable to aim at a mean between providing railway facilities on such a scale as to deal with the traffic during the period of heaviest demands (which would be necessary fully to meet the demands of trade) and spreading the traffic more or less uniformly throughout the year (which is the ideal from the railway management point of view). He did not think that the average delay during the seasons of greatest pressure is more than from about 14 days to a month. Difficulties had been accentuated in the current year owing to the lateness of the jute crop and the consequent exceptional pressure on the railway in November. He mentioned that the special seasonal rates for traffic which were formerly in force had been cancelled.

3884. Referring to the Branch Line Terms, Colonel Cameron observed that the financial attractions of these needed to be improved on the lines already indicated by him. He thought that the Branch Line Companies should be entitled to take the whole of the surplus profits after refunding any payments already made in previous years under the guarantee clause. He thought that branch lines are worked by main lines for too low a percentage of the gross earnings in some cases.

3885. Colonel Cameron condemned the existing lapse system in relation to railways. He believed that no railway officer could be found to speak in its favour. Dependence on the vicissitudes of the general financial position of Government from year to year results in embarrassment, money sometimes not being available when required, and at other times being extravagantly expended, owing to a rush to spend at the close of the year in order to avoid a "lapse." He thought it desirable that if possible a budget grant should be made for a period of three to five years allowing more continuity and uniformity of expenditure. The ideal solution of the existing financial difficulties is no doubt to be found in the complete separation of railway finance from the general financial arrangements of Government: he thought, however, that there is very little hope of securing this.

3886. Regarding rates, Colonel Cameron explained that in the case of the Eastern Bengal Railway, competition exists mainly with the river navigation companies and generally speaking there had been no serious complaints about rates. Reasonable rates were amicably arrived at in discussion with the river companies. Rates for the principal commodities dealt with on this railway such as jute and tea are not altered until after consultation with the Railway Advisory Committee. Rates for jute were recently put up in consultation with this Committee.

3887. The Eastern Bengal Railway Advisory Committee consists of six members engaged in, or conversant with, the commerce or industries of Calcutta or of the districts served by the line. Four members are nominated by the Bengal Chamber of Commerce to represent respectively the tea, loose jute, jute mill and general industries; and two members by the Bengal National Chamber of Commerce, one of them to represent the loose jute trade and the other general industries. The Members of the Committee are influential people, some being Europeans, the others Indians. At present all live in Calcutta. The Committee meets once in three months and the Agent treats its advice with great respect.

3888. As regards the facilities of the Eastern Bengal Railway the Agent considers that it is abreast with current requirements so far as rolling stock is concerned, provided the traffic be reasonably spread over the year. It can lend stock to other lines except during the heavy jute season. There is some lack of adequate terminal facilities at Calcutta which is accentuated at times by the tendency of the public to delay taking delivery of goods. It is not easy to counter this by enforcing demurrage charges.

3889. Replying to Mr. Purshotamdas Thakurdas, Colonel Cameron expressed the opinion that military officers might be trained on lines managed by companies as well as those managed by the State. He considered that the management of State-owned and managed lines is generally speaking as efficient as in the case of company-managed lines. He could not say that the absence, in the case of State-managed lines, of a body corresponding to the Companies' Board of Directors was injurious. He had little personal experience in this matter, but he is not disposed to attach much importance to the Boards of Directors of the English domiciled companies from the management point of view. With reference to the latitude allowed to the Agents of railways in the alteration of rates and fares between widely separated maxima and minima fixed by Government, Colonel Cameron thought that the railway administrations have, normally speaking, sufficient power to accommodate charges to requirements. With reference to the suggestion made by Mr. Purshotamdas Thakurdas that possibly the latitude allowed to the Agents is too great, and that the Government thus retain insufficient control in the public interests, he did not think that there was evidence of any general complaint in respect of the fixing of rates and fares.

3890. The Advisory Committee had been at work for some two years past; not as long as the corresponding body in the case of the East Indian Railway. He found it very useful to him; the Indian members were able to keep him in touch with Indian opinion on matters relating to the business of the railway.

3891. Speaking of his experience as Controller of Traffic, Railway Board, during the war, Colonel Cameron explained that owing to the conditions then obtaining no inconvenience was caused by the existence of competitive or block rates. In cases in which traffic had to be diverted from the preferred route to another because the former happened to be congested at the time, charges were made according to the original booking irrespective of the route actually used.

3892. Replying to Mr. Hiley, Colonel Cameron stated that the Agent prepares an agenda for the Advisory Committee. He had no occasion to invite a meeting of the Advisory Committee between ordinary meetings, but he discussed matters with Members of the Advisory Committee and others on special occasions when necessary.

3893. Colonel Cameron considered that the Railway Board scrutinises proposals for such developments as yard extensions, doubling of lines, etc., from the point of view of satisfying itself that the traffic justifies such schemes; a sufficiently detailed report goes to the Board to enable it to investigate details and these are discussed personally with the Board in the case of important works. The Railway Board has had no traffic expert, with the exception of a recent temporary appointment for a short time, and its examination of cases involving traffic knowledge is usually a paper examination at headquarters. A Member of the Board with traffic experience has just been appointed. The Railway Board has little time for detailed inspection of the railways, though these are made when possible. The Eastern Bengal Railway has not been inspected by a Member of the Railway Board for about three years. Colonel Cameron said that he has had no serious difference with the public in respect of rates.

3894. Answering Sir R. N. Mookerjee in connection with the division of surplus profits, Colonel Cameron explained that he thought that Government should first be recouped the amount of any guarantee payments made in previous years.

3895. Mr. Hiley enquired where the headquarters of the proposed wagon control organisation would be. Colonel Cameron stated that the idea was to have it at Allahabad. It had not been contemplated to have subordinate officials, etc. The President of the Indian Railway Conference would have a voice in the management of the control department. Colonel Cameron thought that generally speaking the Director of Wagon Control would obtain sufficient and up to date information by means of the submission to him of telegrams and statements from junctions regarding demands and wagon movements, etc. He had received similar information with fair satisfaction when working during the war as Controller of Traffic. He had, however, had deputies on the railways at that time. On the whole he thought it might perhaps be desirable to have 3 or 4 deputies under the Director of Wagon Control. These might be officers of appropriate railways. Only broad gauge railways are concerned with wagon control. It was a disputed question whether the pooling of wagons is really desirable. Difficulties are certainly anticipated in ensuring the due return of wagons to their owners for repairs. A Committee was now being appointed by the Indian Railway Conference to go further into the matter. Colonel Cameron personally was satisfied that a better use of stock would be secured by means of pooling arrangements, though he recognised that the repair question involves considerable difficulties. Nothing has yet been definitely settled on the subject.

3896. Replying to Sir Henry Burt, Colonel Cameron stated that he was not in a position to discuss in detail the question of the President of the Railway Board's status. It was a corollary of his suggestion that the President might be a Member of the Council that he should be supreme upon the Railway Board and not merely *primus inter pares* as at present. When mentioning a minimum of 3 Members as desirable for the Board of Directors domiciled in India, he had not meant to suggest that this figure should be regarded as a desirable one; seeing that he already had an Advisory Committee of 6 members he thought some such number as this would be more appropriate. As Agent of a railway he would not object to being *required* to discuss particular classes of questions of importance, such, for example, as the capital programme proposals, with the Advisory Committee. He thought that the management of a railway might obtain as much help and advice from an Advisory Committee as from a resident Board of Directors.

3897. In answer to Mr. Sastri, Colonel Cameron stated that there are several Indians employed in the higher grades on the Eastern Bengal Railway, relatively more on this line than on other railways. As in the case of Europeans, so in the case of Indian officers, he was satisfied with some but not with others. He considered that there are many Indians intellectually suitable for employment in the higher posts on railways, but he was not certain that they had the same power of enforcing discipline as Europeans. He had had 18 months' experience of the staff of the Eastern Bengal Railway. Of the Indian Officers now employed on the railway none are in administrative appointments, a considerable number are engaged as Assistant and District Traffic Officers. The late Chief Engineer of the railway was an Indian. Colonel Cameron said that he would be diffident in expressing an opinion as to whether too many Indians are at present being appointed to the higher grades on the State Railways.

3898. Replying to Sir George Godfrey, Colonel Cameron stated that the Controller of Traffic during the war had certain powers of compulsion under the Defence of India Act. He did not think that the powers of the proposed Director of Wagon Control would be based on any special legal provision. The Director would be a servant of the railways in general, deriving his authority from the Indian Railway Conference Association. He recognised that his work as Controller of Traffic during the war had been simplified by the fact that he was dealing with military requirements, regarding which information was readily available from Army Headquarters with which he was in close touch. He believed that the Director of Wagon Control whom it is now proposed to establish would have greater difficulty in ascertaining public requirements. He thought that the three deputies already mentioned would in some cases have to exercise powers delegated from headquarters.

3899. Traffic congestion had been a matter of frequent occurrence in past years. Arrears [illegible] been cleared in the slacker seasons without the assistance of the Director of Wagon Control. He thought, however, that the position is now generally more acute than in the past, though he hoped it would not be worse in the coming year than it had been in 1913. The scheme for instituting wagon control would admittedly be experimental.

(The Witness withdrew.)

Mr. R. W. CHURCH, Mining Engineer to the Railway Board, was called and examined.

3900. Mr. Church explained that his functions as Mining Engineer to the Railway Board were wider than the designation suggests. He advises on the purchase of coal for most of the railways in India, as well as buying for other departments of Government. The Department under him works one colliery at present, and it is proposed to work a number of others later on. During the war he had had powers of requisition under the Defence of India Act and was responsible for the supply of coal on admiralty account for all ports between Singapore and Port Said and for all requirements in the Persian Gulf and Mesopotamia, and was appointed as Deputy of Sir George Godfrey when the latter was appointed Coal Controller.

3901. With reference to the information furnished in Appendix No. I of his notes, Mr. Church stated that the *theoretical* capacity of the railways to handle coal traffic is in excess of the present output of the coalfields. Practically, however, railway capacity is more than one million tons per annum short of the output. He confirmed that the output of the collieries per month from January to May is nearly double that of the rest of the year. It would require 4,160 wagons loaded daily in order promptly to clear the raisings during the busy season.

3902. With reference to the figures in Appendix No. II, showing the increase in past years in colliery output, he mentioned that the war had practically stopped the increase. The collieries were in the habit of accumulating stocks up to a certain limit, but when this point was reached they restricted output. They could not afford to incur expenditure on producing indefinitely coal which could not be removed. He was of opinion that the output of coal would have been higher had the railways been able to carry it. He agreed with the Chairman in summing up that there is a rapidly increasing demand for Indian coal and that the output of coal could keep pace with it, but was blocked by the limitations of railway capacity.

3903. About one-third of the total coal produced is used by the railways themselves. He considered that the reason for the railway difficulty since 1918 was not a shortage of wagons but a general incapacity to handle the traffic. The capacity of the railways had not been increased materially during the war. In the past the output of coal had outstripped the wagon supply; but now it has outstripped the other railway facilities. In the event of the proposed Central Wagon Control system being introduced, Mr. Church thought that fewer wagons would be supplied for coal traffic than at present. The feeling of the Indian Railway Conference appeared to be that the railways directly serving the coalfields give undue preference to the coal traffic.

3904. Mr. Church developed the arguments given by him in his written statement regarding the need for opening up the Bokaro and South Karanpoora coalfields by lines carried Westward to connect the new collieries in these fields to the existing railway system. His estimate of cost of 3½ crores for this railway was based on a rough figure of 1½ lakhs per mile: the new lines would have to be some 200 or 250 miles in length. The saving, which he estimated at Rs. 180 lakhs per annum, would be secured by mining three million tons of coal at the actual cost of about Rs. 3 per ton as against about Rs. 9 per ton for coal of similar quality bought from the colliery companies. In calculating this saving he disregarded the cost of carriage, which on his assumption would be practically the same as at present. The new coal provided under his scheme would be utilised for railways in western and north-western India. Mr. Church recognised that the railway consumption of coal will continue to increase.

3905. At this point the public withdrew and the remainder of Mr. Church's evidence was given *in camera* (*see* numbers 3906 to 3913 in the volume of confidential evidence).

P.S.—In view of statements made by another witness, Mr. Church subsequently furnished the Committee with the following particulars relating to the purchases of coal arranged by him for the three year period ending 31st March, 1925:

PURCHASES OF COAL FOR INDIAN RAILWAYS, &c., BY THE MINING ENGINEER, RAILWAY BOARD.

	Limited Companies or privately owned collieries under European Agency.	Indian owned collieries under European Agency.	Collieries owned by statutory Indians under private ownership.	Collieries owned by Limited Companies or privately, but managed under Indian Agency.
	Average 3 years *Tons.*	Average 3 years. *Tons.*	Average 3 years. *Tons.*	Average 3 years. *Tons.*
N.W. Railway	918,000	90,000	200,000	Nil
O. & R. Railway	290,000	—	—	48,000
E.B. Railway	210,000	—	—	218,000
G.I.P. Railway	508,000	—	—	182,000
B.B. & C.I. Railway	498,000	12,000	—	262,000
B. & N.W. Railway	120,000	—	—	12,000
M. & S.M. Railway	114,000	—	—	153,000
S.I. Railway	264,000	—	—	—
Small Lines	38,000	—	—	126,000
Other Government Departments	36,000	—	—	122,000
Shipment Loco.	210,000	144,000	—	—
	3,206,000	246,000	200,000	1,123,000

(*Notes by Mr. Church*).—All these coals have been taken at the same price, quality for quality, without considering the ownership of the collieries. Collieries in Column 4 of the statement are not responsible for more than 15 per cent. of the total output, so it can be seen how great a proportion of their coal has been taken. I have always refused to consider the question of ownership of a colliery, whether European or Indian when I buy coal; value and price is all I will take notice of.

Further, a reference was made by the Committee to the Mining Engineer in connection with statements made to the Committee on the 13th January, 1921, by representatives of the Indian Mining Federation. The following extract is taken from Mr. Church's reply:—

"To deal with the particular example given by Mr. Ghosh (Chatabar Colliery), the procedure in "this Department is, when any firm, European or Indian, opens out a new colliery or a new seam in an "existing colliery, it applies to me for an official inspection, which I invariably arrange, and usually "have samples taken for test in the Government Laboratory at Alipore. On this the coal is graded, and "a small trial order is frequently given so that its actual value can be ascertained. Chatabar Colliery "as a seriously worked place is comparative new; in 1916, when most first-class coals were requisitioned, "it did not appear in our list of collieries, and it was not until 1918, when Sir George Godfrey, then Coal "Controller, arranged for a series of tests of Raneganga coals to be made at Giridih, to ascertain what "coking value these coals possessed, that it was discovered that the 30 feet seam of Chatabar was "actually a first-class coal. The report of these tests by the Colliery Superintendent, Giridih, is dated "May, 1919. I am not aware of the date on which Villiers, Ltd., became possessed of Chatabar Colliery, "but the nationality of its owners had nothing to do with the test which was made. Of the 20 coals "(from 15 collieries) tested, 5 were from collieries owned by Indians and 15 by European firms, but "this range of tests enabled us to fix the coking value of practically every coal in the Raneganga field."

"I cannot trace any record of Chatabar Colliery previous to 1918, and I understand that Messrs. "Villiers, Ltd., disposed of the best portion of the colliery to Messrs. Linton, Molesworth and Company "under the name of Jasnadih, for a small sum before they knew the value of the coal."

Mr. F. C. LEGGE, C.B.E., Coal Transportation Officer, Railway Board, was called and examined.

3914. Mr. Legge stated that he holds a temporary appointment, with headquarters at Calcutta. The appointment was created after the Coal Controllership, itself a wartime appointment, ceased to exist, and was intended to enable the coal control work to be finished up. Although at present temporary, he expects that the appointment will be maintained at least for some time to come. Before taking up his present appointment, he had been Coal Manager on the East Indian Railway and was concerned with the transportation of coal on that line. He had subsequently held the appointment of Deputy Coal Controller. He does not derive his present powers from any legal enactment but understands that Government are considering the question whether any legislation is necessary to regularise his orders.

3915. Mr. Legge stated that the supply of wagons for coal traffic had long been inadequate. The East Indian Railway carries about 75 per cent. and the Bengal Nagpur Railway about 25 per cent. of the traffic. He thought that 2,000 wagons per day on the East Indian, and 650 wagons per day on the Bengal Nagpur Railway would be a reasonable allotment. The Bengal Nagpur Railway capacity for handling coal traffic is limited to about 680 wagons daily. The line supplies chiefly Southern India and to some extent the Great Indian Peninsula Railway. Katni Marwari, the Bengal Nagpur Railway junction for traffic going to the north west of India, has a capacity only of 70 wagons per diem for coal from the Bengal Nagpur Railway. Sir George Godfrey explained that this is a small junction on a relatively unimportant line which passes a good deal of other traffic; hence its capacity is very limited. When this route is congested, the East Indian Railway takes the traffic from the Bengal Nagpur Railway by Gomoh.

3916. Mr. Legge said that his function is to make the best distribution of the available wagons for coal loading. He does this in accordance with an approved priority classification which places the coal in the following order of preference: Export coal; bunker coal; railway loco coal; and "X" class coal; namely, emergency supplies of—

(*a*) coal for works of public utility, *e.g.*, electric lighting companies, gas and water works, arsenals, etc.;

(*b*) coal for large industrial concerns, *e.g.*, jute mills in Calcutta, cotton mills in Bombay;

(*c*) coal required for the manufacture of soft coke for domestic consumption, for flour and rice mills, large engineering works, tea gardens and indigo factories;

(*d*) coal for cotton ginning and pressing plants, and small engineering works;

(*e*) brick burning coal, coal for depôts and small lime works;

(*f*) unimportant B/B coal.

3917. This priority list was introduced by the Coal Committee which was appointed in 1917, and has since been modified from time to time.

3918. Up-country reserves of coal have been low for some time. Of late the difficulty has been the supply of coal at the collieries, the collieries' demands for wagons placed upon the Coal Controller having been met.

3919. Mr. Legge explained that the colliery companies send to the local railway officers indents for wagons to enable coal to be delivered for specified purposes. So far as relates to the supply of wagons for coal needed for railway consumption, the Mining Engineer, Railway Board, indicates what is necessary.

3920. In reply to the Chairman's enquiry what would happen if the available coal supply was sufficient at any time only to meet the need of the first three classes in the priority list, Mr. Legge stated that the other consumers would have to try to buy elsewhere from the market.

3921. Mr. Legge explained that the shortage of coal wagons affects the price which collieries are now able to ask for coal. They ask lower prices for coal loaded in wagons supplied under emergency certificates than for that loaded in surplus wagons remaining after emergency certificates have been met. In many cases such wagons are auctioned by those to whom they are allotted. An objection therefore to the emergency certificate system is that consumers are free to use it to cause an artificial reduction in the price of coal.

3922. The Chairman drew attention to the apparent anomaly of placing coal for shipment in the highest place in the priority list, notwithstanding that this is precisely the class of traffic the restriction of which is now being strongly pressed upon the Government by Indian consumers, and would seem to require only secondary consideration from the Indian point of view. Mr. Legge explained that, to prevent congestion of the docks, coal is not allowed to be supplied for shipment until a berth has been definitely declared for a steamer entering the port. At that stage a definite guarantee of wagon supply to carry the coal to the ship becomes necessary in order to prevent delay to the ship, with consequent heavy demurrage charges. It was for this reason that coal for shipment was ranked high in the order of supply. It does not follow that unlimited demands for wagons for shipment coal could be made; these in fact being controlled by the special orders of Government restricting by licence the extent of bunkering and shipment of coal.

3923. No control is exercised in India over the sale price of coal at Colombo. It has been suggested that Indian coal is liked in Colombo because it is cheaper than what can be obtained from other countries. Mr. Legge had no doubt that the supply of wagons for coal is inadequate. He thought that if the supply could be increased at once by say 20 per cent. the East Indian Railway could deal with the traffic as they have a substantial margin of facilities to handle more wagons in the coalfields, the Bengal Nagpur Railway however have not. Mr. Legge was not prepared to express an opinion upon the scheme put forward by Mr. Church to afford relief by opening up new coalfields, connected with the existing rail system by railways towards the north west of India. He had not seen the details of the scheme. He thought that the down-country traffic to the south and to the docks is more important. He observed that the East Indian Railway had provided extra facilities for down-country traffic. He observed that war conditions had led to the traffic going to the west of India by an unusual (all rail) route, and that when complaint is made that railway facilities are short it must be remembered that the coal had thus been abruptly diverted to a route by which it had never been contemplated that it should be carried to such an extent. He did not think that it was a

matter for surprise that, for example, the Great Indian Peninsula Railway could not take over coal at Jubbulpore to the extent desirable. Although unable himself to express an opinion as to future probabilities, he suggested that in discussing the further facilities to be provided by railways attention should be paid to the possibility of the coal traffic for western India reverting to the route via Calcutta and the sea, from the all rail route. With regard to Mr. Church's suggestion for the construction of new lines from the Bokara and South Karanpoora coal-fields, Mr. Legge pointed out that the up-country capacity of the railways might be taken at from 1,000 to 1,100 wagons or say 21 freight trains each way per diem. The coal traffic could be increased only at the expense of general merchandise. The down-country capacity would allow of the transport of 1,200 to 1,300 wagons of coal and leave room for additional merchandise traffic also.

3924. In answer to Sir Henry Burt regarding the capacity of the East Indian Railway above Allahabad, Mr. Legge doubted if the line could take more than 14 trains each way, and remarked that whenever the traffic in the up direction is more than that Railway can carry over the sections above Allahabad they divert a certain number of train loads over the Oudh and Rohilkhand at Moghal Sarai; he was of opinion that the capacity of the Moghal Sarai yard in the up direction is good, but that in the down direction the East Indian Railway require extra facilities to enable them to deal with the daily flow of wagons, particularly empties. He stated that the East Indian Railway can haul train-loads of 50 wagons to Jubbulpore but the Great Indian Peninsula Railway has to break them up there. Restrictions on the receipt of coal traffic by the Great Indian Peninsula Railway occur at Jubbulpore and Agra. Mr. Legge considered it impracticable to make any reliable estimate of the average time required for the turn round of coal wagons.

3925. In answer to Mr. Purshotamdas Thakurdas, Mr. Legge stated that he did not think that much coal traffic for Karachi at present is going by sea. The Government do not allow preferential supply of wagons for bunker coal despatched to Bombay and Madras by the all rail route. He expressed the opinion that the rate of loading at Kidderpore docks might be improved by adopting mechanical loading appliances. One such appliance is at present working at the docks. Whatever form of mechanical appliances are used should be suitable for dealing with all types of wagons and not with wagons of particular kinds only.

TENTH DAY.

(Calcutta.)

Tuesday, 21st December, 1920.

PRESENT:

SIR WILLIAM ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. L. GREENHAM, Chief Auditor of the B. N. Railway Co., was called and examined.

3926. Mr. Greenham stated that he had been employed throughout his entire service on the Bengal Nagpur Railway and was now the Company's Chief Auditor.

3927. The Government Examiner of Accounts also checks the work on behalf of the Government of India. In practice the company's auditor and his staff do all the audit and accounts work, the Government Examiner merely imposing a test audit and attending more particularly to points where the interests of the company and those of the Government seem likely to diverge, especially questions affecting the distribution of expenditure between capital and revenue. The company's audit staff numbers some 500 men. The Government Examiner's staff consists only of a few, say four, accountants. The arrangement thus involves the employment of no larger an establishment in the aggregate than would be employed on a State railway of corresponding size except as regards the few men in the Government Examiner's office. The accounts are submitted to the Accountant-General, Railways, whose headquarters are with the Government of India. Mr. Greenham thought that the Accountant-General, Railways, does not check the accounts, but merely compiles them into a general railway account which is submitted by him to the Comptroller and Auditor-General for incorporation in the accounts of the Empire.

3928. The chief auditor has a separate branch in his office for statistical work, as distinct from accounts and audit work. About 80 men out of the total of 500 are employed in this section. The statistics are submitted to the Railway Board; and it is understood that the Railway Board's staff does little original work in connection with the preparation of statistics, merely bringing together into proper statements the figures submitted by the several railways. Mr. Greenham said that the total staff employed against the pay rolls is about 12,000, this representing for the most part salaried staff on Rs.15 and upwards. In addition to these, there is a large workshop and labour force. The labour force does not vary much during the year. Mr. Greenham promised to furnish the Committee with figures of the total staff, the clerical staff, and the number (included in the clerical staff) employed on the work of accounting and statistics, not however including any station staff in the latter category.

3929. With reference to the preparation of capital programme for the Bengal Nagpur Railway, Mr. Greenham mentioned that the "July forecast" sent up to the Railway Board for acceptance in July, 1920, proposed an expenditure of Rs.576 lakhs including Rs.30·39 lakhs for lines under construction and Rs.22 lakhs for new lines during 1921-22. As a result of discussion with the agent, the Railway Board agreed

that an amount of Rs.392 lakhs for open lines and Rs.53 lakhs for lines under construction and new lines might be reasonably accepted by it, if funds could be secured from the Finance Department. Subsequently, however (presumably as a result of a failure to secure the total amount from the Finance Department), the railway had been advised that they could not expect a larger grant than Rs.179 lakhs for capital purposes during 1921-22, this figure including Rs.16 lakhs against the demand for 52·39 mentioned above for lines under construction and new lines. Mr. Greenham stated that the Railway was, in accordance with the orders, now about to submit an "estimate" in the usual form, working up to Rs.179 lakhs, but that in fact this figure was completely inadequate and would hardly allow even of meeting existing commitments, while making no provision at all for the necessary further outlay. The railway company had, therefore, decided to adopt the unusual course of simultaneously sending up a second budget estimate proposing an allotment of Rs.302 lakhs as representing the railway's minimum real requirements. In this connection the Chairman drew attention to information which had been given to him that, whereas the aggregate demands of railways for capital expenditure during 1921-22 were upwards of 32 crores of rupees, which had been reduced by the Railway Board to some Rs.28 crores, an indication had been given to the Railway Board that the allotment would probably be no more than Rs.12 crores.

3930. In connection with the existing commitments to which allusion had been made, Mr. Greenham observed that, if the grant to the railway were restricted to Rs.179 lakhs, as suggested, it would be necessary for the Railway to set aside out of this some Rs.158 lakhs practically all for rolling stock, machinery, revenue stores, etc., this figure representing orders already placed in England. There is an outstanding liability also of some Rs.12½ lakhs for erection charges of wagons now being erected in Calcutta.

3931. In reply to the Chairman Mr. Greenham said that it was true that the net result was that, with a steadily increasing traffic, there was no prospect of funds necessary to provide facilities to deal with it.

3932. The capital forecast is prepared in the agent's office and is submitted in his name. The chief auditor helps mainly in the compilation of figures which are furnished to him by the agent. Little importance is attached in practice to the figures for the second and third year of the triennium to which the forecast nominally relates. The demand is considered and criticised only with reference to the next approaching year. Unless funds could be provided on a decidedly more liberal scale than at present communicated, Mr. Greenwood anticipates that the position of the railway will become serious in the near future.

3933. The preliminary forecast submitted to the Railway Board deals primarily with the capital requirements. It includes also an indication of the money required for what is known as "programme revenue expenditure," Under this heading is included all revenue expenditure on large works which are chargeable party to revenue and partly to capital, as well as all special items of revenue expenditure which cannot be regarded as falling under the category of current maintenance. "Ordinary revenue expenditure" includes all the daily expenditure on salaries, wages, consumable stores, minor repairs, etc., incidental to the working and upkeep of the line.

3934. Mr. Greenham thought that the programme revenue figures are not discussed in detail by the Railway Board at the same time as the figures relating to capital.

3935. Mr. Greenham explained that in December of each year a preliminary capital budget is compiled on the basis of the intimation received from the Railway Board of the amount likely to be allotted (in the instance already discussed, on the basis of Rs.179 lakhs). The capital budget thus depends on the amount which the Railway Board has been able to persuade the Government of India in the Finance Department to promise rather than on the actual necessities of the line. The individual railway has no direct relation with the Finance Department and can only represent its requirements to the Railway Board.

3936. Final budget orders are usually issued at the end of March. The final issue of the budget of a railway is submitted in or about May of the year to which the figures relate. It is understood to be used by the Accountant-General, Railways, as one of the components of the final budget for all railways. Although still labelled budget "estimate" the figures in it have ceased to be estimates at this stage and the final issue is simply a record of what has been decided upon.

3937. In reply to Mr. Hiley, Mr. Greenham explained that, once a definite sum has been allotted, the Railway Board does not control its distribution as between individual works. Some control is ordinarily exercised by the Railway Board as between the expenditure on rolling stock and other works. Mr. Greenham understood, however, that this control had been relaxed temporarily during the war, and had not since been re-enforced.

3938. The Railway Board's control over the expenditure on any particular work is exercised really through the Board's sanction to, or refusal to sanction, estimates for the works themselves, and not through the allotment of funds for the particular works in any special year. Administrative sanction when accorded to a work does not imply authorisation to spend money upon it but only a recognition that the work is desirable and that the estimate has been accepted as reasonable. Funds must definitely be provided within the budget allotment. In the case of such things as engines, which take a long time to obtain from England, it is not uncommon to obtain the Railway Board's permission to send home an "indent" or demand for the engines in advance of actual sanction to the estimate. By an "indent" is meant an official supply order bearing a certificate by the Chief Auditor and Government Examiner of Accounts that the necessary funds have been earmarked from the grants allotted to the railway. On receipt of such an indent the Board of Directors in London enters into contracts for the purchase of the stores or articles demanded.

3939. As regards the allocation of expenditure between capital and revenue, this is done in accordance with rules of allocation which have been established as a result of discussion between Government and the railway companies. If, for example, a 75lb. rail is replaced by a 90lb. rail (and provided an extra charge is involved) it is the practice to debit to capital account one-sixth, as representing the increased weight of the rail. The railway company would not be free to charge the whole cost in such cases to revenue even if it desired. It would have to refer any such proposal to the Railway Board, for sanction.

3940. Mr. Greenham explained that the preliminary revenue estimate which is submitted to the Railway Board in December of each year includes proposals relating both to the "programme revenue expenditure" and the ordinary revenue receipts and expenditure of the following financial year. These preliminary estimates are usually discussed in person by the agent of the railway with the Railway Board in December or January. The final issue of the revenue estimates is based on the budget orders issued in March and is sent in about May of each year as in the case of the capital budgets. The "Establishment and Authorisation Rolls" are a detailed list of sanctions embodying the whole expenditure chargeable to revenue which is contemplated in the year to which the Rolls relate. A preliminary edition of these Rolls is prepared in November of each year for the following financial year. Mr. Greenham said that it ought to be possible normally to issue the Rolls in their final form, early in April, as the changes necessitated by the final budget orders are not usually

very great. During the past year the Bengal Nagpur Railway had dispensed with the preparation of the detailed Establishment Rolls, the preparation of which presented unusual difficulty owing to uncertainty with regard to salaries and labour charges. It was possible for them to be dispensed with inasmuch as each individual item of expenditure included in them is covered independently by a specific sanction, whether of the Agent, the Home Board or the Railway Board according to circumstances.

3941. In reply to the Chairman Mr. Greenham said that from the railway point of view the numerous stages in the preparation of the budget, between the submission of the preliminary forecast in July and the preparation of the final issue of the budget, appeared to be unnecessary, and might be considerably simplified, but he thought these stages are probably necessary from the point of view of the Government of India. It would greatly simplify matters and meet the point of view of the railways if railway finance could be completely separated from the general finance of Government. The variations in the programme from year to year make it difficult in some cases for railways to carry on their work without inconvenience. Normally enough money is provided for works actually in progress and serious inconvenience in regard to these is not experienced. Owing to the unusual extent to which the railway capital proposals for next year are being cut down, it is probable that the position in 1920-21 will be exceptionally embarrassing. In his experience the variations in the budget figures after Budget orders are passed by the Government in March usually take the form of additions to rather than deductions from grants. In some cases additional grants are offered at a late stage in the year, as much perhaps as up to ten lakhs being offered for expenditure. Offers of this kind made towards the close of the year are frequently too late to permit of economical utilisation.

3942. Mr. Greenham explained that, owing to the alterations in the rate of exchange, a lapse of about 39 lakhs of rupees is anticipated at the end of the current year, having regard to the rupee figures of the railway grant. The railway's original budget was based on a two shilling rupee, but the Government made a deduction of Rs. 54 lakhs for "gain on exchange" on the assumption that the rupee might be valued at 2s. 6d.

3943. In cases in which the railway authorities consider that an excess over the grant is likely to be incurred, the practice is to ask Government for additional grants. The only case, which Mr. Greenham remembered, in which work in progress had actually had to be closed down because of the inability to secure sufficient funds for it, was a case of a line under construction on which work was practically stopped for a period of 4 or 5 months after two years' work had been done. When the financial position improved funds were allotted and the work was allowed to proceed. This was a case of many years ago.

3944. Mr. Greenham had some difficulty in estimating the real effect of "lapses" on the aggregate sums allotted to railways. It appeared to him that, if a railway could spend the full amount allotted to it, it was on the whole unlikely to get more in the long run than another railway which had lapses at the end of each year. The Chairman suggested in this connection that any lapse which occurs goes to swell the Government's surplus at the commencement of the following year and is not treated as reserved for the particular company where the lapses occurred but may be redistributed in the following years among other companies. The point was not pursued.

3945. Mr. Greenham was doubtful whether during the period of construction of a railway work was much retarded owing to insufficient supply of funds. He had known of cases of a railway taking from four to five years to construct. In such cases the capital already spent lies idle except in so far as the line might be opened in sections. The Chairman observed that five years seemed to him a long time to build even an underground line in a city. It certainly seemed too long to build an ordinary line of railway communication. Mr. Greenham agreed that the time appeared excessive.

3946. Mr. Greenham said that usually there is only one informal discussion between the agent of the railway and the Railway Board regarding the programme of expenditure. This discussion normally occupies about half a day. Any further discussion is usually carried on by means of correspondence. He was not aware if the Railway Board commonly send out an inspector to investigate proposals involving expenditure on important projects.

3947. In this connection Sir George Godfrey speaking from his own experience explained that the ordinary course of discussion with the Railway Board is for the Board to go through the proposed works item by item with the agent, and to determine the necessity or otherwise of each and to cut the programme down if this was necessary. The Board relies on the Agent to explain where expenditure can be restricted with least inconvenience. The Railway Board does not go into the details of works estimates in the course of the budget discussion, but when dealing with the individual application for sanction to estimates it does investigate the details, and not infrequently sends out an inspecting officer, usually the Chief Engineer, to investigate matters on the spot or else asks the Agent for fuller information and justification of his proposals. Sir George Godfrey thought that the Railway Board generally examines more critically the estimates submitted by State lines than those submitted by the Agents of companies' lines which have already undergone the scrutiny of the home Boards of Directors.

3948. With regard to the future prospects of the Bengal Nagpur Railway. Mr. Greenham considered that receipts could only be restored to a reasonable standard by means of a general increase in rates and fares. It would be necessary to secure about Rs. 135 lakhs gross revenue more than is estimated for the current year in order to obtain an increase of Rs. 55 lakhs of net earnings required to give a return of 6 per cent. on capital outlay. He did not anticipate any such increase of traffic in the near future as would obviate the necessity for increasing rates and fares.

3949. Mr. Greenham gave the following figures as showing the return on the capital outlay of the Bengal Nagpur Railway, from the year 1913-14:—

1913-14	...	5·56
1914-15	...	5·07
1915-16	...	5·56
1916-17	...	6·51
1917-18	...	7·30
1918-19	...	7·48
1919-20	...	6·28
1920-21	...	4·85 } Estimate only.
1921-22	...	4·60 }

3950. Mr. Greenham was unable to indicate how far the increased dividend in recent years was due to the postponement of revenue expenditure, such as expenditure on renewals, relaying, etc., which in normal circumstances would have been carried out. He promised to furnish the Committee with figures showing the actual expenditure on repairs and renewals on permanent way and in the loco. and carriage departments from 1913 onwards. He also promised to comply with Mr. Hiley's request to supply a copy of the traffic operating statistics. He explained that statistics of wagon use are issued by the Traffic Department for the use of the operating staff.

3951. In reply to Sir R. N. Mookerjee, Mr. Greenham mentioned that although a considerable volume of military traffic had been carried during the war years, and extra earnings were secured to the railway from it, even now that military traffic had practically ceased, there was still a continual growth of traffic revenue.

3952. The following statements were subsequently furnished by Mr. Greenham:—

I. Statement of total staff employed on the Bengal Nagpur Railway, the clerical staff, and the number (included in the clerical staff) engaged on the work of accounting and statistics.

Total staff	56,694
Clerical staff	2,370
Staff employed in Accounting and Statistics (Section clerks not included) ...	777

II. Expenditure on ordinary maintenance and renewals on the Bengal Nagpur Railway, for the years 1911–12 to 1921–22 (in thousands of rupees).

—	1911–12	1912–13	1913–14	1914–15	1915–16	1916–17	1917–18	1918–19	1919–20	1920–21 (Estimated).	1921–22 (Estimated).
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Way and Works ...	18,99	20,60	24,31	21,53	23,06	23,07	25,76	26,52	31,23	36,11	36,93
Engines	12,28	14,10	15,90	15,43	16,45	21,50	26,96	28,64	34,84	40,19	45,42
Carriages and Wagons ..	14,82	17,02	17,23	15,97	16,48	21,01	32,22	43,16	61,20	60,50	65,75

Lieutenant-Colonel CAMERON, Agent of the Eastern Bengal Railway, was recalled, and examined together with Mr. C. S. SINCLAIR, Chief Auditor of the Eastern Bengal Railway.

3953. In reply to the Chairman, Mr. Sinclair explained that he was an officer of the Government of India, Finance Department, appointed by that Department to the post of Chief Auditor of the Eastern Bengal Railway, a State railway managed by Government. His pay is charged to the railway account, though he is subordinate not to the Railway Department but to the Finance Department. In the case of the State Railway there is no supervisory check over the work of the Chief Auditor corresponding to that of the Government Examiner of Accounts in the case of a company-worked railway.

3954. Mr. Sinclair promised to furnish a statement showing the number of staff employed on the railway, the total clerical staff and the total accounts and statistical staff, indicating separately under the last head the numbers separately of audit and inspecting staff. The following particulars were subsequently furnished by Mr. Sinclair in pursuance of this undertaking:—

1. Number of staff employed on the Eastern Bengal Railway	43,181
2. Total clerical staff	2,019
3. Chief Auditor's own staff:—	
(*a*) Clerks employed on statistical work	47
(*b*) The rest	513½
The details of (*b*) are:	
Officers	7½
(The half is accounted for by the fact that this office and the Chief Auditor, Oudh and Rohilkhand Railway, have only one Travelling Auditor between them.)	
Accountants	23
(Includes 1 Accountant at the Locomotive and Carriage Workshops at Kanchrapara and 1 at Saidpur.)	
Travelling Inspectors of Accounts	15
Clerks	468
Total	513½

3955. Mr. Sinclair explained that the statistics which are provided for the use of the executive officers on the line are worked out and furnished by the Departments concerned, namely, the Locomotive and Traffic Departments, and not by the Chief Auditor's office. The figures, which are reproduced in the Railway Administration report, are prepared by his staff and furnished to the Railway Board.

3956. Colonel Cameron stated that he does not use the Administration Report to a very great extent. The report is usually published too long after the period to which it relates; the report for the year 1918-19 was printed in December, 1919. He uses the Administration Report however for making comparisons of the results obtained on his line with corresponding figures for other lines.

3957. In the forecast of capital requirements for the year 1920-21, submitted to the Railway Board in July, 1919, Rs. 202·68 lakhs had been asked for. This demand was discussed item by item with the Railway Board itself, the Board being assisted to some extent by the Financial Joint Secretary, who is a member of its own staff. The discussion occupied the greater part of one day. The Railway Board had provisionally agreed to support an application for Rs. 161 lakhs excluding suspense. Subsequently the figure of Rs. 203 lakhs was adopted; the figure of Rs. 161 lakhs representing the cash provision, and the balance to be found from the existing store balances already paid for by capital. In budget orders a provision of 239 lakhs was approved, but the figure was ultimately reduced to Rs. 204·75 lakhs.

3958. In the forecast submitted in July, 1920, relating to capital requirements for the year 1921-22 the Agent asked for a provision of Rs. 214 lakhs. In putting forward this demand, he was influenced by the knowledge which he had obtained from the Board's staff that it would be necessary for railways to keep down their requirements as far as possible. He regarded the demand for Rs. 214 lakhs as a low one. The Railway Board accepted the figure with a slight reduction after discussion, but owing to the inability of the Finance Department to hold out any hopes of a sufficient provision of funds in the approaching year the Eastern Bengal Railway was subsequently instructed that its capital expenditure must be restricted to Rs. 96·17 lakhs. The Agent proposes to prepare his budget accordingly. He does not contemplate entering a special protest, as is being done, for instance, by the Bengal Nagpur Railway under somewhat similar circumstances. He thinks that he can manage to carry on with the Rs. 96 lakhs, but will have to restrict expenditure to what is absolutely unavoidable, postponing, for example, such urgent and desirable works as the provision of staff quarters.

3959. In the case of the Eastern Bengal Railway, a high standard of permanent way had been maintained shortly before the war, and, although expenditure was restricted because of the war, the line was not now so much in arrears as it would otherwise have been. There is a certain amount of rolling stock due for replacement. Certain engines had been ordered from home, but owing to the difficulty of financing the payment for them he had suggested their being transferred elsewhere. He thought that he could carry on without them without great difficulty. As the demand for engines had been put forward before 1919, *i.e.*, before he became the Agent of the Eastern Bengal Railway, he was not in a position to explain on what grounds the Railway Board had been persuaded to sanction the provision of

these engines, which apparently are not urgently required, at a time when railways generally are in difficulties for want of funds.

3960. Colonel Cameron condemned the system of lapse at the end of the financial year. He considered that it operates hardly on the railway management, and leads to extravagance. He had not often been in the position of having additional money pressed on him towards the end of the year, but had this occurred, he would find it somewhat difficult to resist the temptation to spend it hurriedly, and therefore possibly not economically, rather than lose it altogether by permitting the grants to lapse. He saw no reason why any money lapsing should not lapse to the Railway Board and be available for specific re-allotment by the Board instead of allowing it to lapse to Government to swell their general balances. The logical inference from his view was the adoption of a separate railway budget. He would strongly advocate this from the point of view of railway interests.

3961. In reply to Mr. Purshotamdas Thakurdas, Colonel Cameron expressed the opinion that it would be a great improvement if the railway programme could be more continuous—from three to five years. He admitted that a provision for allowing a re-allotment of lapses from year to year would in itself be a great improvement on the existing system.

3962. The Chairman drew Mr. Sinclair's attention to the fact that in the case of an ordinary company there is never an actual closing of accounts corresponding to the closing of the Government railway accounts from year to year, the difference being that in the case of the Government the budget is practically a cash amount of operations which are necessarily kept distinct from year to year.

3963. In reply to Mr. Hiley, Colonel Cameron stated that he was confident that in the event of the Railway Board finding it possible later on to secure an additional allotment of funds it would give the Eastern Bengal Railway its fair share, even though he does not protest at once against the reduction of his grant to 96 lakhs.

3964. Colonel Cameron stated that the transfer of staff from railway to railway in the case of the State railways causes some inconvenience. During recent years, however, the Railway Board had adopted a policy of reducing such transfers as far as possible Generally speaking, the salaries on the different State railways had been equalised, and this rendered the occasions for transfers less frequent.

3965. In reply to the Chairman, Mr. Sinclair stated that he had been Government Examiner on the Bombay, Baroda and Central India and Great Indian Peninsula Railways; and on the Southern Mahratta Railway, before the Southern Mahratta Railway was merged in the Madras and Southern Mahratta Railway system. His function was to make a test audit of the work done by the company's Chief Auditor and his staff, mainly with the object of seeing that the interests of the Government did not suffer where they were in divergence with those of the company; for example, he had to see that revenue was not benefitted at the expense of capital. The staff employed on this work had always been small relatively to that employed under the Chief Auditor, but it had been reduced still further in recent years, and the extent of the Government Examiner's check had been reduced to a minimum.

ELEVENTH DAY.

(Calcutta.)

Wednesday, 22nd December, 1920.

[The evidence of Mr. E. A. S. Bell, C.I.E., Member of the Railway Board was taken and is recorded under Numbers 3966 to 3997 in the volume of Confidential evidence.]

TWELFTH DAY.

(Calcutta.)

Thursday, 23rd December, 1920.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. F. R. BAGLEY, M.I.C.E., Retired Chief Engineer, State Railways, was called and examined.

3998. The Chairman said that the Committee had read with great interest the very full statement of his views and recommendations which Mr. Bagley had furnished, and it was proposed to ask him to elucidate only some of the matters dealt with.

3999. Mr. Bagley stated that he had been employed for 32 years on Indian State Railways, and for 13 years on company-managed railways, mainly as an engineer on open line. Of his service on company-worked railways, he had been for two years on the

Burma railways as engineer-in-chief of the open line; the remainder of his experience was that of a construction engineer. He had, however, had a great deal to do during the past 13 years with questions of railway administration in connection with the management of branch lines. Of the lines with which he was connected, the Darjeeling-Himalayan Railway was worked by its own administration, the others by the adjoining trunk lines.

4000. Mr. Bagley had changed his original opinion that State management was the best system for India. He was now satisfied, after long experience of both, that company management of railways is best, provided the companies are domiciled in India and have considerable freedom of action. State control is necessary, but should be limited to essentials. He recognised that the State must exercise, in India, greater powers of control than the Board of Trade used to do in England. For the State must protect its own financial interests as well as supervise railways in the interests of the public. In his opinion, the principal reason why the high hopes originally entertained with regard to the success of State management had not been realised was the influence of the Finance Department.

4001. He considered that the only satisfactory financial system would be one under which there would be a separate railway budget, somewhat as in Switzerland. The Viceroy in Council, he thought, should have control over the Railway Board, and the Board should have the same standing with the Government of India as the Finance Department has at present. He recognised that Government would expect a share of the railway surplus profits, since clearly they must at least be paid interest on the capital invested in the railways. As regards the balance, he considered that the Government should not regard railways as a means of profit, and thought the proper thing really would be that the whole of the net profits should be spent on railway improvement and development. He would rather trust the Railway Board in this than the Finance Department. This, however, was a counsel of perfection, and he thought that it might be reasonable to allow the Finance Department a limited share in the profits. He did not think that this would necessarily give them a right to dictate as to the management of railways. They would be much in the position of a profit-sharing debenture holder. He agreed with the Chairman's suggestion that the Government might perhaps claim to be compensated in some way for their past losses on the railway business. He would be disposed to agree that they might therefore receive a reasonable fixed rate of interest, somewhat higher than the interest charges actually paid by them, on the capital invested.

4002. Mr. Bagley would not sympathise now with the proposal made by Mr. Robertson in 1903 for drawing the personnel of the Railway Board entirely from England. He would not object to having one member with English experience, but considered that India is competent to find its own railway men.

4003. He regarded the Railway Finance and Administration Committee of 1907 as a purely finance committee. It did not investigate any system of management but that by the State.

4004. He considered that the programme system, especially in the matter of "lapses," works very unsatisfactorily for railways, even if it be true that the aggregate lapse of railway grants might be indirectly reallotted as part of the capital programme of the following year, which in practice is seldom or never done. Mr. Bagley considered the existing system of binding railways to varying annual budgets is intolerable and unreasonable. He quoted some instances of its actual effects in practice. He cited, for instance, a case of a railway under construction in Burma, on which, when it was feared that the grant would be exceeded, credits were withheld, work stopped, and labour dispersed. Mr. Bagley stated that in that case the contractors could not be paid, and their bills were offered for discount in the bazaar. The engineer-in-chief's assurance that there would be no excess was ignored. A heavy loss was incurred before work was resumed. The ultimate result showed that the engineer-in-chief was right, there being no excess. In reply to Sir Arthur Anderson, he admitted that that case was 38 years old; there were, however, more recent instances.

4005. In another case which occurred in 1892, the grant for a railway under construction was withdrawn. Mr. Bagley, who was employed on the project, took leave and succeeded in persuading the authorities at Simla that there would be a heavy loss unless the order was cancelled. He did not stop work, although he should, strictly speaking, have done so. In this case he had succeeded in securing a reversal of the original order. He mentioned another somewhat similar case. Mr. Bagley was not in a position to cite a specific recent case of the kind, though he had had reason to believe that the same sort of thing still occurs. The Chairman suggested that it would seem, from the instance quoted, that if the engineer took enough trouble he could secure authority to carry on. Mr. Bagley stated that this might be so, but the engineer risked a good deal, and not everyone would take that risk. He said that he had been told of current instances in which the Oudh and Rohilkhand and North-Western Railways are hurriedly trying to spend funds, now available, before the end of the current year for fear of the provision lapsing. He was unable to explain in detail the apparent conflict between this information and the statement at the end of paragraph 17 of his written statement, but thought it was possibly attributable to some confusion between revenue and capital expenditure, but the principle was the same in either case. It was clear, anyhow, that spare money, whether capital or revenue, which is probably wanted more urgently elsewhere, is being spent on works of a less pressing nature.

4006. Mr. Bagley said that the railway grants had always been insufficient, and were constantly altered. In his experience, frequent alterations were made even after a grant had been definitely allotted. Alterations to the extent of 15 per cent. or so were common. It was within his experience that the railways were sometimes pressed to spend as much money as they could before the end of the year. In reply to Sir George Godfrey, he said that it was not merely a case of railways being asked whether they could profitably spend additional sums of money at short notice, but of being actually urged to do so.

4007. Mr. Bagley accepted the Chairman's summing up that, firstly, inadequacy of funds, and, secondly, fluctuations in the programme allotments are the two most important considerations in the railway problem. Even with inadequate funds railways could do better if it were not for the variations in the amounts placed at their disposal. In his experience, it was far easier to carry out work satisfactorily under the more businesslike system adopted by companies.

4008. He objected particularly to railway business being regulated by an elaborate code of rules, drawn up largely by persons familiar with a different class of Government business which necessitated detailed strict regulations, but who were not conversant with railway business. Mr. Bagley believed that the agent of a company, for instance, of the East Indian Railway, had a freer hand than the agent of a State railway, for instance of the North-Western Railway. Sir Henry Burt stated from his own experience, both as agent of a State railway and President of the Railway Board, that the state of affairs of which Mr. Bagley complained no longer exists. He considered that, as a State railway agent, he had quite as much freedom as the agent of a company. Mr. Bagley said that seniority counted for much more in matters of promotion to higher appointments in State lines than on company-managed lines. Referring to paragraph 3 of his written statement, he said that, so far as he could judge, matters were just as bad in this respect as

they had ever been. He admitted, however, that there were occasional appointments by selection.

4009. In connection with the postponement of expenditure during the war, the Chairman quoted from the statement made by the Hon'ble Finance Member, Sir William Meyer, in the Financial Statement for 1918-19, that it was proposed to invest £20,000,000 sterling in Treasury Bills in order to provide for the railway liabilities which would come upon Government shortly after the war was over. Mr. Bagley said he was not aware of the announcement, and was not in a position to say whether any such actual provision was made. It was understood that provision of only £12,000,000 is proposed for the coming financial year, and he did not know what had become of the £20,000,000 which was supposed to have been placed in reserve.

4010. With regard to the opinion expressed by Mr. Bagley in favour of the sale to companies of the existing State railways, the Chairman asked whether he thought that the companies could raise all the capital necessary for new development as well as provide for the purchase of lines. He thought that they could do so, provided sufficient inducements were offered. He was inclined to think that English money could still be got at a 7 per cent. guaranteed interest. He doubted whether enough money could be borrowed in India, but believed that a substantial sum would be forthcoming provided the return offered was adequate.

4011. Adverting to the last paragraph of paragraph No. 29 of his statement, suggesting that the arrangement with companies might follow the lines of the new East Indian Railway contract, Mr. Bagley said that he was not aware of the precise terms of the contract; when the Chairman pointed out that if the company were able to earn an additional profit of one million pounds sterling, they would themselves only gain £10,000, he admitted that this would not be attractive and that it would be very necessary to give the companies a larger interest in the concerns.

4012. Mr. Bagley, speaking admittedly from little experience, as he had not had a great deal to do as a State railway officer with the Railway Board except in the first years of its existence, believed that the Board interfered too much in details. Since retiring from State service, Mr. Bagley has had twelve years of constant dealings on behalf of branch line companies with the Railway Board and has always received considerate and businesslike treatment for which he has cause to be grateful, but this experience confirmed his ideas of the extent to which the Board with the best intentions and most earnest efforts, is hampered by the Financial Department control, and its own shorthandedness. It did not help much in the elaboration of large projects, but it was the business of the railways to plan and to exercise foresight as to their requirements. He agreed, however, that the Railway Board ought to concern itself with the larger projects of railway development, especially those affecting more than a single railway system, and considered that the Board ought to include a project or development member specially to deal with such matters. He believed that the Railway Board's undue interference with railway administrations might be traced back to the requirements of the Finance Department.

4013. In addition to the President, who should be a member of the Viceroy's Council, and the projects member, he considered that the Board should also have an expert with traffic experience, an engineer and a financial member. He referred for further details on the subject to paragraph 37 of his written statement.

4014. Mr. Bagley believed that the larger portion of the capital hitherto subscribed to branch line companies, was provided by money sent from England for investment, and by the investment of European residents in India. He presumed that Indians were the purchasers of branch line investments when, on account of the rise in exchange last year, Europeans sold their holdings and remitted the proceeds to Europe. He said that branch line securities with a share return of 5 per cent. were then sold at about Rs. 73 per Rs. 100 share.

4015. He would prefer that money should be raised by the Railway Board on the security of the railway profit and without a Government guarantee. He thought that they might have to pay 1 per cent. more than the rate offered by the Government on its loans, but considered that this extra sum would be well worth paying to maintain the separation of the railway finance from the ordinary finance, and the retention of control entirely in the hands of the railway administration.

4016. In view of the fact that the results of the working of the military sections of the North Western Railway are shown separately in the Administration Report as well as in the gross figures for the entire system, Mr. Bagley desired that the remarks in paragraph 47 of his written statement might be passed over.

4017. With regard to spheres of influence, Mr. Bagley thought that branch lines ought to be developed by separate companies. He thought that the spheres of influence of existing railways would be difficult to allot and often could not be respected, and that public interests should come first. He held that nobody should have a monopoly of a geographical area; it was almost impossible, in the existing conditions of Indian railway development, to build a new line of any importance which does not somewhere infringe the sphere of influence of an existing railway. Taking the case of the Grand Chord of the East Indian Railway, he agreed with Sir Henry Burt that it would not have been fair to the East Indian Railway to allow an independent company to build that line had it so desired. In cases such as these, it might be fair to allow the main line at least the first option of building the short circuiting line required. He was not aware that it had ever been a contract provision that without the consent of the parent line a branch line company might not extend its line.

4018. Sir R. N. Mookerjee pointed out that the right to control extensions is generally reserved in the original concessions given by Government for any railway construction. The witness believed that the policy of the Railway Board in respect to branch lines had changed; his remarks led Sir R. N. Mookerjee to remark that now-a-days at least the Railway Board does usually offer the main line company the first choice of building by its own agency any new line that might be proposed, before allowing a branch line to undertake it; and that the main lines undoubtedly have a powerful influence in determining the fate of branch line proposals.

4019. In answer to the Chairman, Mr. Bagley said that owner's risk rates should be abolished, and that railways should take a carrier's risk in all cases.

4020. Mr. Bagley was in favour of the introduction of more training schools for the traffic staff on the lines of the one now working in the Chandausa, Oudh and Rohilkand Railway. It trains boys from the age of about 17 or 18 for employment in the various lower grades of the traffic department. Unfortunately the success of such schools depends largely on the chance of obtaining enthusiastic officers to take charge of them. He was of the opinion that there should be such schools on every large railway or at least in every province. He thought that the existing facilities for training locomotive engineers of the higher classes in India are deficient. He was in favour of affording such training, and was hopeful of its success if the necessary facilities could be provided. He considered that there should also be more systematic and thorough training facilities for superior traffic officers than exists at present.

4021. As regards the enlistment of the support of provincial Governments, Mr. Bagley said that they have certain powers. Under rules recently published the Communications Board of the United Provinces and Punjab have power to raise money for feeder lines and tramways, but not for railways. They have not sufficient expert advice to enable them to judge between sound and unsound schemes and he found after talking to the Board's officials that they wanted it very badly. He proposed that the suggested "Projects" member of the Railway Board should be their consulting authority and did not think that the local Communications Boards would be jealous of him if he only acted in an advisory capacity and had not authority to enforce his advice. Mr. Bagley believed that the local boards would be grateful for expert advice.

4022. In reply to Sir George Godfrey, Mr. Bagley admitted that the methods of the English boards of directors might have improved since the time in which his own experience had been gained; he hoped so at least. He was aware that some agents of undoubted ability had been quite satisfied with their relations with their boards of directors. Very likely the matter depended largely on the personality of the agent and the extent to which he secured the confidence of his board.

4023. Mr. Bagley stated that he would be prepared, if desired, to supply in confidence the names of the high authorities referred to in paragraph 26 of his statement, one of them was the secretary of one of the London boards of directors.

4024. With respect to the possibility of Indian domiciled companies raising money in the London money market on as easy terms as the boards of directors in London, Mr. Bagley expressed the opinion that there would be no particular difference in the terms: when asked whether commission would not have to be paid both to the Calcutta house and to the London house for raising a loan through a Calcutta firm, Mr. Tuke interposed and explained that the point whether a company borrows directly or through a financial firm does not really affect the question as if underwriting is considered necessary the same commission has to be paid to the underwriters in either case.

4025. Mr. Bagley's recent experience had brought him more into contact with the firm of managing agents of the lines with which he was concerned than with the boards of directors of the lines. He presumed that the boards of directors generally guided the managing agents. He was not, however, in a position to speak from his own experience on the subject as to their relations.

4026. In reply to Sir Arthur Anderson, Mr. Bagley said that he saw no reason why there should be any difficulty in local boards raising considerable sums of money in London for the development of their lines without having any direct representation there. Indian railway investments had a good reputation for safety, and though the location of boards in London might have some influence over the reception of loans issued there, Mr. Bagley said that, so far as he knew, there would be no difficulty in firms in India raising money in London.

4027. Mr. Bagley admitted that there might be some difficulty in finding a sufficient number of competent directors for boards in India. He thought, however, the difficulty would not be insuperable, and that the demand would reveal the supply. He thought that men retiring on pensions of, say, £600 or so per annum, would be willing to remain in India for the sake of the extra Rs. 1,000 per mensem, which they might receive if they held two or three directorships. He would not object to one man being director of one or two different companies. The Chairman suggested that, in this case, it might well happen that all the boards in Calcutta would have the same individuals on their boards of directors and that, therefore, they might just as well be combined into one managing company. Mr. Bagley said he had not considered this possibility, but would not be alarmed by it.

4028. In reply to Sir Rajendranath Mookerjee, Mr. Bagley said that his reason for saying that the time was not yet ripe for training Indians as locomotive engineers, was that there were not enough facilities for it, but that if suitable facilities could be found for their training, he saw no reason why they should not be successfully trained.

4029. Mr. Bagley referred to the lack of a clearing house in India; he mentioned that there had been a good deal of discussion on the subject and suggested a reference to the Indian Railway Conference Association for fuller particulars.

4030. Replying to Mr. Purshotamdas, Mr. Bagley did not admit that the fact that companies frequently draw their officers from the State lines affords an argument in favour of the latter, in fact it proved his point. He held that the State system does not allow of the best man rising to the top any faster than those of less ability. He had never denied that there are many good men in Government service, but Government deals with the service as a whole; the best officers therefore naturally tend either to leave the service or to be borrowed by companies.

4031. Mr. Purshotamdas Thakurdas drew attention to the fact that money was being raised for Indian railways in London at 4½ per cent. or even 4¾ per cent. before 1914, whereas, before the war, the Government of India had never issued a loan in this country at more than 3½ per cent. Mr. Purshotamdas suggested that it followed that India had not been allowed to subscribe for railway purposes, although the London money market was given the opportunity. Mr. Bagley was unable to throw any light upon this matter.

4032. He admitted that he should modify his opinion with regard to the unattractiveness to Indians of railway investments if it were the case, as suggested by Mr. Purshotamdas, that, at least in Bombay, the Indian public had subscribed much more freely to branch line enterprise than he had supposed. Mr. Purshotamdas drew attention to the fact that, if Indians had lately bought from British investors, Rs.100 railway securities giving a 5 per cent. return at Rs.73, they were practically getting only 7 per cent. return on their capital, much the same as the actual return from the 6½ per cent. Income Tax free loan recently floated by the Government of Bombay, or from the 3½ per cent. Government loan now quoted at about Rs.50 per Rs.100 face value. Mr. Bagley admitted that this argument told against the opinions expressed by him in his written statement regarding the reluctance of Indians to subscribe for railway securities bearing a moderate return. He stated that, nevertheless, railways had recently failed to raise more than a part of a debenture loan at 7 per cent.

4033. With regard to the concluding sentence of paragraph 43 of Mr. Bagley's statement, Mr. Purshotamdas suggested that the difficulty of raising money in India at low rates is really due, not to any unreasonableness on the part of Indian subscribers, as Mr. Bagley seemed to suggest, but to the fact that low rates are no longer attractive in any country after the war, and that to secure subscription of funds the prevailing market rates must be given. Mr. Bagley admitted that this is the case, as regards present high rates of interest prevailing everywhere, and that the fault really lies in the lowness of the rates of interest offered. What had happened on the Bombay side did not, however, alter the fact that in the case of branch railway issues in Bengal and the Punjab, though preference was given to Indian investors, the amount of such investments was very small as compared with the money subscribed by Europeans in India or England.

4034. Referring to the grievances of the public alluded to in paragraphs 62 and 63 of his statement, Mr. Bagley was unaware whether these had been brought to the notice of the home boards of directors, but he had reason to believe that they had been brought to the notice of the railway board, who, however, had apparently been satisfied that there was no reason to take any action. He had not followed the matter up.

4035. Finally, in answer to the Chairman, Mr. Bagley stated that, even if the difficulties attributed

to the control of the Finance Department could be eliminated, he would still not advocate direct State management of railways, though he considered that it might be tolerable in the altered circumstances. He believed that company management would still be more efficient on the whole.

4036. With reference to the answer to question 26b. in Mr. Bagley's printed evidence, he subsequently advised the Committee that he had since worked out figures showing that an *average* addition of 33 per cent. to fares and freight rates would be sufficient to restore the railways to a state of solvency, and from intimate acquaintance during fifty years with all classes of Indians he believes the increased prosperity of the country justifies such increase in rates (less than half that adopted in England and Europe and America), and would not "kill the traffic" as anticipated by some. Discretion would, of course, have to be used in making the increase in different areas of country vary with the local circumstances. Thus in Behar and Oudh the passenger rates would not be raised to the same extent as in the Punjab and Bengal, and in the matter of freight rates it would be necessary to discriminate between goods that can stand the increase and those that cannot bear it.

THIRTEENTH DAY.

(Calcutta.)

Monday, 3rd January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The following representatives of the Bengal-Nag pur Railway Company were called and examined:—

Mr. A. C. CARR, Chief Mechanical Engineer.
Mr. H. G. DUNCAN of the Traffic Department, Transportation Branch.
Mr. C. CARROLL of the Traffic Department, Commercial Branch.
Mr. W. O. TAYLOR, Chief Engineer.

(Also present: Sir T. R. Wynne, K.C.S.I., etc., Managing Director, Bengal-Nagpur Railway Company, and Mr. C. Ismay, General Traffic Manager.) The examination was conducted with reference to the written statement which had been furnished by the Agent, Bengal-Nagpur Railway.

See Written Statement No. 14, Vol. IV., P. 53.

4037. Mr. Carr stated that he was Chief Mechanical Engineer of the Bengal-Nagpur Railway and had recently acted as Agent during Sir George Godfrey's absence.

4038. In reply to the Chairman, Mr. Carr stated that Sir T. R. Wynne, Managing Director of the Company, has been in the habit, for some years, of visiting India every cold weather. Mr. Miller, now Chairman of the Company, has also frequently visited India in recent years. The other four directors had not visited India recently, but three of them, Mr. G. A. Anderson, Mr. Brereton and Sir Charles Stuart Wilson had acquired an intimate knowledge of India before their retirement. The position thus was that two directors had frequently visited India during the past 10 years while all the others with one exception had Indian experience.

4039. Amplifying the reply to Question No. 6, with reference to the point that the railway runs through a number of different provinces, Mr. Carr explained that Sir Charles Stuart Wilson and Mr. Brereton's knowledge of India had not been confined to any one part of India. Mr. Carr considered that a director in Bengal would not be familiar with the interests and requirements, say, of Madras. He thought that, in this matter, India differs somewhat from England. In England the conditions in different parts of the country are more alike than in widely separated parts of India. For example, to take the example indicated by the Chairman, a director of the Great Western Railway at Birkenhead, would know enough of the conditions in Cornwall and Devonshire to enable him to fulfil his functions. Mr. Carr thought that directors are chosen at home rather for their general business capacity than with reference to their particular local knowledge.

4040. Mr. Carr was unable to express an opinion as to the form of the board referred to in the reply to Question No. 10.

4041. He explained that, in answering Question No. 11, when he said the Board should be placed in a position to act on their own responsibility without delay, he had in mind the delays that do occur, which he assumes are caused by the necessity of making references to the Finance Department and the Secretary of State. Explaining the reply regarding the Board's subordinate officers, he said he had in mind the Board's headquarters staff, for example, the Chief Engineer and Secretaries to the Railway Board; he is not aware of the precise functions of those officers. The loco. department of the Bengal-Nagpur Railway has had few visits from the Railway Board; the last occasion was a visit during the war for special purposes connected with shell manufacture. He remembered no visit from a representative of the Railway Board other than a member.

4042. In reply to Sir Henry Burt, Mr. Carr said that he thought that such appointments as those of Government inspectors, secretaries and assistant secretaries in the technical departments in the Railway Board's office might sometimes be filled by men drawn from Companies' lines. There are no Companies' men at present on the Board's establishment. The Chairman mentioned that the Committee had been told that the Railway Board would like to take Companies' men in, but that these were not willing to take up the appointments. Mr. Carr considered that, if necessary, the appointments should be made more attractive.

4043. In connection with the reply to Question No. 13, in which the Railway Board's statement, that they had no powers to compel Companies' railways to carry out certain proposals connected with the distribution of wagons, was referred to, the Chairman enquired whether such powers did not exist under the Defence of India Act. Sir George Godfrey stated that this was the case; but it had been doubtful how long the Act would remain in force, and it had not been used for the purpose mentioned. The Chairman remarked that if this was so the Railway Board's statement did not seem to be accurate.

4044. Referring to the opinion expressed in reply to Question No. 14 that the Government exercise sufficiently their powers of control over railways, the Chairman observed that the Board has no control over rates and fares except as regards fixing maxima and minima. Mr. Carroll said that complaints were not frequent; he could remember no instance of a complaint being made that preference is given to any individual over another for any particular commodity between the same points. No doubt there is a tendency for general complaint against any enhancement of charges. Mr. Carroll stated that he had only had perhaps half a dozen complaints in a year through the Railway Board with reference to individual rates being too high. The practice was that such complaints are considered and decided by the Company, the Administration of which is really the final authority in dealing with them.

4045. The Chairman observed that in other countries where railways are freer in other ways than they are in India their rates and fares are generally controlled by an independent public authority. He suggested that there is a *primâ facie* case in favour of such an arrangement, since it is always recognised that no man should be a judge in his own case. Mr. Carroll considered that the control by the application of maxima and minima is sufficient, anyhow in practice. The railway naturally considers the interests of the public as well as its own interests; the two are inseparable. In reply to the Chairman's enquiry as to what an individual, who considers himself aggrieved, does, Mr. Carroll said he could only point to the general lack of complaints as showing that, in practice, the system works satisfactorily.

4046. In answer to Sir Arthur Anderson, Mr. Carroll said that he only remembered one instance in which a complaint had been made to the Railway Board with regard to rates charged by the railway in which the Railway Board had made a suggestion as to the modification of a rate and this suggestion was accepted by the Railway Administration. Any such suggestions made by the Railway Board always received the attention of the Railway Administration.

4047. With regard to "block rates," Mr. Carroll said he does not regard any rates quoted on the Bengal-Nagpur Railway as "block rates." The rates to which the Chairman referred, he regarded as short-lead rates. In reply to an illustration suggested by the Chairman, he admitted that traffic going a longer distance over the Bengal-Nagpur Railway might get the benefit of a lower rate and a higher mileage rate is charged for a shortlead traffic. The railway certainly quotes rates which are designed to induce the traffic to flow in special directions. Mr. Carroll said that, in quoting such rates, the railway considers the needs of the public as well as its own interests. The Chairman considered that occasions must presumably arise in which the trader would wish to send his traffic by a different route from that to which the railway was endeavouring to attract it. Mr. Carroll admitted that the Railway Administration is practically the judge in such cases, but considered that the absence of complaints shows that cases are dealt with reasonably.

4048. In reply to Sir Henry Burt, Mr. Carroll said that the Bengal-Nagpur Railway charges the same mileage rates for traffic *to* a junction as for traffic *vid* the junction *from* the same point.

4049. The Chairman asked for fuller particulars with regard to the specific instances quoted in reply to Question No. 17, which had been quoted to illustrate the disadvantages consequent upon railways' dependence on the budget system. The first case mentioned was that of the Parvatipur-Singapur extension on the Raipur-Vizianagram Railway. Mr. Taylor explained that, in this case, the preliminary arrangements had proceeded as far as the ordering of tents and equipment and the appointment of a special survey staff. In all, about two months' preparatory work was done. It was then found necessary to terminate the arrangements in view of the intimation from the Railway Board that there would be no money available to pursue the construction next year. The consequence was that the Rs. 7 lakhs available in the current year could not be spent, and would lapse. It was not within the competence of the railway to transfer this money for expenditure on other works. The provision, therefore, lapses to Government.

4050. In the second case, that of the Bermo-Sawang extension, the grant of Rs.10 lakhs was made in October, 1920; that is some six months after the commencement of the official year to which the grant related. It was impossible to spend the whole of this money in the remaining portion of the year. In this case, the work had not been stopped. The Chief Engineer expects to spend about Rs. 1 lakh during the current year, and a further sum next year. It may take 2½ or 3 years to complete this line. The line, however, would in any case have taken at least two seasons to complete, even had there been no difficulty with regard to funds, owing to the necessity for constructing a big bridge.

4051. Referring to the question of deferred replacements of locomotive boilers and of deferred renewals of permanent way, Mr. Carr stated that it had been found practicable to keep in service the boilers and permanent-way materials, which should really have been replaced. He agreed that when the time for replacement is deferred maintenance became unduly expensive owing to the greater cost and frequency of repairs. In reply to Sir Arthur Anderson, he stated that renewals of permanent way are frequently made before the track is worn out, in order to enable a heavier track to be laid; in such cases, the old material is used for sidings and lines of secondary importance.

4052. Referring to the opinion expressed in answer to Question 18, *viz.*, that the policy of devoting the greater part of the available capital funds to the improvement of existing railways is satisfactory, the Chairman said that he presumed the view of the Railway Administration was that, so long as facilities on the existing line are admittedly defective, it would only aggravate the trouble to make new extensions which would bring additional traffic on to the already congested main line, and that, evidently, the first thing is to make the existing railway work up to full capacity. Mr. Carr said that there was still something to be said in favour of continuing with the construction of new lines because additional traffic on the old lines tended to hasten the provision of funds for necessary improvement and facilities on the line.

4053. The Chairman drew attention to the rough estimate of 4 crores of rupees per annum for ten years, given in reply to Question No. 19, as being the approximate needs of the Bengal-Nagpur Railway for further capital expenditure. In this connection, Mr. Carr gave the following figures:—

	Rs.
A demand in July, 1920, by Bengal-Nagpur Railway for 1921-22...	524 lakhs.
Agreed in August, 1920, with Railway Board for 1921-22	392 lakhs.
Further cut down by Government in November to	163 lakhs.

4054. Mr. Carr explained that the reduction from 524 to 392 lakhs had been made, not by any process of revising estimates, but merely by cutting out whole items from the list of proposed works. The Bengal-Nagpur Railway considers the existing premise of 163 lakhs as entirely inadequate and is protesting to the Railway Board on the subject. It is pressing

for a provision of at least 302 lakhs. Mr. Carr and Mr. Taylor stated that prices both in England and in India still show a tendency to rise. The estimate submitted in July was based upon prices current about that time and would now be inadequate.

4055. With regard to the figures included in the July forecast for the years 1922-23 and 1923-24 for Rs. 513 lakhs and Rs. 503 lakhs respectively, Mr. Carr stated that the railway has details working up to these estimates; these estimates are not regarded so seriously as the estimate for the immediately approaching year, but are worked out to a large extent in detail. It was correct to say that the estimates for the latter years are to some extent detailed estimates, but they would be revised and checked before they came into the budget for the actual years concerned. With regard to the subsequent years, his estimate of four crores was merely a rough estimate, based upon his general estimate of probable necessary works. Mr. Carr promised to submit for the information of the Committee a statement showing, year by year, for the past 10 years:—

(*a*) the capital sums asked for by the railway;
(*b*) the actual grants as finally allotted by Government; and
(*c*) the actual expenditure incurred against the grants.

(*N.B.*—In submitting this statement, the expenditure on open lines and new construction will be kept distinct.)

4056. The Chairman invited attention to the answer to Question No. 26, regarding the suggested increase of railway rates. Mr. Carr stated that he did not think that the 7 per cent. return on capital could be maintained unless rates are increased as suggested. He said that, when speaking of the return on capital, he had in mind the existing capital. He recognised, however, that attention must be paid to the continuous increase of capital and the return secured must be sufficient to give a reasonable return on the whole capital invested from time to time.

4057. With regard to passenger fares, Mr. Carroll said that it was not proposed at present to make any further increase. Passenger fares had been substantially raised, generally speaking, by about 20 per cent. or more, in 1917. As instances of the increase made, Mr. Carroll gave the following figures:—

Increase of fares for 75 *miles*:—

	per cent.	
1st class	about 30	
2nd class	,, 50	
Inter class	,, 28	by pass.
	,, 42	by mail
3rd class	,, 33	by mail
	,, 19	by pass.

Increase of fares for 900 *miles*:—

	per cent.	
1st class	about 5	
2nd class	,, 10	
Inter class	,, 34	by mail
	,, 28	by pass.
3rd class	,, 18	by mail
	,, 41	by pass.

4058. Mr. Carroll quoted certain figures of coaching earnings for the years 1913-14 to 1919-20, but promised that he would furnish the Committee with a fuller statement tabulating passenger miles and earnings. Sir George Godfrey mentioned that the increases of passenger fares made during 1917 were really made rather with the object of restricting traffic owing to the existence of war conditions and the curtailment of railway services than with the object of increasing earnings. They had, however, been accompanied by a steady increase of earnings.

4059. Mr. Carroll said that he could not give definite particulars with regard to the revision of goods rates referred to at the end of the answer to Question 26. The revisions had been made in hundreds of special items; the general effect certainly was an increase of earnings. He did not think that in any important case, the increase already made had arrested the growth of traffic, nor did he expect that the further 20 per cent. increase of goods rates now proposed would do so. In view of the fact that the increase of rates already made probably amounted to about 20 per cent., the net result of the further increase now contemplated would be to make the goods traffic bear about 44 per cent. higher charges than before the war. He thought that the value of commodities generally had risen more than this. The effect, therefore, would be that the railways would still be charging proportionately less of the value of the merchandise than formerly. Mr. Carroll thought that he could secure the increases of rates in question without infringing the existing prescribed maxima in most cases.

4060. In reply to Mr. Hiley, Mr. Carroll admitted that, to some extent, the alteration of rates is a leap in the dark in the absence of any precise calculation as to the amount of additional revenue which would be obtained.

4061. Alluding to the statement made in answer to Question No. 27, regarding the growing trade of India being hampered by lack of railway facilities and new lines, Mr. Carr instanced the increase of traffic anticipated from the development of the iron and steel industries. Taking together the two iron and steel and steel works near Kulti, it was estimated that the inward traffic would ultimately require about 400 wagons a day to meet the total requirements of existing and new works as against the present demand of about 100 wagons per day. In the case of the Tata Works, the increase anticipated is from about 250 to 700 wagons per day.

4062. As regards coal traffic, the railway requires increased facilities; it can only handle about 650 wagons per day, and the facilities should be enhanced at a very early date to enable it to handle about 1,250. Of this, some 550 would be for traffic towards the docks and 700 for traffic to the steel works and towards western India. Of the latter figure, probably some 250 would be for short distance traffic and 450 for long distance traffic.

4063. Mr. Carr agreed with the Chairman's summing up of the position with regard to the lapse system, dealt with in reply to Question No. 28, as being that individual railways may suffer even if railways as a whole do not. The lapse system would be less injurious if the particular railway on which a lapse occurred had the same amount re-allotted to it in the following year. He recognised, however, that this might mean that some other railway, having a still greater need, might suffer.

4064. Referring to Question No. 30, in reply to which the opinion had been expressed that the Government exercised adequate control in respect of rates and fares, Mr. Carroll accepted the Chairman's statement in that few other Governments exercise so little control as in India.

4065. With regard to the provision in the Indian Railways Act for the appointment of a Railway Commission, he did not think that there ever had been an application for a Railway Commission in respect of the working of the Bengal-Nagpur Railway. In answer to the Chairman, Mr. Carroll agreed that, should occasion for the appointment of a commission arise, he would prefer that disputed questions of rates and fares would be handled better by a man of technical railway knowledge than by a High Court Judge whose appointment would be necessitated by the existing provisions of the Railways Act.

4066. Mr. Carroll was doubtful as to whether it would be desirable to empower the Railway Board definitely to settle disputes regarding rates and fares. He thought that the control exercised through the maxima and minima is really sufficient. On the whole, however, he would not object to the Railway Board having the power.

4067. With regard to making up arrears of work deferred during the war, Mr. Carr promised to submit a statement, both in respect of rolling stock and permanent way, showing deficiencies and the action taken in connection with them, on the same lines as given in the evidence of the agent, East Indian Railway. He stated that the Bengal Nagpur

Railway had not reached the stage at which renewals of locomotives are necessary; ordinary locomotive repairs have been caught up. The locomotives now on order or under erection are all additions on capital account; since December, 1918, 35 broad gauge and 2 narrow gauge locomotives had been placed on the line. Thirty-six and 7 respectively are now under erection in India, and 73 and 5 respectively are under order in England.

4068. Mr. Taylor stated that the railway is decidedly behind-hand in re-laying track. About 50 miles per annum ought to be re-laid normally. Owing to stoppage during the war, they had fallen into arrears to the extent of about 150 miles. Ten miles had been caught up last year. At the present time, the difficulty is not the supply of funds for this work, but the difficulty of securing rails from the Tata Works.

4069. In answer to Mr. Purshotamdas, Mr. Carr stated that the Railway Administration has no power to alter the classification of commodities. The increase in passenger rates which had been made in 1917, as explained above, had been made as the result of informal conferences between the several Railway Administrations and the Railway Board. Each railway, however, exercised its own discretion as to the extent to which rates should be altered. In the case of the third class, the sanctioned maximum has been reached on the Bengal Nagpur Railway.

4070. Mr. Carr expressed the opinion that, if he could be assured in sufficient time of the provision of 4 crores of rupees for next year he could spend the greater portion of it and did not doubt the ability of the railway to spend that sum to advantage in subsequent years. But he would not be able to spend it unless sufficient notice were given.

P.S. (1).—The following note was subsequently received from Mr. Carroll:—

"I note that the Committee wish to have some idea of the total number of complaints received "by the railway irrespective of the channel through which such complaints are received.

"To give you a more or less accurate reply I have examined my office records, and I find that "during the year 1920 we received, at the most, a dozen complaints. This number includes four refer- "ences received through the Railway Board, two of which related to the general enhancements made "in our coal and manganese rates respectively. From this it will be seen, therefore, that my previous "estimate, given off-hand, of complaints received through the Railway Board was on the high side.

"I ought to mention that during the last two or three years our policy has been to enhance "gradually our goods rates in order to make them more suitable to prevailing conditions, and in regard "to the dozen complaints received in 1920, I find that they are *all* protests against the enhancements "we made or proposed at the time to make. When a rate is enhanced it is natural that the party or "parties interested in its incidence should protest. In 1920 hundreds of individual rates relating to "various commodities, and applicable between pairs of stations were enhanced, and when it is con- "sidered that only 12 complaints in respect of these enhancements were received, it may be said that "the public receives reasonable consideration at the hands of the railway company.

"Before our policy of enhancing rates came into operation complaints from the public against "the existence of high rates were very rare indeed, one, or perhaps two at the most, in a year."

P.S. (2).—The following statements were also furnished to the Committee by the agent, B.N. Railway Company, in connection with paragraphs 4055 and 4058 above:—

COMPARISON OF CAPITAL DEMANDS WITH BUDGET ALLOTMENTS AND ACTUAL EXPENDITURE; BENGAL NAGPUR RAILWAY.

——	1911–12	1912–13	1913–14	1914–15	1915–16	1916–17	1917–18	1918–19	1919–20	1920–21	1921–22
NEW LINES AND LINES UNDER CONSTRUCTION.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
July Forecast	61,98	93,19	71,01	36,50	42,94	10,15	,15	,15	14,03	48,00	52,39
Budget orders	69,98	42,19	30,57	3,00	,93	,15	,15	,15	16,65	40,15	16,24†
Actually spent	41,62	33,76	23,04	2,24	,14	,10	,10	,81	7,53	45,25*	32,39‡
OPEN LINES.											
July Forecast	59,05	72,00	146,64	171,02	204,38	135,90	54,34	79,76	67,63	449,98	524,03
Budget orders	37,94	59,54	149,37	133,91	98,66	34,99	69,79	60,60	218,11	344,38	162,92†
Actually spent	36,18	64,94	165,24	143,79	56,01	22,26	39,58	62,09	279,00	353,86*	302,24‡
Total July Forecast ...	121,03	165,19	217,65	207,52	247,32	146,05	54,49	79,91	81,66	497,98	576,42
Total Budget orders ...	107,92	101,73	179,94	136,91	99,59	35,14	69,94	60,75	234,76	384,53	179,16†
Total actually spent ...	77,80	98,70	188,28	146,03	56,15	22,36	39,68	62,90	286,53	399,11*	—

For 1920–21 and 1921–22.

* Estimated.
† Provisional Grant.
‡ Estimated minimum requirements.

STATISTICS OF PASSENGER MILES AND EARNINGS ON BENGAL NAGPUR RAILWAY FROM 1913–14 TO 1919–20, INCLUSIVE.

Year.	Passenger miles.	Passenger earnings.	Earnings per mile.
		Rs.	Pies.
1913–14	922,495,845	1,25,64,425	2·62
1914–15	847,487,090	1,16,00,395	2·63
1915–16	836,210,897	1,14,48,759	2·63
1916–17*	893,366,009	1,23,01,157	2·64
1917–18	814,304,932	1,34,85,419	3·16
1918–19	929,262,486	1,55,92,878	3·21
1919–20	1,097,494,941	1,83,78,240	3·21

* Passenger fares for all classes enhanced on and from 1st May, 1917.

Sir T. R. Wynne, K.C.S.I., K.C.I.E., Managing Director of B. N. Railway Company, was called and examined upon the written statement which he had furnished to the Committee.

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4071. Sir T. Wynne said in reply to the Chairman that he is Managing Director of the B. N. Railway; he is also Chairman of the Burma Corporation, Limited, and Director of the Anglo-Persian Oil Company. He has interests also in other companies in the East. He had had 13 years' service on the State railways, in which he started as an assistant engineer, and had been employed mostly on construction and working of railways. Subsequently he was employed for 18 years as Agent and Chief Engineer on the Bengal-Nagpur Railway, and later for three years as member and for six years as President of the Railway Board. After this he had been Government Director of Indian Railway Companies at the India Office for one year, and since then has been Managing-Director of the Bengal-Nagpur Railway.

4072. He stated that the Parliamentary enquiry in England, to which he referred in the opening paragraph of his written statement, was a Committee which, he believed, sat in 1880 or 1882.

4073. Referring to the advantages of management of railways by companies enumerated in the opening part of the statement, the Chairman asked what were the corresponding advantages of State railway management, which led the witness to support the retention of the double system of management. Sir T. Wynne said that the only advantage on the side of State management to which he could point was the fact that, in the officials of the State railways, Government has a convenient reserve to fall back upon in times of difficulty; for example, it was in a position to claim men from the State railways, and had frequently done so for frontier wars even before the Great War. The Chairman observed that in England men were readily obtained from the company-managed railways. Sir T. Wynne said that it had not been the practice, until the recent emergency arose, to ask companies to lend their staff. He was not, however, disposed to attach great importance to the argument, as no doubt men would be forthcoming from the company-worked lines if required. He ended by saying that the existing system whereby some railways are managed by State and others by companies works satisfactorily, and for this reason therefore it might reasonably be retained.

4074. The Chairman drew attention to Sir T. Wynne's remarks regarding the complexity of the management of a large system, and the conditions of the companies' contracts which give Government control in different ways, notably over the raising of capital and the spending of it, and over the disposal of the monies earned by the railways and the outlay on working expenses.

4075. Sir T. Wynne admitted that it was the case that the companies submit for formal approval a detailed budget estimate of revenue receipts and expenditure although the Railway Board in practice deals only with the total provision proposed. In connection with this control by Government, the Chairman drew attention to the statement by Sir T. Wynne that the Railway Board has very great powers over railway administrations under their contracts if it chooses to exercise them; and to his opinion that nowadays the Railway Board can order a railway company to carry out any order they wish to enforce, and that the company will carry out the order. The Chairman suggested that if the Government of India are in a position to exercise such wide powers, the powers left to a board of directors, whether in India or in England, must be small, and in fact must be advisory only. Sir T. Wynne did not admit this but observed that the Government asks for the advice of the boards of directors which thus help Government in exercising its control.

4076. The Chairman suggested that the result would apparently be that the authoritative body is Government, while the directors are more or less influential advisors. Sir T. Wynne laid stress on the fact that the board of directors originates proposals although the decision in many cases rests with the Government of India. The Chairman suggested that the Indan public might claim to take the part of boards of directors under this system. Sir T. Wynne did not consider that the advice obtainable by Government in India would be as valuable as that of the experts on the London boards. He did not admit that the advice even of a given man on the spot would necessarily be better than the advice of the same man at a distance. He considered, for example, that the advice on such questions as come before his Board of Directors, of those directors who had Indian experience but who had not been in India since about 1912, is not materially less valuable than if they had more recent knowledge of India. He considered it easy for such people in England to keep in touch with Indian developments. He stated that the Financial Member of his Board is an expert in matters affecting the London money market. He had not been in India.

4077. In answer to the Chairman Sir T. Wynne said that it was not the case that new development proposals usually originate with the agent and not with the Board of Directors. He cited a recent instance in which the Board of Directors had to put forward a development scheme for consideration. In reply to the suggestion of the Chairman that this had really originated with himself, being one of the directors who had the most up-to-date knowledge of India, he said that there is no reason why the other members of his Board also should not similarly originate proposals.

4078. With reference to Sir T. Wynne's written allusion to the disadvantage of the Railway Board having no direct access to the Viceroy's Executive Council, the Chairman suggested that possibly the agent, for example, of the Bengal-Nagpur Railway, might suffer in the same way owing to his not having direct access to his Board of Directors who are situated 6,000 miles away. Sir T. Wynne considered that the cases were not similar. The trouble in the case of the Railway Board is with the Finance Department, and unless the Railway Board is represented in Council, its views cannot be effectively upheld against any hostile criticism from the Finance Department which is represented there. The agent is in a different position with reference to his own home Board, in which there is no question of conflict of interests.

4079. The Chairman suggested that at least the Financial Member of the home Board might have objection to proposals sent forward home by the agent, especially as he had no personal Indian experience. Sir T. Wynne observed that there was no reason to anticipate objections ordinarily as the entire Board of Directors have the same interests as the agent. In case of any objection arising it would be communicated to India and the agent would have an opportunity of replying. Some little delay might no doubt occur, but he did not regard this as important; it would usually be in connection with some large question, the ventilation of which would do no harm. There are always many more projects ready for action than there are funds available for, and the delay of one of them for further examination could do no harm. Sir T. Wynne explained the ordinary course of discussion of any important project, at the principal stages of which the agent refers to his Board of Directors to keep them advised of the progress and take their orders on new developments. In this connection he subsequently answered a question raised by Sir George Godfrey and explained that in submitting to Government his preliminary forecast of capital requirements in June of each year, the agent is free to put down in the list of unsanctioned projects a scheme, the full details of which may not have been worked out or approved by his home Board. Before such a scheme would appear in the final budget proposals, there would have been ample opportunity of settling the question of its inclusion or otherwise with the Board of Directors.

4080. The Chairman drew attention to Sir T. Wynne's expression of opinion that the heads of the business community in India are too busy to devote their time to railway work. Sir T. Wynne said that in India a commercial man usually devotes his whole time to ensuring the success of his own business. He does not usually find himself free to devote attention to public affairs. The Chairman asked whether there is no hope of a change of attitude in this respect; might not business men be expected to realise the obligation to devote some part of their time to the service of the country in which they make their money? He did not mean that a man could be expected to remain practically idle in India for the purpose of attending occasional board meetings; but might not a man engaged in business devote a moderate amount of his time to such public work? Sir T. Wynne thought that the hope might be entertained, but he was not very sanguine as to its realisation. Subsequently Sir Henry Ledgard suggested that conditions in India are changing to some extent in respect of this matter. Formerly the heads of large commercial concerns were older men than those now seen at the head of important businesses, and he knew of several instances of men being inclined to remain in India for some years even after they had secured a competence enabling them to retire. Sir T. Wynne said that he was not in a position to support this view from his own experience.

4081. The Chairman drew attention to Sir T. Wynne's opinion, stated in the course of his reply to Question 3, that any change in the existing system of domicile of the companies would give all holders of Indian securities, whether shareholders or debenture holders, the right to claim immediate repayment of their investments, in view of the change in the conditions under which they had been induced to invest their money. The Chairman suggested that this could hardly apply to a debenture holder, since debenture stock, though nominally issued by and in the name of the Board of a railway company domiciled in England, rests upon the security of the Government of India and only secondarily, if at all, upon the security of the Company whose name it bears. In this connection Mr. Tuke asked whether the money so raised by the company was exclusively spent on the particular railway by whom the issue was made. Sir T. Wynne said that this was not the case and that the money goes into the common pool, whether it be raised by means of debentures or share capital. He agreed with the Chairman that possibly the claim of the debenture holders would not hold good but he believed that it would undoubtedly be made, and would cause some trouble in meeting. He recognised that the debenture is really a loan issued by Government.

4082. The Chairman asked who was responsible for preparing the prospectus in the case of Indian railway debenture borrowings. Sir T. Wynne said that this was done jointly by the Board of the company concerned and the India Office. Usually the prospectus takes a form which has long been in use and which is merely brought up to date and gives particulars of the capital and revenue position of the issuing company. He promised that he would endeavour to procure and supply for the information of the Committee copies of some of the prospectuses to which he referred.

4083. The Chairman remarked that it would appear doubtful whether, in the case of a loan, the proceeds of which are devoted not to any particular railway but to railways at large, it is not misleading to give figures relating to the one particular railway only. Sir T. Wynne disclaimed responsibility for the form of the prospectus which he said rests really upon the India Office.

4084. Some discussion arose on observations made by Sir T. Wynne with reference to the value to the Boards in England of the opportunity which they enjoy of obtaining direct access to the Secretary of State. Sir T. Wynne would not say whether he had held the same view as President of the Railway Board. He was prepared to admit that there might be another side to the question from the point of view of the authorities in India. The same point was discussed further at the instance of Mr. Purshotamdas Thakurdas, who suggested that it might be decidedly objectionable from the point of view of the Legislative Assembly in India and the authorities in this country that the companies should be able to approach the Secretary of State behind their backs. Sir T. Wynne explained that the Bengal Nagpur Railway was not in the habit of referring questions direct to the Secretary of State. In view of this fact, he expressed the desire to remove the paragraph in question from his written statement. It was accordingly withdrawn.

4085. The Chairman drew attention to the fact that the Bengal Nagpur Railway has a share capital less than one-seventh of the interest of Government in the railway, and asked whether Sir T. Wynne knew of any other case in which the holders of one-seventh of the ordinary shares were employed to represent the interests of the holders of the remaining six-sevenths. Sir T. Wynne observed that this case is a special one and that the minor partner exercises its powers only with the consent of and under conditions laid down by the major partner. In his view the working company was simply in the position of a managing agent. He cited examples of businesses in India being administered by firms of managing agents. These agents usually have a share in the business controlled by them.

4086. In this connection Sir T. Wynne explained to the Chairman that although the share capital which might be raised by a company goes into the general Government purse, it affects the Bengal Nagpur Railway directly by altering the ratio of the company to the Government capital and would thus increase the company's share of surplus profits.

4087. The Chairman suggested that if the company may be regarded as managing agents of Government, there is a *primâ facie* case in favour of that managing agent being on the spot and not being dealt with at the distance of London. He suggested that, in a parallel case no company owning a business in Calcutta would employ as managing agent a person resident in London. Sir T. Wynne pointed out that the managing board had a highly paid and competent representative in India, namely, the agent of the railway company assisted by a large staff; he considered that the point is the difficulty that would be experienced in finding suitable Boards of Directors in India, as set forth in his written evidence.

4088. With regard to the question of the difficulty of finding suitable agents for the management of railways in India, Sir T. Wynne explained that, generally speaking, agents are obtainable on the lines themselves. The men obtain the necessary experience and qualifications as the lines grow. He could not contemplate the case of Government abruptly coming into possession of a new railway without having a staff on the line itself from which it could obtain an agent.

4089. The Chairman drew attention to the statement occurring in the course of his reply to question No. 3 in which Sir T. Wynne assigned the second degree of importance to the control of revenue expenditure by the London Boards of Directors. Sir T. Wynne explained that, although the agent works against sanctioned expenditure rolls approved by the Home Board, he does not refer to the Board before incurring expenditure, for example on a larger labour force than provided for in the rolls. He would, however, have to justify his action in any case of importance to the Board of Directors which requires explanations of any important variations from the sanctioned expenditure.

4090. Sir Henry Burt alluded to the absence in India of anything corresponding to the Parliamentary control exercised in Great Britain over the construction of new lines, and suggested that it may be an advantage of the London Board system that new construction schemes receive a greater amount of criticism than if they were left entirely in the hands of the Railway Board in India.

4091. With regard to the observations made in the *written evidence which* suggested that few agents in India have been trained in the work of more than one Department, and that they can secure the advantage of technical ability and more varied railway experience provided by the Directors under the company system, Sir T. Wynne mentioned that, for example, Mr. Brereton of the Bengal-Nagpur Railway had had experience in the traffic department of State railways and had been a manager of a State railway in India. He admitted that the agent necessarily gets a pretty comprehensive general knowledge of the business of the different departments and may have as much experience of this kind as any of the Directors.

4092. The Chairman referred to the work of the India Office Stores Department, which has recently been placed under the control of the High Commissioner for India, which he understands does a great deal of work in buying and inspecting stores required for the State railways and for public bodies in India. He asked whether there would be any difficulty in a single authority doing similar work for the railway companies instead of having it divided between eight or ten of these. Sir T. Wynne thought that the work might be done by one authority, but he was not aware that any advantage would be secured by the change.

4093. Referring to his remarks regarding the delay caused by the numerous references which the Government system requires to be made to different departments, officials, and others, before coming to a decision, Sir T. Wynne said that the Railway Department might get on quicker if it were free to control its own business; the Railway Board might even now deal with its business more expeditiously than others but it could not control the disposal of its cases once they have been referred to another department. He observed that delays in the disposal of business did not rest wholly with the London Boards of Directors.

4094. Sir T. Wynne was questioned with regard to his written opinion that directors of all nationalities would unconsciously be biassed in their consideration of railway policy by their own interests. The Chairman suggested that this would not seem to have been the experience of the Boards of Directors in England which frequently comprise important traders. He suggested that in practice people of such standing as would be appointed to be Directors of railway companies in India would not allow their private interests to prejudice them. Sir T. Wynne differed from this opinion and thought that if, for example, a director of a railway was specially interested in a particular jute mill, it would be pretty certain that the railway would pass fairly close to that mill.

4095. The Chairman quoted from the note recorded in reply to question No. 9, by Mr. G. Anderson, one of the Bengal Nagpur Railway Company Directors, in which he stated that the essential attitude for a company's agent is one of "absolute aloofness from local influences." He suggested that such aloofness might be interpreted less favourably as "absolute indifference to local opinion." Sir T. Wynne agreed that the agent must be a man who must be accessible and who will pay due attention to local requirements.

4096. With regard to the branch line terms, Sir T. Wynne said that, *in his opinion, reasonable financial* conditions would be those which had recently been put forward in a specific case, namely, that Government should guarantee a return of one-quarter per cent. less than the rate paid by Government on Government loans, Government on the other hand taking one-half share of the *surplus earnings above* the guaranteed rate; alternatively, the rebate terms should provide for a rebate up to eight per cent. with a similar provision regarding the sharing of the surplus.

4097. With reference to his observations at the close of his reply to question No. 10, Sir T. Wynne explained that his view in regard to the submission of its opinions by the Railway Board as a whole rather than by each member individually was based on the consideration that if notes for example were placed before the Finance Department with two or three divergent views expressed in them, it would afford the Finance Department an opportunity of seizing and making capital out of the particular opinion which happens to be in accordance with its own views. It was for that reason that he considered it desirable, and as President of the Board had himself enforced the view, that only one note should be submitted by the Railway Board to other departments instead of allowing them to see the whole of the Board's domestic discussions.

4098. With reference to his opinion that the head of the Railway Department should be a full member of the Viceroy's Council, he said that, while he would prefer him to have some technical knowledge, he would not be dissatisfied if he were a non-technical man, provided he were a man of first-class administrative capacity. He considered that the head of the railway department should have full control over the railway finances.

4099. In reply to the Chairman's question what the relations would be between the Government of India, Finance Department, and the Railway Department in respect of the money already invested by Government in railways, Sir T. Wynne said that he would have the railway budget entirely distinct from the ordinary Government budget. The railway budget would have to hand over to the Finance Department the interest on the railway capital and would retain any surplus. The Railway Department would raise further new money by loans backed by the security of the Government. Sir Arthur Anderson asked what would happen if the receipts were not sufficient to meet the charges. Sir T. Wynne thought that the contingency was very unlikely to occur. The Chairman observed that he did not think that there was any question that the separation of railway finance from the general finance of Government is most desirable from the railway point of view. The question is how it can be made effective.

4100. Sir T. Wynne took strong exception to the existing system under which it is possible for the Finance Minister to upset the railway programme and still to hold the Railway Board responsible for failure to work the railways satisfactorily.

4101. Referring to Sir T. Wynne's suggestion for the appointment in India of a Railway Committee from the members of the Imperial Legislative Assembly, the Chairman observed that apparently Sir T. Wynne wished the functions of such committees to be different from those of a Private Bill Committee of the House of Commons or House of Lords in Great Britain. Sir T. Wynne explained that his object was to bring public criticism and advice more directly to the aid of the Railway Minister. He thought that it would be undesirable to give this Committee definite powers, and that it would preferably be only an advisory body.

4102. The Chairman drew attention to the evidence which had been given by representatives of the Bengal Nagpur Railway with reference to the control of rates and fares. He suggested that it was unreasonable to leave discretion to the Agent to alter fares entirely at his own option between widely separated maxima and minima limits. Sir T. Wynne thought that the Railway Board is much more accessible to complaints than any public body in the United Kingdom. He thought that it would destroy vested interests to impose a more restrictive control upon the railway companies in the matter of their charges.

4103. Turning to the answer to question No. 19 in which Sir T. Wynne suggested that no less than £25 millions per annum should be raised for expenditure on capital account, Sir T. Wynne said that this was only an approximate estimate. In his experience £12,000,000 was the largest capital programme that he had known. Having regard to the increased cost of materials and labour, he certainly did not think that his present estimate of £25,000,000 per annum could be regarded as in any way extravagant. He had, in fact, put the figure low in view of his doubt whether the money would be forthcoming.

4104. In his opinion money might well be raised for immediate requirements by the issue in London of short term bonds, which might be renewed later on terms suitable to the market. It would no doubt be necessary at present to pay a high rate of interest. He considered that Indian railway investments are popular in the London money market. They are particularly popular as trust investments. The Chairman remarked that railway annuities are not a popular form of investment in London, and that they found only a limited market when they had to be sold, for example, in realising the assets of a deceased holder. Government did not appear to have done much to popularise the Indian Government loans.

4105. Sir T. Wynne was in favour of raising money by means of premium bonds in India. He believed that this would attract a large amount of capital for railway purposes. The principal attraction is the element of chance which they import. He thought it best that they should be issued by the railway companies and not directly by Government, mainly because it would obviate a certain amount of adverse criticism. He did not think that there is any strong public opinion in India against this form of borrowing such as exists in Great Britain. In answer to Mr. Tuke, he agreed that the bonds would be an issue made through the Companies by the Government, and that as they would not be specially charged on any of the Companies' assets, they would really rest upon the guarantee of Government, but he thought the name of the local Company would exercise an influence to attract capital in each district.

4106. The Chairman drew attention to the illustration given by Sir T. Wynne in reply to question No. 23, in which land assessment had been raised 300 per cent. because of the increased value due to the construction of a railway, and asked Sir T. Wynne kindly to furnish the Committee with any further instances which he might be able to give.

4107. The Chairman observed that in his reply to question No. 28 Sir T. Wynne had furnished an additional argument against the existing lapse system by indicating that in certain cases an engineer has a special inducement to restrict expenditure in any particular year even when he is in possession of ample funds, because of the uncertainty whether he may not be starting a rate of progress which he will subsequently be unable to maintain. The result is that work is not pushed on at a reasonably economical speed.

4108. Sir T. Wynne agreed in the Chairman's summing up of his opinion as being that India for the last 20 years had never had enough money spent on its railway system; there certainly is room for a much greater mileage of railways than at present exists; and that one of the chief causes for the existing deficiencies is the linking of railway finance with the public finance. He considered that more money might be raised by new methods. He considered that if the capital money were properly expended, and if rates and fares were increased to a total extent of perhaps 40 or 50 per cent. of the pre-war level, there was no risk that the railways would fail to meet the interest charges on their increased capital.

4109. Sir T. Wynne drew attention to the fact that the Railway Board had recently found it necessary to issue to the Press a warning that false conclusions must not be drawn from the continuous rise of the railways' gross receipts which are published weekly. The Chairman expressed surprise that the receipts figures should be published without any corresponding information regarding increased expenses.

4110. In Sir T. Wynne's opinion the root and foundation of any reform is the entire separation of railway from general finance. He believed that commercial interests would readily face increased transit charges if they were sure of getting their goods carried. Sir Henry Ledgard endorsed this opinion.

4111. Sir Henry Ledgard mentioned that Rs. 183 crores had recently been subscribed for new industrial ventures in a single year; not all of this was new money, but probably about Rs. 100 crores represented new capital. In face of this he suggested that the prospect of getting capital for railway investments was good. Sir T. Wynne did not entirely agree, as he thought that the prospect of a large profit in industrial enterprise is a consideration which does not apply in the case of railway investment.

4112. In answer to Sir Arthur Anderson, Sir T. Wynne remarked that if the companies were domiciled in India, the cycle of discussions between Government and the companies would still be much the same as at present, although some little time might be saved.

4113. In his opinion the question of re-arranging the railways in a smaller number of groups might well be considered; he thought that a system of about 5,000 miles should be regarded as a maximum, the North-Western Railway had already reached, if not exceeded, the desirable limit. In answer to the Chairman's suggestion that the revenue of that line is relatively small, he admitted this, but observed that in India a large system cannot be administered so easily as might be possible in a temperate climate.

4114. In answer to Mr. Hiley, Sir T. Wynne did not think that there was much difference between the actual results of company and State-managed railways. If company boards were domiciled in India, he thought that there would be difficulty in raising money in London. The shareholders there subscribe really more on the strength of the names of the directors than on the actual merits of the case set out in the prospectus. In the case of Indian domiciled companies, the directors would not be known in the London money market, and would not therefore enjoy the same confidence. Mr. Hiley suggested that the value of the names would in any case disappear when once it was known that the expenditure of the money was not really controlled by the directors.

4115. In reply to Mr. Hiley, Sir T. Wynne said that at the present moment the vital question is that of funds. The funds are really controlled by the Railway Board and distributed among the railways. Sir T. Wynne said that the agent of the Bengal-Nagpur Railway, supported as he is by the Home Board, is able to make his influence felt in the Railway Board, and that it was not therefore necessary for any member of the Board at home to be present. There is no definite principle adopted in cutting down the budget estimates of railway companies, but it depended on the individual who is at the head of the Railway Board at the time. No doubt the persuasiveness of the agent is also a factor.

4116. Mr. Hiley drew attention to the illustrations given by Sir T. Wynne in his written evidence with regard to the functions of the London Boards of Directors. He observed that most of the items enumerated appear to be matters which in ordinary railway business do not come before Boards of Directors at all, but are dealt with either by the manager or even the heads of departments. Sir T. Wynne urged that much attention is paid by the Board of Directors to the introduction of improved equipment and the methods of working. There was a good deal of correspondence on such subjects between the Bengal-Nagpur Railway Board of Directors and its agent. Mr. Hiley observed that in one at least of the instances which had been referred to by Sir T. Wynne (namely, negotiations with the Tata Iron and Steel Company) the Board of Directors is dealing with a company domiciled in India: if such discussions were carried on successfully, it must be not because, but in spite, of the fact that the Railway Board of Directors is in London. Sir T. Wynne pointed out that the Tata Steel Company has a representative in London with whom the Board can communicate.

4117. Mr. Purshotamdas Thakurdas suggested, with reference to the alleged advantage that the Board

of Directors furnishes means of resisting political and local influences antagonistic to the successful working of the railway, that this would hardly be regarded as a strong argument. The Government of India ought to be able to resist any pressure which should be resisted without sheltering itself behind a railway company. It hardly appeared to him a strong argument for introducing a board of directors that the Government of India may not have the strength of its own opinions.

4118. In reply to Mr. Purshotamdas, Sir T. Wynne explained that in alluding to the working of the railway as a commercial proposition he meant that every railway must earn a dividend. He considered that it might be regarded as a commercial proposition so long as it is paying its way and giving a reasonable dividend. He did not think that Government interference which did not interfere with these requirements should be regarded as objectionable. He quoted an instance in which the Finance Department had exerted pressure to make the railways reduce their charges for the carriage of salt to a nominal and unprofitable rate in order that the Finance Department might maintain its Excise revenue while the price of salt was reduced to the public. In that case the Railway Board resisted the pressure put upon it, and had succeeded in having the proposal withdrawn. Mr. Purshotamdas considered that the case must have been an exceptional one.

4119. Mr. Purshotamdas said that apparently Sir T. Wynne's objections to boards of directors in India on the ground of personal prejudices would apply equally to the trustees of a Port Trust. Sir T. Wynne said that in his opinion the objection does apply there also.

4120. A reference was made to a case in which the merchants of Broach had protested strongly against the imposition of certain block rates in respect of traffic from Ahmedabad to that port; the Government of Bombay had strongly supported them, but the Railway Board declined to interfere. He said that the case had occurred about 1909 or 1910; the result of the railway's action was that it cost six times as much to carry sugar from Ahmedabad to Broach, an intermediate station, as from Ahmedabad to Bombay. Sir T. Wynne did not remember that occasion, and was therefore not prepared to discuss it. It was decided that the Committee should take steps to obtain information about this case from other sources.

4121. Mr. Purshotamdas drew attention to the prevalence of complaints of undue preference. He suggested that the reason why relatively few complaints are now made to the railway administrations, as stated in the evidence of the Bengal-Nagpur Railway representatives, was possibly not the lack of ground for complaints, but the feeling of the commercial community that it was useless to make them. He mentioned an instance in which the Indian Merchants' Bureau of Bombay had complained against undue preference given to a particular firm, and in which Sir T. Wynne, as President of the Railway Board, had personally enquired into the matter and given redress. Sir T. Wynne admitted that an easier method of obtaining redress than the appointment of Railway Commissions under the Railways Act might perhaps be taken greater advantage of by the public.

4122. Mr. Purshotamdas expressed regret that Sir T. Wynne had not dealt in his written evidence with the extent of the popular agitation as indicated by non-official resolutions in Council in favour of the State management of railways. He did not, however, press the matter in the absence of any expression of Sir T. Wynne's views.

FOURTEENTH DAY.

(Calcutta.)

Wednesday, 5th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E., (*Secretary*).
Mr. E. R. POLE, (*Assistant Secretary*).

Mr. C. D. M. Hindley, Agent, East Indian Railway, who was accompanied by Col. P. C. Sheridan, C.M.G., General Traffic Manager, East Indian Railway, and Mr. Purcell, Rates Manager, was called and examined upon the written statement which he had furnished to the Committee.

See Written Statement No. 16. Vol. IV., P. 63.

4123. The Chairman opened the proceedings by thanking Mr. Hindley for the complete and careful note which he had furnished and for the constructive proposals which he had put forward.

4124. With reference to his training and experience, the witness stated that, since 1914, he had been employed at the headquarters of the Railway, in appointments which brought him into contact with railway management questions of all kinds. He had been at an earlier period for a year and a half in a secretarial post, but even in that appointment he had exercised to a considerable extent administrative functions owing to the absence of a deputy Agent on the railway.

4125. The Chairman drew attention to Mr. Hindley's recorded opinion that the necessary stimulus to efficient management is the possession of a substantial stake in the undertaking. Mr. Hindley did not regard the existing one per cent. stake as being substantial. As observed in his written evidence, it meant that he would have to effect economies or increase earnings to the extent of Rs. 40 lakhs in a year to enable 1s. extra dividend to be paid to the shareholders.

4126. He was also of opinion that the contract with the working agency must be for a sufficiently long period to enable the policy adopted by the Company to be effective. The Chairman asked whether it was in fact possible for the managing company to pursue a policy of its own, having regard to the restrictions imposed by its contract with the Secretary of State. Mr. Hindley thought that, within limits, this was

possible. He observed, however, that, in recording his written statement, he had rather assumed a case in which the company would have a freer hand, especially in matters of finance, and that, though his theory presupposes the existence of a substantial stake in the property with reasonable freedom in management especially as regards finance, this hardly existed at all in the existing conditions.

4127. If he were Manager of a commercial concern with such manifest signs of prosperity as the East Indian Railway, he would launch out much more boldly than he is at present in a position to do. For instance, he would make much more adequate provision for dealing with the coal traffic the lack of facilities for which at present is well known. He thought he would be able to handle a larger volume of business, but he could not say whether he could do so cheaper than at present. He did not think that the particular instance mentioned by the Chairman, *viz.*, the ceasing to handle coal in covered trucks, would afford much scope for economy. Hopper wagons might of course be used, but this would depend upon the introduction of mechanical loading and unloading appliances at the collieries and the docks.

4128. The Chairman in connection with Mr. Hindley's recorded opinion that the Agent of a Railway Company is likely to be allowed greater freedom of action by his Home Board than the Agent of a State Railway is given by the Railway Board drew the witness's attention to a statement made by Sir Henry Burt that a State Railway Agent was not in practice any more hampered in his actions than a Company's Agent. Mr. Hindley observed that this was only a record of his impression and he had no intimate personal knowledge of State Railway working. He judged from his conversation with State Railway Agents and others. It appeared to him that under the Company system the Agent is encouraged to exercise more independence, and is naturally less disposed to refer trifling matters to higher authority. In answer to Sir Henry Burt he said that, although it was the case that the powers of the State Railway Agents are not less than those delegated to the Companies Agents, it seemed to be usual for State Railway Agents to refer cases of minor importance to the Railway Board.

4129. The Chairman drew attention to Mr. Hindley's observations in his written evidence regarding the advantage of the close connection which could be kept through the Board of Directors in London, with modern developments in railway working and policy. In this connection Mr. Hindley referred to the relations of the Boards of Directors with their Consulting Engineers. For instance in a case of designing bridge girders it is necessary for the designer to be in close touch with the manufacturing concerns. The Chairman said that it appeared to him that this rather suggested the need for closer touch between the Agent and the Consulting Engineer than between the Agent and the Board who seemed to be only intermediaries. He remarked that the Secretary of State also has the same Consulting Engineers as many of the Railway Companies. Mr. Hindley said that there were many other instances in which the advantage mentioned by him had been secured through the Board of Directors though he was not in a position to quote specific instances off hand. Thereupon Sir Henry Burt suggested, and Mr. Hindley agreed, that the Boards of Directors could help in such matters as development in locomotive design. Mr. Hindley mentioned a recent case of introduction of super-heater engines which was almost directly due to the insistence of the Home Board, there having been at one time great opposition in India to their use. The Agents out here were a great deal assisted by the Home Boards in keeping up to date matters such as safety appliances, interlocking and signalling, etc.

4130. The Chairman referred to the information given by Mr. Hindley that the gross earnings of the Railway during the first complete half of the year of the new contract had amounted to Rs. 729 lakhs, giving Rs. 347 lakhs net earnings which furnished the company with a share of surplus profits, after paying Indian income tax (not English income tax), of only Rs. 3½ lakhs for the half-year, roughly 1 per cent. of the net earnings. Mr. Hindley did not consider that this represented an adequate interest in the business.

4131. The Chairman questioned Mr. Hindley with reference to his suggestion that there is always likely to be more difficulty in getting proposals accepted by the Railway Board than by the Board of Directors. He asked whether the difficulty is not really due to the fact that the Railway Board has naturally to consider the possibility of providing funds before they accord sanction to a proposal. Mr. Hindley thought that the difficulty of procuring funds no doubt made for delays, but he was inclined to think that the organisation of the Railway Board also contributed to delay by making it difficult for the Board to come to rapid decisions. He understood that the President of the Railway Board had no power of veto, and thought that a good deal of time must be lost in endeavouring to secure unanimity amongst the members who have had different kinds of experience. The Chairman remarked in this connection that Mr. Hindley had mentioned elsewhere that the Board was overworked and was charged with multifarious duties and encumbered with details that should not go to it.

4132. Mr. Hindley mentioned in his written statement that a Board located in India would resolve itself into the Agent and a body of commercial and financial advisers. The Chairman asked whether this was not true of any Board of Directors, irrespective of its location. Mr. Hindley thought that in India the Agent would be, so far as the directors are concerned, in much the same position as that which he now holds in regard to the advisory committee. The Chairman suggested that, in any successful concern, the manager or managing director must tend to occupy a similar position, and that, in practice, this is probably the most satisfactory arrangement. The Board of Directors would normally accept the recommendations put before it by the Manager. Should, however, the Board persistently reject his recommendations, it would seem to indicate the need for a change in the management. Mr. Hindley agreed that much depended on the personality of the manager. He observed however that there was an essential difference between advising and directing; his Board of Directors are not advisers, but have the authority to enforce their wishes if they differed from him (the Agent). He admitted that, with ideal appointments, there would be no occasion for differences between the Agent and the Board, but ideal appointments could not be counted upon.

4133. Sir Henry Burt drew attention to the suggestion which had been made in the questionnaire that continuity on the Board of Directors might be secured by having a Chairman nominated by Government, and asked whether this would not in fact destroy the independence of the Board. Mr. Hindley thought it would be difficult to preserve the principle of company management and secure the advantages derived from that system if the Chairman were a Government official or nominee.

4134. The Chairman drew attention to the remarks recorded by Mr. Hindley in connection with the personnel of the Calcutta Port Commissioners in support of his belief that it would be impossible to secure in India the continuity required in a Board of Directors. He referred to the Calcutta Port Commissioners, a body formed from the class of men who would probably be directors of a Railway; in this case he had remarked that, of the members who sat in this body in 1918, at present only 3 remained unchanged.

4135. Mr. Hindley's written evidence suggested that another difficulty would be that men, otherwise suitable to be directors, would be undesirable because of their direct connection with particular industries or areas. He considered this a serious difficulty. Sir R. N. Mookerjee asked whether it would not be

met by the withdrawal of any director personally interested in any particular question coming before the Board. Mr. Hindley thought that this would mean in practice that the Agent would frequently be left alone in the room, as the directors would so frequently be interested in one or another of the matters requiring decision. He did not in the least impute dishonesty of intention, but he thought it was difficult to exclude altogether the possibility of prejudice and of cases occurring where undue influence might be exercised by interested directors. In reply to Sir R. N. Mookerjee who asked whether the same difficulty did not present itself in connection with the members of the advisory committee, Mr. Hindley observed that he had never found or heard of any ground for complaint in connection with gentlemen who were or had been members of the Local Consulting Committee. He had personal knowledge of cases in which heads of firms in Calcutta would have exercised influence upon the railway management in their own interests, had they been in a position to do so. He had in mind a particular case in which there had been a clear indication of this. The Chairman summed up by saying that it would appear that, in the opinion of Mr. Hindley, the number of persons in India competent to be employed on Boards of Directors is not large, and of those competent not all would be desirable.

4136. With regard to the witness's observations regarding the interest of directors in particular areas, the Chairman said that it appeared to him that, in the case of directors of English railways, the same objection might be raised, and that it did not apply specially to Boards of Directors in India. Adverting to Mr. Hindley's recorded opinion that ultimate control must rest definitely either with a Board in India or one in England, and that, if a scheme is devised for a combination of English and Indian management, one of the Boards must be advisory, Mr. Hindley said that he had not considered the diarchy system as applied to a railway. He was inclined to think that the problems of railway management are so interwoven that it would be impracticable to divide control between two boards. The Chairman remarked that he had himself failed to see any solution on the lines indicated. Mr. Hindley stated that, in many respects, the full powers of the company were already delegated to the Agent in India.

4137. The Chairman asked what his opinion was as regards an appeal to the Railway Board by the Consulting Committee in cases where the Agent declined to follow their advice. Mr. Hindley thought that if the Consulting Committee had such a right of appeal it would wreck the organisation. It would mean practically that they would have power of life and death over the Agent. The Chairman suggested that possibly the converse might equally hold good. Mr. Hindley said that this would depend on how the advisory committee was constituted and by whom it was appointed. He explained that the difference between the Consulting Committee of the East Indian Railway and that of the Eastern Bengal Railway is that, whereas the members of the latter are nominated by certain public bodies, those of the East Indian Railway Committee represent specific *interests* such as coal, shipping, etc., and that the Agent is thus enabled to get a purview of the whole interests served by his railway. In the case of the East Indian Railway the members of the Committee are invited to serve by the Board of Directors. Mr. Hindley thought that though the distinction was an important one, and the method adopted by the East Indian Railway probably resulted in more assistance being given by this body in actual practice some of the members at the present time happened to be members of both Committees. The Chairman remarked that neither Committee appeared to have any representative of the public as such, for instance of 3rd class passengers, and enquired whether there was any way in which this could be provided. Mr. Hindley thought that, in practice, it would be extremely difficult to secure a satisfactory representation of passengers. He said that generally speaking the railway officers and employees are in far better touch with the problem of passengers' requirement than any outside representative could be. The East Indian Railway endeavours to work on the principle of treating passengers as its guests and considers their interests to the utmost. He did not think an outside representative would help very much though he might be of use occasionally. The Chairman suggested that some guests complained of the hospitality they received, and that possibly a representative might be useful, if not to the railway management, at least to his clients in making them realise that there are difficulties in meeting their requirements. Mr. Hindley thought the difficulty of representing the large numbers and diverse classes of the passenger public in all the different districts through which the railway ran would be very great. Even if there were Advisory Committees at more than one centre it was doubtful whether suitable representatives could be obtained. In answer to Sir Henry Burt he agreed that the requirements of one class of the public are often not those of another. He remarked that the East Indian Railway already employs ex-Indian officers as passenger superintendents to look after the interests of passengers at some of the larger stations. The Chairman said that representations had been made to the Committee about the grievances of 3rd class passengers, and he felt that, if possible, more publicity should be given to the effort made to meet their requirements.

4138. Sir Henry Burt mentioned that he had once presided at a third class passengers conference at Lucknow. So many different and conflicting proposals were put forward that it was difficult to deal with them. Mr. Purshotamdas remarked that some good, however, must have come out of it, in which Sir Henry Burt agreed. In answer to Sir George Godfrey, Mr. Hindley remarked that the principal source of all difficulties and inconvenience to passengers was overcrowding, which the railways would gladly remedy if it was in their power. The difficulty was inadequacy of funds, which lay at the root of this and of most of the difficulties.

4139. The Chairman observed that in view of the definite orders of the Railway Board quoted by Mr. Hindley in his written evidence that expenditure must be restricted to absolutely necessary traffic facilities, it would seem clear that any complaint about such things as waiting and refreshment room accommodation was really a complaint against the Government, and not against the railway organisation though the latter is blamed. Mr. Hindley said that he would hesitate to throw publicly the whole blame on Government. The Chairman thought that some suitable form of publicity might nevertheless be found.

4140. Adverting to Mr. Hindley's observations regarding the difficulty which the Railway Board must experience owing to the need for their acting jointly in coming to a unanimous decision, Sir Arthur Anderson remarked that the decision need not really be unanimous, and that the majority prevails and although a member has the right of recording a dissent this right has never been used. The Chairman pointed out that the evidence of Sir T. Wynne was to the contrary effect. He had stated that the Finance Department made use of discordant opinions of the members of the Railway Board to support the course which, from the Finance point of view, seemed most desirable, independently of considerations which from the railway point of view might be important. Sir Henry Burt thought that at least the Railway Board system must be cumbersome. Mr. Hindley said that he could not of course speak with inside knowledge, he could only judge from the results. It appeared that considerable delay must occur through the Board's members being unable to come to unanimous conclusions. He referred in this connection to the Board's letter given in Appendix A of his written statement on a case in which very great delay had occurred in getting sanction to an

important project after it had been discussed with, and the action taken approved by, two members of the Railway Board. In this case the extreme urgency of a certain work had been shown on the spot first to one and subsequently to another member of the Railway Board. Funds had been provided, and the work was put in hand in anticipation of official sanction of Government. Subsequently, however, the Railway Board wrote to the railway commenting on the impropriety of starting the work without official sanction, and asking for full information and directing a limitation of expenditure until the matter had been referred to the Secretary of State—this notwithstanding that the necessity of the work had been proved as stated to two members of the Railway Board on the spot and accepted by them many months previously, and the fact that these two members knew that the work had been begun. Mr. Hindley was unable to explain the process of discussion of such cases in the Railway Board's office, or between the Railway Board and the Finance Department or Secretary of State. He recognised that the Board is not a free agent in such matters, and is doubtless controlled by stringent orders of the Secretary of State, as observed by Sir Arthur Anderson.

4141. The Chairman briefly reviewed the recommendations made by Mr. Hindley in Part II of his written evidence, in which he suggested, firstly, that the management of State railways should be delegated to local boards of management, either controlling or advisory, and, secondly, that the functions of Government under the Railway Act should continue to be exercised by Government inspectors. In the latter connection, Mr. Hindley had used the expression "Inspectors under the Secretary to Government in the Railway Department"; he explained to the Chairman that here he had assumed that there would be no Railway Board, but a reorganised Railway Department of Government with Secretaries as in other Departments.

4142. With regard to his further recommendation, that Government control in respect of rates and fares should be entrusted to a statutory body for the whole of India, Mr. Hindley said that he was not in a position to pursue the question of the analogy of the Interstate Commission in the United States, with regard to which he had little information. The Chairman observed that that Commission had always been almost wholly composed of lawyers. Mr. Hindley said that what he wanted was to provide a body which would be able to deal with questions of rates and fares and complaints in regard to these questions in respect to which the interests of different provinces might conflict. He had not gone into details, but was satisfied of the need for a body containing representatives of different areas to which cases requiring settlement could be referred. The Chairman instanced two different classes of cases which would require decision:—

(*a*) Should a railway be allowed to make its rates so as to encourage one port rather than another, which was a broad question of policy; and

(*b*) whether the rate charge on a railway for AB was fair compared with CD's rate, which was a mere question of fact on an individual case.

4143. He enquired whether Mr. Hindley would give the body proposed by him authority to deal with both classes of cases. Assuming that the company's powers to alter rates within the maxima and minima as at present were to remain, he asked whether Mr. Hindley would put to the proposed body a large question such as (*a*) above, and whether the same body would be suitable to decide a dispute, for instance, between two traders in Cawnpore, or whether it would not be necessary to have a smaller and simpler machinery for dealing with cases of the latter class. Mr. Hindley thought that cases of minor importance might require no special machinery. He would not use the body recommended by him for dealing with them, but would leave such matters to be adjusted directly between railways and the persons concerned as is done now by the staff specially detailed to deal with such questions.

4144. Sir Henry Burt observed that, unless the powers of the railway company regarding rates and fares are altered, the statutory body would only be in a position to deal with settlement of disputes. He asked whether Mr. Hindley would object to power being given to the Railway Board to settle minor disputes regarding rates and fares. Mr. Hindley thought that it would be very difficult for the Railway Board to act as a judicial body in such matters, apart from the fact that it would be adding to their already excessive work. He hardly thought that the Board, which represents the owners and is a predominant partner in the railway business, could act as a fair and impartial judge in disputes with the public.

4145. The Chairman turned to Mr. Hindley's recommendations that the Advisory Board on railway policy proposed by him as an integral part of a reconstructed Railway Department might be constituted from the Legislative Assembly and the Council of State in view of its probable relations with the railway budget. Mr. Hindley explained that his idea was that the body referred to by him should be the first body to deal with the railway budget, after the main dimensions of the budget had been worked out and approved in consultation between the Railway and Finance Ministers. It would report the budget to the Legislative Assembly, which might be expected to vote in accordance with its recommendations.

4146. Referring to his mention of the Finance Minister, the Chairman asked what Mr. Hindley's views would be with regard to the complete separation of railway finance from the public finance. Mr. Hindley said that he had not contemplated this as a practical measure, and he had not been able to visualise it. The Chairman drew attention to the fact that separate railway finance exists in other countries, for instance, Canada, Switzerland, Italy and South Africa, and that it is now being discussed in Belgium. Mr. Hindley said he was glad to hear this; he agreed that complete separation of railway finance is desirable from the point of view of railways if it be found practicable.

4147. In reply to a question put by Sir Henry Burt, Mr. Hindley stated that if the separation of the railway and public finance could be brought about, he could see no objection to the Advisory Board on Railway Policy which he had proposed being given definite powers to determine policy, approve schemes of development and railway projects generally, and to settle questions relating to finance and allotment of funds.

4148. The Chairman said he supposed that Mr. Hindley would agree that such an undertaking as that of the East Indian Railway ought to be looking ahead with regard to its future requirements with a view to placing the railway in a position to deal with traffic likely to be offered in future years. He presumed that this is not done in practice, because of the known and constant difficulty of securing necessary monies for expenditure. Mr. Hindley said that the attempt to look ahead is made, but undoubtedly initiative is weakened in view of the hand-to-mouth policy actually pursued by Government; one does not naturally dwell upon schemes, the realisation of which is known to be practically impossible because of the certain inadequacy of the means to carry them into effect.

4149. The Chairman mentioned that the representative of the Bengal Nagpur Railway had explained that the budgets for the two later years of the capital programme were not worked out so accurately in detail as that for the first year. Mr. Hindley said that in practice the first year's programme of the three-years' period is composed largely of works for which detailed estimates have been prepared, and, as many of these are works requiring several years to complete, there are always a number of works in the second and third years of the programme for which detailed estimates are available. As years go

by and inadequate funds necessitate postponement the tendency is for the second and third-years' programme to become more and more filled up with works estimated for in detail. Generally speaking, owing to the limitation of funds the programme of future development consists mainly of specific items of work which, it is known, will extend over several financial years.

4150. The Chairman referred to Mr. Hindley's opinion that Government should not exercise any greater control than at present over matters relating to the requirements of the travelling public and of trade. He suggested that what Mr. Hindley was pressing for was the establishment of a consulting body which would exercise at least a moral control. Mr. Hindley said that he thought that the word "influence" better represented the idea than "control."

4151. Answering the Chairman, he said that the Railway Board has no traffic inspectors corresponding to the engineer inspectors employed by them. He said that Government inspectors do, however, to some extent, deal with traffic questions; these officers are no doubt engineers by training, but they have to be conversant with operating rules. Generally speaking, however, it was the case that the railway educates the inspectors in such matters rather than obtains much expert assistance and advice from them. He was doubtful whether traffic inspectors were necessary in the Railway Board's organisation, and thought that, if they were trained by a railway, they would be better retained on it than attached to the Railway Board.

4152. The Chairman asked, with reference to Mr. Hindley's opinion that Government should exercise greater control over companies in the matter of standardization so as to ensure the interchangeability of wagon parts, etc., whether there is no body at present which deals with such matters. Mr. Hindley explained that the Railway Conference Association had taken it up. This Association, however, has no compulsory powers; it acts within the powers delegated to it by the railways, and any railway is at liberty to record its refusal to be bound by the Conference decisions.

4153. Referring to the relations of the railways with Government, Mr. Hindley said that he would like the Railway Department to be in the hands of a member of the Executive Council. He would prefer that he should be a man of railway experience, but he did not regard it as necessary provided he were a competent administrator.

4154. Mr. Hindley emphasised it as his opinion that experience shows that any new line in India creates or attracts sufficient traffic in a short time to make its construction commercially justifiable. There are undoubtedly large areas which need railway communications. In the 14 years since 1906, the East Indian Railway, which is one of the biggest systems in the country, had opened only about 400 miles of new line. With regard to maintenance, Mr. Hindley said that, on the whole, sufficient provision had been made for ordinary day to day maintenance. During the war time, maintenance fell somewhat into arrears, more owing to lack of materials than to lack of funds. Broadly speaking, day to day maintenance has been kept up, but renewals are undoubtedly in arrears.

4155. The Chairman drew attention to the statement in Mr. Hindley's written evidence that the railway is now waiting for the Railway Board's sanction to an increase of the revenue expenditure estimate from Rs. 648 lakhs to Rs. 750 lakhs, although the Board had tacitly admitted the necessity by placing the railway in funds. Mr. Hindley explained that what this practically meant was that the railway was spending at the higher rate. He had succeeded by sending telegrams every few days to the Railway Board in obtaining the necessary funds to enable payments to be made, but the company did not expect the Railway Board's formal sanction to the revised estimates until shortly before the close of the financial year.

4156. Mr. Hiley observed that, with regard to permanent way relaying, the line appeared to be about 360 miles in arrears. Mr. Hindley agreed, and said that relaying on the East Indian Railway usually involves not mere replacements with new materials of the same standard, but putting in heavier rails with a consequent partial debit to capital under the Indian accounts system. The Chairman drew attention to certain figures furnished by Mr. Hindley which suggested that the cost of relaying is at present about 4½ times more than the pre-war rate, whereas the estimate for 600 wagons was only put at 2½ times the pre-war cost. He had some difficulty in understanding why there should be so great a difference in the increased cost between relaying and wagon construction estimates. The matter was not, however, pursued.

4157. In reply to Sir Arthur Anderson, Mr. Hindley stated that they were putting in English rails and not Indian rails, and that Tatas had not enough rails to supply even a fraction of what other railways required in India. He added that they had not got contracts with Tatas, and that they thought themselves rather lucky at present that they had gone elsewhere. The people who had contracts with Tatas are not getting rails while the East Indian Railway is.

4158. The Chairman drew attention to Mr. Hindley's statement comparing the cost of the annual renewal programme on the present and pre-war figures, which brought out the following totals:—

Pre-war	Rs.	50·40 lakhs.
Present	Rs.	172·80 ,,
Budget (1921-22)	Rs.	130·44 ,,

Mr. Hindley's explanation showed that the reduction from 172·80 lakhs to 130·44 was due only to provision being made in the budget for less than what was really required, not to any improvement in prices.

4159. With regard to another statement which showed that it has frequently been the experience that less money was actually spent by the railway than had been allowed in budget orders, Mr. Hindley explained that one reason of the failure to spend money allotted was due to the time taken to obtain materials. In a particular instance, it was due to the issue on revenue account of stores which had been provided for capital purposes. Mr. Hindley said that, on at least one occasion the railway had been forced to spend money which they did not wish to spend or would have preferred to spend in another manner. The railway had been compelled by the Railway Board to take over 2,500 wagons which had been ordered by the Board some years ago on account of apprehended wagon shortage. The wagons were not such as the East Indian Railway Company desired to have owing to their being of a different standard from other wagons on the system and their parts being not interchangeable. But the Railway Board had finally decided that they should be added to the authorised stock of the Company; had provided the money to pay for them, and had debited the amount against the Company. The Chairman summarised the discussion by saying that as he understood it, the Railway Board, acting no doubt with the best intentions and in view of such information as was then available, had made what turned out to be a bad bargain. The whole responsibility was on the Railway Board. But the loss was charged by the Board in proportion to the respective interests, 99 per cent. to the Government and 1 per cent. to the shareholders in the Company. Mr. Hindley agreed.

4160. Sir Arthur Anderson suggested that the wagons were especially suitable for the traffic between Calcutta and the coalfields. Mr. Hindley agreed that this had been used by the Railway Board as an argument for their being taken over by the East Indian Railway, though he was doubtful whether it was in fact the case. Mr. Hiley asked further whether the railway had been given the option of erecting the wagons, and Mr. Hindley stated that the railway had wished to do so, but the contract had already been given by the Railway Board to a private firm.

4161. The Chairman observed that it appeared from a statement elsewhere given by Mr. Hindley that to meet budget restrictions, the Railway Board had had to eliminate from its programme some extremely urgent works such as the doubling of the Grand

Chord, and that the practical effect of this appeared to be that the railway was compelled to spend money on wagons which it did not particularly want, to the detriment of much more urgent necessities. The Chairman drew the conclusion that the action taken by the Railway Board had been to place the East Indian Railway in a position in which it would suffer in its earnings through no fault of its own.

4162. In his written statement, Mr. Hindley had observed that it is impossible to estimate the loss to trade and to the public which would be brought about by the delay in providing essential facilities and the persistent failure to keep the capacity of the line up to the demand for transportation. Mr. Hindley stated that, in his opinion, the position is going to be even worse in the near future than it is at present. Mr. Hindley mentioned that the position is already so bad that at times the railway has to restrict or even entirely to close down the acceptance of goods traffic. Colonel Sheridan promised to furnish a memorandum for the use of the Committee in this connection. Colonel Sheridan explained that he has at present to limit each district daily to a particular quantity of traffic. He read out as an example the orders issued that day with reference to the allotment of wagons, showing that over a large part of the system only one-half of the demand for wagons for merchandise traffic other than coal would be met.

4163. In reply to Sir Rajendra Nath Mookerjee as to whether action of this kind could be taken without consulting the public, Colonel Sheridan stated that it was done in the best interests of the public as a whole. As regards differentiation between the different kinds of traffic, there was Government authority for preference being given to coal traffic.

4164. The Chairman asked what would happen if a merchant were to sue the railway for losses consequent upon preferential allotment. Mr. Purcell observed that he could not sue in an ordinary civil court, but must apply for a Railway Commission. The Chairman observed that that appeared pretty effectively to debar him from a remedy, since there has been no instance of a Railway Commission having been appointed during the last 40 years.

4165. Mr. Purshotamdas enquired whether the position with regard to the restrictions of traffic had ever been placed before the Local Consulting Committee. Mr. Hindley stated that they knew all about it and had approved of the action taken, and this was confirmed by Sir Rajendra Nath Mookerjee, a Member of the Committee. In answer to the Chairman, who enquired how it was expected to meet the difficulties which would arise through want of carrying capacity, Mr. Hindley said he could only hope that the railway would "muddle through" in the current year as it had in the past.

4166. Mr. Hindley was not in a position to give a precise reply to the question whether traffic had actually been lost, as distinguished from postponed, for instance, by grain deteriorating and having to be fed to cattle. He said that there had been a case in which oil-seed merchants had complained of their exclusion from the European market owing to the lack of railway transport. It had been stated in this case that they had definitely lost their market. It was possibly due partially to other causes such as instability of exchange. He promised to give particulars of the case to enable the Committee to follow it up.

4167. The Chairman drew attention to the statement made in Mr. Hindley's written evidence that the Railway Board had definitely instructed the railway that, owing to the shortage of funds, new works must be restricted to those required for providing increased traffic facilities and *for providing* additional quarters and accommodation. In Mr. Hindley's opinion, this led to development being paralysed and to efforts in constructive imagination of the administrative officers and their assistants being stultified by the want of money, both present and prospective.

4168. The Chairman drew attention to Mr. Hindley's written evidence that under the existing definition of "new lines," there are occasionally classified works which more properly should be considered as improvements to existing routes, as an instance of which he mentioned the Burdwan-Howrah Chord. It did not appear to be sufficiently appreciated that a relief line is really an open line facility rather than a new line in the ordinary sense. When railway programmes are restricted the first things to be cut out are invariably the new lines.

4169. Mr. Hindley was questioned with regard to his estimate of 6 crores per annum for some years to come as representing the capital requirements of the East Indian Railway. He said that this was based, broadly speaking, on details which have been worked out both as regards quantities and prices. He was not in a position to speak as to the requirements of other railways, but on general considerations would estimate the requirements of the whole country at about 30 crores of rupees per annum, exclusive of new extensions. He drew attention, however, to his recorded opinion that even more than he had stated could be spent profitably and with great advantage to the country, but that it must be remembered that profitable expenditure depends on an adequate organisation which has to be built up gradually. It was quite impossible to provide such an organisation so long as expenditure is regulated in the existing hand-to-mouth and spasmodic manner.

Mr. Hindley's further examination was postponed until 3.30 p.m.

Mr. OSWALD MARTIN of Messrs Martin & Co. was called and examined upon the written statement which he had submitted to the Committee.

See Written Statement No. 17. Vol. IV., P. 97.

4170. Mr. Martin explained that he was a partner in Messrs. Martin & Co. He had a good deal of experience in connection with branch lines and was speaking as representative of the firm as well as expressing his own views.

4171. On the whole he preferred company management to State management. He would not press to have all the railways managed by companies. He attached importance to officers remaining on the same line instead of being transferred from one line to another. The Chairman suggested that this might be advantageous from the point of view of an individual railway, but there may be something in the way of getting the advantage of wider experience on more than one line. Mr. Martin thought the experience that can be procured on one line is sufficient. He is not prepared to say whether this was the case with the South Indian Railway of which he had no personal experience. He admitted that there is possibly another side to the question.

4172. With regard to domicile of managing companies it seemed to him a matter mainly of finance. He was of the opinion that companies should be domiciled in India if the necessary funds could be raised in India. He was unable to form an opinion as to whether sufficient funds could actually be raised in India. He thought the tendency to invest money on Indian railways is growing rapidly. He had no doubt that money would be forthcoming if the branch line terms were improved so as to correspond with the altered value of money: branch lines, however, are relatively small. He did not feel really competent to say whether as much as 9 crores of rupees could be raised for railway purposes, corresponding to the 9 crores recently raised in Bombay by the Improvement Trust Loan. He was not disposed to attach much importance to the argument that London Boards of Directors are out of touch with Indian conditions, nor to the fear that Indian domiciled Boards would lack continuity. In the case of Indian Boards, there would be Indian as well as English members and these would certainly tend to give continuity. It is also a common practice in India for one partner of a concern to succeed to the outside positions vacated by another; and continuity of policy would be secured in that way.

4173. He was inclined to think that a board might consist of an agent, traffic manager, and four or five commercial members. With regard to his suggestion regarding a Government nominee, he did not put it forward because he thought Government had too little power of control, but he thought they ought to be represented in view of their stake in the railways. The Chairman said that he had been told elsewhere that Government nominees tend to be either dummies or despots. Mr. Martin agreed that he did not desire either. Still he thought the Government Director should have a watching brief; and that it would be necessary for him to have a vote and the full authority of a Director. He found it difficult to see how a dual system with boards both in India and in London could work and it might only be attempting to bridge over a gap. He was inclined to think that for reasons of finance it will be necessary to keep Financial Boards in London; possibly a board in London might delegate some powers to an Indian Board and if it were satisfactory increase these powers gradually. He was unable however to schedule powers which might reasonably be so delegated. His general impression was that the Railway Board's control over Railway Administration is too tight. He was not in possession of details. In reply to Mr. Purshotamdas Thakurdas, Mr. Martin said that he was speaking both of companies and State railways.

4174. The Chairman referred to Part III of Mr. Martin's evidence and said that it appeared to him that the conclusion was that the sum and substance of the present problem is want of money. All the witnesses received and examined by the Committee had agreed in this. Mr. Martin was in favour of bringing existing railways up to full capacity before extending them.

4175. With reference to the branch line terms he complained that when the main line undertook the construction of the branch line there was no finality regarding the cost as estimated by the main line, and nothing to prevent the original estimate, on which the branch line company framed its prospects, being exceeded. In his opinion it would be desirable that the main line should undertake construction for a lump sum figure; but it is not a very general practice in India to make lump sum contracts. Mr. Martin said that branch line companies should be free to put the construction contract up to public competition in the event of the main line not being prepared to tender on the terms suggested. Ordinarily, however, outsiders could not be expected to build a railway cheaper than the main line. A promoter of a branch line company would naturally wish to be in a position to point out to the main line that a proposition at a certain cost of construction may be good, but would be financially unattractive if risk is run of the cost being considerably higher. It would not be necessary to have an unqualified lump sum contract for construction. There might be a reasonable allowance for contingencies.

4176. Sir Arthur Anderson asked whether Martin & Co. had not constructed their own railways. Mr. Martin stated that the company had been both promoters and contractors and that formerly they had built all their railways. They were stopped from building any more by the Railway Board on the ground that it was not right for the promoters to build the railway, although he could see nothing improper in their occupying this dual capacity since the shareholders were fully aware of what was proposed.

4177. Sir R. N. Mookerjee explained that originally the main line company made estimates and that these were criticised by the Public Works Department of the province concerned and by the Government Inspector of Railways, and, if necessary, modified in consultation. The promoting firm was then authorized to float a company and take the contract practically on lump sum terms. The shareholders were entirely satisfied. He ascribed the objections which had since been taken to the continuance of this practice to certain influences which had now ceased to operate. So far as he knew there was no reason why a lump sum contract system might not be revived, although it had been objected to in the past. He did not think that there was on record any formal ruling preventing a firm of promoters acting also as contractors for the construction of the lines.

4178. Referring to Mr. Martin's opinion that every effort should be made to raise funds in India, the Chairman asked whether Mr. Martin could indicate the methods to be adopted for this purpose. Mr. Martin said that this is a matter for an expert financier to advise upon. He thought it would probably be easier to get subscriptions for a portion of a big railway project than to raise the same amount representing the whole capital of a smaller project.

4179. With reference to the question of raising rates and fares, Mr. Martin thought that the commercial community would probably prefer to pay higher charges than have defective transport service. He agreed with the Chairman that, if the present rates can only carry the existing capital, it will probably be necessary to increase charges in order to secure a satisfactory return on enhanced capital, since an increase of capital outlay will necessarily reduce the return temporarily. In his opinion the carrying capacity of railways ought to be ahead of their immediate requirements. It is an ordinary business principle to make advance provision for reasonable expansion.

4180. The experience of his firm in dealing with Government in connection with branch line proposals had been that there were great delays in obtaining sanctions and vexatious and unnecessarily prolonged discussions at every step. The firm's remuneration had been reduced by successive stages until the company ceased to promote construction. In one case it had taken some four years' negotiations in connexion with the grant of a concession for a scheme of construction of a single line before sanction was obtained for it.

4181. The firm is managing agent, actually for about nine companies. There is only one contract relating to each line. The main principles of the contracts are the same but there are differences in details. Some of the differences are accounted for by the fact that some of the earlier lines were built on the guarantee of the district boards and latter ones on the guarantee of the Secretary of State, while others are on rebate terms. Of the District Board Guaranteed Railways, three are in Calcutta, suburban railways really approximating to tramways on roads, but they are run as railways and worked under the Railways Act.

4182. Mr. Purshotamdas Thakurdas drew attention to Mr. Martin's contention that company railways are in better touch than those managed by the State with the public, especially with the commercial public. Mr. Martin said that this statement was a record of his general impression. Commercial people always prefer to deal with business management rather than with State management. He was not, however, in a position to give definite instances in support of his opinion. He stated that his experience of State management had been confined to the Eastern Bengal State Railway. It was impossible to come to a fully reasoned conclusion as to the respective merits of State and company management. There was no such demonstrable advantage on the one side or the other as to justify a categorical decision.

Mr. C. D. M. HINDLEY, Agent of the East Indian Railway, was recalled and examined.

See Written Statement No. 16, Vol. IV., P. 63.

4183. Referring to information given by Mr Hindley with regard to wagon supply, the Chairman said that the Committee had been given to understand, by other witnesses, that the difficulty was not so much the actual number of wagons available as the inadequate capacity of the railway for moving them. Mr. Hindley agreed that the line capacity must be increased together with the increase of wagon stock. At the present time, the stock of the East Indian Railway is about 37,000 wagons. Possibly two, or even three, thousand more wagons might be added to this with some advantage under existing conditions. More would cause embarrassment unless the capacity of the line were also increased. During the present year he expected roughly some 500 additional wagons in addition to the American wagons referred to in the morning's evidence.

4184. The Chairman quoted statistics derived from the Railway Administration Report which show that the East Indian Railway is obtaining a service of 63 miles per diem per wagon as against 37, 48 and 39, respectively, for the Bengal-Nagpur, Bombay-Baroda and Central India, and Great Indian Peninsula Railways (broad gauge). He expressed surprise at the results reported for the East Indian Railway and asked whether the figure was reliable. Mr. Hindley replied that he believed that the figures were statistically accurate. The results attained on the East Indian Railway might naturally be higher than on other lines, in view, especially, of the long lead of the coal traffic which is carried in full wagon loads.

4185. Turning again to the question of facilities, the Chairman enquired whether the open line facilities such as doubling, etc., enumerated in Mr. Hindley's schedule of works was to be regarded as alternative or complementary to the supply of 9,500 wagons also mentioned in the list. Mr. Hindley explained that the two are complementary. If all the line facilities desired were provided, they could not be adequately used without the additional wagons, nor the wagons without the facilities for moving them. Sir George Godfrey drew attention to the necessity for improved facilities not only on the East Indian Railway, but especially on the adjoining lines and at junctions. Mr. Hindley agreed that such improvements are necessary. He considered that the actual facilities at the Jubbulpore Junction (which belongs to the East Indian Railway) are sufficient, but the Great Indian Peninsula Railway capacity beyond is inadequate.

4186. In reply to Sir R. N. Mookerjee, Mr. Hindley promised that the General Traffic Manager would supply, for the use of the Committee, a statement showing the restrictions imposed in respect to merchandise traffic due mainly to foreign railways not returning empties. It was explained that the Committee desired to be placed in possession of concrete evidence with regard to the existing defects of which complaint has been heard.

4187. Mr. Hiley enquired whether there is any conference which enables the agent to bring pressure on adjoining lines to ensure due co-ordination of their development programme with that of the East Indian Railway. Mr. Hindley said that such matters as these are not strictly within the purview of the Indian Railway Conference though the opportunity of the meeting of the conference is frequently taken for informal discussions with other railway administrations. He mentioned that in the course of the discussions with the Railway Board, arising out of the budget proposals the Railway Board sometimes calls in its Financial or Technical Secretary. Generally, however, questions affecting the co-ordination of the railway policy in general are discussed only with the members of the Railway Board. They also occasionally make visits of inspection to various parts of the railway on occasions, and Mr. Bell, one of the members, had recently made an extensive tour of the coalfields in order to obtain first-hand information as to the various problems there.

4188. In reply to Sir George Godfrey, he stated that apart from special conferences there are frequent meetings with the representatives of adjoining lines. It was convenient, in Calcutta especially, which is the headquarters of three important railway systems, to have such meetings.

4189. Mr. Hindley said that he would not be disposed to add to the traffic of the main lines by building further branch lines until money has been provided to improve the capacity of the main lines themselves.

4190. Sir R. N. Mookerjee questioned Mr. Hindley's opinion that it is necessarily more expensive to raise money through branch line companies or managing agents than by Government loan or by the existing main line companies. Mr. Hindley thought that, if a loan were to be raised by main lines, it should be a big loan and not such as is generally raised through branch line companies.

4191. The Chairman drew attention to the particulars given in Appendix B to Mr. Hindley's written evidence detailing the history of the financial arrangements between Government and the East Indian Railway Company. He observed that the remuneration of the company for its services had been reduced by successive revisions of the contract terms. The original contract provided for a guaranteed return of 5 per cent. plus one-half of the surplus profits. This had been subsequently reduced to $\frac{1}{4}$th of the first Rs. 25 lakhs and $\frac{1}{15}$th of the balance; till finally the contract of 1919 provides that the company shall only receive $\frac{1}{5}$th of the first 29 lakhs of surplus profits and $\frac{1}{100}$th of the balance. Mr. Hindley said that, in his opinion, the Government had made a good bargain all through, but he thought that the Company had been unduly squeezed in the final arrangement. It should have been allowed a bigger share of the surplus and a longer currency for the contract. He thought Government should give better terms to the Company on the condition that it should raise additional capital. He thought that any additional capital raised by the Company should be secured on the whole property and not only of the Company's interest in it. The Chairman suggested that this would amount to mortgaging the interest of Government for the benefit of the Company. Mr. Hindley suggested that this is already the case when the Company raises debenture loans. The Chairman pointed out, however, that the difference is that the debenture loan does not dilute the Government profits. It is to the advantage of the Government that money should be raised on debentures. He agreed that, if the Company were to raise money on the security of the whole undertaking, it would benefit Government as well as the Company; the property hypothecated, however, would be that of the Government. He further suggested for Mr. Hindley's consideration that, while it is true that the East Indian Railway is abundantly prosperous, many other lines are not, and if a separate loan were secured on the more profitable asset, it would correspondingly depreciate the remaining security. Mr. Hindley hesitated to express an opinion on this point which he thought was more a matter for an expert financier. Looking at the matter from the point of view of the East Indian Railway he thought it clearly desirable to increase the investment in so profitable an undertaking.

4192. Referring to the question of raising money by means of equipment bonds Mr. Hindley agreed that it would be expensive at the present time. Within reasonable limits, however, it would be advantageous to pay more to secure the necessary facilities. Mr. Hindley said that he was not in possession of details of the terms published in the prospectus issued when debenture loans are raised through the railway companies. He presumed that the investors familiarise themselves with the actual conditions as regards the guarantee by the Government attaching to such debentures.

4193. The Chairman observed that from Mr. Hindley's recorded evidence it was clear that he considered the dependence of the railway budget on the power of Government to finance the railways annually as the main cause of the backward condition of the lines.

4194. Mr. Hindley was not aware whether there had been any public discussion of the suggestion, brought out in the course of his written evidence, that it would have paid Government, instead of devoting a large portion of the clear profits secured from railways directly to expenditure on capital account, to have used this income as service for a

loan or additional share capital. He was aware of no reason why Government should not have done this.

4195. The Chairman drew attention to the particulars recorded by Mr. Hindley in reply to question No. 29 of the questionnaire showing the profitable nature of the East Indian Railway return to Government. Mr. Hindley had remarked in his written evidence that 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 from the lapse of grants at the close of the financial year can be avoided. He had instanced cases in which the budget system had worked very much to the disadvantage of the railways. He agreed with the Chairman in summing up the Upper Sone Bridge case, which he had mentioned, as being one in which it was only by chance that a considerable sum of money had not been spent upon preliminary work which would have been unproductive for years. The system under which lapses on the general railway budget are in fact generally re-allotted in the following year might, as he had pointed out in his written evidence, work satisfactorily for railways as a whole, but it undoubtedly causes great inconvenience and uncertainty to individual railway administrations which do not know whether they will or will not have re-allotted to them a sum lapsing in any year.

4196. Referring to expenditure in England Mr. Hindley explained that lapses in the English grant are apt to occur owing to the impossibility of ensuring that supplies ordered from England will actually be delivered and paid for within the year to which the grant relates. Normally the Railways are allowed to send forward advance demands for supplies up to a limited total cost. In the present year, however, this permission had been so far withheld, in view of the anticipated restriction of expenditure in 1921-22. Recently, Mr. Hindley said, he had had occasion to apprehend finding himself at the beginning of the next financial year with a large quantity of the rails and sleepers intended for a doubling project and precluded from making use of them for want of Capital Funds necessary to pay the labour for laying the track.

4197. He explained that grants are given separately for expenditure in England and in India and it is frequently difficult, in the event for example of a portion of the English grant not being required owing to deferred supply of materials, to obtain sanction for transfer of the provision to India. The result is very embarrassing for the Railway; although he recognised that probably the Railway Board were helpless in the matter. He presumed that the difficulty was due to the effects of transferring provision for expenditure from England to India or *vice versa* and its bearing on the exchange position or trade conditions.

Mr. Hindley's further examination was postponed until the 7th January.

FIFTEENTH DAY.

(Calcutta.)

Thursday, 6th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

BABU DEBI PRASAD KHAITAN, representing the Marwari Brothers, Limited, was called, and examined upon statements which he had furnished to the Committee Association, and speaking also for the firm of Birla

See Written Statements Nos. 18 and 19, Vol. IV., P. 98/9.

4198. Mr. Khaitan explained that the Marwari Association is a body representative of the Marwari community, mostly in Bengal. It is composed in the main of prominent merchants of all classes, commission agents, millowners, *banians* of European firms, shopkeepers, etc., and represents a merchant community, originally springing from Rajputana and some of the tracts outlying it, but whose activities for several generations have extended widely throughout India.

4199. Mr. Khaitan was definitely of opinion that state management, without qualification, is desirable in India. He had set forth the grounds on which the Marwari Association based this view in the course of his written statement. He admitted that perhaps he was too optimistic in stating positively that all the advantages enumerated by him would be secured, but he at least hoped that they would be.

4200. Where he referred to existing differential treatment in the matter of goods and passenger traffic, he had in mind the tendency at present of railways to fix rates so as to favour traffic to and from ports as against internal traffic, and the failure of railways to treat Indian passengers as well as Europeans.

4201. It had been mentioned in the written statement as one advantage of state management that it would secure a substantial saving to Government by making available the amount now paid as companies' share of the surplus profits. The Chairman observed that payments made to the companies could not be regarded wholly as "profits." The companies had provided about £25 million capital, and, if they had not done so, the Government would have had to pay interest on a corresponding amount raised by it; so that interest should be deducted from the amount paid to the company, and the difference only between what is paid to the company and the interest which Government would otherwise have had to pay represents the profit to the company. The Chairman suggested that this difference, though possibly a considerable sum itself, would not be large relatively to the sums dealt with for railway purposes. Mr. Khaitan admitted that it might not be relatively great, but it was still considerable.

4202. Mr. Khaitan referred to the circumstances that India had not been given an opportunity of subscribing to funds raised for railway capital expenditure in India, though these were actually raised in the United Kingdom at a higher rate in some cases than was paid at the same time for Government loans in India. The Chairman said that he thought all would agree it was a pity that India had not had this opportunity. He imagined that it was due to Government thinking that enough money would not be subscribed in India. Mr. Khaitan observed that there was no reason why Government should have made such an assumption. The Chairman observed that all would agree at least that the money required in future should be raised in India if it could be got here.

4203. Regarding certain comparisons made by Mr. Khaitan between the return of the Japanese railways and that of the Indian railways, the Chairman observed that the Japanese figures at his disposal did not agree with those quoted by Mr. Khaitan. Accepting them however, as approximately accurate, it was clear that the Japanese return was good. But to make comparison of the profits secured to the respective Governments it would be necessary to deduct from the Japanese figures which were gross profits the 5 per cent. which they had to pay for interest on their loans, and this would bring the figures of profits for Japan and India very close together. Some misunderstanding was obviated by Mr. Purshotamdas' suggestion that what was in Mr. Khaitan's mind was not the profits, but the net earnings secured by the railways. Mr. Purshotamdas observed that Mr. Khaitan's point was that Japanese railways earned about 8 per cent. whereas Indian railways only earned about 6. The Chairman suggested that this fact did not furnish an argument either for or against state management and that the return in India could easily be raised by the simple expedient of putting up rates whereupon the differences would disappear. With regard to the rate of interest paid he emphasized that India had had the advantage of the British connection which enabled it to borrow money in London at 3½ per cent. while Japan had to pay 5 per cent. In both cases there was still 3½ per cent. profit after meeting interest charges.

4204. Referring to Mr. Khaitan's statement on behalf of Messrs. Birla Brothers, Limited, the Chairman suggested that, whatever the reason might have been why India did not subscribe the whole of the funds for railway development, it seemed reasonable, that, as the subscribers were in fact English, they should claim some control over the railways. Mr. Khaitan urged that they had lent to Government on Government security which gave them no right to claim control of the business to which the Government devoted the money. The Chairman asked whether, if money were lent to a jute mill, the lender would not be careful to see that the mill was run properly. Mr. Khaitan said that all that he would be entitled to claim is that the property on which the money was secured, was not allowed to depreciate. The point being further developed by Mr. Purshotamdas, Mr. Khaitan said that the lender would not be interested in the profit made by the mill, as the English companies are in the profit made by the railways and so long as the security was good, he had no further claim to interfere. He considered that, if money be not forthcoming from England otherwise than on terms, which afford the subscribers dictatorial rights over the management of Indian railways, India should not borrow from her, but should rather depend on what money she could herself raise, and, if necessary, should postpone railway development. He explained subsequently to Mr. Purshotamdas that in urging postponement, he did not overlook the fact that the community which he represented, was one which would directly suffer from such postponement. But he felt that it was preferable that India should wait for its development rather than submit to outside dictation in its railway policy.

4205. He agreed that money was badly wanted for railway expansion. Mr. Khaitan was unable to estimate the amount that would be subscribed in India. He thought that undoubtedly Indians would subscribe more freely for railway purposes if they were sure of exercising reasonable control over the railway administration. Just at the present time there is, no doubt, a stringency in India as well as elsewhere, but a year ago he thought that some crores of rupees might have been obtained for railway purposes.

4206. In answer to the Chairman Mr. Khaitan said that he was not at all satisfied with the existing railway facilities, but he thought that the railways would be better off had a different policy been pursued in the past. He considered that improvements could be effected even with the existing funds if the railways were placed under one management. It would mean that there would not be the uneconomical use of rolling stock which we find at present. The Chairman observed that there might well be some force in the contention that improvements might be effected by using the most direct route and by common user of rolling stock, but he thought that those of his colleagues, who are railway experts, would all agree that the really important thing was the inadequacy of existing facilities for carrying the traffic.

4207. In answer to Mr. Purshotamdas Mr. Khaitan said that, with the promise before them of Indian aspirations being realised, the Marwari community would certainly be likely to subscribe largely though he could not of course, specify the sum. They had been among the principal subscribers to the war loan and individual subscribers had put up as much as one crore and sixty-six lakhs of rupees respectively.

4208. The Chairman invited Mr. Khaitan's attention to his reference to Sir Vithaldas Thackersey's speech in 1912 regarding the economic development of the country, and drew attention to the actual instances which Sir V. Thackersey cited namely, the rate for cotton from Multan to Karachi, a distance of 458 miles, was Rs. 1-3-6. The complaint related to the higher charge for a shorter distance. Mr. Khaitan admitted that in this case the railway of whose action complaint was made, was the North Western Railway which is managed by the State. The Chairman said that the companies could not be blamed in this instance. Mr. Khaitan admitted this, but thought that companies' lines, were even worse. The other instance quoted was that of traffic from Chandausi to Cawnpore, a distance of 230 miles, at the rate of Rs. 0-5-7. In this case also the Chairman remarked that the instance was taken from a State railway, namely the O. and R., Mr. Khaitan urged that there were many other instances. The Chairman observed that the cases cited by him were those to which Mr. Khaitan had drawn particular attention in his written statement.

4209. Subsequently, in reply to Mr. Purshotamdas, Mr. Khaitan agreed that a reason which had been suggested for the preference given to Cawnpore as against Delhi traffic was that the business interests in the former city are more largely European than in the latter. He would not grudge Cawnpore a lower rate if it could be shown that traffic could be carried to Cawnpore more cheaply than to Delhi. The Chairman said that it was at least clear from the instances quoted that the action complained of in each case was that of a State-managed railway, and that it was not always port traffic for which low rates were given. Subsequently, Mr. Purshotamdas enquired whether the reason why Sir Vithaldas Thackersey had cited instances from the State railways might not probably be that it emphasised the demand of Indians for more control in the Council, and Mr. Khaitan agreed.

4210. With reference to the failure of the railways to attend to the needs and comforts of the travelling public, the Chairman drew attention to the evidence of Mr. Hindley, Agent, East Indian Railway, who had quoted specific orders from Government that money should be spent only on absolute necessities and not on such items as waiting room accommodation and other conveniences. The railways were thus not to blame for their failure to provide for public comforts and conveniences. Mr. Khaitan urged that the railway had been to blame in the past. He

emphasized that, in pressing for state management, his community had in mind that, in future, they would have more control over the operations of the state than in the past. He did not regard state management, as hitherto experienced, as being satisfactory, but he believed that under it they would be in a better position to secure their objects in future. The Chairman said that even under state management something must be sacrificed if money could not be provided. In the case of meeting passengers requirements he emphasized that the East Indian Railway Company were anxious to introduce facilities, but were debarred owing to the failure of the Government to supply funds. Mr. Khaitan considered that, even if funds were limited, they should be spent to improve the condition of all classes of passengers, and not exclusively in the interests of one class. The Chairman observed that the 1st class fares had recently been put up much more substantially by about 75 per cent. that in the case of 3rd class passengers whose fares were increased by only some 20 per cent. Mr. Khaitan, however, considered that 1st class passengers could afford to pay relatively more than the passengers of the lower class. The Chairman observed that in England the 3rd class fare was approximately 10 times that in India and suggested that the same accommodation could not reasonably be expected for a sum so much smaller. Mr. Khaitan said that the railways should not be regarded purely as revenue making machines. So long as they met public requirements he would not mind so much about their making profits. In answer to the Chairman's enquiry whether the public would be prepared to submit to taxation to meet a deficit on railway working, he considered that India is entitled to have state management and to make the best of it and that it would be for the Legislative Assembly to decide in what way the case should be met. They might face taxation or might prefer to develop more slowly. The Chairman observed that, in the case of Italy, where the state manages the railways, receipts only barely cover working expenses, and the interest on capital debt has to be paid out of taxation.

4211. With regard to observations in the written statement on the subject of employment of Indians, Mr. Khaitan admitted, in reply to Sir Henry Burt, that Indians are now being trained to some extent, and that there are a certain number of Indian officers employed particularly as A.T.S. on the Indian railways. It was suggested to him that this was at least a good beginning. He recognised it as a beginning, but did not think that it was particularly a good one, and thought much more might be done in this direction. In answer to the Chairman, he said that if two individuals were applying for an appointment, one an Indian and the other a European, he would give the appointment to the better of them regardless of race. If, however, their qualifications were equal, he would naturally give preference to the Indian.

4212. The Chairman drew attention to Mr. Khaitan's illustration of racial prejudice in the refusal of a certain important company managed railway to extend to Indian employees on other railways the same free pass concessions as they gave to Europeans. Mr. Khaitan said he had been given to understand that the complaint referred to staff of the same grade. He did not know the name of the company, or whether the discrimination still exists. The Chairman said that he believed that everybody would agree that there should be no racial descrimination in such matters. There might be discrimination based on the class of employee in accordance with usual railway practice. The Chairman said that he understood that the discrimination complained of had existed in the past on a certain railway, but existed no longer.

4213. Referring to Mr. Khaitan's statement that he did not clearly understand what was meant by political influence, the Chairman suggested the following instances.

4214. If two men are competing for a post, the man who gets it, gets it not because he is better qualified, but because he is a friend of a member of Parliament. Or again, a railway may be built under state management, not on the merits of the proposition, but because a member of Parliament is influential and desires it. Mr. Khaitan said that this was probably true in England, and that Boards of Directors show the same kind of favouritism. He was not prepared to quote specific instances, but based his opinion on his knowledge of human nature in general.

4215. In answer to the Chairman, Mr. Khaitan said that the figure quoted by him of 4·31 per cent. net receipts on capital in the United Kingdom as contrasted with 5·76 per cent in Germany, if it did not prove that state management is better at least showed that it need not be less economical. He thought that the fact that in Italy the railways paid only ½ per cent. suggested that they serve the industries of the country as it is desired that they should in India. The Chairman assured him that industries are no better satisfied there than here.

4216. Referring again to Mr. Khaitan's figures showing the number of employees per mile in different countries the Chairman mentioned that a detailed comparison between Belgium and French railway working showed that the Northern Railway of France which ran for some distance into Belgium had fewer men for the same amount of work than the adjoining Belgian state lines.

4217. Mr. Khaitan said that he approved of the Government control system introduced in Canada. The Chairman suggested that this was really an argument against state management. They had for 50 years had state management in Canada and were so little satisfied with it that, expressly to eliminate political influence, they had entrusted the railways over to Company management.

4218. Mr. Khaitan suggested that the management was placed in a Board of representatives of the people. The Chairman explained that they were persons of the same kind of qualifications as an ordinary board of directors. Mr. Khaitan said that they were at least Canadians, and, in the case of India, the managing bodies should in the same way be representative of the people of the country. The Chairman said that he understood, however, that Mr. Khaitan would not wish to entrust the railways even to companies in India. He drew attention to the announcement made by the Secretary of State regarding his intention to transfer the management of the East Indian Railway to India, and asked whether he would object to an Indian Board of Directors, Mr. Khaitan replied that he would prefer state management outright.

4219. Mr. Khaitan said that he would not object to an Indian loan being floated in London provided the whole of the money required could not be raised in India, and provided also that subscription to the loan was not associated with the terms to which he had objected. It had formerly been possible to obtain money cheaper in London than in India, although it has not always been raised more cheaply there. He was uncertain as to whether this would be the case in future. The Chairman said that in view of the rapid development of Indian Industries, there seemed a possibility of all the available money being put into industries, and that enough might not be forthcoming for railways. Mr. Khaitan said that there were many investors who would still be attracted by railway loans. He cited for instance such funds as those in the hands of Court of Wards which would be invested in trustee securities.

4220. Sir George Godfrey suggested, with reference to Mr. Khaitan's observations regarding 3rd class passengers not being allowed to enter on platforms, that this was done in the interests of the passengers themselves to prevent dangerous rushes towards the trains, on their arrival at intermediate stations, and consequent accidents. After some discussion, Mr. Khaitan explained that what he really objected to was the inconvenience and discomfort to which 3rd class passengers were exposed. They have not sufficient time after the gates are opened to take their

seats, nor is there proper waiting room accommodation and shelter provided for them. He said that, even at Howrah, passengers are not allowed on the platform until ten minutes before the trains start. Mr. Khaitan thought that there would be no difficulty in obtaining suitable representatives of the travelling public provided that the Government are willing to listen to fair criticism and not merely to flattering advice. His Association would be prepared to help if invited to do so.

4221. In answer to Sir Henry Burt, he said it might be a fact that to some extent the railways had given special facilities to encourage Indian industries. He thought, however, that there were many more cases in which assistance should have been given, but actually was not. With reference to the cases of certain important firms which were mentioned, he said that those were firms with considerable influence.

4222. In answer to Mr. Hiley, he admitted that undoubtedly traffic had far outgrown the railway facilities for dealing with it. The Marwari Association was not represented on the advisory committees of the E.I.R. and E.B.R.

4223. In reply to Mr. Purshotamdas, Mr. Khaitan gave instances of what he had in mind when he spoke of the lot of low class passengers being miserable. He instanced the want of waiting rooms at almost all stations and the failure to open booking offices until very shortly before the starting of trains. He mentioned Purulia and Chandel as examples near Calcutta.

4224. With regard to the lack of refreshment rooms for Indian passengers, which is another outstanding grievance, there is only one on the East Indian Railway at Moghul Serai. This was run by the Marwari Association, which wished to extend it and had written several times to the railway administration, but without success. They also wished, but were not allowed, to put in waiting rooms at Cawnpore and Delhi.

4225. His Association had been representing the need of water supply at stations. For example, at Howrah station there was no tap except at one end of the platform. Attention was drawn to this, but the railway administration did not consider it necessary. In reply to Mr. Godfrey he admitted that this was a terminal station, but he urged the need for supplying water to passengers even in trains at starting points. They could not go back outside the barrier after once entering, nor could they go to the end of the platform for water after they had taken their seats. It may be that water is not supplied in similar conditions in other countries, but in India it is an undoubted necessity.

4226. The Chairman finally asked whether the community would be prepared to meet the increased charges for railway transport consequent on increased working costs; Mr. Khaitan was disposed to think that increased charges would be objected to so long as railways were not managed by the State.

P.S.—The Marwari Association subsequently furnished the Committee with papers relating to the subject-matter of paragraphs 26 and 27 above; these are not reproduced.

Mr. J. J. GODFREY, representative of Messrs. McLeod & Co., Calcutta, was called, and examined with reference to a statement which he had furnished to the Committee.

4227. Mr. Godfrey explained that Messrs. McLeod & Co. is a firm dealing with many interests such as tea, coal, jute, etc. They are the managing agents of two or three jute mills.

4228. He was in favour of railways being managed by companies, either on a profit sharing basis, or independent of Government assistance and finding their own capital. In his opinion, State railways tend to develop into political machines. He considered, however, that the State must retain control of strategic railways, though it would be proper to charge the cost of these to the military and not to the civil budget. He was of opinion that railways built for the purpose of opening up districts which are not productive, likely to render a return on their capital cost within a few years, should also be managed by the State.

4229. In reply to the Chairman's inquiry whether, so long as there are profitable lines awaiting construction, it is desirable to invest at all in unprofitable lines such as those instanced, Mr. Godfrey said that this appeared to be rather a question of policy.

4230. The Chairman invited Mr. Godfrey's attention to his suggestion that there might be a combination of management by a board in England and a local board in India. Mr. Godfrey stated that he would consider a board in England necessary to protect the interests of European shareholders and to attract capital. He admitted that a board such as this must exercise a real control. He thought it might, however, delegate powers to the board in India. He found some difficulty in suggesting precisely what definite powers could be delegated. He thought that there would necessarily be for each company an annual conference at which one of the London directors would discuss matters and general policy with the local board in India, and that then the local board might be entrusted with the carrying out of that policy. He would allow the local boards to make contracts within the sanctioned limits. The appointment of an agent would have to be made by the English board after consultation with the local board. He contemplated that the agent would be the Chairman of the local board in India. The local board might control the appointments of staff engaged in India; the English board, of staff engaged in the United Kingdom.

4231. The Chairman enquired who would be the final authority to decide specific questions, for example, questions as to rates and fares. Mr. Godfrey thought that the local board would usually advise the agent. He was inclined to think that they might share the responsibility. The Chairman observed that the sharing of responsibilities is impracticable, and asked whether there could be a definite delegation of authority from the English to the local board or not. A case might, for instance, arise in which the Indian board of a railway might wish to put on a new train, whereas the agent might consider it unnecessary. Mr. Godfrey thought that the local board could hardly overrule the agent. He admitted that examination of the question really seems to suggest that the local board would necessarily be an advisory, and not a controlling board. It might, however, be given the right to call for information and papers.

4232. The Chairman, summing up, said that Mr. Godfrey's view appeared to be that the local board should be as influential as possible, but that, in the last resort, it could only be an advisory body.

4233. Mr. Godfrey thought that the existence of such a board as this would undoubtedly encourage Indian investment. He did not think there would be serious difficulty in securing suitable directors. There is no difficulty in getting them for the boards of small lines. He agreed with Sir Henry Ledgard that there is an increasing tendency for European business men to remain in India for some time after retirement. He thought the difficulty of securing the personnel would be less as time went on.

4234. Mr. Godfrey considered that the President of the Railway Board should be the Railway Minister, and that the staff employed under the Railway Board ought to be selected from the general body of railway men and not exclusively from the State-worked railways.

4235. Referring to the powers of the boards of directors of branch line companies, he complained that no powers, corresponding to those, for instance,

over expenditure, entrusted to the larger railway companies, had been delegated to them. He promised to furnish for the information of the Committee an extract of the list of powers which have thus been withheld. The matter had been under reference for some years to Government, but with no result yet. (Mr. Godfrey subsequently furnished the Committee with a list of 58 heads under which powers to sanction expenditure had been specifically delegated by Government to the main line companies' boards of directors; and with copies of correspondence between Messrs. McLeod & Co., and the Railway Board extending from March, 1918, to April, 1920; which shewed that the question of defining a similar schedule of powers in the case of companies under the branch line terms had been raised at the earlier date and was still unsettled two years later.)

4236. The Chairman mentioned that a certain witness had recently suggested that the Railway Board appeared to aim at the discouragement of private railway company promotion, and put difficulties in the way of proposals. Mr. Godfrey thought that this did seem to be the case. He instanced the case of the Bisnath Tramway scheme in which a concession under the branch line terms had been applied for as long ago as September, 1915. This line has no junction with any existing railway, but would act as a feeder line to the Brahmaputra river service, and the question therefore arose as to whether a subsidy under branch line terms was admissible. After some intermediate correspondence, the Railway Board in August, 1917, informed the firm that the proposal would require the sanction of the Secretary of State. It was not until February, 1919, that the Railway Board informed the firm that the Government of India would shortly refer the matter to the Secretary of State. He was not yet aware of the result of the reference.

4237. The Chairman read from a note which had been placed before him and indicating that, in this particular case, the Secretary of State had sanctioned the application of the branch line terms, while reserving a decision on the general question whether these terms should apply to cases of isolated lines not connecting with the main railway system.

4238. Mr. Godfrey mentioned that, in another case, that of the Barmpur-Mujilpur project, the concession either with or without subsidy had been applied for in March, 1916, and a report and estimate furnished in February, 1917, on which the Railway Board deferred decision until an investigation had been made by the Eastern Bengal Railway of a proposed extension of that Railway's Diamond Harbour Branch. In December, 1919, the Railway Board intimated that the Diamond Harbour Extension having been abandoned, a traffic survey of the Mujilpur project work would be made by the Eastern Bengal Railway. Circumstances changed in the meanwhile, and the firm had lost interest in the case and had not pursued it.

4239. Mr. Godfrey explained that surveys had been made by his firm at the cost of Government. Sir Rajendranath Mookerjee explained in this connection that, of late years, the Railway Board had insisted on applications being made to it for permission to make any survey, and, if this were granted, it then provided the funds; it was a condition, in the event of the line being subsequently approved that the firm making the survey has no prior right of construction.

4240. With reference to rates and fares, Mr. Godfrey thought the trading community would recognise the necessity for increases in the altered conditions. In the case of the branch lines with which Messrs. McLeod & Co. are concerned, there is a limit imposed by the competition provided by Byle Gharrys or country boats. The highest schedule obtaining in the case of any of these railways for goods is as follows:—

First class	... ...	·44 with a sanctioned maximum of	·96 pies per maund per mile.	
2nd	„	·60	do.	1·20 do.
3rd	„	·80	do.	1·44 do.
4th	„	·90	do.	1·68 do.
5th	„	1·00	do.	1·92 do.

this schedule being about 30 per cent. higher than that obtaining on the other small lines and on main lines, for goods carried at first-class rates, and about 50 per cent. higher than main lines carrying similar commodities under special schedule rates.

4241. In practice Mr. Godfrey stated that the rates had frequently to be adjusted upwards and downwards to meet the fluctuating conditions of competition; for example, the bullock cart competition only becomes serious at periods of the year when the animals are not required for agricultural purposes.

4242. In reply to Mr. Purshotamdas, Mr. Godfrey said that he did not consider it necessary to curtail the existing measure of State control, he added that this is not large in the case of an independent railway company, and should continue: he had no objection to it so long as it is exercised properly.

4243. Mr. Godfrey said that there are two classes of railways which should be State-owned and managed: one is the strategic railway, and the other is the railway which is not likely to pay for ten years or so. He was of opinion that the companies should work and manage any railway that was likely to pay within ten years, it would pay the Government to subsidise them for such a period for the sake of developing the districts.

4244. Mr. Purshotamdas suggested that, if State management is good enough for railways built for the purpose of opening up districts which are not productive during the unprofitable portion of their existence, it would seem reasonable that the State should manage them throughout instead of handing them over to companies once they had reached a more satisfactory basis. Mr. Godfrey said that permanently unproductive lines are not liable to be used for political ends.

4245. Mr. Purshotamdas asked whether, under the present circumstances, he would recommend competition with the country carts and boats, and whether these are not desirable. Mr. Godfrey said that it is of decided advantage to merchants and people of the district to be able to use bullock carts and country boats when, for example, there is a restriction on railway booking owing to wagons not being available, but under normal conditions he would prefer to see these methods of transport employed in developing agriculture and in carrying produce to the nearest railway station.

4246. Mr. Purshotamdas pointed out that the Committee had been told that the districts in which oil-seeds are grown have missed markets owing to wagons not being available. Mr. Hiley asked if the main lines are also restricted for booking traffic. Sir George Godfrey observed that if the main lines have had to restrict the booking of traffic, that would affect the whole traffic whether reaching them by feeder lines or by road.

4247. In reply to Mr. Purshotamdas, Mr. Godfrey said that he knew of country carts carrying jute to Calcutta from distances of 70 or 80 miles; this was in addition to what the railway carries.

4248. Sir Henry Ledgard inquired whether, if it were not for the delays in obtaining sanction from the Railway Board, to which Mr. Godfrey had drawn attention, the firm would have been more active in the construction of new lines. Mr. Godfrey said he undoubtedly thought this would be the case.

Mr. H. F. YEOMAN, Senior Partner of Messrs. Place, Siddons and Gough, Stock and Share-brokers, was called and examined.

4249. The Chairman thanked Mr. Yeoman for coming to meet the Committee, and explained that while he supposed Mr. Yeoman would not wish to express opinions on technical railway matters, the railway questions before the Committee resolve themselves very largely into a question of finance, and it was hoped that he would be able to give some advice as to how, and the extent to which, the funds necessary for railway purposes might be procured.

4250. Mr. Yeoman said that except the East Indian Railway few of the railways of India showed a very attractive return and would thus not attract share capital. He thought that in favourable years, if a loan were placed on the market at a suitable time (and not after the most favourable opportunities had already been taken advantage of, for example, by the Government of India), a railway loan might be successful if based on the security of the existing lines. It would, of course, be necessary to pay the market rate prevailing from time to time. He had in mind debentures, which would be issued both in England and in India. He thought that practically there is only a particular class of investors likely to be interested in such securities as Government, municipal or railway loans, &c.

4251. In reply to the Chairman who asked whether, assuming for the sake of argument that money can be raised at 6 per cent. in England, it would be necessary to pay at the same time a higher rate in India, Mr. Yeoman said that he thought that it would usually be necessary to pay a little more in India, perhaps one-half per cent. additional. In the case of an Indian railway loan secured on the earnings of the particular railway in whose name it was issued, and not backed by a Government guarantee, he thought that probably about one-half per cent. more would have to be paid than is paid on Government paper. The Chairman remarked that this estimate agreed with experience in England before the war, when a good railway debenture gave a return barely one-half per cent. above Consols.

4252. The Chairman asked whether Mr. Yeoman thought there is anything in the suggestion which had been placed by others before the Committee that Indian investors are more likely to be attracted by a security based on such tangible assets as the earnings of a particular railway rather than on the security of Government. Mr. Yeoman was doubtful whether there was much in it, though Government loans had undoubtedly been somewhat unpopular in recent years, he was disposed to ascribe this to the rate of interest having been kept low. Government loans had been issued at the lowest possible rate of interest before the war. Government loans used to be issued by tender, and were mostly taken up by the Presidency banks. The last was the loan in 1913, the 1914 loan was underwritten by the Bank of Bengal.

4253. Mr. Yeoman thought that a railway loan for a considerable amount would be more popular than a number of smaller issues. As an indication of the extent to which money can be raised in India, he mentioned that during the war Government had issued in 1917 a short term war loan on which Rs.55 crores was raised; in 1918 a series of bonds terminable in 3, 5, 7 and 10 years had been issued giving respectively 25 crores, 2 crores, 4 crores and 25 crores. This was a 5½ per cent. loan; the division of the bulk of the subscription was between the longest and the shortest terms according to the requirements of the various investors. In 1919 Government had raised Rs.21 crores by the issue of a 5 per cent. loan, and in the current year Rs.26 crores on a 6 per cent. loan repayable in 1930.

4254. The Chairman observed that it appeared that on the average Government in recent years had raised roughly, about Rs. 30 crores per annum. He asked whether there is any prospect of continuing the same rate in the future. Mr. Yeoman thought that the pace could not be kept up. He thought that possibly Rs.20 crores for railways might be secured annually, but it would be necessary to offer generous terms.

4255. With regard to the popularity of the Government loans, the Chairman asked for information regarding the inducements to brokers and others to promote their success. Mr. Yeoman said that one-eighth per cent. commission is paid by Government to recognised brokers. There are about 200 members of the Stock Exchange of Calcutta, in addition to which there are a certain number of Exchange brokers and banks to all of whom a similar commission on applications made through them is paid. Possibly, in Bombay, the number of such persons is somewhat greater, and there might perhaps be about 500 in all in Calcutta and Bombay, there would certainly not be more than 500 in the rest of India. Mr. Yeoman mentioned that Government officers, such as Commissioners and Deputy-Commissioners, used a certain amount of influence to ensure the success of Government war loans. He did not think that a very large amount was subscribed through the Post Office. The large numbers of people in India who are in the habit of hoarding, are not readily accessible, and he was aware of no means by which they could be induced to invest their savings. There is no machinery for getting at these people or of educating them in this respect.

4256. The Chairman mentioned that the sterling debentures issued by the Indian railway companies domiciled in the United Kingdom may not be a definite charge upon the raliway whose name is used. In all cases the ultimate security is that of the Government guarantee. The money raised is paid to the Secretary of State and may or may not be expended on the particular railway. He further observed that, while it might be easy to raise money on the security of a property like the East Indian Railway, it would not be possible in the case of a poor line. It would seem undesirable, to apply such a scheme to prosperous as well as to non-paying lines, such as, say, the East Indian Railway and the Assam-Bengal Railway. Having regard to this he asked what Mr. Yeoman would think with regard to the question of Government raising money by means of a loan specifically for railways but without reference to any particular line. Mr. Yeoman thought that this would not be quite so attractive as borrowing in the name of a particular line.

4257. He did not attach much importance to the Marwari community as prospective investors in railway debentures, as he thought that they take more interest generally in investments of a more speculative character. He did not think that the instances to which the Chairman referred, namely, the large subscriptions made by Marwaris to the war loan, could be taken as establishing the contrary. Subscriptions to the war loan had in many cases been made under a certain amount of persuasion. The investors to whom he attaches real importance on this side of India are such persons as the Bengal zemindars, landholders and holders of Hindu family funds. He did not think that these would be deterred from investing because of the issue of the loans in the name of an English domiciled company. Sentiment is no doubt changing in this respect, but he doubted whether it would have much effect.

4258. With regard to the probable competition between the ordinary Government loan and a special railway loan, if one were to be issued, the Chairman observed that the MacKay Committee's Report placed the capital requirements of Government apart from railway necessities at only about 1,500,000 sterling. This seemed to suggest that Government need not borrow heavily in competition with the special railway loan. Mr. Yeoman remarked that Government will, in a short time, have to pay off its outstanding short-term securities. He agreed that once these have been paid off or funded, there would apparently be much less occasion for Government to compete.

4259. The Chairman remarked that, apart from what might be decided on in respect of permanent policy, there can be no question as to the immediate crying needs of the railways for money, and he asked Mr. Yeoman's opinion with reference to the question of raising funds at once upon short-term bonds of 5, 10 or 15 years repayable at an advance beyond the issue price. Mr. Yeoman was doubtful whether there was much to be hoped for, as he thought that at present the market had been pretty well exhausted. He did not think there was much hope of success in appealing to speculative interest. He cited a case in which a first-class commercial security of this kind had recently been offered in the shape of 5 per cent. bonds issued at 75, repayable annually after 1923 by drawings of a lakh of rupees annually. Out of Rs. 40 crores offered, only Rs. 6 crores were subscribed. The fact appeared to be that the Indian public do not appreciate complicated offers of this kind. They prefer a simple form of security bearing a plain indication of the return obtainable. He thought the same objection would apply to profit-sharing debuntures guaranteeing an additional return in the event of the profits of the undertaking rising beyond a fixed limit.

4260. In reply to Mr. Tuke, Mr. Yeoman said that the debentures he was speaking of would be issued by the English companies. They would be acceptable to the people in India. He did not think that the co-existence of the sterling debentures would be a practical difficulty, and he instanced the case of the Indian General Navigation Company, which issued rupee debentures though they have no rupee capital; but if the sterling debenture is cheaper than what is offered in India, the people would not subscribe much.

4261. Mr. Tuke pointed out that, if the domicile of the company were in London, the accounts would naturally have to be made up in sterling, and the rupee debentures would require to appear therein at a certain rate of exchange. Furthermore, the exchange, if fluctuating, might affect the question of the return on a rupee debenture as compared with that on a sterling debenture. Mr. Yeoman realised this, and suggested that this could be got over probably by fixing the exchange value of the rupee for this purpose.

4262. The security for the debentures would be the earnings of the railway, but it would be desirable if the Government were also to add their guarantee, and it would be reasonable for them to do so, as debentures are issued generally at the instance of Government, and, moreover, the money raised would help both Government and the company.

4263. Mr. Tuke remarked that in India conditions are peculiar. Government practically owns the railways, and their guarantee is important. In the circumstances, he inquired whether it would not be better that the money required be raised by Government rather than by an English company. If this were done, it would be simply a Government railway loan. Mr. Yeoman replied that the whole question is one of generous interest. If Government were to issue the debentures and call them a railway loan, it would be necessarily a secondary loan, and if the ordinary Government loan had not been a success, the railway loan would not stand much chance. Government can hardly be expected to raise a loan for general purposes at 6 per cent., and for special purposes at something more; still the railway loans would need a higher rate of interest, as otherwise Government would mop up all the available money in the market. In his opinion, failing borrowing through the companies, the real solution of the difficulty would be for Government to raise a general loan on more generous terms and divide the proceeds among the railways; but that is a thing which Government would never do.

4264. The Chairman drew attention to the fact that the commercial public at least might be expected to subscribe to a specific railway loan, knowing that the money so subscribed would go to the railways rather than to a loan the proceeds of which might be devoted to other purposes, and asked whether they would prefer to subscribe to a loan which would be used entirely for railway purposes. Mr. Yeoman thought that the commercial public and the trading class would subscribe to a railway loan, because they have been hampered hitherto by the defective condition of the railways. He thought that the railway loan would have a chance of going well, but remarked that the financial policy of the Government of India was so peculiar that one never knew what they were going to do with their loans. Government itself might want more money for other purposes. If so, then the railway loan might fail.

4265. The Chairman inquired whether such an arrangement as the following would work, namely, assuming for the moment Government issues a loan, say, for Rs. 40 crores, of which they say Rs. 30 crores will be required for railway purposes and Rs. 10 crores for general purposes, and say that if anything is subscribed for general purposes and comes to more than 10 crores it would be used for railway purposes, and also if anything is stated to be subscribed for railway purposes only it would not be used for any other. Mr. Yeoman considered that it would be impracticable to make an issue on such terms as these.

4266. The Chairman asked whether the general railway loan would be better than the present debentures. Mr. Yeoman said that the railway loan would be better, provided it could be got clear away from the Government loan of the year.

4267. In reply to Mr. Purshotamdas, Mr. Yeoman said that the rate of interest which the Calcutta Port Commissioner gave before the war was 4 per cent., and the stock was nearly always issued at par, unlike Bombay, where it was done at a premium for many years.

4268. Mr. Yeoman said that a considerable quantity of feeder line shares are held by Europeans. Many had sold out at the time of the favourable exchange, in order to remit the proceeds to England, but all who wished to do so had not been successful as there was not a sufficient demand for the shares. The average market rate was about Rs. 60 for a Rs. 100 share with 3½ per cent. guarantee.

4269. With regard to the illiterate investors in the districts, referred to in the course of Mr. Yeoman's reply to the Chairman, Mr. Purshotamdas asked what has been the difficulty with him and why he does not come forward to invest if the proverbial hoard is really there. Mr. Yeoman said that he did not know the reason. Probably they do not quite understand the advantages of investing. It might also be due to the fact that the villager does not think that the paper that is given him in return for the money is safe with him. In support of this statement, he instanced the facility with which villagers had been persuaded to sell their war loan certificates immediately after they were issued. He could not suggest a remedy but had not made a special study of the problem as he had not lived in the mufassal.

4270. Referring to the opinion expressed in the course of his reply to the Chairman that the trading class would subscribe more readily to a railway loan than to the annual Government loan, Mr. Purshotamdas inquired whether the commercial community if they were satisfied with the constitution of Government and only were sure that they could make their voice heard through the Legislative Assembly, would not subscribe more readily and willingly even to the general purposes loan. Mr. Yeoman agreed that they would probably do so.

4271. In reply to Sir George Godfrey, Mr. Yeoman said that he had no precise idea as to how much trust money is available in Calcutta for investment, but it would be by no means substantial. The Official Trustee holds a large number of trust and semi-trust investments such as bank shares. Most of this money comes in on the death of the person creating the trust.

4272. Sir H. Ledgard inquired whether he thought in Calcutta if a loan were put forward at the present time on somewhat similar terms to the Improvement Trust loan of Bombay recently issued, it would be as successful as that loan had been. Mr. Yeoman doubted whether it would. The success of the loan there was largely due to persuasion and to local patriotism.

4273. In answer to Sir Henry Ledgard, Mr. Yeoman said that it would be difficult to say what would be the commercial rate of interest for a good industrial concern for there are industrials of different standings. The rate of dividend on what would be called a first-class industrial concern, the shares of which remain at par, might be about 10 per cent. The difference between that and the rate of interest on a Government loan might be about 2 to 2½ per cent.

4274. Regarding the question of liability to Indian and English income tax the Chairman asked Mr. Yeoman if he would inform the committee whether the Indian holder of a debenture of the East Indian Railway Company, which is a company domiciled in London, would have to pay the English income-tax. Mr. Yeoman advised the committee that interest on debentures is a charge before the income taxable profits are arrived at and therefore rupee debentures would not be concerned with the English income-tax.

SIXTEENTH DAY.

(Calcutta.)

Friday, 7th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH—(*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon. Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E.—(*Secretary*).
Mr. E. R. POLE—(*Assistant Secretary*).

Mr. J. MacKenna, C.I.E., I.C.S., Development Commissioner, Burma, was called and examined with reference to a note expressing his personal opinions which he had submitted to the Committee. (Mr. MacKenna explained that the official views of the Government of Burma would be communicated to the Committee after replies had been received to enquiries instituted by them.*)

4275. Mr. MacKenna explained that, for the purposes of the Railway Committee's enquiry, Burma might be regarded as being on the same footing as India under the Reform Scheme; although it had not yet been brought under the Reform Scheme, present indications are that this is likely soon to be done.

4276. With reference to his expressed preference for the management of railways by companies on a profit-sharing basis, he understood that the Burma Railway Company has an interest of about one-third in its undertaking. He hesitated to say whether, in the case of Indian railways in which the companies' interest is much less, the share they hold gives them a sufficient stake. He thought that, in the case of the East Indian Railway, if the only inducement to work to the best advantage which they have were a one-hundredth share in the surplus profits, this could not constitute a powerful motive towards efficient working.

4277. With reference to his objection to frequent transfers of officers on State railways, he admitted that there might be another side to the question, and that some advantage owing to wider experience might be obtained by means of transfers.

4278. Mr. MacKenna explained that his views were expressed generally with reference to his knowledge of the conditions affecting the Burma railway; he was not prepared to say that a system suitable for Burma would be in all respects applicable or suitable in the very different conditions in India.

4279. It seemed to him very unreasonable that the responsible Board of Directors and Agent should have only such limited powers as have been delegated to them by the Government. For instance, he thought the limit up to which appointments of staff might be created, is fixed very low at Rs. 250 per mensem; he agreed with the Chairman that this was like using a Nasmyth hammer to crack a nut. Sir Arthur Anderson observed that Mr. MacKenna must have been misinformed regarding the inability of Companies to grant leave to temporary staff as they have power to grant leave within certain limits. Mr. MacKenna thought that such matters as leave to the staff might reasonably be left entirely to any competent Board of Directors and their Agent.

4280. In recommending an increase of the powers of Boards of Directors and the devolution from these to local management, he meant devolution to their Agent in India and did not mean to local Boards. He thought the Agent should be given the same powers of independent action in general as are given to the head of a large commercial firm.

4281. Mr. MacKenna said that, having been away from the province for some years and not being closely in touch with Railway matters there, he was unable to give full information regarding the frequency of visits of the Railway Company's Directors. Mr. Home, one of the Directors, had visited Burma last year and he understood was expected again this year.

4282. The Chairman observed that, in his written statement, Mr. MacKenna had not quite correctly explained the English practice with regard to the appointment of Directors. The Directors are not customarily selected from the most substantial shareholders. They often only become qualified as shareholders after appointment as Directors.

4283. Mr. MacKenna agreed that, in view of the large powers of control exercised by Government, if they were also to nominate the Chairman of companies domiciled in India, there would not be very much left to the Boards to do. They would practically become a *Government managed concern*.

4284. The Chairman observed that Mr. MacKenna had recorded his inability to see how companies domiciled in England and in India could be combined, and his opinion that this would lead to an impossible situation and cause delays in the adminis-

* *See* Written Statement No. 91 in Volume IV, subsequently received.

tration, and remarked that nobody hitherto had appeared who was able to devise a workable system on these lines.

4285. With reference to Mr. MacKenna's observations regarding the Railway Board holding the balance even between the financial claims of the different railways, the Chairman suggested that these remarks had probably been made under the conviction that the present conditions must always continue, and that there would never be sufficient money for all the railways. Mr. MacKenna admitted that this was so: he did not see much hope of improvement. He agreed that a commercial firm having so solvent a property as the Indian Railway system and with a good record for success in the past, would have no difficulty in borrowing money. He agreed that there seemed to be no reason why railways should not raise sufficient money for their requirements. If it could be managed, he thought that it would be very desirable to make the railway system an independent financial concern.

4286. Mr. MacKenna thought it desirable that there should be less frequent changes in the personnel of the Railway Board in which he thought changes had been more frequent in recent years than is usual in other Government departments; some of these were doubtless due to war requirements. The Chairman mentioned that another witness had instanced the Port Commissioners of Calcutta as a body on which only three members now remained unchanged out of 16 who were on it in 1918. Sir Arthur Anderson said that the term of appointment of Members of the Railway Board was five years, the same as that of the Viceroy's Executive Council Members, and longer than the three years allowed to a Secretary to the Government of India. Mr. MacKenna agreed with the Chairman's summing up that greater permanence is desirable but he was not in a position to indicate how it could be secured.

4287. With reference to the separation of railway finance from the general finance system of Government, Mr. MacKenna thought it should be possible to frame a workable plan for eliminating the control of the Finance Minister over the railway budget, provided always that he should have a claim to a fair return on the capital already invested in the railway system.

4288. He was of opinion that the Railways of Burma are under-equipped though he thought it would be an exaggeration to say that they have been starved.

4289. He was inclined to think that an expenditure of Rs. 30 lakhs a year might be profitably spent on further construction, while to put the supply of wagons on an adequate footing a grant of Rs. 20 lakhs annually for the next five years would be required. The lines at present in view would give an adequate return within a reasonable period. The Government of Burma had lately had a fortuitous windfall accruing through the control over export of rice, and proposes to spend out of this Rs. 2 crores on the construction of three railways; these it is contemplated should be worked by the Burma Railways Company on branch line terms. The Chairman observed that only in the case of the Straits Settlements did he know of any precedent for building railways from revenue earnings. Mr. MacKenna explained that the rice control profits were quite exceptional and could not be regarded as ordinary revenue.

4290. The Chairman referred to Mr. MacKenna's opinion that ordinary shareholders would not agree to the issue of preference shares, but might not object so much to the issue of debenture capital. He pointed out in this connection that there did not seem to be any reason for a distinction since interest on the debentures must be met before there could be any division of profits. The ordinary shareholders would thus be equally affected in either case and the witness agreed.

4291. Mr. MacKenna observed in his written statement that railway improvement and development had been detrimentally affected by the general revenue position of the Government of India. He was of opinion that railways cannot avoid raising their rates if further capital is to be attracted. Owing to the high cost of materials and labour, rates have already been put up to some extent in Burma, and he understood were likely to be still further increased. Generally speaking he thought that the public would recognise the necessity for this.

4292. Mr. MacKenna promised to furnish for the use of the Committee such specific information as he could collect to illustrate the advantages to the general revenue from the construction of railways. In this connection the Chairman mentioned that another witness had placed before the Committee an instance in which the land revenue assessment in Central India had increased 300 per cent. owing to the construction of a railway.

4293. With regard to the re-allotment of grants, Mr. MacKenna was doubtful whether grants were really re-allotted as suggested by the Mackay Committee. The Chairman observed that, in any case, there was no guarantee that the lapse occurring in any one year would be re-allotted in the following year to the railway on which it had occurred.

4294. Mr. MacKenna agreed that the existing provision of the Railway Act for the appointment of a special Railway Commission consisting of a High Court Judge, a railwayman and another, for remedying minor complaints of undue preference was too formidable a procedure, and that something simpler appeared necessary. In view of the lack of any other means of securing redress he was disposed to modify his opinion that the machinery provided under the Railways Act for the settlement of railway disputes are adequate.

4295. With regard to his expressed opinion in favour of private ownership of railway trucks in Burma, Mr. MacKenna admitted that after discussing the matter with railway officials, he recognised that there were probably considerable difficulties, though he thought they might not be so great in Burma as elsewhere. He agreed with the Chairman that the main point is that additional wagon stock is required and should be provided whether privately or otherwise. He did not press the need for private as opposed to railway ownership.

4296. In reply to Mr. Purshotamdas Thakurdas, Mr. MacKenna admitted that his opinion that a Board of Directors would be likely to take a more active interest in the productive aspect of railway administration, was based on his experience in Burma, but he could not say whether this would hold good in the case of India also.

Mr. C. D. M. Hindley, Agent, East Indian Railway, accompanied by Colonel P. C. Sheridan, C.M.G. and Mr. Purcell, was recalled and examined with reference to part IV. of his written evidence.

4297. Mr. Purcell said, in answer to the Chairman, that Railway Companies could vary their rates and fares within the maxima and the minima prescribed, and that these are in the ratio of about 3 to 1. As to parcels and luggage, individual railways had no such discretion, as the actual scale of charge leviable was laid down, that is, separate maxima and minima were not fixed. He could not explain why the railways should be left so free in the much more important matter of fixing goods rates and fares while they were not entrusted with similar powers in respect to the comparatively trifling matter of charges for parcels, luggage, etc. Mr. Purcell said that the Government of India had delegated the power it possesses in the matter of fixing these rates to the Railway Conference Association, which prescribes the charges for luggage, parcels, treasure, and so on. The public could not appeal against the decision of the Association, powers in this respect having been delegated to it by the Government of India. The railways, however, might go direct to Government and get special sanction independently of the Conference Association.

4298. The general classification of goods varies for some commodities according as whether traffic is carried at owners' or railway risk, but does not in each case vary with differences in size of consignments; variations of the latter kind do, however, exist in some cases. For instance, "fibrous materials for paper manufacture" and "ginger" are classified lower for large than for small consignments.

4299. The Chairman summed up that, though the classification is fixed for the railways, their power of varying the rates under the classification is very large and in fixing rates, for instance a sliding scale or telescopic (called in England a tapering) rate, they are entirely free so long as the maximum and minimum are not exceeded. Mr. Purcell agreed that they could charge the same rate per mile for a consignment carried 10 miles as for one carried a thousand miles. He also agreed that railways had ample freedom in the matter of fixing rates. The question whether the fixed classification is inconvenient or whether the machinery for varying it is suitable, did not arise in practice very frequently; the procedure for altering a classification is rather cumbrous as it involves reference to the Railway Conference Association as well as to the Railway Board.

4300. Mr. Hindley agreed that the public ought to have more protection from unreasonable charges. The Chairman explained that the conciliation clause of the English Railways Act of 1888 would probably be superseded very soon by Legislation establishing a body of five members, comprising an impartial Chairman, who would be a lawyer but one who would be or become conversant with railway business, representatives of railways and of trade, assisted in each case by assessors with a knowledge of the special trade in connection with which the dispute has arisen. He asked whether Mr. Hindley would agree that a body should be established in India. Mr. Hindley agreed, but said that the body should be easily accessible to the different areas concerned; he suggested that it should visit periodically the three or four more important centres in India. He was of opinion that it would be injudicious to create local bodies in different centres.

4301. The Chairman stated that in England a great many preferences are given, such, for example, to a man who takes ten tons rather than to a man taking one ton and so on and that, whether preference is due or undue is a question of the individual merit of the case in question. Mr. Hindley agreed that a trader should be entitled to challenge any rate which he considered unreasonable, and not only cases of undue preference. A rate might be an unreasonable rate in itself.

4302. With reference to Mr. Hindley's statement in his written evidence as to the results that would accrue if absolute power to fix particular rates were retained by the Government, the Chairman enquired whether anybody had suggested that Government should absolutely fix rates, *i.e.*, whether Government should take from the Company the power of varying rates. Mr. Hindley said that instead of the word "Government," his note should be read as "any body or authority outside the railway."

4303. In reply to the Chairman, Mr. Hindley agreed that the East Indian Railway should continue to fix any rate they please subject to liability to be challenged on the ground of general reasonableness. The extract from the Railway Gazette quoted in his written evidence expressed his views on the subject. (The reference is to an article advocating liability to have to satisfy an independent tribunal.)

4304. With reference to the statement that certain special rates have been cancelled bringing the charges up to the maximum in certain "classes," the Chairman enquired whether by "classes," he meant the technical sense of the classification. Mr. Hindley replied that the word should have been "cases."

4305. Replying to the Chairman, Mr. Hindley stated that they had a different schedule for coal and a different maximum apart from the ordinary schedule applicable to merchandise traffic. They had a special coal tariff. Asked whether he could give an indication of the charges leviable on coal traffic when the proposed new scale of charges is introduced on 1st April, 1921, Mr. Hindley said that the East Indian Railway quotes rates for coal per ton per mile but only undertakes to carry in wagon loads. The rate per ton for 200 miles at the present scale works out to Rs. 4 and for 700 miles, Rs. 8-4-0. Terminals are not included in these calculated rates. The rate they are now proposing for 700 miles is Rs. 10-1-0, that is, the total charge without adding terminals.

4306. With reference to his statement that, speaking generally, "excluding coal," 87 per cent. of the East Indian Railway goods traffic is carried at rates below the maximum authorised, Mr. Hindley replied that coal, which represents 66 per cent. of the total weight moved, has always been carried at very low rates, the words used were not meant to suggest that coal was carried at the maximum rate, but that coal was excluded from consideration in the statement referred to.

4307. In answer to Mr. Hiley, Mr. Hindley pointed out that the terminal charge of 2 annas a ton made by the East Indian Railway covered the services rendered in the coalfields and was only imposed at the despatching point. Replying to Sir Henry Ledgard, he said that the East Indian Railway does not charge special terminals at Kidderpore and Cawnpore. The rates only extend to delivery at the Port Commissioners' sidings and not delivery to the docks for which the Port Commissioners make charges.

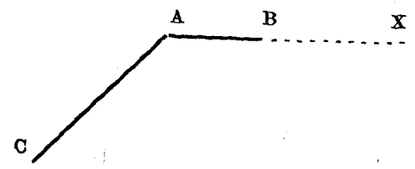
4308. With reference to Mr. Hindley's statement that at times when demands for coal reach their maximum the available capacity of the line for carrying ordinary goods is very considerably less than what is required, and that hardly a year passes but large quantities of merchandise offered for transportation have to be refused, the Chairman enquired how long this condition of affairs had existed. Col. Sheridan replied that he had been on the line for the past 26 years and there had always been an inability to provide transportation to the extent demanded. In his experience, the position was getting worse day by day, and the prospects for the future are worse than the condition at the present moment.

4309. The Chairman stated that it appeared that the East Indian Railway were not attempting to make an all round percentage increase of rates but were revising individual rates. Mr. Hindley agreed that this was correct because it appeared advisable to make a thorough examination of all rates, with a view to making such increases as would be the least burdensome on the traffic. Generally speaking, there was some margin available between the rate charged and the maximum for the class. In certain cases where the rates are at or near the existing maximum and they wish to raise them, they are applying to the Railway Board to sanction the transfer to a higher class. The cases in mind include some important items of traffic on the East Indian Railway.

4310. Questioned as to whether he knew of other railways asking for their maximum rates to be raised, Mr. Purcell observed that it had been recognised that increases were necessary on all railways to meet increased expenses. During the last few years, endeavours have been made to get a uniform classification, and in securing uniformity it has been frequently necessary to level up instead of levelling down. The procedure in regard to this was rather cumbersome. For instance, the Traffic Committee of the Railway Conference considered several changes in classification last June and issued a circular to railways giving them 60 days in which to lodge an objection. The East Indian Railway did not raise any objection. They had not asked to increase the figures for the different classes but only to put the commodity in a higher class.

4311. Replying to Mr. Hiley, Mr. Purcell explained that, if they wanted a classification altered, the procedure was to go up to the Traffic Committee of the Indian Railway Conference Association and make a recommendation suggesting a revised classification; for example, that iron and steel should be transferred from the first class to the second. If the Committee agreed with the suggestion, they made a formal recommendation to the Railway Board that sanction should be accorded. The Committee does not deal with individual rates, and if a railway is dissatisfied with the Committee's decision, it is not bound to accept the classification recommended.

4312. Turning to the question of block rates, the Chairman informed Mr. Hindley that the Committee had been told by representatives of another Company that the block rate is merely a short distance rate on the line where the traffic originates. Mr. Purcell in reply said that he thought that it meant much more than that and involved important issues, such as the general question of relative charges on foreign and domestic traffic which again involved large issues such as the importance of exports and imports. He understood that a block rate meant the levy of a higher mileage rate over certain sections of the line for traffic going in a particular direction than is charged for the same traffic carried in other directions and for a longer lead. The Chairman instanced a case of traffic originating at A and arriving at B and there passing to



X on another line, and traffic originating at A and going a considerably greater distance from the point of origin to C in the opposite direction entirely on the line of the originating Company and terminating there. He enquired whether the latter traffic was likely to be charged a lower rate than the former. Mr. Purcell said that this might be the case, but that a difference in the basis of charge for traffic moving over different distances was a general practice everywhere and such differences did not necessarily constitute unreasonable discrimination. He pointed out that in respect to traffic moving over two lines, over one of which a so called "block" rate was levied, provided the aggregate charge was not higher than the traffic could bear there was no real cause for complaint, and the division of the total rate between the two systems did not affect the trader in any way. Even where block rates were charged, there were no complaints that the total charge was excessive—the general complaint was that the practice tended not to force rates up but keep down rates to the ports and so prejudice internal industries. The Indian Industrial Commission had gone fully into this question and came to a similar conclusion, *viz.*, that the practice tended to prejudice local industries by forcing rates on export traffic down to a lower level than was perhaps necessary, with the result that the export of raw materials which might have been worked up locally was encouraged.

4313. The Chairman observed that rates on export traffic had nothing to do with the rates for domestic traffic. Mr. Purcell agreed and pointed out that the Industrial Commission had also recorded that export rates had to take into consideration the transport charges to the final destination. The report, however, established that the complaint against block rates was not that they made the total charge too high, but were prejudicial to local industries by encouraging export of raw materials and produce.

4314. Mr. Purshotamdas drew the attention of Mr. Hindley to the fact that in the East Indian Railway pamphlet No. 1 containing the General classification of goods and the special rules for booking goods, etc., the East Indian Railway share of the freight from Dhulkot (D.U.K.) to Delhi for traffic to Bombay is higher than the East Indian Railway share for traffic to Howrah. In the former case, it was 7 annas 1 pie per maund, and in the latter, 5 annas 10 pies. Mr. Hindley explained that this must be a mistake, because under the contract for working the D.U.K. Railway, the East Indian Railway are bound to give it the same share of the through rate in both cases. So far the East Indian Railway had received no complaint in regard to this. Mr. Hindley promised to look into this matter and furnish an explanation.

4315. Mr. Purshotamdas quoted a second instance, Dhulkot to Bombay and Dhulkot to Ahmedabad has the same lead up to Delhi. The East Indian Railway rate is shown as annas 4 and pies 4, so that for traffic coming to the Bombay port, the East Indian Railway share is higher up to Delhi than for traffic going to Ahmedabad, which, he suggested, means handicapping Bombay port.

4316. Mr. Purcell said that the East Indian Railway, in protecting the interests of the Delhi-Ambala-Kalka, were entitled to secure for that system as large a share as possible of the total through rate to Bombay, and as long as the total rate is not unreasonable, the public have no reason to complain of the arrangements made between the two carriers as to the division of the aggregate charge. The apportionment was purely a matter for settlement between railways and did not in any way affect the trader.

4317. The Chairman drew Mr. Hindley's attention to the fact that the representative of the Marwari Association in Calcutta, who had given evidence to the Committee, had made a complaint in regard to the Marwari refreshment room at Moghalsarai, on the ground that it was inadequate and that permission to extend the buildings had been refused. Mr. Hindley admitted that the statement was correct to some extent. Under great pressure from the Marwari Association, they had allowed them to take charge of this refreshment room. Judging from what could be seen of it from the outside, he imagined that it is not satisfactorily managed. Owing to caste restrictions, none of the officials were allowed to inspect the place. But, apart from this, additional space on the platform could not be conveniently spared. He said he did not, therefore, feel justified in giving permission for the extension of the building. Personally, he did not believe that this refreshment room is used very largely by any other than the Marwari community. It has not, in his opinion, fulfilled the object expected that it would cater generally for Hindus. It was a difficult matter for him to deal with. Speaking generally of Moghalsarai, Mr. Hindley observed that the island platform and the other platforms are not altogether suitable for such facilities. Outside the station, accessible by means of an overbridge, are a passenger waiting hall, shops, water-supply and the conveniences which the ordinary passenger requires. It would be quite clear on inspection that it would be impossible to cater in the same way for all classes of passengers who use the station, on the platform. The management of the refreshment room in this particular case is entirely in the hands of the Marwari Association. The East Indian Railway does not interfere with them in any way.

4318. Col. Sheridan corroborated Mr. Hindley's statement and added that the place always gives the impression of being dirty. He would not like to see it enlarged. It is a fact that the Marwari community freely uses the refreshment room.

4319. In reply to Mr. Purshotamdas whether the East Indian Railway had written to the Marwari Association and told them of the insanitary condition of the place, Col. Sheridan stated that this had been done but no improvement has been secured. Mr. Purshotamdas suggested that surely some Hindu railway official could go and visit the place. Mr. Hindley observed that a notice is put by the Association outside the room that no one should go in with his boots on, and, as a matter of fact, the authorities of refreshment room do not like them to visit the place.

4320. The Chairman drew Mr. Hindley's attention to another complaint about water supply at Howrah which Mr. Khaitan, the representative of the Marwari Association, had also made. The complaint was that water was accessible in the waiting area outside, but was not obtainable from the platform unless people left the train to go into the waiting area. Mr. Hindley explained that Howrah is a terminal station, and water supply is not provided on the departure platforms which are separated from the main waiting area. He did not consider that there would be any difficulty in providing it, but so far they had received no complaint. The Chairman suggested to Mr. Hindley that this was a matter which might be usefully discussed with those who had made the complaint, and Mr. Hindley saw no objection to this.

4321. The Chairman referred to a third complaint by Mr. Khaitan. It was that passengers were kept off the platform until too short a time before the trains start. It had been pointed out that if they were allowed to come on the platform when the train was running in, there would be great danger of accidents owing to passengers rushing towards the moving train. This could be avoided if there were adequate waiting sheds. Mr. Hindley observed that it was quite impossible to deal with a general complaint of this sort. Under the recent orders of the Railway Board, nothing more could be done for some time to come for want of funds.

4322. The Chairman enquired what arrangements the railway had to deal with the grievances of the lower class passengers. Mr. Hindley stated that, if there were real matters of hardship, the railway staff enquire into the matter and remedy them as far as possible. They had food inspectors, both for Hindus and Mohammadans, whose duty is to inspect the food at a certain number of stations and see that the vendors keep adequate and proper supplies. They report in cases where their directions are not complied with. There are also passenger superintendents whose sole duty is to look after the interests of third-class passengers. This system is not extended to all stations. In the first instance they have applied it to Howrah, Delhi and Allahabad. During the hot weather they employed 50 per cent. extra Hindu and Mohammadan water men.

4323. In reply to Mr. Srinivasa Sastri, Mr. Hindley observed that one naturally gets a large number of complaints, but, so far as he knew, there was no complaint of any great importance, except that of the third-class passengers being over-crowded in the trains; this is due to the fact that the railway cannot run any more trains. The line is so taken up with the carriage of coal and other goods that to put on an extra passenger train they would have to reduce the goods train capacity. They cannot afford to do this. In the circumstances, he acknowledged that the passenger trains are exceedingly crowded, but until they get money for extra facilities nothing could be done, in his opinion.

4324. With regard to passenger superintendents, Mr. Srinivasa Sastri enquired if they were persons whom the passenger can easily find on the station platforms; speaking of his own experience, he had never seen one. The reply was that they had a special uniform, and the words "Passenger Superintendents" were marked thereon, but in English. Mr. Hindley said that at present they have these officers only in Howrah, Delhi and Allahabad. These superintendents are generally recruited from retired officers of the Indian Army, such as subedar-majors.

4325. In reply to an enquiry by Sir Henry Ledgard as to how many of these officers there were in each station, Mr. Hindley replied that they have three at Howrah, three at Delhi, and two at Allahabad.

4326. Mr. Srinivasa Sastri pointed out that, in his opinion, a military man is not the sort of person who would treat people politely. The passenger would not be likely to go to him at all; he would rather go to the policeman. Mr. Hindley thought it very difficult to find men who would really do this work properly. It had been thought that the retired military officer, who is a gentleman, and moreover is in receipt of a pension, would be more useful than others and likely to be disinterested. He was perfectly prepared to consider suggestions as to employing some other class in addition.

4327. Sir Henry Ledgard enquired whether delays in transit are not caused by shortage of wagons. Mr. Hindley was not prepared to answer the question in that form. The Chairman put it differently, and enquired whether delays are not caused by the fact that the number of wagons in the possession of the company is insufficient to deal with existing traffic. Mr. Hindley could, generally speaking, say that that was not the case, but would ascribe it rather to insufficient traffic facilities and carrying capacity generally.

4328. *Continuing, in reply to* Sir Henry Ledgard, Mr. Hindley stated that they expected to spread over three years the estimated cost of the proposed doubling between Allahabad and Tundla referred to in his written evidence. The sum of Rs.55 lakhs mentioned there was the estimated expenditure for the first year. The total scheme had been estimated approximately to cost about Rs. 167 lakhs. From Allahabad to Cawnpore (which was about 120 miles or so) the cost would be about half of this amount. In his opinion, it would roughly take one working season to double the track between Allahabad and Cawnpore. This estimate, of course, depended on materials, etc., being available. By making a push, the work could be done in a year. Asked whether, apart from doubling the line, there are any important facilities he would require to enable him to deal with traffic more expeditiously, Mr. Hindley said he did not think he could furnish a list of facilities that they would require to deal specially with Cawnpore, as it is only part of the big general problem of increasing the capacity of the railway as a whole.

4329. Sir Henry Ledgard further asked what Mr. Hindley's opinion was regarding the relationship between the Railway Board on the one side, and the Agent (or railway management) on the other, and whether he recognised or not that the Railway Board has authority to give him instructions or anything in the form of orders in connection with, say, traffic. Mr. Hindley said that the relationship was determined by the company's contract with the Secretary of State, and by the Railways Act; so far as the Railway Board exercised its functions within the terms of the contract or within the terms of the Railway Act, he could not object. In this connection, Mr. Hindley gave a specific instance. A certain group of traders had recently complained against his railway in regard to delays which had occurred in consignments to their principal stations; they applied to the Railway Board, and the Railway Board deputed one of its members to interview the traders. The traders were not altogether satisfied with the result of the interview. The Government of India then went further and the Member of Council himself went to interview the traders with representatives of the railway, and the matter was thrashed out between them. His impression was that the traders were satisfied that the fault lay in the want of adequate facilities on the railway. He simply gave this as an instance; he had taken no objection to this method of dealing with the matter.

4330. In the particular case referred to, Sir Henry Ledgard asked whether Mr. Hindley considered that the traders were justified in going over the company's head to the Railway Board and thence to the Member. Mr. Hindley considered that the Railway Board had acted entirely within its powers, though he thought it might have been better had the matter been left to be settled directly between the railway administration and the traders. He believed that the traders were well aware, when they approached Government in this case, that the railway had already taken such steps as they could. He took exception to Sir Henry Ledgard's statement that it was only after pressure was put on the railway through Government that this action was taken.

4331. With reference to Mr. Hindley's written statement that 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, Sir George Godfrey asked whether Mr. Hindley could give an idea of what the result of this would be. Mr. Hindley said that it was necessary to carefully consider the effect of the proposed increase on each commodity, as otherwise there was a danger of killing certain kinds of traffic. He instanced road metal as a case in point. He preferred to adopt the principle of examining each rate in detail, which was actually being done.

4332. Answering Sir Arthur Anderson, Mr. Hindley admitted that there have been cases in which companies have obtained their agents from State Railways. Sir Arthur observed that the agents of four of the company-managed railways in India, namely, the Great Indian Peninsula Railway, the Bombay Baroda and Central India, the Madras and Southern Mahratta, and the Bengal and North-Western are at present State Railway trained officers. Mr. Hindley was unwilling to admit that these agents had attained to their present positions by reason of their training as State Railway officials. Sir Arthur said that, in his experience, the agent of a State Railway is given just as much power and responsibility as a company's agent.

4333. With reference to Mr. Hindley's statement in his written evidence describing the Railway Board's procedure, he admitted, in reply to Sir Arthur Anderson, that as agent he had met the Railway Board only twice in full conference, and once other than in conference. He had a certain amount of experience before he became agent; he had accompanied the previous agent as deputy or as his secretary at interviews with the Board.

4334. In reply to Sir Henry Burt, Mr. Hindley stated that the North Western Railway's mileage extended to about 5,000 miles. He did not consider this too heavy a charge for one man if he had an adequate organization. He thought it might be desirable to regroup the railways roughly on this mileage, though it would depend largely on geographical considerations and on trade routes. There were some cases at present where the dividing line between railway administrations cut right across trade routes in the country; it would probably be advantageous to bring the railways covering particular trade routes under one administration. In reply to the Chairman, Mr. Hindley instanced the case of the Oudh and Rohilkhand Railway, which occupies a piece of territory lying between the North Western Railway system and the East Indian Railway system. It has very little traffic of its own which originates and terminates within its system, though a good deal of through traffic originates in that area. It might be advantageous if the Oudh and Rohilkhand were attached to the East Indian for administrative purposes, and he thought it would be quite feasible to work it from Calcutta.

4335. Replying to Mr. Purshotamdas, Mr. Hindley said that he was not prepared with definite instances to support his statement that Company-managed railways have served the public better than State-managed railways. As he had already stated, he did not consider that the East Indian Railway has an adequate financial provision for improvements at present.

4336. Adverting to Mr. Hindley's written statement that 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 his responsibility tends to make his administration vigorous and resourceful, Mr. Purshotamdas read the following extract from a speech by Sir Ernest Cable delivered in February 1908 at the annual general meeting of the Bengal Chamber of Commerce:—

"Now those who advocate private ownership will "say to you this. They will say that in a State "system there must be dull, inert management "a want of vigour, and an abundance of red tape. "But that, on the other hand under private "ownership, there will be life, activity, competi- "tion, energetic management, anxiety to cater "for the needs of the public, and all the other "good things which flow from efficiency combined "with economy."

"Now, gentlemen, we must judge of the future "by the past. Have we had all these good things "from Company management? Let us take the "example which lies nearest to our hands. Has "the East Indian Railway fulfilled these require- "ments? I am not asking you to accept my "opinion, I will quote the opinion of this Chamber. "In a letter written in 1895 to the Government of "Bengal, the Committee said that the history of "the East Indian Railway naturally divides itself "into two portions: the period before the purchase "of the Railway, in 1879, by Government, and the "period of the management of the line by a work- "ing Company called into existence for this special "purpose. It would not be difficult for the Cham- "ber to show that in the first period, the railway "was developed but slowly and under incessant "pressure from the Chamber, and that it mani- "fested a marked and unwise lack of sympathy "with mercantile requirements. Indeed the Bengal "Chamber of Commerce had to protest not only "against insufficient terminal accommodation, want "of rolling-stock and delay in the transport of "goods, but also against the doctrine that the scale "of railway freight was to be based upon the right "of the railway to share in the profits of its cus- "tomers. In the second period, that is, since 1880, "the narrative of the relations between the Rail- "way and the Chamber has been one long story "of the attempts of the Chamber to secure that "the Railway should keep pace with the growth of "mercantile necessities. The despatch of piece- "goods to the North-West, the terminal accom- "modation at Howrah, demurrage, the relations "between the railway and coal proprietors, and "many other questions have been demonstrated "that, whilst the railway has shown an improve- "ment in its management, it has still failed to "frankly and completely recognise that it must "always be a service to, and not a controlling "agency of the commerce of Northern and Eastern "India. Gentlemen, this does not look much like "life and activity, and an anxiety to cater for the "needs of the public; and if the shortcomings of "the line were so conspicuous thirteen years ago, "how much more glaring are they now? I do not "wish to comment on the question, except to ask "you to notice that there was an improvement from "the time when the State became more deeply "interested in the undertaking."

4337. Mr. Purshotamdas asked Mr. Hindley what he has to say with reference to this quotation. Mr. Hindley pointed out that he had no personal knowledge of the particular controversy which called forth this statement of opinion by Sir Ernest Cable but he believed that it was the case that he was practically alone in that opinion at that time and that the Chamber of Commerce had not endorsed his views. He believed that he was also correct in saying that Sir Ernest Cable was at the period in question advocating the reorganisation of the railways of India on the Prussian system.

4338. Further questioned by Mr. Purshotamdas, Mr. Hindley gave it as his opinion that if State-management were to be adopted in Indian conditions, there would be a great deal of interference growing up with the details of management.

4339. He thought there must be a good number of commercial concerns in India with which close connection is kept through the Board of Directors in London with modern developments in working and policy. Mr. Hindley imagined that a jute mill, for instance, would receive valuable information from its own English Board of Directors with regard to improvements in machinery. He did not think that a body constituted like the Port Commissioners would be a suitable Board for a railway. The object of each member would be to push the special interest which he represented; the result would not be a resultant force in the general interest but a constant tendency to compromise. He did not consider the Port Commissioners were a suitably composed body to manage the interests of a large port. To form an efficient Board, it is necessary to associate railway experts, commercial men, financiers and men of administrative experience; by this he did not mean any particular Board, but any Board—whether in India or in England.

4340. At the instance of Mr. Purshotamdas, Col. Sheridan explained that there is at Howrah what is called a Brokers market in which the East Indian Railway had given the brokers a room to do a certain amount of business. There are a certain number of people who do not like this market, but there are more people in favour of than against it. There are two associations interested in the matter; he approached both; one association was against closing it, and the other was for closing it. If there was a unanimous desire to close it this would readily be done, but the action of the railway could only extend to closing the room and the railway could have no influence on any particular kind of business which the brokers took up.

4341. As an instance of undue or unreasonable discriminations being made, Mr. Purshotamdas instanced a case where he observed that from Arrah to Agra, a distance of 476 miles, sugar is charged at 8 annas per maund whereas from Behea to Agra, a distance of 461 miles, the rate is 8 annas 10 pies per maund. It had been suggested that the preferential rate was due to the traffic being that of a European Firm. Mr. Purcell positively stated that this is not the explanation of the difference, though he could not explain the discrepancy off hand. He promised to submit a written explanation for the information of the Committee.

4342. In reply to Mr. Purshotamdas, Mr. Hindley stated that food vendors are charged certain fees for the right of selling on the station platform. Some years ago, it was represented to the Est Indian Railway that food sold on the platform was not as good as it should be. They enquired into the matter and found that the fees charged for vending were not high and in a large number of cases they were only nominal fees. Mr. Purshotamdas said that an instance which had been bought to his notice where a stall-keeper was paying an annual rental of Rs. 3,500, *i.e.*, Rs. 9-9 per day. This meant he must be making enormous profits. Mr. Hindley pointed out that there was a schedule of prices at which these vendors are expected to sell and that it is a part of the Food Inspectors' duty to see that these schedule rates are exhibited by each vendor.

Postcript.—In connection with various questions asked during his oral examination, and with reference to evidence given by subsequent witnesses, Mr. Hindley furnished the Committee in March, 1921, with the further supplementary statement which has been recorded in the written evidence.

Sir NORCOT WARREN, Secretary and Treasurer to the Bank of Bengal, was called and examined.

4343. The Chairman observed that he did not propose to ask Sir Norcot Warren about questions of railway management, but about finance which as he would appreciate is really the important matter in the railway problem. It might be assumed that the railways need all the money they can get, and more than they are likely to succeed in obtaining.

4344. Sir Norcot Warren said he would first place before the Committee certain figures which he had collected to show what moneys it had been possible to borrow in the past. He quoted the following particulars of the cash subscriptions in respect of the Government Loans issued from 1910 to 1920 (the figures are rounded off in lakhs)

	Rs.
1910	144
1911	192
1912	288
1913	290
1914	478
1915	500
1916	673
1917	4,363
1918	5,757
1919	1,814
1920	1,184
Total	15,683 lakhs or say Rs.157 crores.

4345. The whole of this represented money raised in India; during the same period Municipalities, Port and Improvement Trusts raised in India nearly Rs. 23 crores and public companies about Rs. 50 crores (paid up). The total Rs. 230 crores gives an average of nearly Rs. 22 crores per annum, or, if public companies be excluded, of Rs. 17 crores which might be regarded as public borrowings. Sir Norcot was not in a position to give figures of moneys borrowed in the London Money Market.

4346. The Chairman said that it looked as if the capital requirements of railways would not be below Rs. 30 crores per annum; he drew attention to the much larger borrowings of Government in recent years as disclosed by the figures quoted above; some Rs. 131 crores out of the total of 157 having been raised in the last four years.

4347. Sir Norcot said that allowance must be made for the exceptional circumstances in which these figures had been reached; they were the result of the combined influence of patriotism and persuasion. These emergency borrowings had to a great extent been taken up by the Presidency Banks in the first instance, but had been got rid of almost immediately. These Banks might be capable of making further efforts to promote the success of further loans, but he was assuming that a loan for specific purposes would not be issued by Government. In his opinion the proper course would be for Government to continue to borrow by unspecified loans as hitherto and out of the amount raised to allow as much as could be spared to railways. He thought it would be unwise for Government to attempt a separate railway loan as it would arouse provincial jealousies and would prevent the free raising of capital. Provinces like Bombay and Bengal could not be expected to subscribe for instance for railways on the frontier. Speaking of Military railways, however, he felt that they should be paid for by the Military Department.

4348. He did not think that either Bombay or Bengal would subscribe for railway construction at the other side of India. Even in the less extreme case of money being wanted for railway development in, say, Allahabad and Cawnpore, he thought that Bombay and Bengal subscribers would first want to satisfy themselves as to the benefits likely to come to themselves. The public are concerned with the label on the loan, and would not be concerned in the same way in regard to the distribution of the money by, say, the Railway Board after it had been subscribed on a Government loan.

4349. He considered that, if money for railways were borrowed by a loan earmarked for railway purposes, it would have to pay a higher rate, even if also backed by a Government guarantee as well as being secured on the revenues of the railway system. He did not think that the fact that there would really be a double security would alter this in the estimation of Indian investors.

4350. Sir Norcot considered that money should be borrowed both in India and in England. In India at least it would be necessary to offer an attractive return. He believed that the money undoubtedly exists if only it can be got at; he hoped that it would be got out when the Imperial Bank opens up more branches.

4351. He did not think that the proportion of what might be called industrial money to trust money is much larger in India than in the United Kingdom. There is a class of subscribers to trustee securities who at present leave their money largely on deposit with the banks.

4352. Sir Norcot said that he did not attach importance to the point which the Chairman said had been suggested by others, namely, that if Government were now to borrow large sums at a high rate, the stock exchange valuation of existing Government securities would fall, and that this would be regarded by some of the holders of these as almost a breach of faith. He said that Government have already done this by issuing 5½ and 6 per cent. loans; it is simply a question of paying the market price, money having its price from time to time as well as any other commodity.

4353. Sir Norcot explained in reply to the Chairman that the relation between the Bank of Bengal and the Government of India, is practically the same as that between the Bank of England and the Home Government. The Bank gets the benefit of the Government balances and in return keeps treasuries at convenient places and does all kinds of financial business for Government. The investments of the Bank are restricted, under its contract with Government, to certain specified securities to ensure the supply of the funds of the Bank.

4354. Replying to Mr. Tuke, Sir Norcot emphasised his objections to the issue by Government of a railway loan. He did not believe that it would attract a new class of subscribers but thought that the Government would get less than by the issue of a single general purpose loan. People in India are accustomed to the idea of Government loans, but a specific railway loan would be new to them and they would not understand it. He thought that a loan of that kind would need a rate of interest of perhaps 7 or 7½ per cent. in existing conditions, he based his view on the fact that sound companies are now issuing debentures at 8 and 9 per cent. He would be in favour of borrowing on a short term loan—of 5 to 10 years—at a time when the prevailing rate is high.

4355. He did not think that greater use could be made of the banks than is already done in procuring subscriptions. Mr. Tuke drew attention to the assistance given in this matter by the banks in the United Kingdom and thought that possibly the banks in India other than the Presidency Banks might be put in a position to do more. Sir Norcot, however, doubted this. He considered that the cases are so different that they could not well be compared. The brokers could do something but not the banks.

4356. In answer to Mr. Tuke he said that the Bank of Bengal had given special facilities to subscribers to the war loans by purchasing the security and selling to investors who paid by instalments which might spread over two years but which in fact were paid up much sooner. Before the war the Presidency Banks took up the bulk of the Government loans. They had never lost money on it before the war as they had been able to pass the securities on to investors, but they lost through depreciation during the war.

4357. He did not think that an issue of premium bonds would be of much use; they had been a failure in Ceylon during the war. Generally speaking they would not be understood by Indians though they might appeal to the Marwaris who like a gamble. In reply to the President, Sir Norcot said that he would not borrow simultaneously in England and India on identical prospectuses unless the rates prevailing in both markets were fairly equal; he would borrow as much as possible in the cheaper market and then go to the other for the balance required. He did not think that the markets are so much in touch with each other that this would make it more difficult afterwards to take advantage of the market which had been the cheaper. If one prospectus were to be used for both India and England, the rate of exchange would have to be fixed, which is impossible at present.

4358. Mr. Hiley made the suggestion that separate prospectuses might be issued for Madras, Calcutta, Bombay, etc., showing the railways that would be benefited by the loan in each case. Sir Norcot said that it would be preferable to have a single prospectus; there would be no objection to explaining in it the particular works which would be financed in each place.

4359. In answer to Sir A. R. Anderson, Sir Norcot said that his idea was that whatever the Government's requirements are they should raise the loan to meet them as a whole, giving to the railways out of the proceeds the required sum. The Chairman asked whether there was any reason to think that Government's requirements apart from railways would probably be more than the £1 or 1½ millions which they represented before the war. Sir Norcot said that he was not aware of any, apart from possible military requirements.

4360. In reply to Sir G. Godfrey, Sir Norcot said that he could not estimate the extent to which a new source might be tapped by an issue of premium bonds after an ordinary loan had been raised; it would depend on the response of those who like a gamble.

4361. He thought that, considering the security of India, taxation is at present low and could stand an increase.

4362. The Chairman asked whether if, say, Rs. 30 crores were to be raised on attractive terms this could be repeated year after year. Sir Norcot replied that there is any amount of money, and therefore the success of the loan in one year would be so good an education that more might be forthcoming in subsequent years.

4363. Sir Norcot said he was not in a position to speak as to the bearing of the English Income Tax law on the taxation of interest on capital borrowed in India by an affiliated company or by a main line English company. He promised to send a communication to the Committee on the subject and subsequently furnished the following note:—

"Debenture interest is not included in a Company's assessment for income tax. The tax is deducted from the interest before payment to debenture holders and handed over by the Company to Government."

4364. Certain statements handed by Sir Norcot to the Committees are attached hereto.

Cash Subscriptions in respect of Government Loans issued from 1910 *to* 1920.

	Rs.	A.	P.
1910	1,44,12,389	1	0
1911	1,92,48,507	2	0
1912	2,88,37,611	13	0
1913	2,89,62,500	0	0
1914	4,78,00,247	11	0
1915	4,99,82,000	0	0
1916	6,72,99,200	0	0
1917	43,63,00,307	8	0
1918	57,56,83,125	0	0
1919	18,14,37,300	0	0
1920	11,84,27,328	0	0
Total ...	1,56,83,90,516	3	0

Particulars of Government of India Loans and Bonds issued during the last ten years.

When issued.	Amount of Scrip issued.	Rate of interest.	Name of Loan.	Date of repayment.	REMARKS.
1910 ...	1,50,00,000	3½ per cent.	Added to 3½ per cent loan of 1900–01.	Three months' notice.	
1911 ...	2,00,00,000	3½ „	Ditto.	Ditto.	
1912 ...	3,00,00,000	3½ „	Ditto.	Ditto.	
1913 ...	3,00,00,000	3½ „	Ditto.	Ditto.	
1914 ...	5,00,00,000	3½ „	Ditto.	Ditto.	
1915 ...	4,99,82,000	4 „	Terminable loan of 1915–16.	30th November 1923 but not preceding 30th November 1920 with three months' previous notice.	
1916 ...	6,72,99,200	4 „	Conversion loan of 1916–17.	1st October 1936 but not preceding 1st October 1931 with three months' previous notice.	
1917 ...	12,58,18,350	5 „	War Loan, 1929–47 ...	15th August 1947 but not preceding 15th August 1929 with three months' previous notice.	
„ ...	19,75,05,550	5½ „	War Bonds, 1920 (Income-tax free).	15th August 1920 ...	16,23,27,060 amount converted and paid off in cash as per P.D.O. Books.
„ ...	11,92,67,325	5½ „	War Bonds, 1922 (Income-tax free).	15th August 1922 ...	(1) see below.
1918 ...	25,94,84,925	5½ „	War Bonds, 1921 (Income-tax free).	15th September 1921 ...	(2) see below.
„ ...	2,53,70,400	5½ „	War Bonds, 1923 (Income-tax free).	15th September 1923 ...	(3) see below.
„ ...	4,50,06,875	5½ „	War Bonds, 1925 (Income-tax free).	15th September 1925 ...	(4) see below.
„ ...	26,15,44,225	5½ „	War Bonds, 1928 (Income-tax free).	15th September 1928 ...	(5) see below.
1919 ...	21,27,47,000	5 „	Loan of 1945–55 (Income-tax free).	15th October 1955 but not preceding 15th October 1945 with three months' previous notice.	
1920 ...	58,39,500*	„	Ditto.	Ditto.	
„ ...	30,30,77,000*	6 „	Ten year Bonds, 1930 (Income-tax free).	15th August 1930.	
Total ...	1,81,79,42,350				

NOTE.

Cash Subscriptions to Loans *raised during 1920.*

	Rs.
6 per cent. Bonds, 1930 ...	11,76,55,450
5 per cent. Loan, 1945–55 ...	7,71,878
Total ...	11,84,27,328

* Includes unsold Scrip.

	Rs.		
(1)	4,32,950	converted to	5 per cent. Loan, 1945–55.
(2)	9,86,47,225	„	to 6 per cent. Bonds, 1930 and 5 per cent. Loan, 1945–55.
(3)	47,525	„	to 5 per cent. Loan, 1945–55.
(4)	1,80,525		Ditto.
(5)	21,58,525		Ditto.

PUBLIC DEBT OFFICE,
BANK OF BENGAL,
Calcutta, 22nd December, 1920.

Statement showing total of Rupee loans raised by Municipalities, Port Trusts and Improvement Trusts at Calcutta, Bombay, Madras, Karachi, and Rangoon from 1909-10 *to* 1918-19.

Year.	Municipalities.	Port Trusts.	Improvement Trusts.	Total.	REMARKS.
	Rs.	Rs.	Rs.	Rs.	
1909–10	99,25,000	3,13,75,000	*Nil*	4,13,00,000	
1910–11	67,50,500	1,17,95,000	*Nil*	1,85,45,500	
1911–12	53,63,000	1,15,10,534	*Nil*	1,68,73,534	
1912–13	41,91,000	1,99,00,000	*Nil*	2,40,91,000	
1913–14	63,42,000	2,16,45,876	25,00,000	3,04,87,876	
1914–15	60,06,000	2,75,46,200	18,00,000	3,53,52,200	
1915–16	86,23,780	1,89,43,800	50,00,000	3,25,67,580	
1916–17	26,35,500	1,13,00,000	25,00,000	1,64,85,500	
1917–18	34,66,300	11,00,000	*Nil*	45,66,300	
1918–19	50,04,500	17,36,000	*Nil*	67,34,500	
Total	5,83,57,580	15,66,46,410	1,18,00,000	GRAND TOTAL 22,78,03,990	

Number and paid-up Capital (in rupees) of Companies at work in British India and in Mysor State at the end of each year from 1908-09 *to* 1918-19.

Year.	Number.	Capital.	Year.	Number.	Capital.
		Rs.			Rs.
1908-09	2,156	57,08,19,222	1914-15	2,545	80,78,81,472
1909-10	2,216	61,44,31,661	1915-16	2,476	85,02,45,528
1910-11	2,304	64,04,96,825	1916-17	2,513	90,89,56,218
1911-12	2,465	69,37,78,595	1917-18	2,668	99,11,20,816
1912-13	2,552	72,10,13,855	1918-19	2,789	1,06,61,45,465
1913-14	2,744	76,56,18,274			

SEVENTEENTH DAY.

(Calcutta.)

Saturday, 8th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*)

Mr. S. C. Stuart-Williams, Vice-Chairman of the Commissioners of Port of Calcutta, who was accompanied by Mr. W. A. Burns, Traffic Manager, appeared to give evidence on behalf of the Commissioners. He was examined upon a statement which he had furnished for the use of the Committee.

ee Written tatement To. 22, Vol. IV., ². 105.

4365. The Chairman thanked Mr. Stuart-Williams for the preliminary note which he had furnished, and for confining it to matters with which the Port Commissioners are specially concerned rather than attempting to follow in detail the questionnaire.

4366. Mr. Stuart-Williams explained that the Port Commissioners are a statutory body constituted under an Act of the Bengal legislature; the original Act being that of 1870 and the current one of 1890. The Port Trust is controlled by this Act as regards its main constitution, working and powers, and the Commissioners are responsible to the Government of Bengal. Their operations are to some extent regulated by the Indian Ports Act of the Imperial Legislature, and so far as relates to the Port Commissioners' Railway, by the Indian Railways Act of 1890. The Port Commissioners do not carry passengers and the application of the Railways Act is consequently not very extensive. The Port Commissioners' Railway is not subject to inspection under the Indian Railways Act. As regards rates the Government fixes these, usually without difficulty, in accordance with the schedules proposed by the Commissioners. The Commissioners submit their annual reports to the Government of Bengal, and supply certain railway statements of minor importance to the Railway Board for its information.

4367. The Chairman of the Commissioners is a senior Government official, usually the head of the Board of Revenue, Bengal. He presides at meetings. The executive head of the body is the Vice-Chairman who is a whole-time officer, appointed also by the Government of Bengal. There are 14 other Commissioners of whom six are appointed by the Bengal Chamber of Commerce, one by the body (at present the Bengal National Chamber of Commerce) which is recognised by Government as representing the principal Indian Commercial interests in Bengal, one by the Calcutta Trades Associations, three Railway Agents *ex officio*, the Collector of Customs, the Senior Royal Indian Marine Officer in Calcutta, and a representative of the Calcutta Corporation. The constitution of the Port Commissioners is laid down in the Act; Mr. Stuart-Williams mentioned, however, that it has just undergone a change as regards the status of the Chairman. It is proposed to have a whole-time Chairman appointed by Government, and a Deputy Chairman who will be appointed by the Port Commissioners. In no sense are the Port Commissioners under the Public Works Department: they report to the Government of Bengal in the Marine Department.

4368. Mr. Stuart-Williams emphasized that the whole problem of management of Indian railways centres on the question of capital finance, and the real point, in the opinion of the Commissioners, is how enough capital can be raised to meet the requirements. It is recognised that a moderate enhancement of rates and fares will probably be found necessary in order to increase the net profits.

4369. As regards the port of Calcutta certain surcharges which had been introduced during the war, had been abolished from the 1st of April, 1920, and the regular schedule charges had been advanced instead, not by an all round percentage, but according to the requirements of the particular case. For example shipping dues had been increased roughly by 50 per cent.; and rentals charged by the Port Commissioners as landlords had also been revised. Goods landing and shipping charges had, however, not been altered in any radical or drastic way.

4370. Speaking as a commercial man, Mr. Stuart-Williams said, in reply to the Chairman, that he would not expect large expenditure on railway development to be met from surplus revenue, as appeared to be suggested in his written statement; he thought that a growing commercial concern would need to be in a state of exuberant prosperity before it could make its extensions wholly or mainly from revenue and that even if it could, it would hardly be economical to do so. Ordinarily additional capital expenditure would have to be incurred in railway development and extension, and he saw no reason why the Government of India should not follow the commercial practice: it should be possible in the case of railways to borrow the additional capital necessary for their development, although the policy of the Government in the past had been to a considerable extent to rely on surplus earnings to finance the capital programme.

4371. Mr. Stuart-Williams was of the opinion that large sums exist in India which might profitably be devoted to railway expenditure if they could be tapped, and the Port Commissioners believed that a large capital might be forthcoming as a result of offering an attractive rate of interest for loans secured direct on the well-known lines. The Chairman suggested that this might be successful in the case of debentures secured on the railways in the case of such profitable lines as the East Indian and Bengal Nagpur Railways, but it would not succeed, for instance, in the case of the Assam Bengal Railway. He asked whether there was not something to be said for pooling the requirements of both good and bad lines and raising money on the still fair security of the railways as a whole. Mr. Stuart-Williams thought that there was no doubt something to be said for this. Hitherto the practice had been to raise money in India mainly by Government loans. The Port Commissioners had no very strong preference for raising them on the specific security of the railways.

4372. He had no decided views as to the prospects of obtaining money at lower rates in England than in India. It has always been thought that English borrowing was cheaper than borrowing in India, but so far as he could judge, there is not much difference at the present time. He would certainly prefer to borrow in India if the funds required could be got here. He would be guided by the financial position in decided where to borrow.

4373. In the Commissioners' written statement the opinion had been expressed that borrowing could be effected in London only if the control of the railways asking for capital remains there as at present. He thought the control must lie where the bulk of the money comes from. The Chairman remarked that in the case of railways the bulk of it had been supplied by the Secretary of State, but the borrowings were not earmarked for railway purposes. Mr. Stuart-Williams thought that, if, in future, the bulk of the money raised specifically for railways were subscribed in India, then there would seem to be a good case for control being exercised in India, but he feared such control might affect supplies of capital from England.

4374. With reference to the question of liability to English income-tax, Mr. Stuart-Williams agreed with the Chairman that the question of the liability of rupee loans floated in India by Railway Companies, *e.g.*, the East Indian Railway to English Income-tax, should be cleared up first, as if the tax is leviable they would lose their attractiveness as investments.

4375. Turning to the question of management, he said that the Commissioners had not found any great difference in their relations between the State-managed and the company-managed railways. He thought that the Eastern Bengal Railway suffered from lack of continuity in its officers. He was rather speaking as the man in the street. The Chairman observed that, so far as continuity is concerned, Government might settle this point without altering the general system of management, by simply deciding not to make transfers from one railway to another. Mr. Stuart-Williams said that apart from this, both the State and the company-managed railways are equally convenient to deal with. He was not aware of serious delays in the case of the State railway, owing to the need for reference to the Government.

4376. In the written statement the opinion was put forward that the most promising alternative suggested to facilitate decentralisation was that of management by companies domiciled in England and having independent powers of obtaining their capital requirements both in India and in England. Mr. Stuart-Williams thought the adoption of such a system must be dominated by the question of liability to English income-tax. He thought that, if the companies are allowed to increase their capital, they must be allowed greater freedom and powers. If the capital finance and management are made over to companies, whether in India or in England, they should have a more substantial interest than at present. He did not consider that the extent of the existing interests—in the case of the Bengal-Nagpur Railway of less than one-seventh and in the case of the East Indian Railway of only one-hundredth—is satisfactory.

4377. With regard to the terms on which he would allow a company to issue new share capital, he said that he would not be disposed to allow a company whose shares stand at a premium to issue new stock to its shareholders at par. Public interests came first, and shareholders should not get more than a proper yield at the ruling market rate on their new investments. The Chairman said that, in the case of commercial companies, for instance that of the Argentine Railways, the shareholders who had borne the heat and burden of the day, were allowed to reap the benefit of it. But Mr. Stuart-Williams held that it would be the obvious duty of the Government to obtain the best terms they could for the country.

4378. In connction with the question of continuity on the boards of directors, the Chairman referred to Mr. Hindley as having stated that only three of the sixteen Port Commissioners of 1918 now remained unchanged. Mr. Stuart-Williams admitted that changes were frequent and caused serious disadvantage. They were, however, not quite as bad as the figures suggested, as some of the Commissioners are re-appointed on their return after absence on leave. There was also a tendency if a senior partner went on leave, for his junior to take his place. There are at present two Indian members on the Port Trust. Indian members might be expected to remain longer in office than Europeans. Sir Henry Ledgard suggested that one reason for the frequent changes in the case of the Port Trust is that appointments on that body are practically honorary, and the Chamber of Commerce does not expect the same individual to devote his time to it for a number of years.

4379. Referring to the opinion of the Commissioners that the formation of purely Indian companies with Indian boards need not be regarded as entirely out of the question, Mr. Stuart-Williams said he had in mind the case of an existing contract of a company being terminated. He agreed that, if it were a question of transferring one of the existing companies from England to India, it would be necessary to buy out the holders of the English shares. Taking the case of the East Indian Railway he personally thought that, if the Indian public were to subscribe the bulk of the capital, the case for an Indian Board of Directors with a substantial interest in the undertaking, would be strong. In the event of transfer of management to India, he would prefer management by an Indian company rather than by the State.

4380. He considered it necessary for the Railway Board to be in a position to see ahead as regards finance, and considered that the Board, rather than the Finance Department, should have a predominant voice in the railway business. The Chairman suggested that the present position is similar to that of a company being run by the debenture holders rather than by the shareholders who have an interest in the profits.

4381. Mr. Stuart-Williams stated that in case of the Port Trust debt there is no Government guarantee. The debt is secured on the Port Trust property only. He thought the same system would be suitable for railways.

4382. The Chairman asked Mr. Stuart-Williams whether he would care to give any information regarding the position of the Calcutta port as, although outside the terms of reference of the Railway Committee, it appeared that railway development and improvement of the Port must be complementary to

each other. Mr. Stuart-Williams said that the port is not at present abreast of the requirements. There is, however, in hand a large scheme of extensions. He hoped that the first part of the King George's Dock would be built within six or seven years. It is hoped, however, that four additional jetty berths at Garden Reach and one old berth on the Strand Road now under re-construction would be available within two years. It is not at present proposed to provide for coal loading in the new King George's Dock, but an additional berth in the existing docks is to be devoted to coal loading. Under favourable conditions Kidderpore can deal with about 250,000 tons of coal per mensem or say three millions per annum.

4383. He said that the Port Commissioners would not shrink from any justifiable expenditure, necessary to enable the port to deal with the extra traffic expected from the railways. He mentioned that at present coal is brought to the docks largely in covered wagons and that this precludes the full use of mechanical handling plant. The port has at present two mechanical loading appliances and it is proposed to get a third, but then only move the coal from the ground to the steamer as wagons have to be emptied by hand, because so many are covered wagons.

4384. Mr. Stuart-Williams was hopeful that port development would not be stopped for want of money. The commissioners can issue loans with the sanction of the Government of India who prevent their going into the market at an inconvenient time; the terms of the loans floated by the Port Trust have to be approved by the Government of India.

4385. In answer to the Chairman he agreed that it seemed desirable to have a more organic connection between the dock and the railway administration, but at the same time he was opposed to anything savouring of over centralisation and particularly to control by the Government of India from Delhi. He thought that it would be an advantage, in the event of any disagreement between a railway company and the Port Trust authorities, to have someone who could settle the matter.

4386. He promised to furnish the Committee with a précis of the Commissioners' scheme of port development with special reference to matters of interest to railways. The Commissioners would like to double parts of the Port Trust line along the river bank which are now single line, but were prevented from doing so by engineering and other difficulties. Normally the Calcutta Port Commissioners try to balance their receipts and charges (including in the latter interest on loans). Conditions at present are abnormal and receipts are correspondingly somewhat in excess of expectations.

4387. He thought that during the next 8 years the port would need about 1½ crores per annum for capital expenditure. He thought about Rs. 30 lakhs could be financed from revenue by means of the Statutory contributions from Revenue to the Sinking Fund and that it would be necessary to borrow outside from 1 to 1½ crores annually. He thought this might be raised on terms not less favourable than those offered in Bombay that is to say about 7 per cent. assuming that an income tax free loan is not allowed. Mr. Purshotamdas Thakurdas mentioned that the objection to an income-tax free loan is that Government wish to protect themselves in case of income-tax being raised.

4388. In answer to Sir Henry Burt, Mr. Stuart-Williams said that the question of improved loading arrangements for coal is about to come under discussion. He had recently furnished a note on the subject to the railway administrations and the Mining Association. The coal traffic was heaviest in the cold weather at which time more coal comes down from the up-country and at the same time labour is more plentiful in Calcutta. So far as the Port Commissioners were concerned they would like any type of wagon which could be tipped or turned over. He said that there was no real prejudice in the trade against mechanical loading; there had been complaints that it unduly broke up the coal, but this could be remedied. The real difficulty was connected with wagon supply.

4389. Referring to demurrage charges on wagons Mr. Hiley said that 36 hours allowance did not seem illiberal. Mr. Stuart-Williams agreed that as an average it was perhaps not too little. But they have to pay demurrage on any wagon kept beyond this period and considered it too short in the circumstances.

4390. In answer to Mr. Tuke he said that he thought it important that there should be decentralisation of railway business and that this could best be secured if railways are themselves allowed to raise the money they require. Money raised by them should not go into the general pool. He thought the security should be that of the railways concerned. Mr. Tuke observed that in the cases of Indian railway debentures they are in some cases not secured on the particular line and in all cases rest ultimately upon the Government guarantee. Mr. Stuart-Williams thought that if a Government guarantee were given, it would mean a lower rate of interest, but that the objections are evident.

4391. In reply to Mr. Purshotamdas Thakurdas, Mr. Stuart-Williams stated that the Port Commissioners had no difficulty in floating loans before the war. The largest amount raised was Rs. 1.05 crores in a year. They were helped by the Bank of Bengal in their flotations. He thought the Port Trust paper is popular. In a few instances they had been able to float their loans at a premium; that was on a 4 per cent. basis (in the years 1895—1905).

4392. He had considerable freedom in the management of his business and the Commissioners did not interfere unnecessarily with him in details. He had been over-ruled once or twice. He knew of only one Trustee, who had endeavoured to exercise any undue influence over the administration. From his own point of view he thought a smaller Board of Directors would be better. The local Government control has always been exercised in a very businesslike manner; and he had no reason to complain of interference or unreasonable delay. Cases of an urgent character were dealt with very expeditiously. Some delay did occur in references to the Government of India or to outside authorities. All the higher posts are sanctioned by Government, but for practical purposes there was no embarrassing Government control.

4393. There were few cases of complaints against the Port Administration, and there had been no attempt at undue interference from the non-official members of the Legislative Council although questions were occasionally asked in Council about minor matters.

4394. Mr. Stuart-Williams thought that if out of the surplus profits of a public utility body the shareholders were paid more than a reasonable return on the capital subscribed by them the public would be disposed to resent it.

4392. The Port Commissioners employ an Agent in London on a fixed salary to supply stores. Advantage was not taken of the services of retired officials, and Commissioners who had personal knowledge of the Port Trust work, save in one respect the recruitment of officers from Home. They had got on very well without utilising their services, but he could not say whether the lack of such guidance was a definite loss, since he had no experience of utilising their assistance.

4396. In the matter of concessions in carrying military stores the Port Trust followed the example of railways. Factilities and concessions to naval vessels were governed by the Ports Act.

4397. In answer to the Chairman Mr. Stuart-Williams said that the Calcutta Port Trust had not appeared in any Proceedings based on allegations of unfair treatment as between different ports.

4398. Mr. Stuart-Williams subsequently furnished the Committee with the following note, with reference to paragraph 4386 above:—

Note regarding the Calcutta Port Commissions' schemes of extension.

The extensions now being undertaken by the Calcutta Port Trust in Garden Reach to the south of the existing Kidderpore Dock system may be divided into three portions:—

(*a*) the construction of five river-side berths in Garden Reach, comprising one preferential coaling berth for the British India Steam Navigation Company and four general produce berths.

(*b*) the construction of a new Dock system to be called the King George's Dock; and

(*c*) the lying out of an improved and enlarged marshalling yard to deal with the traffic received from and consigned to the three broad guage railway systems serving Calcutta.

As regards (*a*), work on which was within hand when the War broke out, the present position is that the coaling berth has been in commission for some years, that No. 1 general produce berth has been completed save for its crane equipment which is at present being erected, that No. 2 is approaching completion and Nos. 3 and 4 should be ready in 1922.

As regards (*b*), the scheme comprises a new and independent Dock system running north and south and consisting of a basin at the north or riverside end and two long arms each about 4,500 ft. long. The basin will ordinarily be entered from the river by a large lock 700 ft. in length and 90 ft. in width, but alongside this lock there will also be two large Dry Docks built in tandem which can be used when necessary as a second entrance. The water area of the Dock will be about 198 acres, the length of the quay wall about 25,000 ft. and the number of berths will be 35. As at present arranged, 33 berths will be equipped either as import or export berths, one will be a waiting berth and the other will be used for heavy lifts, but this arrangement may ultimately be modified should the requirements of the coal, manganese or other trades render this desirable. The first section of the work will consist of the entrance lock and dry docks and the northern portion of the Dock system lying between the river and Circular Garden Reach Road, comprising altogether eleven berths (including the waiting and heavy lift berths), but it will probably be arranged to utilise the first five berths as soon as these are ready.

Work was commenced in March, 1920, and although there has been great difficulty in obtaining materials and plant, satisfactory progress has been made and the excavation so far done is slightly in advance of the yearly average of the programme. The entrances and first five berths may be completed by 1927, and the remaining nine berths in the first portion should not be much later.

As regards (*c*), the Commissioners have had expert advice from Mr. Wentworth-Shields of Southampton as to the lay-out of the new marshalling yard, but his proposals will require discussion and elaboration. It is intended that this work should proceed *pari passu* with the Dock construction so that the handling of railway traffic to and from the new Dock shall be ensured the facilities required for expeditious handling.

A small plan* is attached showing the arrangment of (*a*) and (*b*).

Mr. S. C. Ghose was called and examined with reference to a statement which he had furnished to the Committee.

4399. The Chairman thanked Mr. Ghose for the numerous and valuable documents bearing on railway questions with which he had furnished the Committee. Mr. Ghose explained that he was a convert from an advocate of Company management to that of State management. He had changed his mind as the consequence of further investigation and experience of the State system at the headquarters of Government.

4400. The Chairman drew attention to that part of Mr. Ghose's memorandum in which he had recognised the difficulty of finding all the capital required for the railways. Mr. Ghose agreed that a great deal of capital is wanted for railway development, and that still more would be necessary if, in addition, existing companies had to be bought out. The Chairman suggested that this might be an objection to immediate purchase even if the policy were approved. Mr. Ghose, however, was of opinion that it would be wise to carry the policy into effect as soon as possible even if it involved railways temporarily going short of capital for improvement. He would propose that, if a loan of £30 million were raised, £20 million should be used for improvements and £10 million reserved for buying out the guaranteed companies.

4401. He agreed with the Chairman that that portion of his note, in which he said that he understood that each company raises its capital in England either by guaranteed debenture stock, guaranteed debenture bonds or guaranteed ordinary stock, does not quite accurately represent the existing position; the fact being that for a long time the companies have only raised money by means of debentures, and not by the issue of new ordinary stock. The Mackay Committee had recommended the latter method but it had not been carried into effect. The Chairman explained that the railway property is not definitely mortgaged and that the debentures really rest on the security of Government.

4402. Mr. Ghose was of the opinion that it would be better that railway borrowings in India should be secured on individual railways backed by a Government guarantee. He had favoured the issue of a loan carrying a share of the surplus profits in addition to fixed interest, but admitted that he was not aware of any instance in which debenture or mortgage holders were remunerated in this manner. He would be disposed to pay more for an Indian than an English loan, because an Indian loan would give the Indian people a direct interest in their railways and the interest paid would remain in India, but he admitted the advantage of obtaining a loan in England so long as it was simply a loan to Government, and carried no control over the railways. He would borrow wherever money could be obtained cheapest so long as control remained in India.

4403. The Chairman mentioned that the Agent of the East Indian Railway had recently agreed with the suggestion that an impartial tribunal might be constituted for the purpose of dealing with all disputes regarding rates and fares, the constitution being that of a Chairman who would be a lawyer experienced in railway affairs, with two railway men and two commercial men. Such a tribunal might be assisted by local assessors or co-opted members; for instance, in dealing in Calcutta with a dispute regarding jute rates, it might be assisted by a local jute and a local railway expert. Mr. Ghose agreed that a tribunal of this kind would be quite satisfactory.

4404. The Chairman drew attention to two specific instances quoted by Mr. Ghose in which the railways were alleged to have acted contrary to the public interest, one relating to discouragement, by agreement between the British Indian Steamship Navigation Company and the South Indian Railway, of the despatch of traffic by a short lead rail route combined with carriage by country boats; and the other relating to the closing at the instance of the South Indian Railway Company, of the Tirumalavasal port, which, according to Mr. Ghose, had been closed simply to enable the railway to get a long haul of the rice traffic instead of only carrying it to the port. Mr. Ghose agreed that it would be satisfactory if the tribunal just suggested were available to deal with cases of this kind. (*N.B.*—It was decided to ask the South Indian Railway to be prepared to give evidence in connection with both these cases.)

* Not reproduced.

4405. The Chairman explained that the proposed tribunal would not confine itself merely to questions of undue preference or prejudice, but would deal with any class of question in which there was a demand for an independent decision regarding railway charges. Mr. Ghose agreed that such a tribunal should be available to deal with important questions. He thought that, in regard to more trifling complaints, the Railway Board should be given power. He cited in this connection the provisions of the English Act which gave powers of adjudication to the Board of Trade, which deals with them, and submits to Parliament returns of cases of public complaints dealt with by them. The Chairman advised Mr. Ghose not to lay too much stress on this analogy. He stated that, of his own knowledge, the provisions of the English Act had not been successful. It is true that the Board of Trade used to submit an annual report to Parliament, but it furnished no details of the cases referred to it.

4406. In his written statement, Mr. Ghose had recommended the construction of roads as well as railways and thought that they might be used even for long distance when the railways are unable to carry the traffic. He agreed, however, that if there is not money enough for both, it would be preferable to spend what is available on railways.

4407. With reference to the employment of Indians, Mr. Ghose said that in the case of an Indian and a European applicant for an appointment, he would only give the post to the Indian if qualifications were equal. Otherwise, he would put in the better man on his merits irrespective of nationality. He recognised that something is being done in the Indian railway service to afford Indians opportunities of rising to higher posts. He observed that this policy had been longer in force in the State railways than on the companies' lines. Some of the latter had only recently made a start. He agreed that the change of practice in favour of Indians was good, but it had not been carried far enough. He understood that there are railway companies which have not changed their policy in this respect; but he was not prepared to cite any specific case for enquiry.

4408. The Chairman drew attention to Mr. Ghose's observations that the State railway agents have, or at least used to have, more powers than the company-worked railway agents. The Chairman said that the Committee's information was that this difference no longer existed.

4409. The Chairman referred also to Mr. Ghose's argument that standardisation would be carried further under State than under Company management. He assured Mr. Ghose that standardisation has been carried farther in America, where there are no State railways, than in other countries. Mr. Ghose, however, thought that State management ought to faciltate standardisation. The Chairman said he was not disposed to question the possibility.

Mr. Ghose's examination was adjourned until Monday, the 10 January, 1921, at 12 o'clock.

EIGHTEENTH DAY.

(Calcutta.)

Monday, 10th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. J. H. PATTINSON, Chairman, Indian Mining Association, was called and examined with reference to a statement which he had furnished to the Committee.

See Written Statement No. 24, Vol. IV., P. 110.

4410. Mr. Pattinson explained that the Association is a business body representing a number of colliery companies or managing agents, with a view of co-operating for the benefit of the coal trade and providing a representative body which could deal with Government as a whole in matters affecting the interests represented.

4411. The Association had had experience mainly of the East Indian and the Bengal Nagpur Railways, and preferred company management, because it considered that State management could not offer the same encouragement to individuality and enterprise, being largely controlled by Government traditions and regulations, with a constant fear of the Finance Department in the background.

4412. He said that the coal trade had suffered for years more or less directly owing to transport difficulties and delays, which in turn had almost always been entirely due to inadequate finance. In their opinion, part of the money required in future will have to come from London, and they thought therefore that control must remain in London. Mr. Pattinson was of opinion that this would still be the case even if money were to be raised by direct Government loans and made over to railways.

4413. The transport difficulty had been constant from about 1905, when the coal output reached 8 million tons in the year. At the present time there are about 10 million tons of exportable coal available at the coalfields per annum, and, allowing for the interim increase of transport facilities, the coal trade is handicapped about to the same degree as in 1905, but, of course, on a much larger scale.

4414. The Association does not attach great importance to the argument that directors of companies in London would be out of touch with India, but thinks that if they are wisely chosen and re-elected it should be possible to keep useful boards of directors in London. It would be necessary for them to visit India from time to time. He would agree that a man who had been out of touch with India for eight or ten years should not be on the board. The main argument for pressing for English domiciled companies is the finance argument. Mr. Pattinson admitted, in view of the information given by the Chairman that no railway share capital had been raised in London for many years, and that debentures, though nominally raised in the name of the companies, are issued at the orders of the Secretary of State and the proceeds distributed by him to any railway he wishes, it did not seem that the companies are really much in a position to help at present as regards finance. He agreed that if Government were to issue a loan in London, companies would not be of much assistance in connection with it. He thought, however, that even if the finance argument disappeared for such reasons, it would still be desirable to have companies domiciled in the United Kingdom.

4415. The Association considered that too much importance is attached to the word "control" on behalf of Government: what was wanted is less control and more enterprise. Many sound propositions had been killed in their inception because of the conviction that Government would not sanction the expenditure. The Association saw no reason why Indian railways should not be in the same position as successful commercial enterprises which have no difficulty in raising necessary capital for profitable expansions.

Mr. Pattinson thought that the interest on investments on railways would usually be less than that of industrial enterprise, but he agreed that there are classes of investors to whom railway investments would appeal. Hitherto the supply of funds for railway purposes had been hopelessly inadequate, and it was necessary to raise funds by some means.

4416. The position at the collieries was such that, owing to want of transport facilities, raisings have frequently had to be curtailed owing to accumulation of stocks. It commonly happens about March or April, at which time labour is abundant, and demands on the railways for wagons for other purposes are also heavy.

4417. Referring to a chart furnished by Mr. Pattinson, the Chairman observed that the stocks at the collieries had risen to a very large figure about the end of 1918, but had gradually been reduced since then. Mr. Pattinson estimated that in all there must have been about 5,000,000 tons in stock. Recently it was possible for the railways to remove the stock, but this was not because they were able to carry more, but because raisings of the collieries had temporarily gone down. The reason for the temporary drop was the difficulty of securing labour this year. The railways thus had the chance of clearing away the existing stocks in addition to the smaller quantity of coal raised.

4418. As regards shipment coal, Mr. Pattinson urged that a large number of open wagons (he did not mean low-sided wagons, as mentioned by oversight in the written statement) should be supplied to facilitate the introduction of mechanical loading facilities at the docks and thus to enable the wagons to be turned round quicker.

4419. Mr. Pattinson furnished the following figures of output and the distribution of it amongst principal consumers; the figures are for 1918:—

Railways	5,881,000
Bunkers	1,180,000
Admiralty and R. I. M.	1,358,000
Jute Mills	1,045,000
Cotton Mills	968,000
Iron and Brass foundries	1,307,000
Consumption at collieries and wastage	2,487,000
Port Trusts	163,000
Inland Steamers	485,000
Tea Gardens	225,000
Brick and tile manufacturers ...	477,000
Other consumption	5,126,000
Total	20,702,000

4420. He quoted these statistics from the Annual Report of the Indian Mining Association. At least three-quarters of the above-mentioned coal can be better carried in open wagons. If there were a sufficient supply of these for the wholesale consumers there would be no objection to the use of the covered wagons for the remainder.

4421. Mr. Pattinson said that there are many instances of collieries being fully equipped, but unable to despatch coal for want of sidings, and with no hope of getting these within the next year or so. He referred to the three instances quoted in the written statement. In the Kasta field case a siding was applied for in April, 1918. It was not sanctioned until 1920. This siding will be about 17 miles long and will serve a number of collieries; it is expected to take about a year to construct, and it is understood that some difficulty exists in getting rails moved from Delhi. Meanwhile a sum of Rs. 30,00,000 of the coal company's capital is lying idle, as development is impossible until the siding is completed.

4422. In the Rana Colliery case, Mr. Pattinson said that a siding about one mile long was asked for in 1914. The scheme has been sanctioned, but work has not yet been begun. In this case the colliery is waiting to despatch coal. The concern is not, however, a very big one.

4423. In the Chapui and Chalbalpur cases, the siding applied for in March, 1919, has not been sanctioned, and for this reason, although some coal is being carted from Chapui across a river ford, the output is restricted to a nominal figure for want of facilities.

4424. Mr. Pattinson promised that he would furnish figures showing the extent to which for want of sidings coal is being withheld from the market. Mr. Pattinson subsequently furnished the following figures to the Committee:—

Estimated output when developed in tons per month.

	By hand.	By electricity.
Kasta group	54,000	1,62,000
Rana Colliery ...	5,000	10,000
Chapui Colliery ...	5,000	11,000
Chalbalpur Colliery ...	5,000	15,000
Total ...	69,000	1,98,000

4425. Questioned with reference to the possibility of a large colliery or a group of collieries working its own sidings instead of having these provided by the main line on "assisted siding" terms, Mr. Pattinson thought that it might work, though there would be risk of friction between the railway and colliery staff. Generally speaking, however, he did not think that groups could conveniently be formed which could work their own sidings.

4426. Sir George Godfrey asked whether, if more collieries were now connected by sidings, it would not simply increase the coal in stock which could not be moved. Mr. Pattinson admitted that there would be some risk of this. Mr. Hiley suggested that the question implied that every new colliery is regarded as a nuisance by the railway serving it.

4427. Referring to the written statement that the coal industry has been handicapped by the exceptionally low price which has been paid for coal in the past, Mr. Pattinson explained that railway contracts are the best to secure, because they imply an assurance of a supply of wagons. Thus competition exists to secure them and relatively low prices are accepted. The Chairman observed that this implied that the railways get their coal on preferential rates. Mr. Pattinson admitted that, if there were an adequate supply of wagons and other facilities, the price of coal would go up, as it would enable others to compete with the railways for coal. Sir Arthur Anderson suggested that the preference applies only to one-third of the coal output as the railways consume only this fraction of the total. Mr. Pattinson said that there are others too, for example the exporters of coal, who get preference for wagons under the existing system. Shippers are usually willing to pay higher prices than railways.

4428. In answer to Sir Arthur Anderson, Mr. Pattinson said that the price for railway coal had gone up by about 12 per cent. in the current year. The cost of shipment coal has also risen in about the same ratio.

4429. There is a prospect of the collieries being able to obtain electricity within the next few years, and there is every expectation that the output of coal will be materially increased by the use of mechanical plant. In the case of Raniganj, such a plant is being introduced and will be in operation in 1923. An increase of similar facilities at Jheria is projected. Sir Rajendranath Mookerjee suggested that collieries are not pressing these developments because of restriction of the railway transport. Mr. Pattinson said that it was difficult to say whether in the present state of the money market such developments would be pressed just now in any case, even if the railway capacity was adequate. He agreed with the Chairman that practically it meant that large developments are postponed for a few years.

4430. In answer to the Chairman, Mr. Pattinson stated that the practice of stocking large quantities of coal at the collieries involves extra carriage to and from the stacking ground, representing an additional cost of some 3 or 4 annas per ton. He agreed that at the present time the coal export would still be blocked by the Kidderpore Docks, even if the railway facilities were adequate. He mentioned that the miners of the agricultural labour class, who would be set free on the introduction of machine cutters, would be employed by the smaller collieries. He anticipated that by the use of machinery the average output of coal per man underground would rise from 10¾ cwt. to 3¼ tons daily.

4431. Mr. Pattinson thought that the Mining Association's opinion that rates might be raised to cover the cost of adequate railway service would represent the general feeling of the commercial community. They were more concerned with getting their goods carried efficiently than with a relatively small savings in freight. He laid stress upon the indirect benefits to Government obtainable through the development of industries.

4432. In the circumstances described by the Association, it was clear that they could not consider the results secured by the railways satisfactory either to the State or to the public. The whole question appeared to be one of finance.

4433. In reply to Sir George Godfrey, Mr. Pattinson promised that he would furnish the Committee with figures showing the financial results anticipated through the introduction of mechanical coal cutting plant. Sir George Godfrey mentioned that, though the actual cost of raising coal might be increased as suggested, by 8 or 10 annas per ton, attention must be paid to the distribution of the standing cost of the business over a much larger output of coal.

4434. Mr. Pattinson admitted that he realised that the difficulties and delays in securing sidings and other railway equipment are attributable not only to the lack of money but also to the difficulty of securing materials. Mr. Pattinson replied to Sir Arthur Anderson that he was satisfied that his estimate of 5 million tons as being the amount of coal awaiting transport at the collieries at the beginning of 1918-19 was not an over-estimate.

4435. In answer to Mr. Hiley, he stated that the Association had discussed the question of improved wagon supplies at special meetings with the railways concerned and the Port Commissioners. The Port Commissioners prefer to receive a certain number of covered wagons as they would be available for taking traffic from the docks up-country. Recently the Port Trust has sanctioned an expenditure of about Rs. 9 lakhs for the erection of a loading plant at the docks and also for general remodelling of the docks. The Association was not satisfied and wanted more berths for loading coal. Mr. Hiley remarked that one more berth had been promised and one more Beckett loading appliance. Mr. Pattinson thought that these would help appreciably. The Association is not pressing the matter further at present, but if open wagons could be supplied, it would help greatly.

4436. In answer to Mr. Purshotamdas, Mr. Pattinson explained that the Mining Association does not represent all the mine owners. There is also the Indian Mining Federation representing some of them. The Mining Association represents the concerns with larger capital and bigger output.

4437. Whenever the colliery owners wanted any sidings, it simply addressed the railway concerned and waited till such time as they are provided. With reference to the delay in providing sidings, the Association was not concerned with the division of responsibility between the railways and Government. The Association had not addressed Government directly on the matter, although individual members might have. He was not in a position to say whether the Railway Board or the Company is responsible for the delay.

4438. In answer to Mr. Purshotamdas, who asked whether he could specify any form of control by Government other than financial control to which he took exception, Mr. Pattinson said that he was not in a position to particularise, but he had in mind the excessive time taken to get any business through Government. He said that, if the whole of the capital required for railways could be obtained in India, he would be aware of no objection to State management.

4439. Mr. Pattinson also said that the directors of boards in London would be out of touch with India, if they were absent from this country for even three years.

4440. The Chairman asked whether the Association had ever represented the position which had now been laid before the Railway Committee to the Government. Mr. Pattinson said that he did not think that this has been done by the Association as a distinct body, but that it had been done through the Chamber of Commerce with which body the Association is affiliated.

Mr. S. C. GHOSE was recalled and further examined.

See Written Statement No. 23, Vol. IV., P. 106.

4441. The Chairman referred to the rate warfare detailed in Mr. Ghose's book on Railway Rates, and asked whether this had been serious. Mr. Ghose said it had been. The last competition took place about 1905 or 1906; since then nothing very serious had occurred. He attributed this to the railways having had a trial of strength, and to the position having become stabilised as a result of competition. The Chairman remarked that the position seemed rather absurd that Government, the predominant partner, should look on while the junior partners, the East Indian Railway and G. I. P. disputed. Sir George Godfrey explained that the Railway Board intervened and that it was agreed by some of the railways that the Board should act as an arbitrator in such cases, but that this was objected to by the Great Indian Peninsula Railway Company. Finally a position of equilibrium was reached. The Chairman asked whether, if a company were to start another rate war, there was any machinery to protect other companies. Mr. Ghose said there was none. This the Chairman interpreted as meaning the Government, which exercises close control over such things as the salaries paid to station masters, cannot control such a serious matter as a rate war. They could put up the minimum charge so as to prevent competition, but there was no machinery really suitable for the purpose. It seemed clear that the powers of Government were not adequate. Mr. Ghose agreed.

4442. Mr. Hiley referred to one of the pamphlets furnished to the Committee by Mr. Ghose, and

discussed in detail a number of points arising from it. Mr. Ghose amplified his statement that State management would throw open alternative routes for traffic, whereas at present a shorter route might determine the rate but would not necessarily carry the traffic. Mr. Hiley observed that the end in view might be attained by either grouping or State management.

4443. Mr. Ghose emphasized his opinion that the railway companies were really dictators of railway policy. He did not think that a single Government Director in London was adequate to protect the interests of the Government in all the companies. He considered that local Governments should be more freely consulted, and have a more effective voice in railway matters.

4444. Asked to give an instance of the manner in which railways had endeavoured to encourage traffic to and from ports rather than internal traffic, Mr. Ghose mentioned that, when a new line is opened, special rates for the staple produce of the district are generally quoted to the ports, and similarly for return traffic from the ports. It is true that, if attention is drawn to inequalities arising as regards internal traffic, they are sometimes adjusted, but complaints in this respect are not properly dealt with in all cases. Many instances of this would be found in the chapter on Wheat, in his book on Railway Rates. Mr. Ghose promised to furnish the Committee with instances in which inequality of treatment had not been adjusted. [*P.S.* Instances were given by Mr. Ghose during his evidence on 11th January when drawing the attention of the Committee to the remarks of the Indian Industrial Commission regarding low rates to the ports.] He drew attention to the opinion of the Indian Industrial Commission that the policy of favouring traffic to and from the ports has the effect of concentrating industries at the ports since they get the advantage of low rates. Mr. Ghose explained to the Chairman that, for example, the special rate for grain to Calcutta is the same for local and for export traffic, though he was aware that this is contrary to the usual practice in other countries. In Mr. Ghose's opinion preferential rates might be removed from the goods tariff altogether without causing loss to the State. He left with Mr. Hiley a book containing certain further information relating to his argument.

4445. Mr. Ghose emphasized his opinion that the interests of Government and of railways would be much better served if all the railways were under the direct control of Government. Some instances had been given in his pamphlet. The fact that it would be in the interest of East Indian Railway traffic to improve the capacity of the Great Indian Peninsula Railway so as to enable it to haul heavy trains received from the East Indian Railway was an example how expenditure on one line could assist another.

4446. Under the existing system money might easily be wasted in one place. Mr. Ghose was not aware whether the Railway Board exercises control in such matters. He admitted that such control might possibly lead to over-centralisation, but he considered that a certain degree of centralisation was necessary.

4447. In connection with standardisation of wagons, Mr. Ghose understood that a Committee had sat and put forward proposals. Sir George Godfrey mentioned that this was the case, that a series of standard designs had been got out, but had been severely criticised by the English manufacturers, and certain experimental wagons were under construction in India.

4448. Referring to the remarks in the pamphlet by Mr. Ghose with reference to through passenger trains, he explained that he did not mean to suggest, as the passage had been read to imply, that there were no through trains. The real point was that there should be many more through trains than there were already, and he thought that it would be easy to arrange this if the railways were under one control.

4449. He had stated the case of railways working in competition spending money on facilities for the same traffic. He thought an enquiry for example into the expenses at Agra since 1904 would be illuminating. He thought it was a case in which the whole expenditure incurred was probably not justifiable, and that more economical measures would have been adopted had all the railways been administered by the State.

4450. He was of opinion that the Railway Board was not a very effective body. He mentioned the numerous duties assigned to it. It is responsible for the detailed control and management of three State railways, though numerically it consists of fewer members than the Board of Directors of a single company-managed railway. It has to exercise control over all railway expenditure and prepare the railway capital programmes. It has to settle disputes between railways, and perform many other functions. In his opinion the Board was lacking of practical experience especially in transportation and operating knowledge. It is mostly recruited from railway agents, the majority of whom were engineers and not traffic officers. He was not in a position to say how far the Railway Board watches the efficiency of traffic operations on different railways, or whether there is a systematic scrutiny of operating statistics. Mr. Ghose was judging from his own experience in the Railway Board's office. He considered that the Board's staff are completely occupied with current work and have no time to look into such matters. He however admitted that, when he was in the Railway Board, he did not come into close contact with the details of its establishment's work.

4451. He promised to furnish the Committee with concrete evidence in proof of his opinion that London Boards did not favour branch line companies of Indian domicile.

[*P.S.*—In this connection, Mr. Ghose subsequently wrote to the Chairman of the Committee referring to the fact that, in his written evidence, he had stated that the Company Boards in London raise obstacles in the way of branch lines being made by companies of Indian domicile, and that he had a discussion with the late Sir Lionel Abrahams of the India Office in 1914 when he was visiting India. At the time, railways like the Bengal Nagpur Railway, the East Indian Railway and the Bombay, Baroda and Central India Railway, were anxious to get through their schemes of auxiliary branch line companies to be financed, built and worked by the main line companies, and apparently difficulty was experienced by the Railway Board in getting the schemes of Indian branch line companies through—there were difficulties in the way of the Bankura-Damodar line at the time—with the Bengal Nagpur Railway Board. Mr. Ghose said that he was joint promoter with Messrs. McLeod and Company of all these railways—in fact that he was the first promoter, and that McLeod and Company joined him. The then President of the Railway Board did great service to the country by fighting the cause of companies of Indian domicile. In this connection, Mr. Ghose enclosed for the Committee's information copy of a demi-official letter from the President of the Railway Board, dated the 11th January, 1914, in which Mr. Ghose was advised to seek an interview with Mr. Abrahams to press the point that the main lines on the Bengal side blocked the branch line enterprise. In that letter the President made the following remark:—

> "The point to press on him is that there is lots of money to be raised in India by railway promoters, if they are not blocked by companies, in making branches to companies' lines. The money is there, but on the Bengal side most of the lines are companies' lines and so the field for branch line companies is limited."

4452. As regards the organisation of the Railway Board, Mr. Ghose thought that the President should have supreme power over his colleagues, and should be a Member of the Viceroy's Executive Council. Other members should include a transportation member, a commercial member, an engineering member and a civilian from the Finance Department. The Board should be further assisted by locomotive and carriage and wagon experts, a chief engineer, a rates expert and a stores expert. The Board should have a secretary, assistant secretaries and the necessary staff of clerks. He would recommend this organisation whether the railways are worked by the State or by companies.

4453. He recommended the establishment of a divisional board in each principal centre. Its duties would be purely advisory with respect to all railways serving that centre. For example in Bombay the Board might consist of the agents of the Great Indian Peninsula and the Bombay, Baroda and Central India Railways, the Government Inspector of Railways, and two or three members of the commercial and trading community, and a representative of each Government through whose province the railways pass. He considered that the Railway Board should, in addition to the Government Inspector, have a local representative who could watch in the interests of the public. He should only correspond with the Railway Board, and should not have powers of interference with the railway working. He might be a member of the proposed Divisional Board.

4454. Mr. Ghose did not think that the inclusion of a representative of the Local Government in the Divisional Board would alter its character. A suitable representative of the Local Government would be its Director of Industries or Development Commissioner who should generally look after the public interest of his province. In answer to Mr. Hiley, Mr. Ghose did not think that the representative of the Local Government should also represent the Railway Board; the representative of the Board should be a railway expert. The Divisional Board, in Calcutta for instance, would absorb the existing Advisory Committees of the East Indian Railway and the Eastern Bengal Railway. The scheme contemplated by him had reference to a system of State management, and was even applicable to a system of management by companies domiciled in India. It would, however, hardly be practicable to introduce it in connection with railways managed by companies domiciled in Great Britain.

Mr. Ghose's further examination was deferred until 11 a.m. on 11th January, 1921.

Mr. BISWESWAR SEN, Assistant Secretary, Bengal National Chamber of Commerce, was called and examined upon a written statement which had been furnished to the Committee.

See Written Statement No. 25, Vol. IV., P. 111.

4455. Mr. Sen explained that he was Assistant Secretary to the Bengal National Chamber of Commerce, the secretary's appointment being an honorary one. The Chamber had been founded in 1887, and represented Indian merchants and manufacturers, but not retail traders.

4456. The Chamber had expressed the opinion that a combination of State and company management of railways is desirable. In view of another recommendation by the Chamber that management should be by companies under State control, some discussion arose as to the precise view which the Chamber wished to convey. Mr. Sen explained that the feeling of the Chamber was that, in view of the tightness of the money market everywhere, it is undesirable at present to disturb the existing arrangements, but where company management exists it should be brought under proper control by a reconstituted Railway Board with representatives both of Indian and European trade, and in which there should be a strong Indian element. Under the existing contracts with different managing companies nothing further can possibly be done. When the contracts expire an arrangement for management with London boards for helping to raise Indian railway loans in England, purchasing railway stores, and securing services of experts, and local boards composed of a Government director, railway experts, and commercial representatives nominated by leading commercial associations for managing local affairs, rates, routine, etc., under proper control of the Railway Board reconstituted on the lines suggested above, would be mostly free from the defects of the existing system of State and company managements.

4457. The Chairman observed that the Railway Board exercised two different classes of functions; firstly, those involving technical railway questions, such as sanctions to the construction of new lines, involving expert decisions on questions of which commercial people, whether Indians or Europeans, would generally know nothing; the other class relating rather to matters of railway policy, especially of commercial policy. Mr. Sen explained that it was in regard to the latter class that his Chamber were particularly desirous that Indian interests and opinion should be represented on the Railway Board. In the construction of new lines the commercial interest also has its say.

4458. Mr. Sen admitted that the railways require a great deal of additional capital to be raised, but he considered it better that such capital should be raised by direct Government loans than by allowing companies to raise it. It must be, however, amongst the duties of the members of the London Board and of the suggested local boards of management to exert their influence in securing subscription to the Government railway loans. He thought that such loans might be issued both in England and in India, special steps being taken to raise as large a subscription as possible in India. He thought that those whose interests the Chamber represented would subscribe to Indian railway loans, particularly if satisfied that Indians were better represented on the controlling authority. He could not say what amount might be expected to be raised.

4459. In this connection, he observed that many holders of Government 3½ per cent. paper, the exchange valuation of which has greatly depreciated, had been greatly disturbed, as they had been in the habit of regarding Government securities as not being liable to great fluctuations in value. He thought that something might be done to restore their confidence, and thus to encourage them to subscribe to further loans, by converting the existing non-redeemable loans into securities repayable at par after, say, 50 years, and also otherwise. He suggested that Government might raise money for railway purposes by the issue of a 6 per cent. or 6½ per cent. Government loan repayable within a moderate number of years, and thought the attractions of the loan might be enhanced by allowing a bonus of ½ per cent. from railway profits. He thought also that the loan would be more freely subscribed if Indians of good position were employed more freely on the management of railways.

4460. Some discussion took place on the suggestion of the Chamber for management by a London Board supplemented by an Indian Board with executive powers. Mr. Sen was disposed to think that the Indian Board might exercise powers in such matters as the settlement of rates and fares, traffic facilities, and improvements of the lines and new construction. It was suggested to him that the London Board would be unlikely to give to a Board in India the power of control over the rates and fares upon which the financial return of the undertaking depends. Mr. Sen was disposed to think that the Government should exercise some control in this matter, and might be expected to intervene, if necessary, to protect the interests of the London shareholders and subscribers to railway loans. The Chairman suggested that it was doubtful whether people would subscribe to an Indian railway loan in Great Britain if the London Board were to surrender control over the charges leviable by the railway. Mr. Sen observed that from the fact that the industrial and commercial communities of Great Britain are very largely interested in the

export and import trade of India, particularly the latter, difficulty might not arise in raising a railway loan in Great Britain when the loan is raised by the Government.

4461. With regard to the constitution of a local board, it had been suggested in the Chamber's written statement that it should be composed of a Government Director with experts in railway management and members representing commercial and other interests, while elsewhere the possibility of there being a permanent chairman appointed by Government was adverted to: the Chairman suggested that this would mean that there should be a Government Director as Chairman of the Board, and that if he were, as it might be presumed he would be, a competent person, he would be very likely completely to dominate the Board, since, in addition to his position as Chairman, he would be an expert in railway management, which the other members of the Board would probably not be. Mr. Sen adhered to the opinion that advantage would be secured by having men of commercial experience on the Board, and thought they would exercise a voice on due occasion specially in commercial matters, in which they would be the experts, and the Government Director Chairman is not likely to be so. Mr. Sen thought that sufficient continuity on the local board would be secured through the Indian members, who would normally remain in office longer than the European members.

4462. In connection with the possibility of securing further investments for Indian railway development, the Chairman asked Mr. Sen whether there is any tendency to change in the custom of certain classes of Indians investing considerable sums of money in such things as jewellery and ornaments. Mr. Sen was doubtful whether money is largely expended in that manner in present conditions. He observed that for the consideration of raising loans the people of Bengal might be roughly divided into four classes:

(1) the landlords, called the zamindars,
(2) the leading members of the industrial and commercial community,
(3) the middle class men such as traders, professional men and service-holders, and
(4) the ryot and the labouring class.

The chief persons who might be expected to subscribe to Government loans are the upper three classes. But speaking for Bengal the zamindars, excepting a few, had not the money to invest in Government paper. Large sums are no doubt earned by the members of the second class, *i.e.*, the leading members of the industrial and commercial community, but it is they who finance the internal trade of the country—in Bengal the rice, jute and the coal trade; as most of the banks here are under European management, they generally hesitate to lend money to Indian traders whom they do not thoroughly know. Whereas the Indian private bankers being intimate with their Indian customers readily help them with loans. So, if the earnings of this class, *i.e.*, of the principal industrial and commercial men, be invested in Government securities the inland trade will be paralysed. Some advantage would be secured by extending banking facilities, and, in particular, it would be advantageous to have more local Indian banks which would be in better personal touch with the people than is possible in the case of the Presidency banks or will be likely in the case of the new Imperial Bank. Mr. Sen further stated that it is the third class, *i.e.*, the professional men, service-holders and traders, who used to invest most of their savings in 3½ per cent. Government securities. But the present serious fall in the exchange of 3½ per cent. Government securities has imperilled the security of credit. If it could be rehabilitated in the way suggested above, a considerable contribution to loans of a permanent nature might be expected from the above sources.

4463. In Mr. Sen's opinion, some advantage had been secured by the representation of the Bengal National Chamber of Commerce on the local railway advisory committees, although he could not say this had been conspicuously successful hitherto. The Eastern Bengal Railway Committee, however, had only recently been created and it was early to judge of its success.

4464. Mr. Sen was disposed to think that it would be cheaper to raise money in England than in India, though he could not put a precise figure on the difference.

4465. In answer to Mr. Purshotamdas, Mr. Sen said that his Chamber was of the opinion that Company management tends to be more economical than that of the State line and that grievances are redressed more quickly by companies than on State railways. Their experience of company railways was derived from the East Indian Railway and the Bengal-Nagpur Railway; that of State lines, from the Eastern Bengal State Railway. He promised Mr. Purshotamdas that he would furnish for the information of the Committee a memorandum giving instances in support of this opinion.

4466. Mr. Sen was in favour of the stimulation of a healthy competition between railways. By healthy competition, he meant competition which would keep charges down to a reasonably low figure, but not to such an extent as to render the railway working unprofitable. He agreed with Mr. Purshotamdas that Indian business undertakings are not controlled by boards located in London. But he maintained that, where a board does exist in London, it can usefully be utilized for such purposes as the purchase of stores, etc. He agreed that the Bengal National Chamber of Commerce changed their representatives from time to time on such bodies as the Calcutta Port Commissioners, and it had not been considered necessary to have the same person representing it from year to year as all important questions which come before the Port Trust, etc., are discussed by the Committee of the Chamber with their representatives who voice the opinion of the Committee in the Trust meetings.

4467. Mr. Purshotamdas drew attention to opinions which had been expressed by the Bengal National Chamber which appeared to suggest that they were hopeful that India would ultimately, even if not at once, be able to subscribe all the money required for railway development. Under the scheme of management approved by Mr. Sen, the management of railways would rest partly with the Local Board in India and partly with the London Boards of Directors under the control of the reconstituted Railway Board. Mr. Sen said that, if Indians had effective control of the railway policy, through Government, they might reasonably be expected to subscribe more freely for railway purposes. He agreed that railways might be successfully managed by companies with Indian Boards of Directors.

4468. The Chairman summed up Mr. Sen's observations as indicating his Chamber's view that they did not wish to adopt a system of universal State management at once but wished the existing companies to remain as long as their contracts last, under a reformed Railway Board, but that they would probably not approve of extending the contracts under the then altered conditions of the country.

4469. The Chairman asked Mr. Sen if he was in a position to speak at all for the Indian Mining Federation, as unfortunately it had been impracticable to arrange to take the oral evidence of a representative of that body. Mr. Sen explained the circumstances under which it had not been possible to fix a date earlier for the oral evidence of the gentlemen who had been selected to represent the Federation. He explained that this Federation represents the Indian section of the coal trade. They have a grievance in that they had not received equal treatment with the European section of the trade. Their principal complaint related to sidings and the distribution of wagons. Many systems of wagon distribution had been tried from time to time, but still the complaint remained that the Indian colliery owners came off second best. The agreement arrived at with Sir George Barnes in September, 1919, regarding the withdrawal of the special indent system from 1st January, 1920, was not, in practice carried out; and the settlement

arrived at in a conference on the 13th January, 1920, under the presidency of Mr. E. A. S. Bell, member of the Railway Board, for the equalization of wagons given to a colliery for purposes of Loco, Government and public utility in excess of what it is entitled to on a *pro rata* basis had been practically nullified by giving a large number of special supplies to several collieries.

4470. The Chairman said he was anxious to receive fuller details of the difficulties complained about and expressed the hope that Mr. Ghosh would furnish as soon as possible a written statement for the consideration of the Committee to enable the matter to be investigated; if possible, a time would be arranged for the Federation's representative to give oral evidence before the Committee left Calcutta, although this could not now be definitely guaranteed, owing to the pressure upon the Committee's time. Mr. Sen promised to convey the message to the Indian Mining Federation, of which he is the Secretary. (Subsequently a statement was received from and the oral evidence recorded of a representative of the Indian Mining Federation—see proceedings of the 13th January, 1921.)

NINETEENTH DAY.

(Calcutta.)

Tuesday, 11th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. C. P. WALSH, Secretary to the Government of Bengal in the Public Works Department, was called and examined.

4471. Mr. Walsh stated that he is Secretary to the Government of Bengal in the Public Works Department, the Railway Branch of which deals with railway matters. He said he had not had experience of the position in the past when, as the Chairman explained to him, there had been at the headquarters of the Government of Bengal an official who filled the joint functions of Secretary to Government in the Railway Department, of Consulting Engineer, and also of Government Inspector of Railways; being responsible in the first capacity to the local Government and in the others to the Government of India. The Chairman mentioned that shortly after the Railway Board was brought into existence in 1905 that arrangement had ceased.

4472. Mr. Walsh stated that at present the Railway Branch deals with such business arising in connection with railways as concerns the local Government. It deals, for instance, with references from the Government of India on railway matters, and it deals, in the first place, with representations from the public. As regards the latter, the practice of the local Government is ordinarily to address the Railway Administrations concerned, or in important cases to communicate with the Railway Board. Correspondence with the local railway agents is more usually demi-official than official. Mr. Walsh explained that in respect of some minor railways of a purely local character the Government of Bengal has more direct concern with the administrations. These are not, however, the kind of railways with which the Committee is specially concerned. Mr. Walsh said that the Government of Bengal had not yet been able fully to formulate their views on the question of railway administration, owing to changes consequent on the Reforms Act, but he promised that an official statement by the local Government will be furnished as soon as possible.*

4473. The Chairman said he hoped that that communication would deal with a suggestion which had been made to the Committee, namely, that, assuming railway companies' boards of directors to remain in England, there should be local boards in Calcutta, either with certain limited powers transferred to them or possibly only advisory. It had been suggested to the Committee by various witnesses that the local Government should have a representative on such advisory boards, and he would be glad to know what the view of the Government of Bengal would be in this connection. It had been suggested that possibly such an officer as the local Director of Industries might be considered an appropriate person to represent the general industrial interests of the province on the advisory board. Mr. Walsh promised that the suggestion would receive attention. Mr. Walsh stated that he did not think that it should be assumed that the Government of Bengal, under the changed conditions due to the Reforms Act, would necessarily adhere to the views previously expressed by them in regard to railway matters, and he thought that earlier expressions of opinion should be regarded as suspended pending receipt of the further communication now promised to the Committee.

4474. Mr. Walsh said that he was not in a position to say much as to how far the shortage of railway accommodation has affected the general industrial development and economic progress of the country. He said, however, that the local Government lays great stress upon the deficiency of railway transport facilities. So far as the Public Works Department, which he specially represented, was concerned, the matter affected them in relation to the carriage of coal and building materials; he found that the construction of public works is greatly hindered, and that such work as they can get done is done only at excessive cost. The housing question in Calcutta is very considerably affected in the same way. Calcutta is greatly overcrowded at present, and very high rents prevail.

4475. In reply to Mr. Purshotamdas Thakurdas, Mr. Walsh explained further that the local Government deals in the Railway Branch with references from the Railway Board with reference to questions

*This statement was subsequently furnished and has been recorded as Written Statement No. 90 in Volume IV.

of railway policy and the construction of new lines. With regard to the latter they are always consulted as to the suitability of proposals from the point of view of the local Government and also with reference to such matters as interference with waterways, heights of bridges over navigable channels, alignment, level crossings and the like.

4476. As regards complaints, Mr. Walsh was inclined to think that more are received regarding the Eastern Bengal Railway than with reference to the East Indian and Bengal-Nagpur lines. He thought, however, that this might be explained by the fact that the former railway has a greater mileage running through the suburban area of Calcutta. Naturally, the residents in and near the capital are more vocal than those living up-country.

4477. In answer to Sir George Godfrey, Mr. Walsh stated it was the case that, when discussing the details of a proposed new railway, an engineer representing the local Government goes through the plans and discusses on the spot questions of interest to them, together with an officer of the railway concerned. Even after a railway is constructed the local Government has the right, within a limited period, to ask for alterations of certain kinds. Mr. Walsh added that, so far, however, as relates to the ordinary working of railways after opening, the local Government has no specific powers of control.

Mr. S. C. GHOSE was recalled and further examined.

4478. Mr. Hiley referred to certain statements recorded in Mr. Ghose's "Monograph on Indian Railway Rates." He drew attention to observations appearing on pages 282 and 289 of the book, to the effect that the moneys which have been available from time to time for railway expenditure have not always been wisely spent. For example, expenditure had been incurred on additional wagons at a time when facilities for moving the existing stock were not adequate. In this connection reference was made to a table appearing on page 280 of the work quoted, from which it appeared that between the year 1907 and the year 1914-15 there had been a falling off respectively of 21 and 10 per cent. in the average number of miles run daily by each goods vehicle and by each locomotive on two of the more important North Indian Railways, while there had been an increase in the total number of wagons and engines supplied to them respectively of 62 and 39 per cent.

4479. Again, on page 281 of the same book figures were quoted for some of the principal railways which showed that the average through speed of goods trains was much less in the later as compared with the earlier year.

4480. On page 285 of the same book the following statement was produced:—

Names.	Average carrying capacity.		Average load per wagon.	
	1900.	1912.	1900.	1912.
	Tons.	Tons.	Tons.	Tons.
East Indian Railway	14·5	16·3	7·12	8·5
Bengal-Nagpur Railway	13·96	15·39	6·14	7·81
Oudh and Rohilkhand Railway	11·1	14·6	4·77	7·84
North-Western Railway	12·9	18·48	5·94	6·96
Great Indian Peninsula Railway	13·66	16·29	5·38	8·14
Bombay, Baroda and Central India Railway ...	12·2	17·94	4·98	7·30

From this, Mr. Ghose pointed out, it would be seen that whereas there were large increases in carrying capacity hauled the improvement in wagon loads, except on the Oudh and Rohilkhand and the Great Indian Peninsula Railways, was not at all marked, and in all cases was far below the carrying capacity.

4481. Mr. Ghose had noted the fact that wagons were placed on the railways before proper facilities were provided for moving them, notwithstanding that in the Administration Report for 1907 the Government of India had themselves observed that further expenditure on facilities were indispensable before more wagons could be placed on the lines. Referring specially to the North-Western Railway, Mr. Ghose drew attention to the figures appearing on page 528 of his book showing a 45 per cent. reduction in efficiency in the number of miles run by a wagon per day as between 1907 and 1914-15. He considered that these figures established his argument.

4482. He stated that the statistics collected by him had been taken from the Railway Board's Administration Report, and that he had them checked in the Statistical Branch of the Railway Board's office in order to ensure their accuracy. Mr. Hiley asked whether the manner in which Mr. Ghose had put to practical use the figures in the Railway Administration Report was a new idea of his. Mr. Ghose replied that he had adopted the form from an article that appeared in the journal "Railways." He did not know its author. He was not in a position to say what use is made by the Railway Board at its headquarters of the railway operating statistics, nor was he aware whether the figures were compiled in any special manner in that office to enable useful comparisons to be made.

4483. In a pamphlet which Mr. Ghose had placed at the disposal of the Committee attention was drawn by him to the opinion of the Indian Industrial Commission—

> "That one of the reasons for the heavy empty running of wagons from the ports is the policy of the railways to encourage wholesale exports of produce in their raw state, and that the preferential rates given in the case of port traffic has also been one of the causes of the concentration of the local industries at the ports instead of being distributed in the country, thereby depriving the producing centres not only of the profits of milling seeds into oil, or of wheat into flour, but all this has the effect of denuding the producing district of its cattle food in the way of bran, oil cakes (which is also a great manure)."

4484. In this connection he placed before the Committee a number of specific examples, and drew attention to the particulars given of some of these cases on pages 452-453 of the Monograph on Railway Rates. Mr. Ghose emphasised that what he wished to point out was that the same facilities are not granted—for example, to Cawnpore—as are allowed for traffic to Calcutta in the way of low rates. The whole idea of the railways was to encourage traffic to the ports. Mr. Ghose mentioned that the Government of the United Provinces had had occasion to complain bitterly of the difficulties experienced by the local industries at Cawnpore, railways having done their best to take away from Cawnpore and the neighbourhood raw materials (hides) which the local industries badly required.

4485. The Chairman observed that the density of the traffic on the North-Western Railway is only about

ee Written Statement No. 23, Vol. IV., . 106.

quarter of that of the East Indian Railway, though the former is in possession of the same number of trucks per mile as the latter, and asked Mr. Ghose whether he would consider it more important in the public interests to supply sufficient wagons to move the Karachi wheat traffic, which is heavy at only one period of the year, or to supply sufficient wagons to move the ordinary every day traffic which requires to be moved all the year round. Mr. Ghose expressed the opinion that the latter was clearly the more important, and that in the former case there would be considerable waste owing to stock lying idle for long periods.

4486. Mr. Tuke agreed with Mr. Ghose that Indian Railway debenture stock is raised on the guarantee of the Secretary of State, but understood that the railway property is not mortgaged, as had been suggested by Mr. Ghose in his written statement. Mr. Ghose said that he had already admitted to the President that he was mistaken in believing that the railway property was mortgaged; the only point he wished to make was that the companies could only raise money on the security of the Secretary of State.

4487. Mr. Purshotamdas Thakurdas drew attention to paragraph 12 of Mr. Ghose's written statement, in which he suggested that, in addition to the interest on debenture stock, a small share of the surplus profits might also be offered, and suggested that this might result in an unnecessary increase of the interest paid to subscribers. He asked whether Mr. Ghose did not think it would be better to pay the full market rate at the time the debenture issue became necessary, and not to hold out a prospect of any further addition. Mr. Ghose on reconsideration agreed that this would be preferable.

4488. Mr. Purshotamdas referred to the mention in Mr. Ghose's statement of a case in which a port in Southern India was closed at the instance of the South Indian Railway Company in order to enable the company to carry rice traffic over a longer distance by rail. In this connection he asked whether Mr. Ghose had any particulars of the case of the stoppage of traffic by the Bombay, Baroda and Central India Railway to Broach port. Mr. Ghose mentioned that he had given some particulars of this case in his book on rates (pages 187 to 190).

4489. With reference to larger employment of Indians on railways, Mr. Ghose, in answer to Mr. Purshotamdas, stated that the practice of employing Indians in the superior posts was initiated many years ago on the State-worked railways. Company-worked railways followed only lately. He believed that this policy was being pursued by the East Indian Railway, Bengal-Nagpur Railway, and, to a smaller extent, by the Great Indian Peninsula Railway. Mr. Purshotamdas enquired whether it was not the case that this policy, so far as adopted at all, was adopted rather by those railways of which the Government owns the greater part of the capital than on private lines such as the Bengal and North-Western Railway. Mr. Ghose was not in a position to give statistics, but believed this to be the case. He said that the Bengal and North-Western Railway had taken only one Indian officer in the traffic branch and another in the audit department recently; Sir Henry Burt confirmed this statement.

4490. In connection with the imposition of block rates, Mr. Ghose referred to a number of cases mentioned on pages 210 to 214 of his monograph. With regard to the question of quoting favourable rates to and from the ports, he said that it was his experience that when new lines were opened such rates were generally quoted for important articles of commerce, such as grains, seeds and cotton to the ports, and such as sugar, piece-goods, etc., from them. It was only later on that special rates for traffic to intermediate stations and rates in the interests of local industries were quoted. He did not think that the latter cases were given the same degree of consideration as the port rates, which were generally much lower. Mr. Purshotamdas thereupon asked whether, in the experience of Mr. Ghose, those interested in any industry had represented without securing redress the inequalities in the rates charged to the port and those charged on its own up-country traffic. Mr. Ghose referred to the case of the hides industry of Cawnpore. He said that in his notes on the Industries of the United Provinces, written in 1908, Mr. A. C. Chatterjee, now Member of the Board of Industries, brought out the fact that the local industries of the United Provinces had suffered considerably through the export of hides and skins, and that there had been a notable decrease in the export of dressed skins. The enormous rise in the export of raw hides was confirmed by Mr. Chatterjee's observation "that local industry has no longer any share even in the preliminary process of dressing the goods exported." Mr. Ghose could not say whether, in the case cited, those interested at Cawnpore did or did not ultimately succeed in securing the rates they wanted.

4491. Mr. Purshotamdas said that the opinion had been expressed that it was not so much competition as combination between the various railway companies that was injurious to India, and asked Mr. Ghose for his views on this point. Mr. Ghose said that it was difficult to define how far competition is healthy and how far harmful. He referred to his discussion of the matter at length in the Chapter on Competition and Combination in his monograph, to the views expressed in which he still adhered.

4492. Mr. Ghose was of opinion that the machinery provided by the Railways Act for dealing with complaints from the commercial community is not suitable. He agreed with the view recorded in Mr. Robertson's report of 1903, that it was both too cumbrous and costly. Mr. Ghose had had practical experience of complaints against rates both during his service on the East Indian Railway and for a considerable period afterwards when he endeavoured to assist the public in representing their cases for redress to the railway administrations. His experience was that merchants were generally unable to represent their cases in such a form as to facilitate their consideration. He had found that when cases were properly represented they were usually dealt with fairly. Ordinarily there was not much trouble in dealing with claims such as applications for refund of overcharges, but questions involving more technical considerations frequently gave trouble in settling.

4493. Mr. Ghose was not in a position to say how far the local Advisory Committees in Calcutta have really been useful to the public, as he had no personal knowledge or information on the point.

4494. Sir Arthur Anderson observed that from the operation statistics quoted by Mr. Ghose for the North-Western Railway, it appeared that the average mileage per wagon had fallen from 53 miles per diem in 1907 to 29 miles in 1914-15, but that if later figures were examined it would be seen that there had again been an improvement, the figure for 1918 being 38. Mr. Ghose admitted that this might be so; he had not gone into the later figures. Mr. Hiley remarked that 1918 was a year in which there was heavy military traffic over long leads owing to war, and the results would naturally have been better for this reason.

4495. The Chairman, referring to the employment of Indians on the railways, quoted the following figures which he had extracted from the Administration Report:—

	At end of year.		
	1917-18.	1918-19.	per cent.
Europeans	6,802	6,706	— 1·4
Anglo Indians ...	10,239	10,456	+12·1
Indians	636,967	668,803	+ 4·9

and asked whether Mr. Ghose did not consider the increase in the number of Indian employés as satisfactory. Mr. Ghose said that what he had in mind was the number of Indians employed in the higher grades of the railway service, and not the total number of employés both in the higher and in the subordinate grades.

4496. Sir Arthur Anderson observed that although Mr. Ghose was an advocate of State management, the figures which he had placed before the Committee seemed generally to indicate that companies' performance was better in respect of operation. Mr. Ghose replied that his reasons for State management were different. He thought that with more supervising machinery and a bigger staff the Railway Board could more efficiently control the State lines and ensure as good results in their operations as the companies can show. He added that the results of all the companies are not equally satisfactory, and referred to the remarks on page 531 of his monograph on Indian Railway Rates, citing the case of the B. B. and C. I. Ry. The Chairman asked to what cause those differences in the results of the different companies were due. Mr. Ghose replied that they are contributed to by the differing conditions of the areas served by the different lines; as regards circumstances over which personal control might be exercised, he thought that to a great extent it depends on the agent, and to a smaller extent upon the Board of Directions.

4497. In reply to the Chairman, Mr. Ghose said that while he desires that the railways should be managed by the State, he realised that there were some lines, for example, the B. and N. W., S. I., M. and S. M., and B. B. and C. I. Railways, the contracts for the working of which have still a very long currency, and that Government possesses no power to terminate these. In these cases he agreed that the contracts should be allowed to expire in the ordinary course, but he considered that the railways should then be brought under State management. In answer to Sir George Godfrey, Mr. Ghose defended the observations made in his written statement regarding the advantage that would have been secured if Government had adopted a different policy as regards the construction of roads. He said that if there had been more roads available during the war the railways would have been relieved of at least a fraction of their congestion. Sir George Godfrey put before Mr. Ghose the fact that money for road construction came from the same pocket as that for railways, and asked how, in consideration of this, it could seriously be advanced that parallel roads should be constructed. Mr. Ghose, however, maintained his view that the policy of Government in the past had been unwise.

4498. Sir George Godfrey then asked Mr. Ghose how, consistently with his criticism of long leads and full wagon loads to and from ports, he could treat these as essential factors in economy of working and compare the results of working of different railway administrations. Mr. Ghose replied that he certainly disapproved of railways owned by the public being worked solely with a view to securing long leads and full wagon loads, if this action militated against local requirements and indigenous industrial development, though in the case of privately-owned railways such an action might be justified from the purely commercial point of view. He felt, however, that he was quite justified in comparing the results of working the railways on the basis accepted by the administrations themselves, since they did not adopt the view which commended itself to him, *i.e.*, if the railways were not encouraging long-distance traffic to the ports in order to help local industries, Mr. Ghose would not have been justified in his remarks and criticisms, but as the railways were encouraging much traffic, he felt his remarks were justified.

4499. Sir George Godfrey suggested that sometimes at least combination between different railway administrations might be beneficial to the public. Mr. Ghose considered that it might have some advantage by preventing the cutting down of rates of railways which are all public property.

4500. In answer to an enquiry of Sir George Godfrey regarding through rates, Mr. Ghose said that he was not concerned with the proportion that each railway should or would get; in his opinion through rates should be cheaper, not because the railways could be expected to give up some of their earnings voluntarily, but because lower rates would increase the movement of traffic over longer leads and thus enhance the railway's earnings.

4501. In answer to Mr. Hiley, Mr. Ghose explained that he had only referred to the report of the Indian Industrial Commission to bring out the point made in it that the effect of quoting specially low rates to the ports was that industries were unduly confined to the ports instead of being better distributed all over the country.

4502. Sir Henry Burt enquired whether he would raise the rate with the specific object of restricting exports. Mr. Ghose replied that he would not do so in ordinary cases, but that he certainly would to prevent the export of materials, for example, hides, which are now being sent out of India, although they are essentially required for local industries.

4503. In reply to Sir Henry Burt, Mr. Ghose admitted that in fact it was the State lines which had started competitive rates, and that they were, or at least had in the past been, as much to blame as companies' railways in such things as the cutting down of rates.

4504. Finally, in reply to Sir Henry Burt, Mr. Ghose said that the views he had expressed in his book and pamphlets were based not on very recent experience of railway working, but upon earlier experience, his last railway post being that of general manager of five guaranteed light railways in Bengal, which he relinquished in January, 1917, and an exhaustive examination made during 1917-18 of the statistics and records which were available in the Railway Board's office.

Postscript.—Mr. Ghose subsequently sent the following note to the Committee:—

In connection with the remarks of the Indian Industrial Commission Report quoted on page 13 of my phamplet dated the 8th June, 1919, for example, please see page 453, Rate for Hides.

Cawnpore to Howrah (633 miles) rate Rs.0 3a. 0p. per wagon per mile for 360 maunds, which equals to (633 miles by Rs.0 3a. 0p. per wagon per mile—360 maunds). Rs.0 5a. 3p. per maund, absolute minimum.

Also please see the remarks of Mr. A. C. Chatterjee, I.C.S. (now member of the Board of Industries, Government of India) on page 452, and my remarks an pages 452 and 453.

There were no such low rates for Cawnpore for 360 maunds loads (from, say, Delhi to Cawnpore), as were from Cawnpore to Calcutta or Delhi to Calcutta.

The low rate for the distance from Delhi to Cawnpore (271 miles) in force at the time was Rs.0 6a. 4p. per maund (for 100 maund lots), page 456, against Rs.0 5a. 3p. for 633 miles from Cawnpore to Calcutta Port as stated above.

What I want to point out is that same facilities were not granted to Cawnpore, at the same time, as were allowed to the Calcutta Port, in the way of low rates for 360 maund lots. The whole idea was to encourage traffic to the ports. Reasons for the low rates for the hides to the port will be found on page 455, which will also prove that at the time that the local Government authorities of the U.P. were bitterly complaining of the difficulties of the local industries of Cawnpore the railways were doing all they could to take away to the port (from Cawnpore and the neighbourhood) the raw materials which the local industries badly required.

Mr. A. W. BAXTER, representing the Narayanganj Chamber of Commerce, was called and examined.

4505. Mr. Baxter said that he had been asked to appear before the Committee to represent the Narayanganj Chamber of Commerce. He placed before the Committee a letter in which he stated that the point which he had been specially asked to press is the scarcity of wagons for conveying coal from the Bengal coal-fields for the use of the different jute-baling firms. This scarcity had been so acute throughout the year 1920 that there had been a fear of business being stopped or interfered with during the past busy season; and it was apprehended that there would be great difficulty in getting sufficient coal for the coming season. He pointed out that the jute crop of 1920, according to the final Government forecast, is likely to be a short one of six million bales as against a normal crop of over ten million bales and that even so it was expected that railway facilities would be insufficient.

4506. In reply to the Chairman, Mr. Baxter explained that coal is not taken direct to the jute districts from the Bengal coal-fields by rail, but is railed to Calcutta and sent thence by water. It was the shortage of coal wagons to bring coal to Calcutta, of which the Chamber desired to complain.

4507. Mr. Baxter explained that the best time to lay in coal is in the first half of the year when flats are available to take the coal from Calcutta to the districts, before the heavy jute season commences. During the second half of the year, jute traffic is at its maximum. From early February, 1920, the difficulty had been acute. On the 23rd April, 1920, a colliery proprietor wrote to the Chamber advising them that unless sanction could be obtained to raise the classification of this coal from "X" class to the "Super X" class in the order of priority, there was no chance of obtaining wagons for the coal.

4508. In connection with this matter, Mr. Baxter read to the Committee certan papers which had been furnished to him by the Chamber of Commerce to indicate the discrepancy between the actual coal wagon supply and that which had been admitted as necessary. The papers, however, did not give complete information in a form useful to the Committee, and Mr. Baxter was accordingly asked if he would endeavour to obtain and supply a separate note to the Committee in the form of a concise statement showing the demands for wagons, the actual sanctioned supply, and the extent to which the sanctions had been realised in practice, with the respective dates.

4509. Apart from the question of wagons for coal supply, Mr. Baxter also mentioned that there was great scarcity of wagons for despatching jute to Calcutta from up-country on the Eastern Bengal Railway, and sometimes on the Assam-Bengal Railway, on the section running to Chandpur. There was a shortage in Northern Bengal of wagons on the Eastern-Bengal Railway.

4510. The Chairman asked Mr. Baxter what action the Chamber took in the unsatisfactory state of affairs disclosed. In reply, Mr. Baxter read the following letter which had been despatched to the Government of India in the Department of Commerce and Industry on the 24th December, 1920:—

> "I have the honour to refer to letter No. 3465-1920, dated 15th December, 1920, from the Secretary, Bengal Chamber of Commerce, to you, regarding the coal situation.
>
> "The prevailing shortage of wagons available for the purpose of bringing coal from the coal-fields to Calcutta, there to be shipped to the jute baling districts in the mufassal, has already caused very great inconvenience to many jute baling concerns, and even put some in serious danger of having to close down during the past busy season for want of coal. And, under present conditions, there appears to be no prospect of improvement in the situation for several years to come.
>
> "My Committee fully concur in the opinion expressed by the Bengal Chamber that the only remedy is to improve the railways until they are capable of handling the trade of the country. They therefore desire most strongly to urge upon Government, the imperative necessity of immediate steps being taken towards that end, if a situation perilous to the jute baling industry and among many others, is to be avoided within the coming year."

So far as Mr. Baxter was aware, no reply had yet been received.

4511. The Chairman asked whether Mr. Baxter thought that those representing the jute industry, whose business had been so profitable during recent years, would be disposed to invest in loans for railway purposes. Mr. Baxter thought that, if a reasonable rate of interest were promised, there should be a good response to the invitation to subscribe. He thought that it would be regarded to some extent as a matter of public obligation to make such a loan a success, especially on the part of those who had already done well in the jute industry and who desired to promote its expansion. He did not, however, think that a great deal of money could be expected from up-country, where the interests represented are very small compared with those centering in Calcutta.

4512. Sir Henry Burt asked what the views of the Chamber of Commerce would be with reference to the suggestion that the Dacca section of the Eastern Bengal Railway might be transferred to, and amalgamated with, the Assam-Bengal Railway system. Mr. Baxter did not think that the Chamber had very strong views on the question, but they were inclined to think it might facilitate working if the lines were under a single control.

4513. So far as relates to the relations of the Chamber with the State and company worked railways, there was little to choose. The Chamber had found that prompt attention was given to complaints addressed to both railway administrations.

Postscript.—MR. Baxter subsequently sent the following letter to the Committee:—

Letter dated 14th January, 1921.

"The Railway Committee asked me on Tuesday last if the Narayanganj Chamber could supply any "figures relating to the coal supplies to the jute districts for jute season 1920.

"I have now received a note, which I give below, of the only details that the Chamber can give. It has "not received details from many of the jute districts and from several firms who had arranged their supplies "through their head offices in Calcutta. The best time to receive supplies, as I explained, is in the off-season "(jute) January-July when there is plenty of flat space available to take the coal up-country from Calcutta— "besides which the receiving firms' jetties and ghats are more or less empty—the opposite would be the case "from July to December.

Memorandum.

Coal booked prior to April 1920.	Wagons sanctioned January–July.	Wagons received January–July.	Coal received.
Tons.			Tons.
6,500	261	96	2,000

"The total annual quantity required for up-country baling is roughly 30/40,000 tons and the bulk should "be supplied between January and July of each year. Several firms had fair stocks carried over from 1919, "which accounts partly for the small indents last year, and difficulty of securing supplies had not previously "been experienced."

TWENTIETH DAY.

(Calcutta.)

Wednesday, 12th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The following representatives of the principal firms engaged in the metallurgical industries of India were called and examined:—

S. M. MARSHALL, Esq., B.Sc. (Tata Iron and Steel Company).
A. W. DODS, Esq., C.I.E., and G. H. FAIRHURST, Esq. (Indian Iron and Steel Company, Limited).
E. BURY, Esq. (Eastern Iron Company, Limited).
H. P. MARTIN, Esq. (Bengal Iron Company, Limited).

4514. Mr. Marshall acted as spokesman, and presented to the Committee a memorandum regarding the relation of the Indian metallurgical industries to the Indian railway traffic problem. This memorandum was read and discussed item by item. It was found to furnish so complete a presentment of the case for improving the equipment of the railway serving the area in which the metallurgical industries are centred that the Committee decided to adopt it together with some explanatory notes as the record of the course of discussion. The memorandum (as subsequently slightly amended and revised by Mr. Marshall) is accordingly reproduced below *in extenso*, the notes by the Committee embodying the results of the discussions on particular points.

4515. Before proceeding to discuss the memorandum, Mr. Marshall explained that the figures incorporated in his statement included nothing on account of developments at Manharpur in which Messrs. Bird and Co. are interested. He had understood that that firm would be separately represented on the present occasion and would furnish separate statistics. No communication was, however, received by the Committee from Messrs. Bird and Co.

4516. The works of the Indian Iron and Steel Company are situated at Burnpore, in the neighbourhood of Asansol, and those of the Eastern Iron Company at Chandil; those of the Tata Iron and Steel Company are at Tatanagar; and those of the Bengal Iron Company at Kulti.

BRIEF ON THE TRAFFIC OF INDIAN METALLURGICAL INDUSTRIES.

1. *General.*—The figures which are presented here are intended to show the large increase in the traffic of raw materials and finished products, which is expected to develop during the next five years for the metallurgical industries on the Bengal-Nagpur and East Indian Railways.

Paragraph 1—*Note by Committee.*—It was explained in discussion that the present statement ignores altogether the question of coal despatches on the East Indian Railway except in so far as they relate to the requirements of coal by the metallurgical industries. Mr. Marshall explained that the whole point of the memorandum was to indicate the extent to which development of the metallurgical industries may reasonably be expected to increase during the next five years *provided* it is not hampered by the lack of adequate railway facilities. This development, he stated, could not possibly take place in the existing state of the railway system or unless railway facilities are developed very substantially.

2. *Existing Companies.*—At the present time there are only three industries of this kind in operation, the Bengal Iron Company at Kulti on the East Indian Railway, the Tata Iron and Steel Company, Limited, at Tatanagar on the Bengal-Nagpur Railway and the Cape Copper Company at Rakha Mines on the Bengal-Nagpur Railway.

Paragraph 2—*Note by Committee.*—It was explained that the production of the Cape Copper Company is small as compared with that of the other companies named in this paragraph.

3. *New Iron and Steel Companies.*—There are three large new plants under construction or under serious contemplation in addition to the existing ones. These are the Indian Iron and Steel Company, near Asansol, the Eastern Iron Company, whose plant will probably be located near Chandil on the Bengal-Nagpur Railway line from Sini to Adra, and a third company, whose plant will probably be at Manharpur on the Bengal-Nagpur Railway. In addition to these, the three existing plants have extensions under way or under contemplation.

Paragraph 3—*Note by Committee.*—The Chairman drew attention to the difference between the consideration demanded by a project under construction and one only under contemplation. It was explained by Mr. Bury that, though the projects with which he was associated were not actually at present under construction, there was every expectation that by the year 1925, they will be producing 1,700 tons of steel per diem. So far as was necessary at present, finance is practically assured. There is no visible reason except the lack of railway facilities why the expectation indicated should not be attained. He thought that it should be assumed that the Eastern Iron Company would be producing about half a million tons per annum by 1925 or 1926.

4. The proposed company at Manharpur is not included, for no data concerning its operations could be secured.

Paragraph 4—*Note by Committee.*—Mr. Marshall explained that in the case of the proposed company at Manharpur, he was in possession of no detailed information regarding its prospects. He stated that there is no doubt that the production of the Tata Iron and Steel Company would be doubled within two years' time, and that of the Bengal Iron Company would probably be doubled within about three years.

5. *Location of raw material.*—The iron ore and coal come from the same districts for all the iron and steel companies. The two main coalfields are located east and west of the Bengal-Nagpur Railway line to Asansol, and any coal which is used for companies south of Asansol must pass over portions of the Bengal-Nagpur Railway line. The iron ores are located in Manbhum, Singhbhum,

Keonjhar and Bonai States, and lie immediately south of the Bengal-Nagpur Railway main line for a distance of about 100 miles from Tatanagar to beyond Manharpur. All of the ore used is shipped over the Bengal-Nagpur Railway line, and practically the entire movement is on this road alone. The flux for the companies largely comes from points on the Bengal-Nagpur Railway west of Manharpur, although a small quantity is secured on the East Indian Railway near the Sone river.

6. The miscellaneous supplies come principally from Calcutta and from the brick plants on the East Indian Railway close to Asansol.

7. *Subsidiary Industries.*—In addition to the large steel companies, there are a number of similar industries which are locating near the works of the Tata Iron and Steel Company, Limited, at Tatanagar. At the present time, eight of these subsidiaries are proceeding with their construction and several additional ones are under immediate contemplation. Only these companies which are actually building or are now completing their plans have been considered in the tonnage.

Paragraph 7—*Note by Committee.*—Mr. Marshall explained that a considerable part of the total tonnage requiring transport would be contributed by the eight subsidiary industries referred to in this paragraph, of which he regarded the establishment of four as a certainty within the coming twelve months.

8. *Railway conditions.*—Practically all the railway system used for transporting raw materials to the works of the various companies is single track. The Bengal-Nagpur Railway has a double track from Calcutta to Khargpur, but only a few thousand tons of general supplies pass over this section of the line for the different companies. A fair proportion of the finished product from the companies will, however, go this way. There is severe congestion now on the line north from Sini to Adra and a comparatively large tonnage passes over this division. The industries on the Bengal-Nagpur Railway are frequently in serious difficulty because of the inability of the railway company to deliver coal. During the good coal mining season wagon supply is usually so inadequate that the full supply cannot be shipped.

Paragraph 8—*Note by Committee.*—Mr. Marshall explained that from the point of view of the metallurgical industries, the good seasons are those between the cultivating seasons and harvests, that is, from January to June and in October. He explained that the labour supply during these seasons depends to some extent on the character of the preceding harvest. If it has been a good harvest and money is plentiful, the labourers do not return so readily to work at the mines. Mr. Marshall stated that in his experience a plentiful supply of coal and of wagons to carry it never occurred simultaneously. During the past year, it had been possible to carry on without restricting the output of the works mainly because the supply of coal from the collieries was supplemented by a large stock at the works. The stock had now been greatly reduced, and it is feared that it may be necessary to slow down a portion of the plant at the Tata works during the current year because of inadequate supplies of coal. Some difficulty had been experienced on account of short supply of gas coal, but this was due rather to insufficient raisings at the collieries than to a failure on the part of the railways to provide transport. Mr. Duncan of the Traffic Department of the Bengal-Nagpur Railway, who was present during the discussions, was referred to with regard to the congestion of the Bengal-Nagpur Railway between Howrah and Khargpur He explained that it was frequently congested owing to the length of the section and the heavy local and suburban train traffic. The Railway Administration have in hand a scheme for improving matters.

9. *Method of estimating traffic.*—The method used in determining the traffic is as follows:—A careful estimate was made of the amount of all raw materials and stores required for the operation of each plant and of the finished products. The total ton mileage for each raw material the stores and the finished products was found. The tonnage for each division of the railway was determined from the raw material locations and the markets for finished products and the total ton mileage figured for each class of material and each company.

10. The method for allowing for return empties is discussed later when the detailed figures for increased equipment are determined.

Paragraph 10—*Note by Committee.*—The point was emphasised that in estimating the railway facilities necessary, allowance must be made for empty running as well as loaded running. It would be misleading, therefore, to base an estimate of requirements on freight ton mileage alone.

11. *Tonnage from existing plants.*—It is estimated that the total raw materials and finished products of the present companies and the ton mileage are as follows:—

Annual tonnage	... ...	2,251,700
Annual ton mileage	... ...	352,176,000

The details of these figures are given in Appendix A.

Paragraph 11—*Note by Committee.*—It was noted that the figure of 2,251,700 tons mentioned above is the tonnage of the existing Bengal iron, Tata iron and steel, and Cape Copper companies, annually. The Chairman observed that the figures suggested that the average lead is very high being about 160 miles. Mr. Marshall explained that this high average was contributed by the great distances to which the finished products of the companies are despatched, towards Madras, Bombay and north-west India.

12. *Tonnage from new plants and enlargement of present plants.*—The tonnages and ton mileages for the enlarged present companies and the new companies are as follows:—

Annual tonnage	... ...	15,179,100
Annual ton mileage	... ...	2,200,210,000

The details of these figures are shown in Appendix B.

13. *Comparison of traffic.*—From the two preceding paragraphs it will be seen that the traffic volumes compare as follows:—

	Total tonnage.	Total ton mileage.
Present ...	2,251,700	352,176,000
Future ...	15,179,100	2,200,210,000
Increase ...	12,927,400	1,848,034,000

Paragraph 13—*Note by Committee.*—The Chairman observed that the increase forecasted above is nearly seven times as great as the figures quoted in the preceding paragraph. He suggested that, if such an estimate were placed before the Finance Department, they would naturally be somewhat sceptical as to the chance of so large a development taking place within a few years and he asked Mr. Marshall whether he would be prepared to stand by it having regard to the general experience that large schemes of development do not always entirely fulfil expectations. Mr. Marshall said that of the 15 million tons mentioned, 8 million tons are practically assured by construction already being carried out with funds that have been provided, while finance has been arranged for a large part of the 7 million balance. He would be disposed to make some allowance for uncertainties, but he thought he would be quite safe in standing by the estimate at least to the extent of 11 or even 12 million tons.

14. This neglects entirely the natural large increase in incidental traffic which will be brought about by the increase in direct traffic. This incidental traffic will include supplies for communities, such as food-stuffs, cloth, furniture; fuel and supplies for railway operation and maintenance; fuel and supplies for the operation and maintenance of mines; quarries and collieries; passenger traffic and that for the small industries which will unquestionably grow up along with the larger ones due to the increased supply of semi-finished materials suitable for further manufacture.

Paragraph 14.—*Note by Committee.*—The Chairman observed that where, as in this case, there are some 57,000 people employed, this in itself must represent a large and, probably, increasing traffic. Mr. Marshall admitted this but said that it was found impossible to make a more reliable estimate. He had allowed for an increase of 15 per cent. in miscellaneous traffic and thought that this was as near an estimate as could be made.

15. It is impossible to estimate the total volume of this incidental traffic, but in all probability it will be certainly not less than five per cent. of the main traffic and probably will be much greater. In the map* which accompanies this statement it has been assumed that this incidental traffic over each division is increased by 15 per cent. The present incidental traffic figure has been obtained by deducting from the present total traffic all of the metallurgical traffic and considering that the balance is incidental. This is not strictly correct because some of the traffic consists of the coal supply for the Bombay district, but it seems reasonable to assume that the large growth of the metallurgical industries in Chota Nagpur will be accompanied by increased requirements for other materials in other parts of the country.

16. *Railway equipment required.*—The average operating results for the Bengal-Nagpur Railway during the six months ending 31st March, 1920, have been used for determining the increased number of wagons, locomotives and trains required to handle the larger traffic. These operating data are corrected to some extent by the officials of the Bengal-Nagpur Railway so as to apply particularly to the metallurgical traffic and are as follows:—

Items (*a*), (*b*) (*c*) are Railway Company estimates for metallurgical traffic only.

Items (*d*) to (*l*) inclusive are average of six months' operation on the Bengal-Nagpur Railway.

(*a*) Average mileage per wagon per day	35	
(*b*) Average mileage per train per day	130	
(*c*) Average freight locomotive mileage per day	65	
(*d*) Empty wagons hauled to total wagons hauled	33·7	per cent.
(*e*) Loaded wagons hauled to total wagons hauled ...	66·3	,,
(*f*) Wagons per train (excluding brakes)	39·2	,,
(*g*) Freight carried upon rated capacity hauled	53·8	,,
(*h*) Average load of goods vehicle including loaded and empty vehicles	9·90	tons.
(*i*) Average load of loaded vehicles	14·94	,,
(*j*) Ratio $\frac{f}{I}$ actual loading per unit rated capacity ...	81·3	per cent.
(*k*) Ratio $\frac{h}{J}$ average rated vehicle capacity	18·38	tons.
(*l*) Average dead weight per vehicle	10·48	,,

Paragraph 16.—*Note by Committee.*—Discussion elicited the fact that the correction of the figures mentioned in this paragraph relates specially to items (*a*), (*b*) and (*c*) which refer to the mineral traffic on the Bengal-Nagpur Railway, including both loaded and empty running. The fact that an average train running 130 miles a day implies the use of two locomotives was noted. The Chairman also laid stress upon the fact brought out by the figures under head (*g*) that wagons of practically 100 tons capacity must be hauled to move 54 tons of freight.

* Not reproduced here.

17. Practically 75 per cent. of the total future ton mileage is on the Bengal-Nagpur Railway system between Nagpur, Waltair, Calcutta and the Asansol district.

Paragraph 17.—*Note by Committee.*—The Chairman observed that the argument was that practically 75 per cent. of the total anticipated ton mileage of the year in question would be on the Bengal-Nagpur Railway system between the places named, this assumption being made because there was no reason to imagine that the ratio of distribution of the traffic would be altered.

18. The operating officials of the Bengal-Nagpur Railway state that for mineral traffic, the standard train weighs 900 tons gross and consists of approximately 30 to 33 wagons, each having a gross weight, including wagon and load of about 30 tons. The net freight load is about 18 tons. In this estimate bogie wagons are counted as two and their gross weight considered as about 60 tons.

19. The ruling grade on practically all divisions is one per cent. On a few branch lines, such as that to Gorumaishani from Tatanagar and to Jamda from Amda the maximum grade against load is two-thirds per cent. The maximum train load is therefore practically the same on all divisions. While heavier trains may be hauled on the two branch lines mentioned they cannot be handled without division on the main lines radiating from Sini. It has been assumed, therefore, that the maximum train load is that which can be handled with the present locomotives against one per cent. grade. This is 900 tons gross.

20. From the operating statistics above the following factors are deducted:—

(1) Average mileage per wagon per year	12,750
(2) Average loading for metallurgical traffic, tons ...	17
(3) Average ton miles per loaded wagon per year at 17 tons per wagon	216,800
(4) Average mileage per train per year	47,400
(5) Average ton miles per loaded train per year at 17 tons per wagon	24,200,000
(6) Average loaded ton miles per wagon per year, allowing for empty movement (3)×66·3 per cent.	143,800
(7) Average ton miles per train per year, allowing for empty movement (5)×66·3 per cent.	16,000,000

21. From these figures an approximation can be made of the new equipment which the railways must provide. This is principally determined by the ton mileage. The average loading for all wagons on the Bengal-Nagpur Railway during the six months ending 31st March, 1920, is 14·94 tons. It is assumed that for the metallurgical traffic this will increase to 17 tons upon a carrying capacity of 18 tons. This represents a loading percentage of 94·5 per cent. as compared to 81·3 per cent., the average for the entire railway.

Paragraph 21—*Note by Committee.*—Mr. Marshall urged that his estimate really is conservative, having regard to the basis here explained upon which it was made; he thought, for example, it was a generous estimate to assume an average loading of 17 tons as against the normal figure of 14·94. This ought to be achieved, but he did not feel very confident that it would be maintained as an average, year in, year out.

22. The total increase in net freight movement is in round figures 1,850,000,000 ton miles. This

is exclusive of the dead weight of the train and does not include any empty return movement. This figure should be compared with the broad gauge movement on the Bengal-Nagpur Railway during the half-year ending 31st March, 1920, which was 1,044,000,000 ton miles. The dead weight corresponding to this was 1,139,000,000 ton miles; upon this same ratio the additional gross traffic, including dead load, becomes 3,870,000,000 ton miles. This assumes that the empty traffic for the metallurgical industries will bear the same proportion to the total traffic as at present. A comparison of the loaded and empty wagon movements for the ore, coal and flux, which together represents the bulk of the tonnage, shows that this ratio will be substantially the same. The difference, if any, increases the percentage of empty wagons, and consequently the amount of new rolling stock required. It is assumed, however, that there will be some compensating advantages which do not appear at the present time, and that on the average the ratio between empty and loaded movements will remain as at present.

23. Upon these assumptions, the additional equipment becomes as follows:—

(i) Additional four-wheeled wagons required $\frac{1,850,000,000}{143,800} = 12,860.$

(ii) Alternate to (i), additional 40-ton bogie wagons required $\frac{12,860}{2} = 6,430.$

(iii) Additional trains per day, including loaded and empty wagons $\frac{1,850,000,000}{16,000,000} = 116.$

(iv) Number of additional locomotives $116 \times 2 = 232.$

As 75 per cent. of the increased ton mileage is over the Bengal-Nagpur Railway, about three-fourths of this equipment will be needed for this railway. The minimum requirements, therefore, are as follows:—

	Bengal-Nagpur Railway.	Other Railways.
Wagon (four-wheeled) ...	9,645	3,715
Locomotives	174	58

Well over 90 per cent. of the raw material (mineral) traffic is on the Bengal-Nagpur Railway, and the wagons required by the railway should be almost entirely of types particularly suited to this service, such as bogies, hoppers for coal, ore and flux.

24. The other types of wagons needed are long bogies for rails and structural materials, and for general service low-side flat wagons both with and without drop bottoms.

Paragraph 24—*Note by Committee.*—The Chairman observed that the arguments had now produced some vital figures, namely, that an addition to the existing rolling stock of all the railways serving the industries is necessary, of about 13,000 four-wheeled vehicles or half that number of bogie wagons and of 232 engines, to meet the anticipated developments of traffic during the next five years. An allowance of 75 per cent. might perhaps be made in view of the circumstances noted above with reference to paragraph 13. Mr. Marshall said that he understood that the present wagon stock of the Bengal-Nagpur Railway is about 17,000; some 75 per cent. of the increase now recommended would have to be made on this system.

25. *Additional track facilities.*—Neglecting the minor connections, loops, etc., there are three divisions on the Bengal-Nagpur Railway which are particularly affected by the increased movement. These are from Sini to Anara, Sini to Manharpur, and Sini to Tatanagar. On the last division the greatest congestion occurs between Sini and Amda, as from Amda a branch line goes to the Jamda ore fields, from which the principal supplies of iron ore are secured.

26. The Bengal-Nagpur Railway has estimated the capacity of the several divisions, and in the following table this capacity in trains per day is compared to the expected traffic:—

Division.	Estimated capacity. Trains.	Expected traffic. Trains.
Sini to Anara	22	52
Sini to Tatanagar ...	14	30
Sini to Amda	22	50

27. In estimating the future number of trains daily for each division, it is assumed that the number of trains each way will be equal to the maximum requirements one way. In other words, it is assumed that trains which are loaded one way return intact either loaded or empty the other way. Coal wagons coming down from Anara to Sini may take ore back to Asansol, but if there be no return tonnage of this kind, they must return empty. In estimating the total traffic over each division, it has been assumed therefore that the number of empty wagons moving one way is equal to the difference between the loaded traffic in the two directions. No allowance has been made for empty wagons moving in the direction of maximum load. These undoubtedly will be present and for this reason the estimated train movement is on the low side rather than the reverse.

Paragraph 27—*Note by Committee.*—The Chairman suggested that a capacity of 28 trains (including the six passenger trains run daily on the line Sini-Anara), or 14 each way daily could hardly be regarded as a high standard. Mr. Duncan, of the B. N. Railway, explained that the reason why the capacity of the lines in question is low, is that there are very heavy gradients in some parts. These, he stated in answer to Mr. Hiley, could not be eliminated.

The Chairman drew attention to the apparent discrepancy between the suggestion here that 52 trains daily might be expected to carry the anticipated traffic as against 22 at present, that is an increase of only about 150 per cent., as compared with the indication in paragraph 13 that the actual tonnage to be moved would increase at least fivefold. Mr. Marshall said that he was satisfied that the train requirements had not been under-estimated, and the matter was not further pursued.

28. In estimating the future movement over each division it has been assumed that the miscellaneous traffic exclusive of the metallurgical traffic increases by 15 per cent. during the next five years. This assumption is based upon data from the Bengal-Nagpur Railway officials. This increase is so small and the total haul so uncertain that it has been neglected in figuring the additional wagons and locomotives required.

29. All these figures neglect passenger traffic. The increase of this is extremely difficult to estimate. It will be not less than 15 per cent. above the present traffic and in all probability will grow much faster. As on a single track line, passenger service seriously interferes with freight service this small increase has a disproportionate effect on the capacity of the line.

30. To meet the necessities, the Bengal-Nagpur Railway must be double tracked as follows:—

	Miles.
Bhojudih to Kargali	9
Anara to Kandra	59
Sini to Manharpur	60
Gomharria to Kharkai Bridge	5
Total ...	133

Paragraph 30—*Note by Committee.*—Agreeing that a *prima facie* case had been made out to justify the doubling of 133 miles as proposed, the Chairman remarked that he observed from the map that there still remained some short sections of single line between the doubled portions, in the triangular area between Kandra, Gomharria and Sini. It appeared to him a pity to leave small sections of single line interposed between double line sections. Mr. Duncan agreed that it would really be preferable and would save a good deal of difficulty in operation if the short lines in question were also doubled.

31. In addition to increased track facilities, rolling stock and motive power five junctions must be enlarged. These are Bhojudih, Kargali, Damudar, Anara and Tatanagar.

32. The improvement of the Bhojudih, Kargali and Anara yards is required for coal traffic, much of which originates close to the first two stations.

33. The Damudar yard must be enlarged to serve the Indian Iron and Steel Company.

34. Tatanagar requires the largest extensions. This yard serves the Tata Iron and Steel Company and the Subsidiaries which are being built adjacent to the Steel Works. At the present time, the total wagon movement through the yard is 520 wagons per day, including empty and loaded wagons both inbound and outbound, but excluding through traffic. The extensions of the Steel Company and the Subsidiaries together will increase this wagon movement to 1,260 per day. Of this number 18 wagons daily represents the movement from Tatanagar to the railway yard and thence directly to the Subsidiaries or the reverse, while (54) represents movement directly between the railway and Subsidiaries.

35. In all cases the loading has been assumed at 17 tons. During 1919 the Tata Iron and Steel Company averaged 19 tons load per outbound wagons. In this average bogie wagons are counted twice. The average bogie loading was 41 tons.

36. *Investment—Labour—Annual pay roll.*—The approximate investment, labour and pay roll of the existing companies are as follows:—

Investment.	Labour employed.	Annual pay roll.
Crores.		Crores.
10	47,500	2

37. The approximate investment, labour and pay roll of the companies in 1926 are as follows:—

Investment.	Labour employed.	Annual pay roll.
Crores.	Men.	Crores.
44·4	125,000	6

38. *Rate at which increased facilities will be required.*—The preceding figures show the difference between the present railway requirements and those which it is expected will be required at the end of five years or by January, 1926. The increases include the requirements of the Eastern Steel Company whose plans are only being considered at the present time, and no construction for which has been started. The ton mileage of this company is 45 per cent. of the whole in 1926. In the case of the Indian Iron and Steel Company, which is not yet operating, it is assumed that the output in 1926 will be twice that of the plant now under construction.

39. The requirement of the Tata Iron and Steel Company and the Subsidiaries located at Jamshedpore must be met by the beginning of 1923. Those required for the increased output of the Bengal Iron Company and of the Indian Iron and Steel Company must be met in 1920.

40. The traffic during the next five years can be assumed to be approximately as follows:—

—	Traffic in ton miles.	Increased four-wheeled wagons required.	Increased locomotives required.
1921	350,000,000	None.	None.
1922	500,000,000	1,040	19
1923	800,000,000	3,120	56
1924	1,000,000,000	4,520	82
1925	1,500,000,000	8,000	145
1926	2,200,000,000	12,860	322

Of this equipment 75 per cent. will be used on the Bengal-Nagpur Railway.

41. *Present Shortage of Railway Facilities.*—The shortage of railway facilities frequently seriously handicaps the present metallurgical industries. Without a more intimate knowledge of the railway conditions, it is impossible to state definitely what factors are most important in this connection.

42. Speaking for the Tata Iron and Steel Company, the three things which are most vital are the shortage of wagons for coal and of long bogie wagons for the shipment of rails and other structural materials and difficulties with coal transport.

Paragraph 42—*Note by Committee.*—Mr. Marshall and his colleagues laid particular stress upon the point made in this paragraph regarding the shortage of wagons both for coal and materials. The shortage extended both to wagons and to facilities for moving them. Mr. Marshall mentioned that they had frequently been inconvenienced by materials lying in Calcutta which could not be moved. In a particular case cited by him the difficulty had been aggravated by labour troubles at the docks. In this connection he agreed with the Committee that embarrassment was likely to be caused at Kidderpore docks in connection with the import of materials as well as through deficiency of railway transport facilities and he promised to furnish the Committee with a supplementary note* on this subject. The difficulty to which he had referred had been constant for the past 18 months in respect of the imports through the Calcutta docks. The Company did not export large quantities of goods and they had not therefore been affected in regard to outward traffic.

43. The Steel Company requires an average of 120 wagons of coal daily for all departments. During the year 1920 the average number of coal wagons received daily was 94. The maximum daily average received in any one month was 116. The shortage during a portion of the year was due to insufficient raisings, but for probably one-half the year there were sufficient raisings to meet the indents, but the wagon supply was inadequate. The Steel Company has been compelled to curtail its production and to draw heavily upon its reserve stocks of coal.

44. There is a frequent lack of long bogies and at times stocks of finished rails up to 50,000 tons accumulate because these cannot be secured.

45. The lines of the Bengal-Nagpur Railway in the vicinity of Adra are inadequate to handle the tonnage of coal which must pass this point. This is particularly true of the line between Bhojudih and Kargali, which it is proposed to double track. The maximum capacity for handling coal in this vicinity is said to be 650 wagons daily; this is insufficient to meet the present requirements of the railway.

46. It is probable that the Steel Company has lost from 3 per cent. to 5 per cent. production during the year 1920 because of the shortage of wagons and of congestion on the railway, and this percentage will be increased greatly when the new extensions are put into operation and the coal requirements raised.

Paragraph 46—*Note by Committee.*—The Chairman observed that presumably the loss of from 3 to 5 per cent. production mentioned here did not represent a corresponding monetary loss to the Company. Assuming however that the actual pecuniary loss only amounted to 1½ or 2½ per cent. he agreed with Mr. Marshall that the sum involved would still be very large and the position demanded serious notice.

47. The yard at Tatanagar is too small for the present movement and causes frequent delays in the traffic of the Steel Company. No further increase in tonnage to this point is possible without material improvement.

48. The most urgent improvements which

* This was subsequently embodied in Mr. Marshall's memorandum and now constitutes paragraphs 50 to 56 of it as amended and reproduced below.

should be taken in hand when funds become available are:—

(1) Improvement of the yards and track system in the vicinity of Adra.

(2) An increased supply of wagons and locomotives.

(3) (For the Tata Iron and Steel Company and Subsidiaries.) The enlargement of Tatanagar yard.

49. The first two should be simultaneous, but probably the improvement of the track facilities is slightly more important because even now at times this is a greater factor in curtailing service than the lack of rolling stock.

Port of Calcutta.

50. At the present time large quantities of machinery and supplies are being imported into India and it is the experience of the Tata Iron and Steel Company that the facilities at Calcutta are totally inadequate to handle the tonnage now passing through the port. The berths at the docks and jetties are insufficient, handling equipment such as cranes are too small and the storage and warehouse spaces too limited.

51. Unloading at the jetties is done by hydraulic cranes of about 2½ tons' capacity, and when larger pieces must be handled this must be done either at Mullick's Ghat or at the Kidderpore docks. At the first place, the pieces must be loaded overside by the ship's tackle into a lighter and warped to Mullick's Ghat where a single overhead gantry crane, not very modern, of 30 tons' capacity serves a storage space of approximately 10,000 square feet. This space is constantly crowded and much valuable machinery is stored in the mud outside the jetty line. The machinery in this position is partially under water at high tide. Heavier lifts can only be made at one point at the Kidderpore docks where there is a 100-ton tripod.

52. As much of the machinery for the newer industries and the railways weighs more than 2½ tons, there is a great deal of unnecessary movement and rehandling required. In some cases vessels must be berthed three times before unloading completely if the loading is such that the heavy lift comes when the vessel is partially unloaded. The distance from the middle of the jetties to Mullick's Ghat is about half a mile up the river, while the heavy lift crane is nearly three miles down stream and inside the dock gates.

53. The congestion of the port is so great that at times vessels are compelled to moor in the river for several weeks before securing a berth.

54. Except for Shalimar, the terminus of the Bengal-Nagpur Railway, the unloading points are all on the Calcutta side of the river. There is a thirty-ton crane here, but as the river at this point is so badly silted that lighters can be placed under the crane only during a few hours at high tide, it is of little service. In addition, it is required almost exclusively for the railroad company's service at the present time. The Bengal-Nagpur Railway has a car ferry from garden reach below Kidderpore to Shalimar. The car ferry can take only a limited number of the long bogie wagons which are generally necessary for handling large or heavy pieces.

55. All of the docks and jetties on the Calcutta side are served by the Port Commissioners' Railway. Frequently as many as 30 or 40 of the Commissioners' wagons are kept standing under load for days at a time because of the lack of wagons for despatch or storage space on the jetties.

56. Little improvement has been made to the Port facilities since the beginning of the war. The traffic is much greater than at any time in its history and will probably continue at the present rate indefinitely. Some of the new industries are counting upon export markets, but unless the port be materially improved, the benefit which they expect to derive from improved railway facilities will be nullified by congestion in Calcutta.

57. *Jeopardy to further industrial growth.*—The prospect of development by commercial concerns is extremely dark unless the railway situation be immediately improved. The railway extensions which are discussed in this brief will not all be required at once, but unless plans are adopted now and the work proceeds with all speed practically none of the new developments can be undertaken.

Paragraph 57.—*Note by Committee.*—The Chairman asked whether the firms concerned are not in a difficult position in inviting subscription of capital for commercial concerns, however promising, if the prospects of securing adequate transport are as gloomy as indicated in this statement. It appeared to him that, if existing railway facilities are inadequate, as represented, to deal properly even with the existing traffic, it could not merely be a question of developing industries more slowly than might otherwise be done. It would appear unwise to undertake responsibility for developing them at all unless there was some hope of securing the necessary railway services. Mr. Bury thought that they were justified in hoping for at least some improvement upon the railway system.

58. The three existing iron and steel companies have a total investment of Rs. 10 crores and employ 47,500 men. Their annual pay-roll is Rs. 2 crores. The two operating plants at their present sizes are handicapped by lack of railway service, and it is impossible for any large extension to be made by either of them with any assurance that the railway service will be sufficient to permit them to operate at an economical capacity.

59. The Indian Iron and Steel Company's plant will be ready for operation in twelve months and the extensions of the Tata Iron and Steel Company will start progressively within the next two years. The railroad requirements necessary to serve the Indian Iron and Steel Company and the enlarged Tata Iron and Steel Company will more than double the present metallurgical service.

60. The Railway Companies have been kept familiar with the plans of the Industrial Companies from their inception and have had the traffic data for at least two years. Some additions are being made such as the extension to the Gorumaishani Ore line and the new Amda Jamda Ore line, but the main lines have had little attention and, except for a few additional passing stations, no large improvements. The additions to rolling-stock and motive power have hardly kept pace with the normal growth of traffic.

61. Including the Subsidiaries at Tatanagar, twelve companies are expending large sums of money on new plants or extensions to old ones and have done so upon an expressed or implied agreement with the railways that service would be given when required. Unless this agreement be kept, those companies will be in a critical position. The expenditure of these companies now sanctioned is over twenty crores.

Paragraph 61.—*Note by Committee.*—The Chairman mentioned in this connection the case of the plate mill which is being installed at the Tata Works. He asked Mr. Marshall to indicate the position of that development. Mr. Marshall explained that the company had received every encouragement from Government in embarking upon the plate mill extensions at a heavy cost during the latter years of the war. Orders were placed in America and special priority was secured through the influence of the Indian Government notwithstanding that there had been some delay in obtaining all the assistance they required. The plate mill would soon be at work and it appeared doubtful whether Government now expects

to take up as large a quantity of plates as they had promised to do, though the promise of absorbing a certain amount of the output had been a main consideration which weighed with the company in inducing them to incur the expenditure. So far at least Government had not placed orders for the full quantity which they had contracted to take for the coming year.

62. With such large investments representing so much to the industrial life of the country, these companies have an indisputable prior claim upon the railways for service and must be given consideration before extensions into new territory or for new enterprises are sanctioned.

63. *Sources of information for this brief.*—The data used have been supplied by the individual companies in practically all cases and have been used as given. The Bengal-Nagpur Railway officials have concurred in the translation of traffic into equipment and the traffic unit figures have been supplied by them.

64. The Companies concerned are:—

Company.	Location.	Railway.	Products.
Bengal Iron Company.	Kulti ...	East Indian Railway.	Pig iron.
Cape Copper Company.	Rakha Mines	Bengal-Nagpur Railway.	Copper.
*Eastern Iron and Steel Company.	Chandil ...	Do.	Pig iron and steel.
Indian Iron and Steel Company.	Burnpur	Do.	Pig iron.
Tata Iron and Steel Company.	Tatanagar	Do.	Pig iron and steel.
Indian Zinc Company.	Do.	Do.	Spelter and sulphuric acid.
Calcutta Monifeith Works.	Do.	Do.	Jute mill machinery.
Indian Steel Wire Products.	Do.	Do.	Wire and pressed metal products.
Truscon Steel Company.	Do.	Do.	Concrete reinforcing material.
Enamelled Ironware Limited.	Do.	Do.	Enamelled hollow ware.
Indian Enfield Cable Company.	Do.	Do.	Electric cables.
Tinplate Company (of India).	Do.	Do.	Tin plate.
Agricultural Implements Company.	Do.	Do.	Hand agricultural tools.

* This Company has not definitely selected its site and its plans are still somewhat undetermined.

65. Other subsidiary companies are under active consideration now, several of which will require much traffic.

66. A new steel company is projected for Manharpur, but no data could be obtained regarding its requirements. It is understood that this is to be a large industry and that its traffic will be heavy.

67. Submitted on behalf of the Metallurgical Industries.

S. M. MARSHALL,
Consulting Engineer,
The Tata Iron and Steel Company, Limited.

4517. Sir Henry Ledgard suggested that it would be a very valuable addition to Mr. Marshall's note if a statement could be added giving an indication of the cost of the improvements which were necessary on the railways, if the statement of requirements as brought out were accepted. Sir George Godfrey said that this appeared to him rather a matter for the railway administrations. He stated he had now, in draft, a comprehensive report on the whole subject, and hoped shortly to be able to furnish to the Committee a memorandum giving the full information desired by Sir Henry Ledgard. Mr. Marshall also promised that he would endeavour to make a very rough summary of the cost of the requirements indicated in his statement. He would not of course be responsible for the accuracy of the estimate which should be checked by the railway administrations.

4518. Sir George Godfrey observed that his only criticism on the case as presented by Mr. Marshall and his colleagues was that it might be natural to accept with some reserve the estimates of rapid developments on so large a scale as had been indicated; Mr. Marshall agreed that Sir George's attitude was not an unreasonable one, but he emphasized that, as pointed out in the committee's note to paragraph 12 of the statement, he had made a reasonable allowance for this. Sir George Godfrey thought that perhaps Mr. Marshall was still a little too optimistic as regards developments to be realized by 1926. He agreed, however, that the estimate was good enough for working purposes, particularly since, as the Chairman pointed out, railway facilities should be somewhat in advance of demands upon them.

4519. Sir George Godfrey said that it appeared to him to be a hopeless position for the Government of India in one department to endeavour as they are now doing to encourage the development of Indian industries with Indian capital, if they are at the same time to continue as in the past to withhold the supply on a reasonable scale of funds imperatively necessary to enable the trade of the country to be carried.

APPENDIX A.

PRESENT FREIGHT MOVEMENT.

Figures in tons and ton miles per annum.

Bengal Iron Company.

Material.	Tons.	Ton miles.
Coal	100,000	5,000,000
Ore	150,000	24,750,000
Flux	80,000	44,000,000
Brick, etc.	1,500	30,000
Miscellaneous	2,000	300,000
Products	100,000	15,000,000
Total	433,500	89,080,000

The Tata Iron and Steel Company, Limited.

Material.	Tons.	Ton miles.
Coal	815,800	84,150,000
Ore	467,700	23,401,500
Flux	216,800	34,826,600
Brick, etc.	25,600	4,093,900
Miscellaneous	45,400	8,030,200
Products	189,400	102,813,900
Total	1,760,700	257,316,100

Cape Copper Company.

Material.	Tons.	Ton miles.
Coal and coke	30,000	3,000,000
Iron ore and timber ...	20,000	1,700,000
Miscellaneous	5,000	720,000
Products	2,500	360,000
Total	57,500	5,780,000

APPENDIX B.

FUTURE FREIGHT MOVEMENT—1926.

Figures in tons and ton miles per annum.

Bengal Iron Company.

Material.	Tons.	Ton miles.
Coal	200,000	10,000,000
Ore	300,000	49,500,000
Flux	180,000	92,000,000
Brick, etc.	3,000	60,000
Miscellaneous	4,000	600,000
Products	200,000	30,000,000
Total	887,000	182,160,000

APPENDIX B (*Contd.*).

FUTURE FREIGHT MOVEMENT—1926.

Figures in tons and ton miles per annum.

Eastern Iron Company.

Material.	Tons.	Ton miles.
Coal	3,075,000	262,000,000
Ore	2,009,000	222,400,000
Flux	871,000	184,000,000
Brick, etc.	75,000	7,000,000
Miscellaneous	212,000	39,500,000
Products	1,130,000	272,300,000
Total ...	7,372,000	987,200,000

Indian Iron and Steel Company.

	Tons	Ton miles.
Coal	892,000	40,000,000
Ore	740,000	140,000,000
Flux	184,000	40,000,000
Brick, etc.	7,000	70,000
Miscellaneous	5,000	660,000
Products	450,000	96,000,000
Total ...	2,278,000	316,730,000

Tata Iron and Steel Company, Limited.

	Tons.	Ton miles.
Coal	1,750,000	177,100,000
Ore	1,140,000	100,800,000
Flux	520,000	82,525,000
Brick, etc.	52,250	7,590,000
Miscellaneous	75,670	15,216,800
Products	599,800	268,433,400
Total ...	4,137,720	651,665,200

Cape Copper Company.

Material.	Tons.	Ton miles.
Coal and coke	60,000	6,000,000
Iron ore and timber ...	40,000	3,400,000
Miscellaneous	10,000	1,440,000
Products	5,000	720,000
Total ...	115,000	11,560,000

SUMMARY OF TONNAGES.

PRESENT.

Industry.	Tons.	Ton miles.
Tata	1,760,700	257,316,000
Bengal	433,500	89,080,000
Cape Copper	57,500	5,780,000
Total ...	2,251,700	352,176,000

FUTURE (1926).

Tata	4,137,700	651,665,000
Bengal	887,000	182,160,000
Indian	2,278,000	316,730,000
Eastern	7,372,000	987,200,000
Cape Copper	115,000	11,560,000
Subsidiaries	389,400	50,895,000
Total ...	15,179,100	2,200,210,000
	2,251,700	352,176,000
	12,927,400	1,848,034,000

Postscript.—The foregoing evidence was referred to Sir G. Godfrey, as Agent of the B.N. Railway, who furnished the Committee in reply with particulars generally bearing out Mr. Marshall's conclusions. It appeared from the particulars supplied by Sir G. Godfrey that the B.N. Railway's programme provides for completing the extra facilities in four years, and that the extra locomotives and wagons already under supply out of the existing grants, taken with the numbers included in the four-year programme would practically be equal to Mr. Marshall's estimate.

TWENTY-FIRST DAY.

(Calcutta.)

Thursday, 13th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. K. CHAUDHURY, M.L.C., representing the East Indian Railway Passengers' Association, was called and examined.

See Written Statement No. 27, Vol. IV., P. 114.

4520. Mr. Chaudhury read a note which he had prepared, and which had been accepted at a meeting of his association as representing their views. He explained that the association which he represented has a membership of about 2,000, mostly suburban railway passengers. There were over 15,000 suburban passengers served by the East Indian Railway alone. Subscriptions to the Association are voluntary. Originally it was fixed at four annas per month, but some of the members pay more. Others have been admitted to the Association without making payment. Probably about 500 would have paid subscriptions of four annas and upwards. The Association has very small expenses.

4521. He mentioned in his statement that third-class passengers comprised about 75 per cent. of the total suburban passengers, which was based on a rough calculation. The Chairman asked whether, assuming for the moment that it was true that no more passenger trains could be provided, Mr. Chaudhury would prefer that overcrowding should be allowed to continue, or that the railways should refuse to issue tickets. Mr. Chaudhury said that he would not wish tickets to be refused, but the important thing was that every possible effort should be made to ensure that the passenger trains are really adequate, having regard to the demands made for accommodation.

4522. As an instance of lavish expenditure on new projects, he mentioned the Howrah-Burdwan chord. The Chairman suggested, however, that that chord relieves the existing line by enabling some of the goods traffic to be diverted, and thus makes it easier to run more passenger trains. Mr. Chaudhury thought the new line did not relieve congestion on the main line so far as local passengers are concerned. Mr. Chaudhury did not claim that his association were better judges as to the most efficient way of spending such moneys as are available, but they had to protect the interests of the passengers and to urge

the necessity for ensuring that proper accommodation is provided for them. He suggested that the railway is actuated by greater anxiety to develop new projects and to supply facilities for merchandise such as coal. In his opinion, the railway companies should first satisfy their oldest customers, that is, the travelling public.

4523. He suggested some of the grievances and difficulties experienced especially by third-class monthly ticket holders; for example, the prices of monthly tickets sold to third-class passengers in Serampore are calculated on the basis of 20 days' single fare, whereas for the second class they are charged only for 13 days' single fare. The public are greatly inconvenienced for want of more booking offices in Howrah Station. There is, generally, a rush of passengers for tickets, and frequently passengers are given wrong tickets or the wrong change. They are illiterate and likely to be deceived, especially when adequate time and facilities are not provided. He complained that, in some cases, women booking clerks do not pay proper attention to those requiring tickets. He thought that there should be a greater extension on companies' lines of the arrangements which were working satisfactorily at Sealdah on the Eastern Bengal Railway, There are three passenger superintendents, ex-soldiers, who devote themselves to helping the travelling public and whose services are very much appreciated.

4524. The Chairman mentioned that another witness had said that the public do not care to refer to an ex-soldier whose manners are apt to be unpleasant to them. Mr. Chaudhury stated that, in his opinion, there was nothing whatever in this, and that the experience at Sealdah has been most satisfactory. He laid stress, further, on the insanitary condition of the lavatories on the third-class carriages, and the defective arrangements for water supply, especially at wayside stations. They required more money for expenditure for additional passenger stock.

4525. The Chairman said that the East Indian Railway Company's evidence was to the effect that more passenger trains could not be moved and that what was required was additional facilities, such as doubling and relief lines. Mr. Chaudhury said that the public had constantly been assured, in connection with new lines, that they would relieve congestion, *e.g.*, the Burdwan Chord, but they found congestion as bad as ever.

4526. He urged that, if the defects complained of are due to the failure of the Government of India to supply adequate funds, then pressure must be brought to bear upon the Government of India.

4527. He considered that an improvement might be hoped for through the abolition of the second and intermediate classes in long distance trains on the railways. This would lead to upper class passengers travelling more in the third class; they would then appreciate the difficulties and requirements of the lower class passengers, and this would lead to a general improvement.

4528. Mr. Chaudhury referred to the existence of racial prejudice in connection with the mechanical training of Indians at the Jamalpore Railway workshops, where young Indians who are anxious for training, and who wish to enter as apprentices, are not allowed to join under the same conditions as Anglo-Indians and Europeans; whereas in Kanchrapara, on the Eastern Bengal Railway, apprentices are taken irrespective of caste or creed. He was of opinion that admission of Indians in Jamalpore is very difficult. In this connection, Sir Rajendra Nath Mookerjee said that he had been the Chairman of a committee appointed by the Government of Bengal in connection with the training of mechanical engineers, and he was in a position to say that Mr. Chaudhury's information was not correct. He explained that the Committee appointed under his Chairmanship decided to take Indians and Europeans on the same footing. The only difference was that the Europeans had separate quarters to live in, which the Indians had not. That scheme had not yet been carried out for want of financial sanction. Mr. Chaudhury said that Sir Rajendra Nath's remark applied to the Eastern Bengal Railway workshop, and not to the East Indian Railway shop at Jamalpur, which is exactly his contention.

4529. Mr. Chaudhury referred to the better treatment of workshop employees on the Eastern Bengal than on the East Indian and Bengal-Nagpur Railways as an added argument in favour of State management. He admitted that there might be a tendency towards inefficiency on the part of some State railway officers, but considered that this would disappear if the State administration is subjected to more popular criticism and control.

4530. In answer to Mr. Sastri, Mr. Chaudhury stated that he was employed by a European firm; he had travelled widely throughout India. With regard to refreshment facilities for travellers, he stated that the arrangements for first and second classes were satisfactory, but the third class passengers do not get proper attention in this, as in other matters. The remedy for this would lie in the abolition of the intermediate classes which would lead to a general improvement. He referred to an experiment which had been tried, he believed, with success on the Bengal Nagpur Railway, in which arrangements were made for sweatmeat vendors to travel on the passenger trains. They supplied suitable food at reasonable cost, and the arrangements had, he believed, been much appreciated. Mr. Chaudhury recommended the introduction of a similar arrangement on all long distance trains.

4531. Sir Henry Burt mentioned that on the Bombay, Baroda and Central India Railway, the intermediate class had been abolished, but that this step had not met with popular approval. Mr. Chaudhury said that, on the other hand, in the case of Messrs. Martin & Co.'s light railways in Howrah district, the second class has been done away with without causing dissatisfaction.

Messrs. J. N. GHOSH and N. M. CHOUDHURI, representing the Indian Mining Federation, were called and examined with reference to a statement which had been furnished by the Federation.

See Written Statement No. 28, Vol. IV., P. 115.

4532. Mr. Ghosh stated that he was the owner of a colliery and a member of the Mining Federation.

4533. The Chairman drew attention to Mr. Ghosh's observation that it might be necessary in the interests of Indian trades and industries sometimes to reduce rates of freight for particular commodities even below the paying line for the purpose of ensuring development, and asked whether Mr. Ghosh thought that the public would be willing to face additional taxation for the purpose of making up loss consequent on railway working. Mr. Ghosh said that he thought they would not object to doing so. Subsequently, however, in reply to Mr. Purshotamdas, he explained that what he had in mind was not such a general reduction of rates as would cause railways to be unprofitable, but merely occasional and exceptional reductions to meet special cases. He did not think, therefore, that the question of imposing taxation on this account would arise.

4534. He was in favour of borrowing money in London if all that was required could not be obtained in India.

4535. The Chairman assured Mr. Ghosh, with reference to his opinion that Government does not exercise sufficient control over rates and fares, that any failure in this respect is not necessarily due to the absence of State management of the railways. The Chairman mentioned that, in the United States, Government exercised complete control in these matters, although all the railways there are managed by companies.

4536. Summing up the Mining Federation's complaints with regard to wagon distribution, the Chairman said he understood it to be that wagons are not divided fairly between Indian and European-owned collieries. The important contracts generally go to the large collieries which are usually in the hands of Europeans. If any such contracts necessitated the

use of full train loads the rolling stock for these is provided, but the larger colliery still shares on equal terms with others in the balance of wagons available. Mr. Ghosh in clearing his point stated that these contracts are now getting a preferential supply of wagons. Formerly they were not infrequently served by rakes, *i.e.*, 50 wagon full train loads. Further, coal for locomotives, Government, and public utility has all preferential supply of wagons. But till the end of 1919 all the coal despatched under special supply was again taken into account in fixing the *pro rata* basis of collieries for allotment of wagons. So the collieries supplying coal for the above-mentioned purposes got wagons in duplicate for the same coal, and consequently a very small number of wagons available for coal was left to be distributed amongst the rest of the collieries. Mr. Ghosh further stated that it was decided that this position should be altered, in a Conference in 1920, when it was agreed that half of the stock given in a quarter to a colliery, in excess of what it is entitled to on *pro rata* basis, should be deducted from its raisings in determining the *pro rata* basis of the colliery for the allotment of wagons in the next quarter. Mr. Ghosh did not admit that the result of the 1920 Conference was satisfactory, but they had at least understood that they were being met half-way. The arrangement had not been at all successful in practice, as the major portion of the wagons available for coal are being given very frequently month after month to one and the same collieries much in excess of what those collieries are entitled to on the *pro rata* basis, and, in the opinion of his Federation, the division of coal wagons is still unsatisfactory.

4537. The Chairman said that he understood that the priority order for supply of wagons places first shipment coal, second locomotive coal, and third public utility coal. He understood that the important contracts go usually to the British-owned collieries. Mr. Ghosh urged that there was no reason why the order for a particular steamer, for example, should not be split up and divided between different collieries. He did not agree that this would cause additional difficulty in the railway arrangements.

4538. With reference to the suggestion that the first-class coal is mostly in the hands of European firms, Mr. Ghosh urged that the classification of coal appeared to depend on whether the ownership of the colliery was European or Indian. He maintained that the same coal which, in the possession of a European firm, is treated as first-class is described as second-class if possessed by an Indian. He mentioned, for example, a colliery at Chatabar, near Mugma, which now belongs to Villier, Ltd., but formerly belonged to Kunja Behari Pal Choudhury. It had changed hands between various Indian proprietors, and so long as the property remained in Indian hands Mr. Ghosh said nobody took the coal, but it is now accepted by the Mining Engineer as Admiralty coal.

4539. In answer to Sir George Godfrey, Mr. Ghosh admitted that the Mining Engineer buys second as well as first-class coal for use on the railways. He was not aware whether second-class coal is accepted for Admiralty use.

4540. In reply to the Chairman, Mr. Ghosh said that the Mining Engineer was only appointed about seven or eight years ago. At the time when Mr. Pal Choudhury's transaction above referred to took place there was no Mining Engineer. The railways purchased the coal from the collieries.

4541. As another instance in which good coal was condemned as long as it was owned by Indians, Mr. Ghosh mentioned the case of Lodna. It was impossible to get a siding built so long as the property remained in the hands of the Indians, and the colliery had to be sold to a European firm. That was an old case of perhaps 20 years ago.

4542. He cited in his written evidence a more recent case, in the Dharmaband colliery which he originally purchased for Rs. 41,000. It was not until a European Mining Engineer offered to arrange to get the siding, on condition of one-half of the property being sold to him for the nominal sum of Rs. 12,000 that railway siding and loading accommodation could be secured. Sir George Godfrey suggested that the engineer in question was a well-known mining expert whose opinion was considered of great value, and it was not unnatural for railways to be more ready to provide a siding to a property which was vouched for by an officer of such qualifications, than when the application was not equally authoritatively backed.

4543. In this case, Mr. Ghosh had stated that he had been willing to have the siding constructed either as a private siding entirely at his own cost or on assisted siding terms. The B. N. Railway Agent had refused to allow it to be built as a private siding, which would have cost the railway nothing. This decision was doubtless based on general grounds of policy. The agent subsequently wrote to the firm on the 2nd December, 1908, stating that the estimated cost of the siding amounted to Rs. 84,174, of which Rs. 35,948 would be chargeable to the railway company; and that he was not prepared to consider the question of constructing a siding involving so large an amount until the development of the property was in a more advanced state, and he was in a position to give his Board of Directors an assurance that the expenditure would be remunerative.

4544. The Chairman explained that the Committee could not discuss this particular case further, as it was only concerned with getting a clear grasp of the position in general. He understood that Mr. Ghosh's main argument was that the Europeans got preferential treatment simply because they *are* Europeans.

4545. He observed that the Federation's view was that the management of railways should be conducted by Boards constituted with representatives of commerce and industry taken both from the Indian and European commercial community, with safeguards that the former should be strongly represented. Mr. Ghosh explained that he desired a Board of this kind to be constituted for each railway. He did not contemplate the continuance of the existing system of company management with London Boards. He thought the proper thing would be State management and not company management.

4546. He further developed his recommendations in answer to Mr. Purshotamdas who asked what the contention of the Federation was with regard to matters of policy. He explained that the Federation's view was that important questions of railway policy should still be settled by the Railway Board but that the Local Boards should see that the policy is correctly carried out; they should attend to minor matters of local importance and see that these are represented, when necessary, in the proper manner to the Railway Board.

4547. Mr. Ghosh agreed with the Chairman that it would be unnecessary to have either Indian or European commercial men associated with the settlement of technical matters which form one side of the Railway Board's work. It is necessary, however, that they should have a voice in matters of general policy.

4548. Mr. Ghosh agreed with the Chairman that it was unnecessary to discuss the " Risk note " question, touched on in the Federation's written evidence, as this grievance related rather to a question of management than to one of general policy.

4549. In reply to Mr. Purshotamdas Mr. Ghosh stated that the Indian mine owners were so disgusted with the distribution of wagons that they were seriously considering closing down, *i.e.*, ceasing to indent for railway wagons for any purpose but had decided meantime to continue indenting for wagons for public coal. If matters did not improve, he could not say what the position would be.

4550. Mr. Ghosh stated that out of about 20 million tons of coal raised, about 40 per cent. is raised by collieries who are represented by the Mining Federation. He stated definitely that less than 40 per cent. of the available wagons are supplied for their use. He could not put a precise figure on the difference.

4551. He told Mr. Purshotamdas that at times of shortage when sufficient coal was not available for requirements, the coal which ordinarily would not be accepted as first class coal, was bought by contractors to supplement their own supplies of first class coal and was accepted.

4552. In answer to Sir George Godfrey, Mr. Ghosh stated that he still owns one-half of the colliery which had been referred to in his written evidence, of which he found it necessary to sell the other half for only Rs. 12,000 in 1911. That half would have been worth about six lakhs to-day. In this connection, he told Sir George Godfrey that originally he bought the property from the Raja of Nowagarh and had paid Rs. 41,000. The property was undeveloped at the time.

Mr. T. R. Nolan, Acting Agent of the Assam-Bengal Railway, who was accompanied by Mr. A. J. Cooper, General Traffic Manager, was called and examined with reference to a statement which he had submitted to the Committee.

4553. The Chairman said that, as the first portion of Mr. Nolan's statement dealt with matters on which evidence of the representatives of the Assam-Bengal Railway Company had already been taken in London, it would not be necessary to take further oral evidence on the subject from Mr. Nolan.

4554. Turning to Mr. Nolan's observation that in such cases as that of the Assam-Bengal Railway " a real and immediate incentive " to economical working is lacking, the Chairman suggested that it would probably represent Mr. Nolan's views more clearly if the words " incentive of a share of the profits " is lacking, were substituted, since Mr. Nolan naturally did not mean to give the impression that, in fact, the working agents do not do their best for the property. Mr. Nolan agreed.

4555. Mr. Nolan said that the Assam-Bengal Railway had been starved. It had been open for about 25 years, during which time only very small grants had been given to it and it had been able to construct only about 90 miles of extensions from money provided by Government. Of this 90 miles, 30 miles was the Sylhet Branch which was built under pressure from the Government of Assam and which the Company were not at all anxious for as it did not present such favourable prospects as extensions into Eastern Bengal. Even allowing for the fact that in other cases, for example, the Grand Chord of the East Indian Railway works classed as new mileage really are in the nature of open line works, since they are really relief lines duplicating the old, Mr. Nolan was of opinion that relatively less money had been provided for extensions into new country on the Assam-Bengal Railway than on other systems. Mr. Nolan added that he could send figures which would support his view. [*See* Appendix A., subsequently received.]

4556. Mr. Nolan had suggested that an incentive should be given in the shape of a payment from net earnings of a small percentage on the total capital cost of the undertaking, on a sliding scale fixed in relation to the ratio obtaining between gross earnings and working expenses. The Chairman suggested that this would really be giving the Company an inducement to starve the maintenance of the line, a measure which had been shown to be possible under war conditions (and which indeed had then been imperative). Mr. Nolan thought however that Government could easily see that their property was not allowed to run down. He argued that such a policy as suggested by the Chairman would not be a sound policy and could not in the long run prove advantageous. In this the Chairman agreed.

4557. With reference to Mr. Nolan's admission that delay does sometimes occur in settling references to the Boards of Directors, but that few instances of this had come to his notice in which matters of great urgency had been concerned, Mr. Nolan said that he thought that on the whole it took longer to get sanctions from the Railway Board, than from the Home Board, notwithstanding the shorter time taken in the post.

4558. He urged that the main line companies should be allowed to construct profitable branches, citing as an example the Mymensingh Bhairab Bazar line. The entrusting of such a line as this to a private company is the result of Government not having enough funds for main line extensions. He stated his Company were anxious to build it but in such matters were subject to the policy of the Railway Board and that rather than not have it built at all his company gladly agreed to its being built by a Branch Line Company. The Chairman pointed out that, if there were any questions of such lines being built by main line companies on rupee capital, even with dividends payable in India, the question of liability to English Income Tax would arise. This difficulty appeared to be unavoidable even if a distinct affiliated company be used so long as the main (English) company exercised control.

4559. The witness said that he believed that the money for the Mymensingh Bhairab Bazar line was largely underwritten in England. Sir R. N. Mookerjee said however that he was in a position to say that this was not the case, he doubted whether the line would have been built at all had it not been done by the branch line company. Mr. Nolan pointed out that the company was floated and construction undertaken during the war and at that particular time it would no doubt have been difficult for the Assam-Bengal Railway to raise the capital in London.

4560. Mr. Nolan urged, as an objection to separate companies for building extensions that they will only build the more immediately profitable lines. There appeared to be no remedy so long as Government could not or would not supply sufficient capital. He thought that there is scope in India for companies which would not only promote extensions and develop their main systems but which would examine and assist in promoting commercial undertakings generally. He explained it was not his intention that such a company should enter into commercial undertakings from the speculative point of view but that it might promote, investigate and develop industry in Assam, not so much with a view to the profit to be derived from such industry but with the ulterior object of developing the traffic of the main line and that nothing in the nature of speculation in land was contemplated. As an example he instanced the Assam Railways and Trading Company, which had done much to develop local industries in Northern Assam.

4561. Mr. Nolan explained that the Assam Railways and Trading Company's activities included the development of coal mines, oil fields, tea plantations, forest produce, saw mills, tea chests and brick and tile factories. They had developed the oil field and subsequently formed a separate undertaking, the Assam Oil Company, to take it over. These industrial developments were all carried out in connection with the working of the Dibru Sadiya Railway. Sir Arthur Anderson asked if it was not a fact that the Assam-Bengal Railway did not always admire or agree with the workings of the Assam Railways and Trading Company. Mr. Nolan replied that the differences of opinion they had were mainly over the rates policy of that company. He was not entirely satisfied with the rates policy of that company, which, partly because of its relations with the river navigation company, tended to draw traffic by the rail and river route to Calcutta as against the railway route over the Assam-Bengal Railway to Chittagong. In the case of the competition with the Assam-Bengal Railway, which he had mentioned, the reduction is generally made on the river portion of the route. The Chairman suggested there was nothing to prevent a Branch Line Company entering into such industrial enterprise as was mentioned. Mr. Nolan said guaranteed companies were not permitted to do so.

4562. Mr. Nolan explained that the observations in his written statement with regard to the fixing of a definite geographical limit of operations for subsidiary companies had reference more particularly to

proposals which had been communicated for the opinion of his Home Board of Directors by the India Office. He understood that the idea was the formation of an Associated Company for each of the existing main British domiciled companies. His Board of Directors, and he himself, saw great difficulties in the adoption of such a scheme as had been placed before them.

4563. With regard to the Railway Board, Mr. Nolan believed that it was too much hampered by the Finance Department. He considered also that it goes into unnecessary details in connection especially with matters relating to establishments and quoted an example showing the amount of correspondence and great delay which took place over the simple matter of an increment to a subordinate drawing Rs. 240 a month. Sir R. N. Mookerjee mentioned that he knew of a case in which a reference had been necessary to the Railway Board regarding the supply of winter clothing to the staff of the Arakan Railway. Sanction was awaited for three months by which time the winter had nearly passed.

4564. Mr. Nolan promised that he would furnish the Committee with information regarding the numbers of letters exchanged on all subjects included under the head of establishment during a period of 12 months. [*See* Appendix B.]

4565. In connexion with the Dacca section of the Eastern Bengal Railway, Mr. Nolan pressed the desirability of transferring this section, which has no physical connection other than a long wagon ferry with the Eastern-Bengal Railway, now administering it, to the Assam-Bengal Railway. He stated that the Railway Board had changed its views from time to time with regard to this question. The Assam-Bengal Railway Company was of opinion that it would be of great assistance to it to be allowed to work this section which would enable them to extend largely in the Dacca-Mymensingh area. Witness had in mind a scheme of extensions of some 200 to 300 miles and believed that the Assam-Bengal Railway could improve trade greatly in these districts and at the same time develop trade between Eastern Bengal and the Port of Chittagong without involving any serious interference with the important traffic at present moving towards Calcutta. He urged that the Eastern Bengal Railway had done practically nothing in support of extensions in this area. He agreed that the transfer would not give the Assam-Bengal Railway an immediate share of surplus earnings but he thought that it would give them a good prospect of a share within six or seven years. At the present time he understood that the matter is again under the consideration of the Government of India at the instance of the Assam-Bengal Railway Company's Board of Directors.

4566. Mr. Nolan urged that the Railway Board should be responsible for its own finance, and supported the opinion expressed by Mr. Robertson in 1903 that every rupee spent on railways comes back many times over to the country. He promised that he would endeavour to send up for the use of the Committee some specific instances of the indirect increments in revenue which were secured by railway construction.

4567. Mr. Cooper, speaking with reference to the remedy provided by the Railways Act for dealing with complaints regarding rates, was assured by the Chairman that a Railway Commission under the Act had never actually been set up. He agreed that it was desirable that experts should deal with such matters as rates. The Chairman mentioned that the Agent of the East Indian Railway had admitted that cases occur in which the public have a right to complain, and that he had no objection to a Tribunal consisting of a lawyer Chairman, versed in railway matters, assisted by two commercial and two railway men. Mr. Cooper agreed, provided a lawyer with suitable qualifications could be found. He did not think that lawyers had specialised in railway work in India as they had done in the United Kingdom, but he agreed that there was no reason why they should not do so. Mr. Cooper saw no objection to the Railway Board being empowered to deal with minor cases of complaints connected with rates and fares, provided that the staff in their office dealing with such matters had adequate experience. Important questions should be referred to the independent tribunal.

4568. He did not think that it would be necessary to provide for payment of caution money to prevent frivolous complaints being made to the tribunal. He thought that persons having complaints to make would have to incur a certain amount of expenditure in preparing them for submission and that this would be a sufficient preventive against frivolous representations. Mr. Cooper mentioned that he had cases in which he had found the help obtainable from members of the commercial community extremely useful.

4569. In answer to Sir Henry Ledgard, Mr. Nolan stated that the Capital July Forecast for the year 1921-22 amounted to Rs. 79·63 lakhs. Only Rs. 64·80 lakhs was provisionally sanctioned, and a telegram had been received in December that the Assam-Bengal Railway would only receive Rs. 15 lakhs. He had telegraphed at once saying that this was impossible as the home commitments already amounted to about Rs. 28 lakhs. In reply, he was allowed an additional sum of Rs. 10 lakhs and told that he must work within the Rs. 25 lakhs so provided. In consequence, he had to cancel many of the home indents, and had telegraphed to his Home Board to cancel certain contracts if possible. One result would be that some forty lakhs of rupees worth of rolling stock materials from England would lie idle in stock next year in default of an allotment of about four lakhs of rupees for the cost of erection in India. Meanwhile the line would be short of rolling stock. Mr. Nolan stated that this expenditure was almost wholly on capital account, and promised that he would intimate subsequently the actual amount of revenue expenditure included in the 40 lakhs.

[*N.B.*—Mr. Nolan subsequently informed the Committee that the figures quoted by him from memory needed correction. The actual position is that Rs. 43·19 lakhs worth of material will lie in stock in default of an allotment of Rs. 8·33 lakhs for cost of erection in India; all of this is on capital account.]

4570. For the year 1920-21, the demand made in July was for Rs. 115 lakhs, and the budget grant had been Rs. 77 lakhs which was subsequently reduced to Rs. 72 lakhs.

4571. In reply to Mr. Hiley, Mr. Nolan stated that there would be a lapse on the 72 lakhs of rupees owing to failures to secure delivery of stores ordered in England in the current year. He promised that he would send further information to the Committee regarding the extent of the lapse expected. [*See* Appendix C.]

4572. The Chairman asked whether it would be possible for a railway company to reduce lapses by making payments on account to contractors, even if the work was not completed. The witness stated payments on account were made to contractors. The Chairman asked by whom such payments were made, by the Board in London or by the Secretary of State? Sir George Godfrey explained that the practice is for the railway company to draw funds from the India Office on a demand statement and the company makes the actual payment to the contractors.

4573. Mr. Nolan stated in reply to Sir Arthur Anderson that the company is doing what it can to press on expenditure in the current year with the object of utilising the provision which must otherwise lapse and of relieving demands for money next year.

4574. Referring to Mr. Nolan's written reply to question No. 1, Mr. Purshotamdas asked why there should be any change in the conditions of railways if all of them were managed by the State. Mr. Nolan stated that at present there is a certain amount of competition, or rather emulation, between the State and company managed lines, each trying to excel the other. This would certainly disappear if all the railways were State managed. He did not mean that there is competition in cutting down working expenses but that there is competition to show good management. Witness pointed out that even at present whilst this emulation held, taking the larger railways, State railways appeared low in the list of dividend earning railways and also low in the list showing the ratio existing on different railways between gross earnings and working expenses. As regards return, he agreed generally that it depended more on the districts through which a railway passes than on other considerations but he pointed out that the Eastern Bengal Railway appeared at the bottom of the lists above mentioned, notwithstanding that the districts it passed through were generally favourable for traffic. In reply to a question from Mr. Purshotamdas he mentioned that the Assam-Bengal Railway is particularly unfortunate in that it includes a hill section which is most expensive to work and was most expensive to construct. *Vide* Appendix D.

APPENDIX A.

During the period referred to in paragraph 4555 of the oral evidence given before the Railway Committee the Assam-Bengal Railway was provided by Government with funds for construction of 90½ miles of branch lines. During the same period funds were provided by Government for construction of branch lines and extensions of other railways as shewn below:—

	Miles.
Burma Railways	364
Eastern Bengal Railway	621
East Indian Railway	748
Bombay, Baroda and Central India Railway	423
Bengal Nagpur Railway	1,173
Oudh and Rohilkhand Railway	589

Some of these railways are two and even three times longer than the Assam-Bengal Railway, but in the least case the extensions built out of capital provided by Government are more than four times the extensions similarly built by the Assam-Bengal Railway. If lines, such as the Grand Chord which is in the nature of a duplication, are excluded it will still be seen that other Railways have received more favourable treatment.

APPENDIX B.

The total number of communications on subjects connected with establishment, inwards and outwards, between the Agent, Assam-Bengal Railway, and the Secretary, Railway Board, for the 12 months ending 31st December, 1920, was 495.

APPENDIX C.

Referring to paragraph 4571 in the oral evidence the present estimated amount of lapses on the current year's grant will be nearly Rs. 7 lakhs.

As some confusion of dates occurred in recording my oral evidence I give the following figures, which are correct:—

1919–20	July Forecast	95·77
	Budget grant	64·91
	Final grant	55·36
1920–21	July Forecast	114·91
	Budget grant	77·04
	Final grant	72·33
	Probable lapses about	6·78
1921–22	July Forecast	79·63
	Budget grant (as revised in December)	25·59

APPENDIX D.

Average of yearly statistics for the five pre-war years 1909 *to* 1913–14.

	Net earnings on total Capital.		Ratio of cost of working to gross earnings.
East Indian	9·39	East Indian	47·65
Bombay, Baroda and Central India...	7·61	Nizam's Guaranteed	55·13
Nizam's Guaranteed	6·61	Bombay, Baroda and Central India...	58·47
Great Indian Peninsula...	6·30	Bengal Nagpur	59·81
North Western*	5·94	Oudh and Rohilkhand	63·26
Oudh and Rohilkhand	5·58	Madras and Southern Mahratta ...	64·42
Madras and Southern Mahratta ...	5·46	Great Indian Peninsula...	65·51
Bengal Nagpur	5·28	North Western*	69·90
Eastern Bengal	5·13	Eastern Bengal	71·50

Average of yearly statistics for the five years 1914–15 *to* 1918–19.

	Net earnings on total Capital.		Ratio of cost of working to gross earnings.
East Indian	9·97	East Indian	37·02
Bombay, Baroda and Central India ...	8·81	Bombay, Baroda and Central India ...	45·61
Madras and Southern Mahratta ...	8·00	Oudh and Rohilkhand	45·68
North Western*	6·98	Bengal Nagpur	48·73
Oudh and Rohilkhand	6·76	Madras and Southern Mahratta ...	48·93
Great Indian Peninsula	6·53	North Western*	49·68
Nizam's Guaranteed	6·40	Nizam's Guaranteed	51·95
Bengal Nagpur	6·38	Great Indian Peninsula...	56·76
Eastern Bengal	3·76	Eastern Bengal	58·24

* Commercial section only.

Mr. TARIT BHUSHAN ROY, Secretary, Bengal Mohajan Sabha, was called and examined with reference to the statement submitted by him to the Committee.

See Written Statement No. 30, Vol. IV., P. 120.

4575. Mr. Roy explained that the Mohajan Sabha is a mercantile association of which he was the Secretary. The Chairman thanked him for the memorandum which he had furnished to the Committee and for the convenient form in which the Sabha had stated their views for its consideration.

4576. Referring to the opening portion of the written statement, which dealt with State *versus* company management, the Chairman asked whether it might be taken that public opinion on the subject hardly took definite shape before 1914 when attention was directed to it by Sir Ibrahim Rahimtulla's speech in the Imperial Legislative Council. Mr. Roy said that this was right and that the matter was further ventilated in the Council subsequently by the Honourable Mr. Sarma and others. He said that public opinion is now strongly set in one direction, namely, in favour of State management, and that this is certainly the view of the association which he represented, and he believed of the general public.

4577. The Chairman drew attention to the statement that the aim and object of railway policy should be the development of trade and industry, the provision of cheaper transport facilities, the increment of revenue and the reduction of direct taxation and of railway rates to a minimum. The Chairman asked whether the result of a reduction in rates and fares would not be that direct taxation would have to be increased and not reduced. Mr. Roy thought a position might arise in which it would be possible to increase the revenue largely by a reduction of rates and fares which would encourage a large growth of traffic. The Chairman observed that the evidence placed before the Committee was to the effect that the railway system is at present unable to carry the traffic that offers now, and that further traffic could only be provided for by means of further capital expenditure.

4578. Adverting to the statement that advanced countries, such as Japan and others, where the experiment of State ownership and State management had been tried, are in favour of State management, the Chairman observed that this is, however, not true of United States of America which Mr. Roy agreed is an advanced country, and that 18 months' experience of State management led the United States of America strongly to desire to revert to the system of company management. As against Mr. Lloyd George's tribute to the economy and efficiency of State management, quoted by Mr. Roy, the Chairman observed that the British Government had recently introduced a Bill providing for the handing back of the railways to companies, and that Mr. Lloyd George as Prime Minister was responsible for this.

4579. The Chairman pointed out that the figures which had been quoted comparing the results forty years before of the working of the Madras Guaranteed Railway with those of the Rajputana State Railway, did not furnish conclusive evidence of the advantage of State management and that different results could have been secured by an alteration of the rates either on the State line or that of the company without altering the system of management. However that might be, the Chairman observed it was clear from the memorandum that the Sabha's view is that State management is desirable as being more in the interests of the people.

4580. The Chairman referred to the suggestion that State management would mean large savings in official salaries and large reductions in the number of employees in the railway offices, and asked whether Mr. Roy was speaking from personal experience of State-managed concerns. Mr. Roy said that this was the opinion of his Sabha.

4581. Mr. Roy agreed that management by the people meant in practice management by officials, but he thought they would be controlled by the Legislative Assembly. He was satisfied that this would be more efficient than management by independent companies. The Sabha believed that agents of State railways had done better even now in promoting public interests than the company agents.

4582. Discussing the views of the Mohajan Sabha with reference to the application of net profits to the amortisation of capital so that the entire railway system might become free, the Chairman remarked that the proposal to buy out the English companies was not what is usually meant by amortisation of capital. He recognised that the Mohajan Sabha would wish to buy out the English companies, and asked whether, if only so much money was available for capital expenditure as would suffice for the development of the railway system, Mr. Roy would prefer to spend part of it in buying out the existing companies, or would prefer to meet the requirements of railways first and to buy out the companies only later when this became financially practicable. Mr. Roy agreed that he would adopt the latter course.

4583. Mr. Roy admitted that the Railway Board was not to blame for the failure, noted in Part II of the written evidence, to meet the requirements of the public, if it was the case that the Railway Board's inability to do so was due to the refusal of the Finance Minister to supply the necessary funds.

4584. With regard to the comfort of the travelling public, Mr. Roy urged that it is the business of the Railway Board to ensure the comfort and protection of the travelling public, especially of women. He approved the appointment of Passenger Superintendents, who are now engaged in looking after the interests of the travelling public at some of the larger stations on both the State and company worked lines. He thought that the system should be considerably extended.

4585. Mr. Roy did not wish to dilate upon what his association had stated on the subject of the members of the Railway Board being liable to prejudice in view of the prospect of a seat on the London Board of a company after retirement from Government service.

4586. Referring to the question of finance, Mr. Roy believed that a considerable sum of money might be obtained in India in response to an inviation to subscribe to a railway loan. He thought that the State could raise money more easily than a company and that people would subscribe freely in view of a good return and the security of Government. As a member of the War Loan Committee Mr. Roy had had some experience in endeavouring to popularise the war loans. In this connection he had addressed public meetings in Calcutta, as others did elsewhere. He did not think that patriotism alone would have produced the result secured, though patriotism combined with an attractive return had been successful. The War Loan Committee had also advertised the loans widely. He did not think that much of the money subscribed came out of hoardings. It was mostly business men's money which was available for investment. He was doubtful if much money was hoarded at present other than that locked up in jewels and ornaments.

4587. The Chairman described a suggestion for establishing an independent tribunal comprising a lawyer chairman, assisted by two commercial and two railway men for the purpose of dealing with complaints regarding rates and fares. He enquired whether Mr. Roy would think such a tribunal satisfactory. Mr. Roy was of the opinion that this might be a somewhat complicated matter, but after some discussion he agreed that the constitution would be proper, if the tribunal were appointed by the Government of India and were only convened when there was work to be done.

4588. The Chairman drew attention to Mr. Roy's statement that the companies, armed as they are with great powers, can, if they so desire, easily strangle indigenous enterprise through the medium of maxima and minima rates. Mr. Roy explained that what he meant was not that the railways actually wish to do this, but that they have the power to do so. Pressed on this question by the Chairman, he said that in his opinon a conflict of interests might possibly arise when a company might be inclined to discourage indigenous enterprise.

4589. With reference to the concluding observations in the written statement that railway servants should not be allowed to travel by ordinary passenger trains, thus restricting further the accommodation available in them for the public, Mr. Roy explained that his point was that railway men should as far as possible use the accommodation provided for them in the Parcels Express, which is not available for the general public, instead of adding to the congestion in the ordinary trains.

4590. In answer to Sir Rajendra Nath Mookerjee Mr. Roy explained that his previous reply to the Chairman was not meant to suggest that the subscribers to the war loans were not actuated by patriotism. Both patriotism and the prospect of a profitable investment influenced the public in making their subscriptions.

4591. In reply to Mr. Tuke, Mr. Roy said that funds required for railway purposes ought to be raised by a separate Government railway loan. He did not, however, think that it made much difference whether the loan was raised in this form or as ordinary Government borrowings. He thought that, if not less than 6 per cent. interest were offered, it might be possible to raise perhaps 15 crores in India annually.

4592. In reply to Mr. Purshotamdas Thakurdas, Mr. Roy stated that he thought that women required better facilities for travelling by railway; there were very few compartments reserved for their use, and as a consequence of this they were frequently compelled to travel in the ordinary unreserved compartments.

4593. Mr. Purshotamdas Thakurdas asked Mr. Roy his opinion of the suggestion which had been made by a representative of the East Indian Railway Passengers' Association that intermediate and second-class accommodation should be abolished. Mr. Roy disagreed with this and considered it most undesirable. He thought more attention might be paid by railway managements to minor matters, such as the provision of facilities for the recognition of the different classes of carriage. In this connection Sir Rajendra Nath Mookerjee mentioned that the different colours which at one time were used to distinguish the different classes of carriages had to be abandoned as affording too convenient an indication to train thieves of the most suitable locality for their operations.

Mr. H. M. PEAT, Chairman of the Indian Jute Mill Association, was called and examined upon the statement furnished by him to the Committee.

See Written Statement No. 31, Vol. IV., P. 122.

4594. Figures given by Mr. Peat in his written statement showed the great importance of the Jute Mill industry, in which there is invested a capital of 40 millions sterling, over quarter of a million workers employed, and a daily coal consumption of about 4,000 tons. Fourteen new mills and extensions to existing mills are under construction.

4595. Examining the comparative figures for the years 1917-20, inclusive, the Chairman ascertained from Mr. Peat that there had not been any great development during those years, and it might be taken that the requirements were roughly the same throughout the period. Regarding coal supply it was recognised that one month's stock is a reasonable amount to have in reserve. The figures placed before the Committee showed, however, that this had not usually been attained. The stocks were generally low in 1917 and 1918, particularly in the early portions of these years. They were high in the latter part of 1918 and throughout 1919, this being due not to a better supply of coal but to the fact that mills were working short time during the greater part of that period and better stocks were thus accumulated. In 1920 the stocks again gradually dropped until they now represented only 4 days' supply. The Chairman observed that all that stock is divided between a number of concerns and that consequently the amount in hand in particular mills is not necessarily as much even as four days' consumption.

4596. It appeared later from Mr. Peat's notes that five large mills had completely stopped on the date of the memorandum, the 12th January, 1921, and it was ascertained that within the subsequent twenty-four hours two more had stopped. These were large concerns employing a total staff of some 40,000 labourers. In this connection the Chairman read the following telegram which had been recently despatched by the Jute Mills Association to the Government of India in the Department of Commerce.

Express telegram dated 5th January, 1921:—

Reference Conference coal position held Bengal Chamber 3rd December, position of mills rapidly becoming impossible. Alliance, Alexandra, Baliaghatta 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.

4597. Mr. Peat said that the Association was in constant touch with the Railways concerned. Some improvement in the situation was promised by the decision of the Government further to restrict the exports of coal from India.

4598. He stated that the difficulty due to lack of railway facilities is added to at the present time by the short raisings of coal at the collieries. The Association felt also the deficiency of wagons in bringing jute down from the jute districts. Mr. Peat agreed that it was not perhaps reasonable to suggest that the railway should have so large a stock of wagons as to be able to carry the whole traffic offering at particular periods without any delay. But the position was that frequently no wagons at all were available at despatching points in the Northern jute districts where there was no alternative water route. A large part of the jute crop came to Calcutta by water.

4599. The Committee examined the figures of delays in transport of coal from the coalfields which had been furnished by Mr. Peat. The Chairman remarked that the delays occurring on the Bengal Nagpur Railway and the East Indian Railway did not seem on the whole to be strikingly bad although no doubt undesirable; in the case of the traffic passing over both the East Indian Railway and the Eastern Bengal Railway, *viâ* Naihati however, they were more striking, and were due largely to the fact that the traffic went through a "bottle neck" at Naihati.

4600. In reply to Sir Henry Ledgard, Mr. Peat said that he did not think that coal was taking longer at present to come over the East Indian Railway than it did three or six months ago. A smaller quantity however was coming and was subject to equal delay.

TWENTY-SECOND DAY.

(Calcutta.)

Friday, 14th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt. C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. R. M. WATSON SMYTH, M.L.C., Vice-President of the Bengal Chamber of Commerce, was called and examined with reference to a memorandum which had been furnished by the Chamber.

4601. Mr. Watson Smyth stated that he was a senior partner of Messrs. Turner, Morrison and Company, and Vice-President of the Bengal Chamber of Commerce. The Chamber is one of the oldest in India, having been founded in 1836, and has a Membership of over 240 confined to British firms.

4602. The Chairman drew attention to the recorded statement of the Chamber that for many years past it had been urging the imperative necessity for a more liberal allotment of funds for expenditure on railways, and its quotation, among other references of its representation to the Railway Finance Committee of 1908 regarding the insufficiency of the allotments and the grave complaints of inadequacy of facilities for the carriage of coal to Calcutta. In that representation, it had been emphasized that the scarcity of rolling stock had recurred almost annually since 1894 with serious consequences to colliery-owners, manufacturers, railways and shippers. The Chairman observed that the tale of inadequacy is thus carried back to 1894, since when complaints have been continuous.

4603. The Chamber according to their statements regard the general situation of railway transportation as worse to-day than when they made their representation in 1908; that is to say, that instead of things getting better, they were getting worse, and instead of only contemplating the closing of mills and factories, there are to-day seven important jute mills in Calcutta actually closed for want of coal, throwing out of employment about a sixth of the total labour employed in the jute mill industry. Further, the position, bad as it is to-day, shows every sign of becoming worse in the next six months.

4604. The inadequacy of facilities for the carriage of coal has been recognised by Government as the result of a conference recently held, and it has been necessary for Government to prohibit the export of shipment coal except to a very limited extent in certain cases and to restrict bunkering to the utmost. Mr. Watson Smyth stated that, while the exporters of coal recognised that in the circumstances this is the best thing that can be done, it caused nevertheless serious disadvantage to trade and real loss to the shippers. Apart from the difficulties due to lack of coal transport, the movement of general merchandise has been for months past and is still being greatly delayed and hampered. Important trades such as that in manganese, sugar, salt, piece-goods and seeds —to mention only a few—have experienced and are experiencing difficulty in moving their goods as required. It was not for the Chamber of Commerce to specify the particular improvements necessary. They were concerned only with results, and it is obvious that the whole railway machine is inadequate. It is clear that what is necessary is an all-round enlargement of the carrying capacity of the railways to enable them to cope with the increasing trade of the country. Mr. Watson Smyth said that the delays to which railway traffic is liable involve great hardship and in many cases reduce business operations to a gamble. He quoted instances to illustrate the point.

4605. One of these had been represented by the firm of Ralli Brothers and related to trade in linseed. The average value of this commodity about the beginning of 1920 was Rs. 11 per maund, and went as high as Rs. 12-8-0. At that price, there was a good demand, but for early shipment. Shipping was available, but it was too risky to undertake business, because railways were working badly and no reliance could be placed on having the seed brought to the port within a reasonable time. The shippers would thus have had to risk paying for freight taken up in a liner, but not utilised. In one case, the firm named had some 700 tons of linseed held up at a single station up-country for over four months. The movement of the linseed crop was so impeded that seed from the River Plate filled the demand and India lost the opportunity of selling its seed at the above quoted high price. The price has recently fallen as low as Rs. 8-8-0, and at the present time stands at about Rs. 9 per maund. This was a case in which the commodity, the shipping and the market were all available, and the business was not done solely because of the impossibility of relying upon railway transport in India. Mr. Watson Smyth emphasized that this was merely a single instance and that such cases are common occurrences.

4606. Another example related to trade in manganese. In this case, the Central Provinces Prospecting Syndicate, Limited, considered that they could, without any difficulty, dispose of double the quantity of manganese which they at present succeed in shipping, if only the Indian Railways were in a position to move the ore. Roughly, their shipments average about 300,000 tons per annum; with the present demand for manganese they considered they could easily dispose of 600,000 tons. At the moment, they have from 300,000 to 350,000 tons of prepared ore in stock up-country which they are only able to move to the ports in comparatively small quantities as wagons are available. As an instance of the congestion, they have a stock at one station on the Bengal Nagpur Railway of roughly 70,000 tons, while despatches from that station only average about 3,000 tons per mensem. This single station therefore is already two years in arrear with its work.

4607. Another example mentioned related to salt imported into Calcutta. About one-half million tons are imported annually by steamer. It goes into the golas (Government bonded warehouses). Importers have to pay duty in order to have the salt released from bond. They then apply for wagons, supporting their applications by the certificate that duty has been paid, and in the witness's phrase "sit in a queue" waiting for wagons to be alloted. The consequence is that his firm alone has lakhs of rupees locked up in duty paid to the Government. They cannot get their money back, as the supply of wagons is regulated by the duty payment certificates or "chalans," as they are called, and they cannot get wagons to move the salt. The loss in duty is the matter of which complaint was particularly made. Charges for godown rent are comparatively trifling. Mr. Watson Smyth said that, on the average, it takes about six weeks to secure wagons for salt transport. At the present moment the position happens to be better, but he was concerned with the ordinary situation.

4608. The salt golas are situated above Howrah and the railway facilities there are bad. Mr. Watson Smyth thought that if additional wagons were provided, it would only increase the congestion. It is not a matter for the Chamber of Commerce to decide whether it is the Government Railways or the Government of India which are ultimately responsible.

4609. The fourth case mentioned was that of sugar. Mr. Watson Smyth stated that his firm has a sugar refinery in Calcutta, and last year bought several thousand tons of semi-refined sugar in Cawnpore deliverable in Calcutta by a specified date. Of this, some 600 tons have not yet been delivered, and meanwhile the market has fallen from Rs. 32 to Rs. 16. His firm after extending the contract time considerably have now refused to accept delivery as the time by which it should have been made is long past. The sellers must lose heavily because of the railway failure to perform its duties.

4610. The firm had not taken this action until a considerable period after the time by which delivery should have been made. The result of the action taken is that a law suit is pending with reference to the contract. There is no doubt that, in addition to the Cawnpore seller of the sugar, his own firm has lost as well since if the unrefined sugar had been delivered in time, it could have been refined and sold at a profit.

4611. Sir George Godfrey asked whether there is any definite proof that, in this case, the Cawnpore merchant's difficulty was the lack of wagons. Mr. Watson Smyth was not in a position to produce definite proof, but observed that it was entirely in the interests of the merchants to complete the contract as they had a falling market, and there was every reason to believe that the shortage of railway transport was responsible for his inability to supply. In answer to Sir Henry Burt, he agreed that probably the sugar reached Cawnpore over the North Western Railway on which there are heavy restrictions of traffic.

4612. Mr. Watson Smyth mentioned that the foregoing are merely typical instances of what is happening constantly. He placed before the Committee two letters relating to the linseed and manganese cases; these are reproduced as Annexures 1 and 2 hereto.

4613. The Chairman said that the moral appeared to be that, not only consumers suffer, but the uncertainty of adequate transport is paralysing trade. Mr. Hiley asked whether Mr. Watson Smyth could furnish information on the same lines as had been done by representatives of the metallurgical industries regarding the capital and numbers of employees engaged in such industries as had been mentioned, together with an indication of expected developments in the demands likely to be made on the railways. Mr. Watson Smyth explained that it was difficult to do so in the case of these industries in which a very large number of small firms are engaged. The Chairman said that he would like any general statements to be fortified as far as possible by specific details.

4614. Mr. Watson Smyth said that the block of traffic at the port of Calcutta is greater now than had ever been contemplated. It was attributable largely to two special causes; the effects of the recent stevedore strike; and the fact that owing to the fall in the value of the rupee people are unable to take up bills and clear imports of goods ordered from Europe at the time of high exchange. If exchange were to go up to 1s. 8d., the goods would be released, but he thought railways would find themselves in difficulty with the up-country traffic.

4615. He mentioned that the Port Commissioners have a large scheme of improvements in hand, and he did not think that there would be much complaint if railways would expand in the next six years to the same extent as the Port facilities will do. The Chairman observed that the Committee had been told that the metallurgical industries capacity was limited by the capacity of the railways to carry their materials and products, and that, possibly, the railways might say the same with regard to the port facilities. Mr. Watson Smyth said that there was no fear of the port facilities lagging behind railway development; possibly some temporary difficulty might be experienced as regards coal. He did not, however, even regard this as a lasting exception. He mentioned the difficulty of improving the coal loading at the Docks owing to the want of supply of open wagons. Sir George Godfrey said that the East Indian Railway contended that they must supply covered wagons in order to accommodate the return traffic from the docks.

4616. The Chairman said that the fact appeared to him to be that the new general dock is expected to be completed in eight years, whereas if railways were adequately supplied with funds, there was no reason why they should not be able to deal with all the traffic offering in three years' time. The port might, in that case, have a difficulty in dealing with the traffic in three years' time. Mr. Watson Smyth thought that it was only the coal traffic which might still cause some congestion at the docks.

4617. Referring to the observation of the Chamber regarding the Finance Committee's recommendation of a programme of £12½ millions per annum for capital outlay on railways, the Chairman mentioned that in his recent evidence in London Lord Inchcape had said that if he had had his own way, he would have put this figure at £20 millions, but that he had not pressed his views against those of the Financial Representative of the India Office with whom the greater responsibility lay. It was clear that the Chamber was not overstating the case in accepting double this figure now as representing the same amount of work. The figure of £25 millions was probably unreasonably low rather than unreasonably high.

4618. Turning to the question of finance, the Chairman observed that, so far as he knew nobody had disagreed with the conclusion of the Chamber that the procedure actually adopted hitherto, under which the Government raises money for general purposes and allots only what could be spared to railways for capital expenditure, was responsible for the present unsatisfactory state of railway development. He suggested, however, that it might not necessarily follow that the method of raising money through Government borrowing was wrong, and he pointed out that Sir Norcot Warren, Secretary of the Bank of Bengal, in his evidence had expressed the opinion that Government could raise money more easily by a general loan than by borrowing specifically for railway purposes. Mr. Watson Smyth said that it did not matter to the Chamber of Commerce by what method money was obtained so long as it was forthcoming in sufficient quantity. Personally, however, he did not agree with Sir Norcot Warren's opinion. The Chamber definitely was of opinion that borrowings specifically for railway purposes would be more attractive than borrowings for unspecified objects, though they believed that even this system would not raise sufficient funds. He laid stress upon the unattractiveness to investors of Government loans. Owing to the depreciation in the Stock Exchange valuation of Government 5½ per cent. paper, investors had considerable hesitation in taking up Government loans. The Chamber had referred to the attention which Government feel constrained to pay to the danger of depreciating their existing securities as tending to prevent them from issuing new loans at really attractive rates. The Chamber did not mean to say that this depreciation could be avoided or that the Government does not pay undue

attention to it; but it undoubtedly exists and was an objection to relying too much on direct Government borrowings.

4619. The Chamber considered it would be unwise to circumscribe the field of investment, especially as a large body of wealthy Indian investors prefer more speculative investments, than railway loans would afford. For this reason, the Chamber was of opinion that an attempt should be made to attract capital from the whole Empire or even from the whole world. The Chamber thought that the best system to adopt is that the companies should be given the responsibility of raising the money required for capital expenditure. Taking the case of the East Indian Railway, which had been specially in the mind of the Chamber, their view was that the Company should be reconstituted on the basis of the larger capital necessary for its requirements. Government would retain its existing interest in the undertaking, but the new company would be much enlarged. After considerable discussion as to the nature of the arrangements which might be made with the existing East Indian Railway Company, Mr. Watson Smyth explained that the Chamber thought it useless to tinker with the existing arrangements. What was necessary was that it should be completely superseded by a new arrangement with a reconstituted company.

4620. In answer to the Chairman, Mr. Watson Smyth agreed that there is money to be had at the present moment, but in order to sell East Indian ordinary stock at par it would probably be necessary either to give a Government guarantee or to show such satisfactory earnings and prospects as to establish an obvious expectation of a return of perhaps about nine per cent. In the event of a reconstitution of the East Indian Railway Company as suggested by him, Mr. Watson Smyth thought that probably the existing shareholders would readily transfer their investments to the new company. If not, it would be necessary to buy them out.

4621. He stated that he was not in a position to say how such a proposal as the Chamber had made would appeal to Indian public opinion. The Chairman mentioned that many Indian witnesses had expressed themselves strongly against permitting any extension of companies' interests in the railways and against raising new share capital from outside India. Mr. Watson Smyth said that the Chamber had regarded the matter merely as a commercial proposition without regard to racial or political considerations. If the view quoted were accepted, it would be necessary for India to undertake itself to supply the necessary funds. In his opinion the only way of raising the very large sum required for the railways is by offering an attractive semi-speculative security. The Chamber of Commerce had not considered specially the case of other railways than the East Indian which cannot show so satisfactory a return.

4622. In answer to Mr. Tuke, Mr. Watson Smyth mentioned an instance of the unpopularity of investment in Government loans. He stated that Government had attempted to assist firms, who, as already explained, had to pay large sums on account of salt duties before the salt could be despatched upcountry and sold, and had accepted payment of the duties in Government paper. The firms who had bought rupee-paper under the scheme had deposited the securities and certainly got 3½ per cent. interest, but owing to the depreciation of the securities, the capital sums involved had greatly depreciated.

4623. Mr. Watson Smyth thought that a considerable sum of money might be raised in India in the form of companies' capital. Speaking for the Chamber of Commerce, he thought from its members' point of view that there would be a good response to an invitation for subscriptions. He could not say, however, whether in the case of such lines as the Assam Bengal Railway, the same would hold good.

4624. The Chamber had stated that they would deplore a decision that the railways must still look to Government for their capital funds. They had always been told it was impossible to separate the railway finances from the general Government finance. Mr. Watson Smyth said they felt that were it an ordinary commercial question, it would be possible for a department of sufficient importance to be kept distinct and independent of other branches of business. It was possible that greater difficulties exist in connection with the Government accounts than the Chamber could appreciate. He agreed with the Chairman that a parallel would seem to be found in the case of a holding company which has several other companies under it, the finance of each of which is independent. There seemed to be no reason why Government should not do the same, holding an interest in the separate Railway Department just as a holding company does in a subsidiary company. He agreed that, had Government taken a broader view in 1907 a large loan might have been raised, say at 4 per cent. It would have been greatly to the advantage of the country now, had this been done.

4625. Speaking of the system of lapses against which the Chamber had entered a protest, Mr. Watson Smyth said that any commercial firm which attempted to deal with its business in the same manner as Government enforces on railways, by which work half done may be held up at the end of a financial year, would inevitably go into bankruptcy.

4626. Mr. Watson Smyth said that the Chamber of Commerce adhered to the views expressed by them in 1916 when expressing their views to Government on the questions of State versus Company management of railways. These views may briefly be summed up as:—

(*a*) in favour of the existing policy, the essential feature of which is State or part State-ownership united to commercial administration;

(*b*) that experience shows that this is better adapted to Indian conditions and more likely to advance prosperity than a policy of general State-working in addition to State-ownership;

(*c*) that companies' lines are on the whole better worked than the existing State-owned lines; and

(*d*) that an undesirable enlargement of the existing bureaucracy would be unavoidable if the principal railways were managed by the State.

4627. Mr. Watson Smyth admitted that in the details which more commonly catch attention a great deal depends on the personality of the agents and the staff on the railways, and it could hardly be said that either State or company-worked lines had a definite advantage; but broadly speaking, his Chamber thought that the latter are worked more efficiently. He thought that the agents of the company-worked railways are freer and use their powers with greater confidence than State Railway agents. He thought that all experience suggested the reliability of the Chamber's assumption that State management would necessarily mean bureaucratic administration. The Chairman drew attention to the case of Canada, where some 20,000 miles of railway had been organised as a company with a single shareholder in the person of the Finance Minister. In that case, the Chairman explained that the company was organised in the ordinary manner, the directors being chosen just as if it were a regular commercial undertaking.

4628. Mr. Watson Smyth said that his Chamber adhered to the opinion that the control of the railways should be located in London, since capitalists in the United Kingdom and other parts of the Empire would be less likely to invest if the control were in India. He admitted that a general tendency in commercial firms exists at the present times in the direction of Indian domicile. He believed that the main consideration in this matter was the desire to avoid the income tax difficulty, which was experienced by companies domiciled in the United Kingdom.

4629. With reference to the suggestion that there might be Local Boards in India exercising wide executive powers, the Chamber had suggested that the precise extent of these powers would require careful consideration, but it would seem that broad questions of policy only need be referred to London. Mr. Watson Smyth cited as an instance the case of the Imperial Bank, in which the powers of action of the local banks were clearly defined, while within those limits they were independent of the control of the Central Board. He saw no reason why the ordinary commercial practice should not be extended to the case of railway administrations. In the case, for example, of a jute mill with a Board of Directors in Great Britain, the only matters referred to the Home Board are important questions of policy. For instance, it might be desired to build a new mill. This would be referred with such information relating to it as was available, to the Board of Directors. But once the Board had decided what was to be done, it was left to the representatives in India to deal with the matter without further reference about details.

4630. The Chairman observed that there appears to be a parallel even in Government service, for example, in the Cabinet deciding large questions of policy and leaving it to the particular Department concerned to carry the policy into effect without further reference to the Cabinet as a whole. He observed that a large part of the Railway Board's time is understood to be expended on questions relating to establishment and matters of minor importance. Mr. Watson Smyth said that a commercial firm would be very much astonished if its Board of Directors insisted on control in matters of such small importance as it is understood the Railway Companies' Directors and the Railway Board do. From his conversations with railway agents, he understood that they had to refer to the Boards matters which appeared to him to be of very trifling importance.

4631. In reply to Sir Arthur Anderson, Mr. Watson Smyth cited a case in which a company, the Asiatic Steamship Company, registered and having its Board of Directors in London has both rupee and sterling capital. He promised that he would furnish information regarding the method in which the accounts are kept and interest and dividend payments on the Indian debentures and shares were adjusted. Mr. Tuke expressed the hope that he would deal especially with the question of the liability to English Income Tax of the return on rupee debentures regarding which the Committee had been unable to obtain much information.

4632. Mr. Watson Smyth explained that he was not in a position to discuss in detail the opinion expressed by the Chamber that any form of control modelled on the lines of that exercised over English railways by the Ministry of Transport is undesirable. He understood that the paragraph in question had been drafted under the impression that the Ministry of Transport exercised extensive powers of dictation in respect of rates and fares. The Chairman explained that at the present time the Government pays the bill in Great Britain and that the arrangement alluded to relates to purely *interim* conditions. In view of this explanation, Mr. Watson Smyth agreed that this particular portion of the written evidence should be expunged.

4633. Referring to the Chamber's objection to the application of uniform minimum mileage rates on the Indian railways, Mr. Watson Smyth agreed that the point really was that the East Indian Railway being able to carry traffic cheaper than any other line, it was not fair to fix the minima rates at such a figure as would prevent it from giving the Calcutta port, which it serves, the advantage of this, by quoting specially low rates in competition with other railways. It did not matter to the Chamber that the minimum rates should be uniform provided that on the East Indian they were sufficiently low.

4634. With regard to the question of control of railways in the matter of rates, the Chairman drew attention to the range between the maximum and minimum rates prescribed by Government and said that Government does not, in practice, interfere with railway administrations so long as they do not exceed these limits. Mr. Watson Smyth stated that the Chamber did not desire any Government control. They would prefer to fight their own battles with the railways in cases of dissatisfaction. In their experience, the railway administrations had always been ready to listen to reason when it was forcibly enough expressed. The Chairman suggested that there might be others who had not the support of a powerful Chamber who might take a different view. Mr. Watson Smyth, however, thought railways are not unreasonable and that, through one body or another, interested parties can usually secure satisfaction. It is not merely a question of a single Chamber of Commerce as the Associated Chamber now exists and can take up matters in which a single Chamber has been unsuccessful. He admitted that at the present moment the Associated Chamber of Commerce is a European body, though there was some hope that it might assume a more comprehensive character hereafter.

4635. On the matter being further discussed, he agreed that he had in mind cases of major importance and that there might be cases of real hardship for which the existing system provides no remedy. He thought, as far as the Calcutta merchants were concerned, that they could evolve a satisfactory procedure in direct relations with the railways. He admitted, however, that there might be a case for establishing a tribunal existing to protect the smaller trades and the less important people generally, though his Chamber was not in favour of it.

4636. The Chairman observed that there is a manifest need for more money for railway development and that Indian railways are a substantial asset which must now be worth much more than their value as recorded in the accounts. He asked whether it was reasonable in such circumstances for Government to redeem its railway capital at the rate of about one million pounds per annum as they are actually doing, while at the same time borrowing money for further capital expenditure at the prevailing high rates of interest. Mr. Watson Smyth agreed that this procedure is contrary to all commercial principles.

The examination of the witness was adjourned until the afternoon.

ANNEXURE No. 1.

(*Letter from Messrs. Ralli Brothers, relating to the traffic in linseed—see paragraph* 4605 *of the summary of Mr. Watson Smyth's evidence.*)

The only oilseed for which there was a good demand early in the year was linseed, the average rupee value for which was at the time Rs. 11 per maund, and it actually went as high as Rs. 12-8. At this price business was feasible, but as the demand was for early shipment it was too risky to undertake business because the Railways were working very badly, and one could not rely on having the seed down within a reasonable time. We had a case where some 700 tons of linseed were held up at one station for over four months. These Railway difficulties interfered seriously with the movement of the linseed crop, with the result that Plate seed filled the demand and India lost the opportunity of selling its seed at the above quoted high price. It has quite recently been as low as Rs. 8-8, and now stands at about Rs. 9.

ANNEXURE No. 2.

(*Letter from Messrs. James Findlay and Company, relating to the traffic in manganese—see paragraph* 4606 *of the record of Mr. Watson Smyth's evidence.*)

With reference to the question of manganese, we are the Agents of the Central Provinces Prospecting Syndicate, Limited, who are, I understand, not only the largest individual producers of manganese in India, but in the world. For a long time past the supply of wagons for the Syndicate's requirements has been

wholly inadequate and we have represented the matter time and again to the Bengal Nagpur Railway, as Sir George Godfrey will be able to confirm. Colonel Gracey, Managing Director of the Syndicate, is at present in Calcutta and he informs me that, if only the Indian Railways were in a position to move the ore, the Syndicate consider that they could without any difficulty, dispose of double the quantity they at present succeed in shipping. Roughly their shipments average about 300,000 tons per annum and, with the present demand for manganese, they consider they could easily dispose of 600,000 tons. At the moment they have some 300–350,000 tons of prepared ore in stock up-country which they are only able to move to the ports in comparatively small quantities as wagons are available. As an instance of the congestion, Colonel Gracey informs me that at one station on the Bengal Nagpur Railway they have a stock of roughly 70,000 tons, while despatches only average about 3,000 tons per mensem from the station in question.

Mr. WATSON SMYTH was recalled and further examined.

4637. Regarding the Chamber's opinion that branch lines should be built and worked as an integral part of existing railway systems, Mr. Watson Smyth said that the Chamber had not worked out any scheme by which the necessity for keeping separate accounts, with the risk of disagreements regarding them, could be obviated. The Chamber was in favour of letting the main lines undertake the branches as an integral part of their system if possible; but, rather than have promising developments hindered, would put up with branch line companies. At the present time it is of course better to improve the existing lines than to spend money on new lines which would only bring additional traffic on the already too congested systems.

4638. The cost of strategic lines and of any stock kept for purely military purposes on the main lines should be charged to the military and not to railway account.

4639. Mr. Watson Smyth could not commit his Chamber to approving the idea of a tribunal to deal with rates and fares. The Chamber was inclined to think that if a tribunal were set up there would be a tendency to refer unnecessarily to it differences of opinion which under the existing system are settled after some discussion. But assuming that this might be desired for the protection of smaller places and interests, he thought that a body constituted as suggested by the Chairman might be suitable, namely, a Chairman with legal training specialising in railway business with two commercial and two railway members. He would agree to the addition of a local railway man, and a local commercial expert in the particular trade in point, to deal with individual complaints.

4640. Mr. Watson Smyth did not recommend the constitution of the Port Commissioners as a model to be followed in the formation of Railway Boards of Directors. He was only expressing his personal views. He thought that the regulation under which each man is appointed for only two years asks for non-continuity. A representative on the Port Commissioners of a particular industry or trade is usually followed by a representative of a different firm in the same trade which means break of continuity. The Bank of Bengal system he considered better, the practice being that the heads of certain firms become directors almost as a matter of course and continue to remain on the Board as long as available.

4641. The fees should be appreciable and the work should not be heavy. In the case of the Bank of Bengal the work of the directors does not make a great claim upon their time although very responsible in kind. He would make no rule as to the numbers of Europeans and Indians, but it should be clear that a substantial portion should be Indians.

4642. The Chairman referred to the salt gola case, which had been mentioned in the morning's evidence. Mr. Watson Smyth explained that there was not sufficient accommodation for the salt coming in and requiring to be taken up-country, owing to the difficulty of getting it away by rail. In a recent case a ship, with 1,400 tons salt in the cargo, was not able to unload, and had to take it back again to Liverpool. Another steamer has been lying in the stream since the middle of November last. It brought about 6,000 tons salt, of which about half is still on board.

4643. Mr. Watson Smyth said that his own firm has a tar refining industry which was opened some 2½ years ago. It is unable to work at its full capacity, and if it had been an independent company it would have failed by now, owing to the inability of the railways to supply the tank wagons considered necessary for the carriage of the tar.

4644. With regard to the Asiatic Steamship Company, Mr. Watson Smyth promised to give information regarding the way in which the English Income Tax law affects this case.

4645. He agreed with the Chairman that under the system under which English tax is levied on profits and only the balance remaining is divisible among the shareholders, it is clear that Indian shareholders cannot escape paying English Income Tax, although the tax is not levied directly on their dividends, since Income Tax is on total profits and, therefore, the amount divisible is less than it would otherwise have been.

4646. In answer to Mr. Purshotamdas Thakurdas, Mr. Watson Smyth stated that his Committee were generally cognisant of the views of Indians on railway matters. He admitted that his Chamber's views were influenced mainly by considerations relating to Bengal.

4647. He said that his Chamber would like to have local boards in India to facilitate management and get the confidence of investors in India. He thought they would be valuable both from the point of view of the investors and of the users of the railways. The Chamber did not mean to suggest in the written evidence that the Committee would altogether exclude Indians from the local boards unless Indian capital were subscribed. The Chamber agreed that there should be a reasonable representation of Indians, even in this case, to watch the interests of those who are served by the railways.

4648. Mr. Watson Smyth mentioned no specific case in which he thought Government control was too close upon the railways, but had a general feeling that Government should interfere only in matters of real importance. They contemplated that the Government of India should be represented, say, on the E. I. R. Board, as a shareholder. He thought that the objection to the Boards being in London was to some extent counterbalanced by the easy access they have to the Secretary of State. Mr. Purshotamdas said that he believed that this direct access to the India Office had been the subject of particular complaint.

4649. Mr. Watson Smyth said that he did not endorse the complaint with regard to what is called the "drain" of companies' net surplus profits from India, and was unaware that Sir Ernest Cable had shared the objections to it.

4650. Where the Chamber spoke in their written evidence of the lack of confidence of investors in the Government of India, it had not been meant to suggest that there was reason why the Government of India in particular should not inspire confidence. It was simply that all Government loans had fallen heavily; it happened to be the Government with which the investors in this country are concerned. The Chairman asked whether London and North Western Railway debentures had not had an equally serious drop.

4651. The Committee of the Chamber had referred in their written evidence to a letter, of October, 1916, to the Railway Board regarding State and Company management. Mr. Purshotamdas Thakurdas quoted the following sentence from that letter: "It is specially necessary that an absolute right of purchase after the lapse of a certain period should be reserved." If so, Mr. Purshotamdas asked whether it is not right that a very strong case should now be made out before reverting to the policy of company management and increasing the interests of the companies in the railway property. Mr. Watson Smyth agreed, but said that the Chamber had made out an overwhelming case; Government had taken over the railways and had exercised their right of purchase, with the most unfortunate results; and the best thing they could do was to go back to the system of company management. Mr. Purshotamdas also drew attention to the recorded opinion of Sir Ernest Cable that the history of the past had been favourable to the State management; and that improvements on the E.I.R. dated from the time when it came direct under the State control.

4652. Mr. Watson Smyth said that the Committee considered that the Board should be in London mainly for financial reasons. It was largely a question of the quantity of money that can be raised, they believed that the total amount required would not be obtained unless borrowed in London as well as in India. He admitted that the London market might lend to others without retaining control, they would no doubt do so in the case of India also, but not in sufficient quantity.

4653. In response to Mr. Tuke, Mr. Watson Smyth promised to supply a copy of the Act containing particulars of the constitution of the new Imperial Bank. He also promised, in answer to Mr. Hiley, to give particulars of cases in which complaints have been made to Government regarding the lack of facilities. He agreed with Mr. Hiley that probably the public had been too patient as regards the representation of their grievances. It was hoped that advantage would be taken of the Association of the Chambers of Commerce to ensure greater attention to the requirements of the commercial public in general. The Association hoped that the Honourable Members for Commerce and Industry would be able to attend the next meeting of the Associated Chambers, as had been done on the occasion of the first assembly last year.

4654. Mr. Watson Smyth alluded to the existence of some lack of co-ordination between the port and the railway authorities in connection with the coal traffic. He subsequently explained to Sir George Godfrey that what he had in mind related rather to traffic working. It was important that the traffic authorities in the port and the railway should co-operate so as to ensure wagons coming down in sufficient quantities, but not in such quantities as to cause congestion at any time.

4655. Sir Rajendra Nath Mookerjee asked whether the English railway debentures have maintained their prices. Mr. Watson Smyth replied that he did not know.

4656. Sir Henry Burt asked what the Chamber's views was regarding the suggestion that low rates for the traffic to and from the port favoured the import and export trade unduly as compared with indigenous industries. Mr. Watson Smyth said that the Chamber did not really tackle this thorny subject which involved the delicate question of protection. With regard to rates in general he said that the commercial community would gladly pay higher rates than those at present levied if they were satisfied that they were getting their money's worth.

4657. Sir Henry Ledgard asked whether the existing Government securities, to the depreciation of which allusion had been made, would not in any case be affected by the ordinary market conditions, even if Government did not issue loans carrying more attractive rates of interest. Mr. Watson Smyth observed that usually gilt edged securities increase in value when others are depressed. He agreed, however, that money had become generally dearer and that Government 3½ per cent. paper must have dropped in price even if Government had not issued later loans carrying higher rates of interest. The point which the Chamber wished to make was that Government were averse to doing anything which would depreciate their outstanding loans and that they are therefore disinclined to offer really attractive terms for fresh borrowing.

4658. Sir Henry Ledgard drew attention to the very large sums of money which have been subscribed for industrial enterprise during the recent years as showing that there must be plenty of money available in India. Mr. Watson Smyth laid stress on the necessity of considering the money paid up rather than the sums subscribed, but he agreed with Sir Henry Ledgard that a good deal of money is available. Nevertheless, the amount required for railways is so large and there is so much competition in other directions for money that he did not think that India could produce it all. The point on which the Chamber of Commerce wished to lay emphasis is, that money is the crux of the whole position and that nothing should be done which would in any way circumscribe the possibility of raising the total amount required.

4659. With reference to the suggestion that Government should be represented as a shareholder on the Board of Directors, the Chairman observed that a precedent for this might be found in the case of the German municipalities, which had considerable interest in, and corresponding representation on the local gas, tramway, and electric supply companies. The witness said his Chamber had made their recommendation without being aware of this precedent.

4660. Sir Rajendra Nath Mookerjee asked whether people would be more likely to subscribe to railway flotations carrying a rate of 8 or 9 per cent. because of the hope that they could control them in such a way as to secure all the comforts and facilities they want. Mr. Watson Smyth replied that there would at least be some who would subscribe to industrial and other flotations in the hope that they could get more money.

4661. In reply to Mr. Purshotamdas, Mr. Watson Smyth said that the commercial community would no doubt view with sympathy railway flotations and would subscribe to them in view of the difficulties they had experienced during the last few years. He added that the problem of raising the money required is not a question merely of the rate of interest; only a limited amount of money would be forthcoming, even if the rate of interest were increased 1 or 2 per cent. Finally the Chairman drew attention to the statement in the Chamber's written evidence that the Chamber has "grave doubts" as to the railways being in a position to deal with their traffic without seriously prejudicing the interests of others; and asked whether, in fact, the Chamber had any doubts in view of the evidence which had been produced. Mr. Watson Smyth agreed that the expression was inaccurate, the fact being that the Chamber had no doubt at all as to the incapacity of the railways.

Postscript.—Mr. Watson Smyth subsequently furnished the following documents to the Committee:—

I. *Extract from a letter from the Central Provinces Prospecting Syndicate, Limited.*—At South Tirody Station on the Bengal-Nagpur Railway, Tumsar-Tirody Line, we have about 70,000 tons of ore waiting to be railed, at Balaghat we have 60,000 tons, at Ramtek 45,000 tons, at Tumsar Road 20,000 tons, and various quantities at the other stations.

II. Statement furnished by Ralli Bros. showing the dates on which linseed was ready for despatch, and the actual dates of despatch from Sitamarhi Station; showing that whereas the stocks accumulated between April and June, the despatches did not really commence before the 2nd August, and that it took the railway nearly two months (August 2nd—September 21st) to clear 698 tons.

SITAMARHI—BENGAL AND NORTH-WESTERN RAILWAY.

Date of readiness for despatch.	Tons.	Date of despatch.	Tons.
3rd April, 1920 ...	10	3rd April, 1920 ...	10
4th ,, ...	1	—	—
7th ,, ...	10	7th April, 1920 ...	10
13th ,, ...	10	13th ,, ...	10
21st ,, ...	10	21st ,, ...	10
22nd ,, ...	1	—	—
23rd ,, ...	1	—	—
26th ,, ...	5	—	—
5th May, 1920 ...	10	—	—
7th ,, ...	35	—	—
10th ,, ...	10	—	—
12th ,, ...	10	—	—
13th ,, ...	7	—	—
14th ,, ...	28	—	—
16th ,, ...	25	—	—
17th ,, ...	20	—	—
18th ,, ...	10	—	—
19th ,, ...	20	—	—
20th ,, ...	10	20th May, 1920 ...	20
24th ,, ...	36	—	—
25th ,, ...	10	—	—
26th ,, ...	53	—	—
27th ,, ...	8	—	—
28th ,, ...	60	—	—
29th ,, ...	10	—	—
31st ,, ...	35	—	—
3rd June, 1920 ...	40	—	—
4th ,, ...	30	—	—
7th ,, ...	88	—	—
12th ,, ...	35	—	—
13th ,, ...	10	—	—
15th ,, ...	20	—	—
16th ,, ...	10	—	—
18th ,, ...	40	18th June, 1920 ...	10
24th ,, ...	20	—	—
25th ,, ...	10	—	—
28th ,, ...	10	—	—
29th ,, ...	5	—	—
2nd July, 1920 ...	5	—	—

When purchases were stopped owing to heavy stock the position was:—

Stock	768 Tons
Less despatch	70 ,,
Net	698 ,,

Date of readiness for despatch.	Tons.	Date of despatch.	Tons.
—	—	2nd August, 1920	30
—	—	3rd ,,	10
—	—	4th ,,	10
—	—	6th ,,	50
—	—	11th ,,	50
—	—	14th ,,	30
—	—	17th ,,	20
—	—	19th ,,	20
—	—	20th ,,	20
—	—	23rd ,,	30
—	—	24th ,,	30
—	—	25th ,,	40
—	—	26th ,,	20
—	—	30th ,,	40
—	—	31st ,,	60
—	—	6th September, 1920	50
—	—	7th ,,	30
—	—	9th ,,	20
—	—	13th ,,	20
—	—	15th ,,	40
—	—	16th ,,	50
—	—	18th ,,	20
—	—	21st ,,	8
			698
Average date of readiness, 27th May, 1920.		Average date of despatch 16th August, 1920.	

III.—*Balance sheet of the Asiatic Steam Navigation Co., Ltd., dated 31st December*, 1919.

	£	£		£
To Capital 30,884 shares at £10 paid	308,840 0 0		By steamers, spare gear, Pontoons, Jetties, Loan and Investments ...	3,407,569 16 2
,, Capital 2,137 shares at Rs.100 paid ...	16,425 10 9		,, Insurance on Current Voyages ...	40,577 1 8
		325,265 10 9	,, Payments account new steamers ...	43,525 10 0
,, Reserve Fund and Contingent Liabilities		1,904,257 14 8	,, Cash at Bank and in hand ...	34,465 3 10
,, Ministry of Shipping		740,958 8 1		
,, Managing Agents Remittance account		475,125 2 2		
,, Bills payable		4,795 0 0		
,, Sundry Accounts not closed ...		2,675 9 6		
,, Profit and Loss account		73,060 6 6		
		3,526,137 11 8		3,526,137 11 8

IV. Extract from the Memorandum of Association of the Lodna Colliery Company (1920), *Ltd., showing the duties of the Managing Agents.*

MANAGEMENT OF THE COMPANY.

Managing Agents.

85. The management of the business and the control of the Company shall be vested in the Managing Agents. The Managing Agents shall have the direction, management, superintendence, and control of the Company and of all its business transactions, books, papers, investments, securities, stocks, funds, effects, property, affairs and concerns whatsoever, with full power to do all acts, matters and things, which they may deem necessary, proper or expedient, for carrying on the business of the Company.

The first Managing Agents and their remuneration.

86. Messrs. Turner, Morrison & Co., Limited, of Calcutta, shall be the first Managing Agents of the Company. Their remuneration shall be fixed by the Company in General Meeting, subject, however, to the terms of the agreement referred to in Article 6 hereof.

Minutes to be kept.

87. The Managing Agents shall cause minutes to be duly entered in the books provided for the purpose:
(*a*) of all appointments of officers;
(*b*) of all orders made or resolutions passed by the Managing Agents;
(*c*) of all resolutions and proceedings of General Meetings;
and any such minutes of any meeting of the Company, if purporting to be signed by the Chairman of the next succeeding meeting shall be receivable as *primâ facie* evidence of the matters stated in such minutes.

Powers of Managing Agents.

88. The Managing Agents, in addition to the powers and authorities hereby expressly conferred upon them may exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not hereby or by act of the Legislature expressly directed or required to be done by the Company in General Meeting, but subject nevertheless to the provisions of the Indian Companies Act, 1913, and of these presents, and to any regulations from time to time made by the Company in General Meeting, provided that no regulation so made shall invalidate any prior act of the Managing Agents which would have been valid if such regulation had not been made.

Special powers of Managing Agents.

89. Without prejudice to the general powers conferred by these presents, it is hereby expressly declared that the Managing Agents shall have the following powers, that is to say:—

(*a*) To pay the costs, charges, and expenses, preliminary and incidental to the formation, establishment, and registration of the Company. — To pay preliminary expenses.

(*b*) To purchase or otherwise acquire for the Company and to sell, lease, exchange or otherwise dispose of any property, rights or privileges, which the Company is authorised to acquire at such price and generally on such terms and conditions as they think fit. — To purchase and deal with properties.

(*c*) At their discretion to pay for any rights acquired by, or services rendered to, the Company either wholly or partially in cash or in shares, bonds, debentures, or other securities of the Company and any such shares may be issued, either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon, and any such bonds, debentures or other securities may be either specially charged upon all or any part of the property or the Company and its uncalled capital, or not so charged. — To pay in cash shares or debentures.

(*d*) To secure the fulfilment of any contract or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company, and its unpaid capital for the time being or in such other manner as they think fit. — To secure contracts by mortgage.

(*e*) To appoint and, at their discretion, remove or suspend such Agents, Managers, Secretaries, Assistants, Clerks, Servants or other officers for permanent, temporary or special services as they may from time to time think fit, and to invest them with such powers as they may think expedient, and to determine their duties and fix their salaries or emoluments and to require security in such instances and to such amount as they may think fit. — To appoint Agents, Managers, and other servants.

(*f*) To appoint any person or persons to accept and hold in trust for the Company any property belonging to the Company or in which it is interested, or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust. — To appoint trustees.

(*g*) To institute, conduct, defend, compound or abandon any legal proceedings by and against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow for payment or satisfaction of any debts due, and of any claims or demands by or against the Company. — To bring and defend actions, etc.

(*h*) To refer any claims or demands by or against the Company to arbitration and observe and perform the awards. — To refer to arbitration.

(*i*) To make and give receipts, releases and other discharges for money payable to the Company and for the claims and demands of the Company. — To give receipts.

(*j*) To act on behalf of the Company in all matters relating to bankrupts and insolvents. — To act for Company in insolvency.

(*k*) From time to time to provide for the management of the affairs of the Company in case of the illness or temporary absence of the Managing Agents in such manner as they think fit. — To provide substitute in the event of illness or absence.

(*l*) To appoint any person, firm or Company to be the attorney or attorneys or agents of the Company, whether in British India, or elsewhere, with such powers, including powers to sub-delegate, and upon such terms as may be thought fit. — To appoint attorneys.

(*m*) To invest and deal with any of the moneys of the Company not immediately required for the purposes thereof upon such security and in such manner as they may think fit, and from time to time to vary or realise such investment. — To invest.

(*n*) To buy, sell, endorse, transfer, and assign any Government or other securities and to demand and receive all dividends and interest due thereon, and to sign contracts, agreements, conveyances, assignments, leases, kabulyats, counterparts of leases, pottahs, mortgages, reconveyances, debentures, share certificates, dividend warrants, transfers, acceptances, receipts, acquittances or other documents, and to do all other lawful acts requisite for the purposes aforesaid and to register documents and to admit execution of documents. — To deal with securities and execute documents.

(*o*) To make advances to persons having dealings or entering into contracts with the Company on such terms as the Managing Agents think fit. — To make advances.

(*p*) To execute in the name and on behalf of the Company in favour of any person who may incur or be about to incur any personal liability for the benefit of the Company, such mortgages of the Company's property, present and future, as they think fit, and any such mortgage may contain a power of sale and such other powers, covenants, and provisions as shall be agreed on. — To give security by way of indemnity.

(*q*) To give to any person (other than themselves) employed by the Company a commission on the profit of any particular business or transaction or a share in the general profits of the Company, and such commission or share or profit shall be treated as part of the working expenses of the Company, and to pay commission and make allowances to any person, firm or company (other than themselves) introducing business to the Company or otherwise promoting the business thereof. — To give percentage to officers, etc.

(*r*) To draw and endorse cheques on bankers, and to make, draw, sign, accept, negotiate and endorse all other negotiable instruments of every nature. — To draw cheques, etc.

(*s*) To enter into all such negotiations and contracts, rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company. — To make contracts, etc.

(*t*) To contribute or subscribe money for any imperial, national, charitable, benevolent, public, general or useful object, or for any exhibition. — To contribute moneys.

Mr. A. COCHRAN, C.B.E., M.L.C., was called and examined with reference to the written statement furnished by the Indian Engineering Association.

See Written Statement No. 33, Vol. IV., P. 127.

4662. **Mr. Cochran** stated that he was senior partner of Messrs. Burn and Company, a firm of large engineering contractors and manufacturers. This firm has the contract for erecting the whole of the 5,000 Canadian wagons of which mention had been made to the Committee. Of these, some 900 had been erected to the American design as covered wagons, slightly modified to meet the Indian requirements, and about 600 of them are now in service. The remaining 4,100 wagons are being built as open high sided wagons of a modified type, from the Canadian material and additional materials from Great Britain. Although the whole of the material from Great Britain had not yet arrived, there is nothing to stop progress on the work except a strike which is at present taking place at the company's works. The maximum output of the works is 300 wagons per mensem, half at the Howrah works and half at Asansol.

4663. Speaking as Chairman of the Indian Engineering Association, Mr. Cochran explained that this body comprises 23 engineering firms in Calcutta and up-country, five in Bombay, one in Bihar and Orissa, two in Madras, three in Karachi, one in the United Provinces and three in Rangoon. The Association is open to all engineering firms in India and comprises both European and Indian concerns.

4664. The Association are still of the opinion expressed in 1916 that company working of railways is preferable to State management, but has changed their opinion with regard to the domicile of the companies, as they now consider that a Board in India only is desirable. In reaching this conclusion, the Association were influenced by the whole tendency of the Reforms Scheme and the trend of public opinion. They considered that while progress may not be fast, no steps should be taken to block it; and in fact the quicker the change that has been decided upon can be effected consistently with economy, the better it will be.

4665. The Association had been influenced by the discovery of how much could be done in India under war conditions. Formerly there had been a tendency to think that all important engineering work should be obtained from Great Britain, but during the war it was surprising to find how much could be done in India and by Indians. The position had also been altered by the ability of the Tata works to produce steel. Their output began shortly before the war and was essential for the success of India engineering firms. Mr. Cochran stated that in his experience the Tata Iron and Steel Company were much more satisfactory to deal with than firms in the United Kingdom. Mr. Purshotamdas observed that this was a case in which the directorate was wholly Indian. The witness thought that there might be some difficulty in constituting local Boards of Directors for Indian railways owing to the great distance and varying interests to be considered. He did not think however that it would be insuperable, although some inconvenience would be caused by having directors from distant parts of India who would have to make long journeys to attend meetings.

4666. He was not much in favour of local Advisory Committees as they have little power but he agreed with the Chairman that in practice the distinction between an ordinary Board of Directors and an Advisory Board could easily be exaggerated, as a Board of Directors, though possessing the power, rarely has occasion to use it, generally accepting the manager's views in relation to questions of management. He thought that suitable directors could be found in India, but a good deal would depend on how their advice is treated. He thought that it would be easier to manage the Eastern Bengal Railway by a local Board as its interests centre mainly in Calcutta and a suitable Board could therefore more easily be obtained. In the case of the East Indian Railway which runs through many provinces and serves different centres of importance, it would be more difficult and he thought probably that it would be better to work this as a State line. This recommendation did not affect his view that, in general, company management is best, but there are lines (of which the East Indian is one) which could be better worked directly by the State.

4667. He thought that the military account should bear the cost of purely military lines such as the strategical railways on the frontier.

4668. The Association were satisfied that the financial question is the crux of the whole railway problem and it was essential that necessary funds should be forthcoming. In the Association's written statement, it had been stated that the statement of the railway agents that they could only just carry on in 1921-22 afforded very damaging evidence of the paralysing effect of economising at the expense of efficiency. Mr. Cochran agreed that the word economy was really wrong as it was obviously not economy to stint money in such cases as this.

4669. The Association agreed that Government must pay the market price for the money to be raised.

4670. Mr. Cochran explained that to ensure the Indian engineering firms an opportunity for competing with firms in the United Kingdom, a promise had been secured from Government in 1916 that 3,000 railway wagons would be purchased annually in India, if the price were not higher than that quoted for similar supplies from Great Britain. He thought that this was a very moderate concession, as India might reasonably claim the preference in all cases in which the price was not higher, especially seeing that the money would be spent in the country.

4671. In answer to Sir Arthur Anderson he said that wagons are manufactured mainly from imported materials, the plates, wheels, axles and springs all being imported. India is, however, developing and will become more and more self-reliant in future. He expected that before long his firm would be able to make the whole wagon except the wheels and axles.

4672. At present, Messrs. Burn and Company turn out 1,500 wagons per annum. They expect in 15 months' time to be able to turn out 4,500. Another firm, Messrs. Jessop and Company, had a capacity of turning out about 1,000 wagons.

4673. With reference to the suggestion that an advantage of having a Board of Directors in England is that they look after orders placed in that country, Mr. Cochran said that it was certainly likely to prevent orders being placed in India.

4674. Notwithstanding the undertaking given in 1916, it was only in May, 1920, that the first large order for wagon construction had been given in India. Of this, Messrs. Burn and Company received a substantial share. They had been building wagons since 1902 in competition with England. Generally speaking, they obtain more orders from State-managed than from company-managed lines.

TWENTY-THIRD DAY.

(Madras).

Tuesday, 18th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, KT., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. O. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Lieutenant-Colonel E. Barnardiston, Secretary to the Government of Madras, Public Works Department (Railway Branch), was called and examined with reference to a memorandum on the "Railway policy advocated by the combined Government of Madras" which had been furnished to the Committee.

4675. Colonel Barnardiston explained that, in addition to being Secretary to the Local Government in the Public Works Department, Railway Branch, he was also Senior Government Inspector of Railways, No. 7 Circle, Madras, and acts in that capacity on behalf of the Government of India. As Government Inspector he has to deal with matters relating to the public safety, and the proper maintenance of railways; to make enquiries into serious accidents, to give permission to open railway extensions, etc.

4676. The Chairman observed that these functions are generally similar to those formerly exercised by Inspectors under the Board of Trade except that the latter do not make inspections after a new line is once opened. The witness stated that his reports to the Railway Board are not restricted to matters affecting the public safety but also include references to the convenience of the public, for example, overcrowding, and that he is at liberty to suggest remedies. In his last report, for instance, he drew attention to the over-crowding of the South Indian Railway. The Government Inspector's report is a confidential document of which he would put in copies for the use of the Committee but not to be published. He explained that the points marked with an asterisk relate to matters of urgent importance in which the safety of the public necessitates urgent action. In the last report on the South Indian Railway, only one work was starred and this had been carried out by the Railway Administration.

4677. The witness explained that by the "combined Government of Madras," was meant the new Government, that is, His Excellency the Governor in Council together with the Ministers in charge of transferred subjects. He understood that the Government of Madras in expressing their views were looking at the railway problem from the point of view of the Madras Presidency and would not necessarily claim that their opinions should hold good in respect of other parts of India.

4678. The Madras Government recommended the separation of the railway system of India into a number of distinct railway groups; each of which would be responsible for making its revenue sufficient to meet working expenses and interest charges for capital.

4679. Asked what would happen if the revenue were to fall short, the witness thought that the Finance Member of Council would, through the Railway Members of Council, ensure the responsible persons being brought to book. Although it would be the Railway Minister's agents who would be responsible, he thought that both ministers being on the Council and the matter being one for settlement there, it would be easy to ensure effective action. The Government of Madras contemplate that each railway group should pay only its working expenses together with all interest charges on the money borrowed for it; if the Government of India wished to make a profit from the railways, this should be done by means of a direct tax on tickets and a surcharge on goods. It is not, however, considered desirable that this should be done, and the witness thought that this form of taxation would be very undesirable.

4680. The witness was at first disposed to think that the Finance Department could only claim from the railway groups as much money as was necessary to enable their liabilities on account of interest on borrowed money to be paid. He agreed, however, with the Chairman that the Finance Minister might perhaps reasonably claim some recognition of past losses on the railway system, and might claim that the railways should pay some increased percentage, say, 5 or 5½ per cent., as both covering current interest charges and making up past losses; or he might claim interest on a reasonable capital revaluation of the railways. The Chairman suggested that the Finance Member might press the view that the railways are an improving property, and claim a share in the surplus earnings. The witness thought this would be undesirable, and it would militate against the separation of the railways from the direct control of the Finance Department. He thought that the Government would have sufficient control over the trustees in charge of each group to ensure that the necessary revenue would be produced.

4681. The Chairman observed that, if the separate groups were financially independent of each other, a surplus revenue on one could not be utilised to make good a deficit on another, and that it almost seemed as if there ought to be one railway budget (without necessarily implying that the Railway Minister would not handle each group separately). The Finance Minister might reasonably claim that the surpluses and deficits of the several groups should be merged together, and that his requirements should be satisfied on the whole. The witness agreed that this would seem reasonable.

4682. Colonel Barnardiston explained that, by the use of the word "commercial" in the Government's memorandum, for instance, where they expressed the view that railways should not be worked as commercial undertakings, it was not meant to suggest that the railways should not be self-supporting. It only meant that they should not be worked with a view to earning dividends like ordinary commercial concerns, but that they should only balance working expenses and interest charges with perhaps a small surplus to ensure being on the right side.

4683. In support of the Government's complaints about railway facilities, the witness cited the case of the Erode Junction as a particularly bad one, in which facilities were inadequate and nothing could be done, because for some 10 or 15 years, the question of the location of the broad gauge South Indian Railway workshops had been under discussion without a decision being reached; on the decision depend the

arrangements to be made at Erode. The Chairman observed that this position appeared to be due to the alteration made in 1908, when three railways were made into two and the Madras, the Southern Mahratta and the South Indian Railways were regrouped in two systems, the Mahratta and Southern Mahratta and the South Indian Railways, each having a portion of broad and narrow gauge. In the case of the South Indian Railway, it appeared that the broad gauge portion of 418 miles taken over by it included only a small locomotive workshop at Podanur. This the witness stated was not adequate to deal with requirements, and part of the work had to be done by the Madras and Southern Mahratta Railway at Perambur; the question, which has so long been unsettled, relates to the arrangements to be made for enabling the South Indian Railway to terminate this unsatisfactory arrangement and to provide their own broad gauge locomotive workshops.

4684. The Chairman asked whether the division of lines made in 1908 was a satisfactory one, and the witness explained that the object was to secure more geographically compact systems. The South Indian Railway metre gauge shops are at Negapatam whence for years it has been desired to move them. The Company's proposal was to have combined shops for broad and metre gauge at Trichinopoly and to re-convert the existing metre gauge Trichinopoly-Erode line to the broad gauge (the gauge to which it had originally been constructed). That line urgently needs renewal in any case as the existing rails are worn out and train speeds have had to be limited to 22 miles per hour: when the line was relaid it could be reconverted to broad gauge at an extra cost of only about Rs. 12 lakhs. Nothing can be done, however, until the Railway Board is able to come to a decision on the question regarding the location of the workshops.

4685. Referring to the Madras Government's statement that complaints against the South Indian and the Madras and Southern Mahratta Railways are numerous and well known, the Chairman asked whether it is the case that the Companies are really to blame in view of the known restriction of funds by the Government of India. The witness stated that the South Indian Railway are very reluctant to add to the capital of their line for fear of reducing dividends even temporarily. As a case in point, he mentioned that there was a crying need for better shelter for the third class passenger traffic at Rameswaram, a place of pilgrimage to which the number of passengers is very large. He had recently seen that a quite inadequate shelter had been provided along the platform, but had discovered that the South Indian Railway Company had not paid even for this; it had been put up at the cost of a private person.

4686. In the witness's opinion, the Company had got nearly all the money that they had wished to expend on requirements and had asked for, but he was not satisfied that they had pressed for sufficient funds. He quoted, in this connection, the notes of a discussion with Mr. Wood, a Member of the Railway Board, who had visited Madras during 1912. Mr. Wood pointed out that the Agent of the Railway could not say that he had had less money than was wanted and this statement was accepted by the then Agent. The case specially under discussion at the time related to rolling stock, but the witness thought that the Railway Board has not treated the South Indian Railway unfairly in general.

4687. The Chairman mentioned that the evidence in Calcutta was all in the other direction, namely, that railways never got as much as they wanted. Colonel Barnardiston thought that the South Indian Railway at least had got nearly all that they had pressed for, and he believed that had they been more alive to public requirements and pressed for more, they might have got at least something extra. He agreed that owing to deferred maintenance due to the war, any money now obtainable must be spent in making up arrears, and consequently that no further expenditure could be incurred on such facilities as that now in question. The Government of Madras considered the failure of the South Indian Railway as one of a general character. It relates to standard of construction and the provision of facilities of all kinds.

4688. Correcting the figures mentioned in paragraph 3 of the printed memorandum, Colonel Barnardiston explained that the ton mileage carried by the South Indian and the Madras and Southern Mahratta Railways in the 10 years from 1908 to 1918 had increased by 87 per cent. while the number of goods vehicles had increased only by 18 per cent., both the railways meanwhile earning 9 per cent. or upwards. He agreed that, in the case of the Madras and Southern Mahratta Railway, about 70 per cent. of the profit-sharing capital is owned by Government, whereas in that of the South Indian some 93 per cent. is so owned. In his opinion, the holder of the smaller capital dictates the policy of the railway, with very unsatisfactory results. He ascribed this to the fact that the Government had handed over the whole undertaking to the companies to work. The Railway Board was in a position to exercise more control, but does not do so. He agreed that it was unfair to assign the whole of the blame to the companies. The Railway Board must also share this, as brought out later in the Local Government's memorandum. He could not apportion the blame between the company and the Government; they were jointly responsible.

4689. Colonel Barnardiston was not clear on what capital figures the 9 per cent. earnings quoted in the memorandum was based. It was taken from the Administration Report—percentage of net earnings on total capital outlay. He agreed with the Chairman that it was at least clear that the companies were earning substantial dividends.

4690. Speaking of visits by the London companies' directors to India, the witness said that last year Mr. Sawyer, accompanied by Colonel Bonham-Carter, the Secretary of the Madras and Southern Mahratta Railway Company, had visited India. He was not aware of any of the directors coming out this year, nor of any of the South Indian Railway directors coming either last year or this.

4691. With reference to the delay caused by correspondence between London and India, the Chairman mentioned that complaints had been received elsewhere that it takes longer to get answers from Delhi than from London. Colonel Barnardiston mentioned, as an example of what the Madras Government had in mind, the prolonged correspondence between the South Indian Railway Company's agent and the board of directors about the provision of Indian refreshment room accommodation on the South Indian Railway. With regard to the possibility of financing such schemes as this, he recognised that, had the company pressed for all they should have pressed for, they might not have succeeded in securing sufficient funds from Government. He accepted the Chairman's summary of his complaint that the company was unwilling to ask what, if it had asked, it probably would have failed to get.

4692. Referring to the Government Inspector's inspection reports, the witness stated that the Government of Madras are dissatisfied with the Railway Board's treatment of the Government Inspector's reports, the same complaints having been repeated over and over again without any result.

4693. The Government of Madras had estimated an expenditure of some 30 crores of rupees as being required to bring railway communications in Southern India to a state of reasonable efficiency. The witness explained that this was based on an estimate amounting to about Rs. 27 crores made by Sir Harold Stuart, then Member of Council, in 1916. Some items had been cut out from that estimate and a 50 per cent. increase was allowed on account of rise in costs. The witness thought that, as the 1916 prices were high, this was a sufficient allowance for enhancement.

4694. Referring to the constitution suggested by the Government of Madras for the local board of directors or trustees of each group of railways, the witness explained that the matter had not been gone into in detail by the Local Government.

4695. The Chairman asked which director it was intended should be the chairman of each board. The witness explained that this had not been gone into, but he thought that probably the Government director or the managing director would be the chairman. Asked whether, if the Government director were also the chairman, he would not in virtue of his double position really be an autocrat, Colonel Barnardiston expressed the opinion that the other directors would still exercise considerable influence; he thought that, in cases of difference of opinion, the matter in dispute should be reported to the Minister for Railways. He admitted that there might be a tendency for the Minister for Railways to support his own representative on the board in such cases, though he thought that the system would work well enough in practice. If the managing director were appointed chairman he would be a railway man, and the Chairman suggested that practically he would be the same as the agent now is, with a more imposing name and perhaps a larger salary. The witness thought that the Government director should have a power of veto. The Chairman observed that this power, though it exists in the case of the Government director of the Indian railway companies in London, has never been exercised, and he asked whether such a power which had never been used for forty years could really be useful. The witness thought, however, that the power is a necessary one, and that it should exist even though it was not exercised. He was disposed, however, to think that the Government of Madras would not press this point, realising, as the Chairman observed, that the controlling power of the Railway Board would be very large, and that the local board, being constituted specially to ensure full representation of local interests, might be trusted to administer the railways efficiently without the Government director having any power of veto. In his opinion, the representative members of the board, such as the nominees of the Chambers of Commerce, the industrial and trading interests, etc., would ensure the adoption of sound principles of management of railways, knowing what is necessary in the interests of the country. He realised that it would practically come to this that the board of trustees or directors would be as a whole a machine for organising public opinion so as to make it carry weight with the railway administration.

4696. Colonel Barnardiston explained that, for the purpose of raising money, he would not have the different railway groups compete against each other. The idea of the Government of Madras was that the raising of money would be controlled by the Government of India. If the directors were authorised themselves to raise funds either in England or (preferably) in India, it would be subject to conditions approved by the Government. He thought that money should be raised on the security of the railways in the same way as port trusts and municipalities secure their funds. In answer to the Chairman, he said that he understood that in the case of municipalities sometimes the local Government guarantees the loans. He thought that the Government of India would do the same in the case of the railway borrowings.

4697. The objection taken by the Government of Madras to the existing system is that the railways are not worked in the interest of the public. Their management is handed over, to a large extent, to companies whose sole interest lies in making money, and not primarily in considering the public requirements. In answer to the Chairman's question what action he would recommend in the immediate future with regard to the South Indian and the Madras and Southern Mahratta Railway Companies, whose contracts have many years still to run, Colonel Barnardiston said that he thought it should be explained to the shareholders that heavy arrears have to be made up, and a large further capital expenditure has to be incurred, and that consequently they could not count upon the maintenance of the existing rates of dividends. He thought that they would then only be too glad to accept an offer of a fixed 7 per cent. in lieu of maintaining their existing interests in the railway properties. The Chairman asked what would happen if the shareholders were to decline to accept such an offer. Colonel Barnardiston said he thought that they would change their minds once the heavy capital and revenue expenditure to which he referred had begun, when they realised the effect upon their dividends. He promised to let the Committee have a memorandum showing the extent, if any, to which the Government have power, under the contracts, to insist on the railway companies undertaking further capital expenditure on works considered desirable or necessary by the Government, but which the companies might not wish to undertake.

4698. The Chairman asked what protection the railways would have against the possibility that boards of trustees might demand a reduction of rates to an extent which would cause the earnings to be insufficient to meet the working expenses and interest charges. He suggested that, for instance, the agricultural representative on a board might insist on reductions in rates for agricultural produce, while the industrial representative might take similar action with regard to manufactures and manufacturing materials. Colonel Barnardiston said that it was the policy of the Government that the rates should be as low as possible, but that he was satisfied that the boards of trustees would see that the railway groups for which they were responsible would pay their way.

4699. With regard to the Railway Board, the Government of Madras recommended its abolition, and the substitution of a Railway Member of Council, or possibly a Member for Communications, who would be in charge of railways, roads, canals, and ports and harbours. The Chairman asked whether the local boards of trustees would not have to refer to the central controlling authority questions of importance, such as alteration of rates policy, or such questions of policy as the abolition of second and intermediate classes, to take an instance (from the evidence recently tendered by another witness). Colonel Barnardiston did not think that questions such as the latter should come before a central body; he instanced the abolition of the intermediate class on certain railways, which was done without reference to the Government of India. As the railway groups would be approximately confined to individual provinces, he did not think that inter-provincial considerations need affect this question. He agreed, however, that a good many matters of general interest would need to be referred to headquarters. He did not think it necessary that the administration at headquarters should, in addition to technical experts, also have representatives of public opinion for the purpose of advice. He thought that the local boards of trustees would sufficiently provide for this.

4700. The local Government considered that the Railway Board is at present deficient in two branches, namely, the Technical Branch which used formerly to exist and which should now be reintroduced on a bigger scale, and also a Projects Branch to ensure that a regular policy of construction is pursued and that lines are built on a pre-arranged system. There existed a chief engineer on the Railway Board's staff, but he thought that a reconnoitring staff is necessary also to ensure that the country is properly prospected from the railway point of view. In his experience he had known of cases in which a lack of proper reconnoitring had been a very marked disadvantage. On one occasion he had been sent to make a detailed survey of a line the unsuitability of which would have been sufficiently demonstrated by a preliminary reconnaissance. In answer to Sir Arthur Anderson he said that he was aware of the reconnaissance work done by the Railway Board in connection with such projects as the Indo-Burma and Agra-Karachi connections, but he thought that his general criticism was not affected by such cases as these.

4701. In reply to the Chairman, Colonel Barnardiston said that during the fourteen years prior to the appointment of the Railway Board, 1,200 miles of new railway had been built in the Madras Presidency, but in the fourteen years of the Railway Board's existence only 535 miles, new lines, were opened of which some 200 were in course of construction when the Board was formed, and 142 were constructed by district boards or other agencies, leaving an annual average of only about fourteen miles to the credit of the Railway Board. In the case of district board lines he explained that the district boards were the promoters, and got much the same terms as branch line companies would do. The district boards finance their railways partly from moneys borrowed from the local Government on the security of the railway cess, partly from moneys borrowed from the Bank of Madras, and partly from the accumulated cess itself. The first method had been stopped owing to the Government of India's objection that the local Government must not spend railway money outside the railway capital programme. This position had however again altered by the recent introduction of the Reforms Act which gave wider financial powers to local Governments, though only in regard to railway projects of purely local importance.

4702. The Chairman inquired whether it would not be difficult to carry out the recommendation of the Government of Madras that there should be a central control of goods rolling stock if, when having authorised money to be put into an undertaking, it then proceeded to pool the stock and transfer the wagons elsewhere. He felt that an Act of Parliament would be required to authorise such a step.

4703. Colonel Barnardiston said that, generally speaking, overcrowding is recognised by the railway administrations, and that he was in a position to give many instances.

4704. He mentioned the inconvenience caused by the existence in the South Indian Railway Company's contract of a special provision designed to protect the company from the competition of new lines, which is in effect a serious obstacle to railway development.

4705. With regard to inquiries into accidents Colonel Barnardiston explained that "joint" inquiries (that is, inquiries by the joint representatives of the different departments of the railway administration) are held in all cases of serious railway accident. The Government Inspector usually attends these enquiries and questions witnesses. He has the power to hold a separate enquiry at his discretion, but he usually acts in the manner described so as to obviate the inconvenience to witnesses and others of separate proceedings. These enquiries are not open to the public. In the case of accidents of special importance the district magistrate also can hold a special public enquiry at his discretion, or may be required to do so by the local Government. The Magistrate is empowered to call upon the Government Inspector for assistance. Thus there might be three enquiries in a single case; the railway joint enquiry, the Government Inspector's enquiry, and the Magistrate's enquiry.

4706. In answer to Mr. Purshotamdas Thakurdas, Colonel Barnardiston stated that the Government of Madras adhered as a matter of policy to the opinions that company management should be abolished, that railway finance should be separated from the finances of the Government of India, and that the railways should be worked solely in the interests of the public as essential communications and not as commercial undertakings working for profit. With regard to the details by which this policy should be carried into effect, he did not understand that the Government of Madras would hold in detail to the suggestions contained in their memorandum.

4707. Speaking of the financial arrangements that would need to be made between the Finance Minister and the railways under the Government of Madras scheme, the witness said that he had not received definite instructions, but that the Government of Madras did not wish the Government of India to make profits from the railways unless directly by means of a tax or surcharge.

4708. The witness stated that he had not been placed in possession of the views of the Government of Madras regarding the interference by railways with transport of commodities by water. He had available some papers bearing on this question in connection with an agreement between the South Indian Railway Company and the British India Steam Navigation Company, and he promised to furnish the Committee with a written memorandum on the subject.

4709. Regarding the employment of Indians in the higher posts, Colonel Barnardiston was not in possession of the views of the Madras Government; he was not aware of the matter having been a subject of complaint in the Madras Legislative Council. He however subsequently agreed with the Hon. Mr. Sastri, who pointed out that complaints about this would naturally not be made in the provincial Council since the question is one of general railway administration and thus a matter for the Imperial Legislative Council.

4710. Regarding the advances made by local Governments to District Boards, he did not think these were regarded as a substitute for the provision of funds for ordinary road construction. In the Tanjore District, railways had to be built because no road metal was available, but apart from that, the District Board lines are looked on as ordinary feeder railways.

4711. In answer to the question why the Government of Madras should not be agreeable to letting the existing Railway Companies contracts run their natural course and then exercising Government's powers of taking over the lines, Colonel Barnardiston emphasized that the Government's experience of the mismanagement of Companies was such that they would prefer to get rid of these at once. They had suffered from them too long.

4712. Asked for particulars with reference to cases which it was stated had been referred to the Railway Board, of unreasonable diversion of traffic to meet the requirements of the South Indian Railway, Colonel Barnardiston cited two examples. The first case related to the transport of a bag of rice from Conjeeveram. In this case, the South Indian Railway had refused to book the rice by goods train from Conjeeveram to Tirupattur on the ground that the Madras and Southern Mahratta Railway had stopped booking of all goods traffic from the metro to the broad gauge of the South Indian Railway, via, Arkonam and Jalarpet. On reference to the Madras and Southern Mahratta Railway, it stated that this was due to restrictions imposed by the South Indian Railway. The matter was referred to the Railway Board who ruled that either the restrictions must be removed and the traffic be taken by the direct route, or else it should be carried by the longer route provided the railway charged the same rate as for the shorter. Colonel Barnardiston was not aware how the matter was actually settled.

4713. The second case related to the transport of nitrate of soda from Calcutta to Conjeeveram and of fish guano from the Government Fisheries at Tanur in Malabar to Conjeeveram. Orders were not complied with owing to the railway companies concerned declining to carry the goods. The South Indian Railway company had restricted the booking of goods via Arkonam to 100 tons per diem. They agreed on the intervention of the Government to take traffic in excess of the restriction booked from Calcutta, while they did not do so in the case of the traffic from Tanur via Jalarpet and Arkonam. Consequently, the guano could only be booked via Erode and Trichinopoly, that is, the through South Indian route which is over 100 miles longer than the direct route. In this case also the Railway Board passed the same orders as in the former case. The complaint was made in June, 1920, and the question was referred to the Railway Board in September, 1920.

4714. Referring further to the constitution of the Local Boards of Directors or Trustees, Mr. Purshotamdas remarked that the composition suggested by the Government of Madras was much on the lines of that of a Port Trust. Colonel Barnardiston explained that he had not personally had the example of the Port Trust specially in mind. It has merely been proposed to put in certain trustees as representing the principal interests served by the railways.

4715. With reference to the Madras Government's suggestion that Directors should be given a very free hand in fixing rates, Colonel Barnardiston understood that the main principles would be laid down by the Government of India who would fix the maximum and minimum allowing a wide range of action to the Local Boards. With regard to the use of their powers by the Boards he thought they would do better and could in any case not do worse than the companies had done.

4716. In answer to Mr. Tuke, the witness explained that the Local Government desired the entire abolition of company management, not only of companies domiciled in the United Kingdom. Railways should be worked by the Local Board of Trustees on behalf of the State. He recognised that monies would have to be issued in the name of the Government of India or the Boards of Trustees by means of debentures. The method of securing loans by shares or stock bearing fixed rates of interest, referred to as an alternative in the Madras Government's Memorandum was not meant to imply that the agency of companies should be used.

4717. Colonel Barnardiston again emphasised his opinion that the existing shareholders on the South Indian and Madras and Southern Mahratta Railways would be willing to accept an offer of a steady 7 per cent. as a condition of foregoing their control over their interest in the profits of the railways. He realised that, in the last resort, it might be necessary to raise money to buy them out, and he admitted that probably it would be best in existing conditions to spend any money that could be raised on improving the railway property rather than in buying out the companies.

4718. In answer to Mr. Hiley, Colonel Barnardiston admitted that, if the companies were abolished and the control exercised through a Board responsible to Government, it practically amounts to State management with central control. He thought, however, it might be differentiated to some extent from State management as usually understood by the delegation of reasonable powers to trustees. He did not think that, because the Railway Board had taken insufficient action up to date, it would necessarily follow that a closer control of the railways from headquarters would be necessary in future, as he explained that the point of view of the trustees would be very different from that of the existing boards of directors who are interested solely in making profits. He thought that the technical supervision of the lines could be entrusted to the Government Inspectors and that more would not be necessary.

4719. Asked whether the South Indian Railway Company had pressed for funds to enable the Erode Junction yard to be remodelled, Colonel Barnardiston again emphasised that nothing could be done at this station until the question regarding the locomotive shops was settled. The delay in this case rested entirely with the Railway Board and not with the Company.

4720. In reply to Sir Rajendra Nath Mookerjee, Colonel Barnardiston stated that he had had a certain amount of experience on other company worked lines, but a good many years ago, he could not remember clearly whether there was so much ground for complaint on the East Indian Railway as in the case of the South Indian lines. The memorandum which he put forward represented the views of the Government of Madras which he supported by his own technical knowledge.

4721. Sir Henry Burt suggested that, in view of the anxiety of the South Indian Railway Company to be allowed to expend large sums of money on such costly projects as the transfer of the workshops to Erode, the conversion to broad gauge of the line from Erode to Trichinopoly, and the transfer of the headquarters office from Trichinopoly to Madras, it would seem hardly fair to say, as Colonel Barnardiston had done, that the company were unwilling to face any capital expenditure which might have the effect of temporarily reducing profits. Colonel Barnardiston admitted that in the cases mentioned the company had certainly been anxious to be allowed to spend money, but instances such as that at Rameswaram, to which he could add others, clearly showed that they were unwilling to spend on matters relating to the public convenience. Another example was their unwillingness to face the expenditure involved on isolating through running lines. Sir Henry Burt suggested that it was possible that the company was really actuated by the conviction that they cannot secure enough money from Government and that they were anxious to spend to the utmost advantage whatever limited sums can be secured.

4722. Sir Arthur Anderson drew attention to the observations made in the written memorandum regarding the question of gauge having not been satisfactorily settled. The Chairman, however, observed that the gauge problem had been definitely excluded from the scope of the Committee's enquiry, and the matter was not pursued.

4723. The Honourable Mr. Sastri asked whether it was not the case that there had been serious complaints regarding the failure of the South Indian Railway Company to cover the overbridge at Madura, that the Legislative Council had frequently been occupied with such complaints, and that the Government had only been able to reply to enquiries that representations were made to the railway company which would not take any notice of them. Colonel Barnardiston agreed that this was so. The work had recently been completed, but only after some years of agitation. This was a case in which the expenditure was within the Agent's own power of sanction.

4724. Mr. Sastri drew attention to the complaint that the Local Governments had not sufficient influence in railway matters and asked how their control would be restored under the proposed scheme. Colonel Barnardiston thought that local interests would be sufficiently represented in view of the constitution of the proposed Board of Trustees.

4725. Questioned with regard to the statement that the Trustees should have a sufficient inducement to work the railways efficiently and economically, Colonel Barnardiston explained that this did not mean any inducement such as a share in the profits; what was meant was really what Mr. Sastri suggested as an obligation rather than an inducement, namely, the necessity, which they would recognise, of paying interest charges and meeting the working expenses of the lines. The trustees would, of course, be paid responsible fees for their work.

4726. Colonel Barnardiston did not think that there was at present any ground for complaint with regard to third-class passengers being allowed on the Egmore station platform. He was aware that there has been some complaints, but these had been put right.

4727. With reference to the complaints made by the Government of Madras regarding the delays in correspondence between the London Boards of Directors and their agents in India, Sir George Godfrey asked whether Colonel Barnardiston was aware that the Government of Madras had the reputation of being conspicuously slow themselves, for example in such matters as acquiring land for railways in which delays extending 9 and 10 months were common. The witness said that he was not aware that this complaint was justified, since the Local Government must comply with the requirements of the Land Acquisition Act.

4728. The witness said that the estimate of Rs. 30 crores as the expenditure necessary to bring railway communication in Southern India to a state of reasonable efficiency, represented the cost of a large number of works. He did not think that all could be carried out in a single year; he thought perhaps 5 or 6 years would be necessary.

4729. Sir George Godfrey referred to the various statements made in the Madras Government's memorandum in which blame for the present unsatisfactory character of the railway management had been ascribed in turn to the financial system, to the rail-

way companies, and to the Railway Board. Colonel Barnardiston said he was unable to allocate responsibility between these; the view of the Madras Government is that they are jointly and severally responsible.

4730. The witness considered that the ordinary maintenance of the railway had been on the whole good; but that special renewals and repairs were deficient. In the case of the Erode Trichinopoly line, the speed of trains has had to be reduced to 22 miles per hour. It was true that this work is now held up because of the locomotive workshop question, but the question of renewals is one which should have been faced many years ago.

4731. In answer to Sir Henry Ledgard, who drew attention to the increased cost of materials and labour, and the larger return which now has to be paid on borrowed money, Colonel Barnardiston said he believed that the public would recognise the necessity for paying enhanced rates and fares in return for improved railway facilities.

Postscript.—In compliance with his promise to furnish further information on certain points, Colonel Barnardiston subsequently furnished the following documents:—

I. Bearing on the ruling that loans for District Board railways should be met from the Imperial programme.

(*a*) Copy of letter No. R. P.–32—16, dated the 11th October, 1906, from the Secretary, Railway Board, to the Secretary to the Government of Madras, Public Works Department (Railways).

I am directed to acknowledge the receipt of your No. 1570–Ry., dated 20th September, 1906, and its enclosures, and to inform you that the Railway Board note the views of the Madras Government regarding the order of precedence in which the projects shown in the two lists of new lines should be constructed.

2. The Board in preparing the triennial programme for the years 1907–1910 have had to meet large demands made by open lines, mainly under rolling-stock, so that the funds available for new lines are small in amount, and the Board desire to add that it is very doubtful whether it will be possible to allot during the year 1907–1908 any funds for the lines now recommended.

3. Under a recent ruling by the Secretary of State, if new lines are constructed from funds raised by District Boards, these lines are to be included in the triennial programme and the sums provided by the Boards in any year are to be considered as part of the total grant for that year.

The application of this ruling restricts the resources of the Railway Board to whatever amount may be fixed as the total expenditure in any year, and grants allotted to District Board lines reduce "*pro tanto*" the funds available for lines to be constructed from Imperial sources. In fact with so many important lines awaiting their turn to be brought on to the programme it will be difficult, if not impossible, to meet the requirements of District Boards unless the Secretary of State withdraws or modifies the orders referred to in response to representations on the subject which have been made by the Government of India. I am directed to say, therefore, that pending further orders on this matter the Railway Board are not in a position to make any statement regarding the lines in the list of District Board Railways.

(*b*) Copy of letter No. R. P.–32 A.—2, dated the 27th February, 1907, from the Secretary, Railway Board, to the Secretary to the Government of Madras, Public Works Department (Railways).

I am directed to acknowledge the receipt of your letter No. 1969–Ry., dated 17th December, 1906, in connection with the subject of railway extension in Southern India, and in reply to state that the views of His Excellency the Governor in Council will be duly considered by the Railway Board.

2. In the meanwhile, however, I am directed to remove a partially erroneous impression which appears to prevail (and for which the wording of paragraph 3 of the Board's letter No. R. P.–32—16, dated 11th October, 1906, may perhaps be responsible) regarding the position of District Board Railways as to the annual railway programme of Government.

3. I am to explain that those lines only are required to be included in the programme which are to be constructed from loans obtained by a District Board from Government under the operation of Government of India, Public Works Department, letter No. 12–R. P., dated 28th January, 1903. Lines which are to be constructed from capital raised in the open market by a District Board or by a railway company under contract with the District Board and the interest on which is to be met from or guaranteed against the proceeds of the special railway cess, fall outside the Government programme of railway construction and the only obstacle to the initiation of lines of this class, once the desirability for their construction in any particular case is admitted by competent authority, is the one which is created by the delay in raising the required capital, an obstacle the removal of which rests entirely with the District Board.

II. Bearing on the authority of the Secretary of State to call on the South Indian Railway Company to carry out works concerning the safety of passengers or the public or the effectual working of the undertaking.

Copy of Clause 27 of the Contract and Working Agreement with the South Indian Railway.

The Secretary of State may from time to time, by notice in writing, require the company to carry out any alteration or improvement in or any addition to the undertaking, that may in his opinion be necessary for the safety of passengers or for the safety of the public, or for the effectual working of the undertaking. Such notice shall specify the alteration, improvement or addition required, and shall also in general terms describe the works to be executed for the purpose of carrying out such alteration, improvement or addition. On receiving any such notice the Company shall with all reasonable speed commence and proceed to execute the works described therein. The Secretary of State shall provide any land that may be required for the purposes aforesaid, and shall supply the funds necessary for the purchase of such land and for the execution of such works, and the cost of the said works as shall be properly chargeable to capital shall be charged against the Capital Account as hereinafter provided, and the cost of all other such works shall be charged as working expenses. If in any case the Company shall neglect to proceed with the proposed works, or fail to complete the same to the satisfaction of the Secretary of State, the Secretary of State may enter on the undertaking and execute the said works, and charge the cost of the same as if done by the Company.

III. Bearing on the injury to water transport caused by railway competition.

(Note by the Secretary to the Government of Madras for Railways.)

Instances where water transport has suffered on account of the competition of Railways.

1. *Agreement between the South Indian Railway Company and the British India Steam Navigation Company regarding the transport of rice from the Tanjore District.*

The nature of the agreement is as described in a recent letter from the Home Board of the South Indian Railway No. 248, dated 8th September, 1920, to their Agent in India. Extracts of paragraphs 2 to 4 of the letter are enclosed.

The agreement in question covers the ports of Tirumalavasal, Point Calimere and Adirampatnam in the Tanjore District. The two latter ports are not affected by the agreement, as steamers never called at these

ports, but steamers which were calling at Tirumalavasal discontinued doing so in consequence of the agreement, and there has therefore been a decline in the trade of the port which, prior to the date of the agreement, *i.e.*, in 1901–02, is stated to have been over Rs. 6 lakhs in value. Requests were made in the Legislative Council for the cancellation of the agreement. An examination of the position in 1916 showed that

(i) the discontinuance of steamers calling at the port resulted from the agreement referred to above;
(ii) that owing to this agreement all the rice in the Tanjore district had to be sent by rail *viâ* Dhanushkodi or Tuticorin;
(iii) that the transport by rail had no compensating advantages in the shape of reduced freight or quicker transit, in fact merchants at Shiyali had to pay two or three annas more per bag of rice for transport by rail to Colombo;
(iv) that owing to shortage of wagons bags of rice were being detained at the railway stations and stocked there in insecure sheds or in the open, and that there was considerable delay in the consignment reaching the destination.

2. *Decline in the trade of the Buckingham canal subsequent to the opening of the railway from Madras to Bezwada.*

The Buckingham canal was constructed at a cost of Rs. 86,14,000. It is divided into two sections, the north and south sections. The northern section is 196 miles in length and is the more important of the two. It placed the town of Madras in cheap and easy communication with five districts and with the large and important towns of Cocanada, Bezwada, Masulipatam, Ongole and Nellore, besides smaller trade centres. It was an efficient canal for transport purposes and was commonly used by boats of 3 feet draught and of as much as 40 tons burden, and had an increasing trade chiefly in provisions, salt, food grains, firewood, building materials, coal, &c. Subsequent to the opening of the Bezwada-Madras railway in 1899 the trade of the canal considerably decreased owing to competition, and at present there is practically no through traffic between the Godavari and Kistna Deltas and Madras, *viâ* the canal, although there was a good deal of traffic before the opening of the railway.

In connection with a resolution which was brought forward by the Honourable Mr. Chidambaranatha Mudaliyar at the meeting of the Legislative Council on the 14th March, 1918, recommending the provision of funds for connecting the Buckingham and Negapatam Vedaranniyam canals, the Honourable Mr. H. F. W. Gillman, on behalf of the Government, said:—

> "The experience of the Buckingham canal since the advent of railways has been this, first of all traffic decreased very considerably, and then it increased after that, but the increase was due to local traffic of the less valuable product, shells, firewood, &c., and in recent years there has been practically no through traffic, so far as Government are aware between the north of the Presidency and Madras."

Letter No. 248, dated 8th September, 1920, from the Managing Director, South Indian Railway, Home Board, to the Agent, South Indian Railway:—

* * * * * * * * * *

2. The existing railway from Madras to Arantangi runs through the great rice fields of the Coromandal coast, a large part of the produce from which finds its ultimate destination in Ceylon. Prior to 1902 part of this traffic was lost to the railway altogether, it being taken by carts to the coast ports, and part of it was consigned by rail to the nearest port on the East Coast, and gave the railway only a very short lead on it. In 1902 an arrangement was come to with the British India Steam Navigation Company, who were the chief competitors of the railway through the East Coast ports under which the traffic was diverted to Tuticorin, and thence by the British India Steam Navigation Company's steamers to Colombo. Later the traffic was further diverted in agreement with the British India Steam Navigation Company from the Tuticorin to the Dhanushkodi route, and the routes for the traffic in question now are *viâ* Mayavaram or Tiruvallur, Tanjore, Trichinopoly, Madura, Ramnad and Dhanushkodi.

3. The volume of the rice traffic carried by these routes from the area affected and the railway income therefrom in the past three years for which figures are available were as follows:—

Year.	Quantity exported	Rupees earned.	Remarks.
	Maunds.		
1916–17	27,07,759	5,87,869	Export of rice prohibited.
1917–18	31,31,548	6,04,917	
1918–19	13,82,499	2,63,475	

4. Such of the foregoing traffic as passed through Mayavaram gave the undertaking a lead between Mayavaram and Dhanushkodi of 282 miles, and that which passed through Tiruvallur a lead between Tiruvallur and Dhanushkodi of 272¼ miles.

Postscript.—The following letter, dated 8th March, 1921, was subsequently received from the witness:—

I am directed to forward herewith papers relating to the construction of the undermentioned district board railways by the South Indian Railway Company. The papers* to be read are indicated in the reference slip with each case:—

(1) Mannargudi-Tiruturaipundi Railway.
(2) Manamadura-Sivaganga Railway.
(3) Salem-Suramangalam Railway.
(4) Nidamangalam-Mannargudi-Tiruturaipundi-Vedaranniam Railways.

2. The papers connected with items (1) to (3) above relate to the question of claim for compensation made by the South Indian Railway Company on account of short-circuiting. Item (4) is a case in which, although no short-circuiting question is involved, there has been a delay of over 10 years in arriving at a decision in regard to the terms for working the railway.

3. I am, in this connection, also to furnish for the information of the Railway Committee, the following papers:—

(1) G.O. No. 313 Ry., dated 9th August, 1912, relating to the proposal made by the South Indian Railway Company to float a company on an inaugurated basis for the construction of District Board lines.
(2) Letter from the Home Board of the South Indian Railway to their agent in India, No. 248 Ry., dated 8th September, 1920, with connected papers on the subject of the terms for the construction and working of the Karaikudi Arantangi Railway.

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* Not reproduced. Reference should be made to the postscript to the evidence given by Diwan Bahadur M. Ramachandra Rao, in connection with these and other cases. (P. 120.)

I am to request that the Home Board's letter may be treated as supplementary to the evidence tendered by me at Madras on the subject of this railway as, in the opinion of the Government, the letter shows very clearly the attitude taken up by the South Indian Railway Company with regard to railway projects, and the difficulty of constructing any line to which the South Indian Railway will not raise the objection of short-circuiting. The Railway Board have since agreed with the views of the South Indian Railway.

The letter from the Board of Directors of the South Indian Railway Company, No. 248 Railway, dated 8th September, 1920, quoted above, is reproduced:—

The question at issue is not so simple as the Railway Board's letter, No. 188/P/16 of 24th June, 1920, suggests. If it was merely the construction of a line from Arantangi to Karaikudi, with no prospect of its ever becoming part of a through line, the South Indian Railway undertaking would not, as the Railway Board say, be in any way affected, and the question of its protection would not arise. But when the Trichinopoly-Karaikudi-Ramnad line is constructed, as it will be when funds are available, the Arantangi-Karaikudi line will cease to be a branch and will become part of a through line, and it is against that contingency that it is necessary that steps should be taken now to protect the Company's undertaking against the loss which will follow on its being short-circuited.

2. The existing railway from Madras to Arantangi runs through the great rice fields of the Coromandel coast, a large part of the produce from which finds its ultimate destination in Ceylon. Prior to 1902, part of this traffic was lost to the Railway altogether, it being taken by carts to the coast ports, and part of it was consigned by rail to the nearest port on the East Coast and gave the Railway only a very short lead on it. In 1902 an arrangement was come to with the British India Steam Navigation Company, who were the chief competitors of the Railway through the East Coast ports, under which the traffic was diverted to Tuticorin, and thence by the British India Steam Navigation Company's steamers to Colombo. Later, the traffic was further diverted in agreement with the British India Steam Navigation Company, from the Tuticorin to the Dhaneshkodi route, and the routes for the traffic in question now are *viâ* Mayavaram or Tiruvallur, Tanjore, Trichinopoly, Madura, Ramnad and Dhaneshkodi.

3. The volume of the rice traffic carried by these routes from the area affected, and the railway income therefrom, in the past three years for which figures are available were as follows:—

Year.	Quantity Exported. Maunds.	Rupees. Earned.	Remarks.
1916–17	27,07,759	5,87,869	
1917–18	31,31,548	6,04,917	
1918–19	13,82,499	2,63,475	Export of rice prohibited.

4. Such of the foregoing traffic as passed through Mayavaram gave the undertaking a lead between Mayavaram and Dhaneshkodi of 282 miles, and that which passed through Tiruvallur a lead between Tiruvallur and Dhaneshkodi of 272¼ miles. When the short-circuiting link from Arantangi *viâ* Karaikudi to Ramnad is completed, the lead on the traffic will be reduced to the distance between Ramnad and Dhaneshkodi, or to 44¼ miles.

5. It will be obvious, therefore, that the Company's undertaking will be very seriously prejudiced by the construction of the Arantangi-Karaikudi-Ramnad chord, unless the contract with those promoting the construction of the chord, or any part thereof, provides for the protection of the undertaking in terms of Clause 7 of the 1910 Contract.

6. The Railway Board say that when the Trichinopoly-Ramnad line is built, the distance between Dhaneshkodi and Madras will be only about 12¼ miles shorter by the Karaikudi-Arantangi route, and that "this small difference is considered to be a negligible factor in diverting traffic from the main line"; and that when the Panruti-Trichinopoly chord is built, not only will the South Indian Railway be protected against short-circuiting, but there is probability of the Tanjore District Board Railway route suffering a loss of revenue by diversion of traffic to the main line.

7. In the first place, the construction of the Trichinopoly-Panruti line does not and cannot affect the question under consideration in any way; in the second place, its construction would not divert an ounce of traffic from the Tanjore District Board Railway, as the whole of that Railway's traffic for beyond Ramnad now goes *viâ* Tiruvallur or Mayavaram and Tanjore, and would not, and could not, be affected in any way by the construction of the Panruti-Trichinopoly chord; in the third place, it is assumed that the only traffic affected by the construction of the Arantangi-Karaikudi-Ramnad line is that to and from stations north of Panruti, whereas the bulk of the traffic in question is from stations south thereof; and in the fourth place, if the Company work the chord from Arantangi *viâ* Karaikudi to Ramnad, the shortest route would have to be credited with the income by whichever route the traffic may have been carried, unless provision was made otherwise in the Contract with the owners of the chord line. If, on the other hand, the Company do not work the chord line, there would be competition all the time and no end to the disputes to which it would lead.

8. But if, as the Railway Board seem to suggest, the Company would be at liberty, after the opening of the new route, to keep the traffic in question to the existing route, notwithstanding that the former is shorter and that they would be justified in doing so, it seems to the South Indian Railway Board that the straightforward and the safe course would be to respect the protection clause in the Company's contract, and (1) to make it a condition of the concession for the construction of the Arantangi-Karaikudi line that, if and when it ceases to be a branch and becomes a part of a through and/or short-circuiting line whether the chord is completed by a private company or by a District Board, or by the South Indian Railway Company itself as part of its undertaking, or by any other party, the promoters must look for their income entirely to traffic originating and/or terminating on their own section of the chord, and (2) to make it clear to them that they will not be allowed to receive any income from cross traffic or from diverted traffic, even though such traffic may be carried by their route. This is the course which has been followed in the case of the Trichinopoly-Puducottah line which the Puducottah Durbar wish to construct, and also in the case of the Ramnad-Virudupatti-Tenkasi and the Dindigul-Palghat lines which private companies wish to construct; and the South Indian Railway Board cannot see any reason why the promoters of the Arantangi-Karaikudi project should be treated any differently.

9. It is easy to understand the pressure which the Tanjore District authorities have brought to bear to have the protection clause of the Company's contract set aside, as the Tanjore District Board Railway stands to gain enormously by the diversion of traffic to the chord route. The reason for the pressure doubtless is the idea that was sedulously spread abroad when the terms of the 1910 Contract were made public, that there had been a "betrayal" of the public interests in the protection which had been promised to the Company in their Contract; but those who were interested in giving currency to this idea should have known how absolutely wide of the truth it was.

10. A glance at the map will show that the South Indian Railway undertaking is made up of a series of curves and angles and parallel lines which, as the railway system of India develops, lend themselves irresistibly to short-circuiting by the construction of chord lines. The Arantangi-Karaikudi, Ramnad was not the only chord projected, but several others were in contemplation. Long before the negotiations for the 1910 Contract began, the question of these chord lines had been under discussion with the Madras Government, and advantage was taken of a visit which the then President of the Railway Board paid to the Presidency in 1908, to hold a meeting at Mandapam to discuss this and other matters. At this meeting there were present His Excellency the Governor of Madras, the Secretary for Railways, Madras, the Collector of Madura and Ramnad, the Private Secretary to the Governor, the President of the Railway Board, and the South Indian Railway Company's Agent; and the record relating to the subject in question was as follows:—

> "In connection with chord lines which District Boards might wish to make, Mr. Wynne explained "to His Excellency the policy adopted by the Government of India in cases where it was proposed "to make a chord line which would seriously affect the interests of an existing main system. To "illustrate his remarks he instanced the arrangement made by the Government of India with the "Southern Punjab Railway under which the interests of the North Western State Railway were "protected. The essential point of the arrangement is that the parent line has the right to run "traffic which originates on its system to its destination at another point on it *viâ* the chord line, "the owners of which are *not* entitled to receive any of the freight for such through traffic. This "arrangement has worked very well on the Southern Punjab Railway, and the Company have con-"cluded a new agreement with the Secretary of State on the same terms for a long line from Kasur "to Lodhran. The adoption of this principle in connection with District Board lines would be fair "to both parties and be an arrangement on the same lines as the State has decided on to protect its "own State Railway interests. It would be an arrangement also which would practically remove the "main difficulties now existing against the extension of District Board Railways, as it would reason-"ably preserve the interests of the South Indian Railway while enlarging the scope for District Board "enterprise."

11. As the construction of these chord lines would have had a disastrous effect on the revenues of the South Indian Railway undertaking, the Board would have failed in their duty, when the terms of the 1910 Contract came to be discussed, if they had not asked for an assurance that the undertaking would be protected against loss from short-circuiting, in the same way as Government had found it necessary to protect the State-owned and State-managed North Western Railway against the loss which would have resulted to it, if it were not protected, by the construction of the Southern Punjab Railway chord lines; and the assurance which the Company were given was not obtained by any astuteness on the part of the Company's representatives, or through any lack of regard for the public interests on the part of the Secretary of State's representatives.

12. Men like Lord Inchcape, the late Sir Lionel Abrahams and Sir Hugh Barnes, who were the representatives of the Secretary of State in the negotiations, were not likely to be easily imposed upon or talked over. They had before them the record of the Mandapam meeting (*see* para. 10 *ante*); they had had experience of the working of the Southern Punjab Railway contracts; they appreciated that there must be some assurance of security of income before any valuation of the property could be made for the purposes of capitalisation; they recognised that the cordial co-operation of the Company in extension schemes could not be counted upon so long as the danger to their revenues from short-circuiting hung over their heads; and, finally, they realised that short-circuiting must affect the revenues of the Government of India to a far greater extent than it would those of the Company, if the undertaking were not given the protection the Company asked for.

13. These were hard facts which no subtlety or argument could brush aside or explain away, and the protection clauses were inserted in the contract in all good faith on the part of the representatives of both parties to the Contract. They were a definite part of the consideration which made it possible for the Company to agree to the Contract; and all that the Board now ask is that the Contract should be respected, and that the protection which was promised them should be secured to them, whenever the Government are granting concessions for the construction of new lines which will be, or which some day may become part of, chord lines.

14. The protection clauses of the Company's Contract are of supreme, if not of vital, importance to the Company's undertaking, and the Board feel that they would be betraying the interests they are here to safeguard if they gave ground at all on the question.

15. The Board have taken the stand they have in this matter in no spirit of obstructiveness or obstinacy, and they hope that the Madras Government and the Railway Board will not misunderstand them, or consider them lacking in respect, if they say, very emphatically, that they are not prepared, under any circumstances or in any respect whatever, to waive their claim.

16. The Board are anxious, as they always have been, to help and not to hinder the Government in any schemes for the advancement of the country, but they cannot be expected to make sacrifices, and, more particularly large sacrifices, of revenue, when they can see no compensating benefits in other directions. If the Madras Government and the Railway Board would recognise this fact, as the President of the Railway Board did in 1908, and as the representatives of the Secretary of State did when the Contract was under negotiation, the Board feel sure it would lead to more helpful co-operation and to more rapid progress.

Mr. T. E. MOIR, C.I.E., I.C.S., Commissioner of Labour, Madras, and late Director of Civil Supplies, Madras, was called and examined.

4732. Mr. Moir explained that he had been Director of Civil Supplies for about six months shortly after the war; from April, 1919, to November, 1919. He had not received any instructions from the Government of Madras with reference to the evidence which he should place before the Committee, but was in a position to speak as to the position and difficulties experienced in connection with railway transport during the period referred to above.

4733. The Chairman stated that the official views of the Government of Madras on questions of railway policy had already been placed before the Committee by Colonel Barnardiston, Secretary to Government in the Public Works Department, Railway Branch, but that the Committee would welcome a statement of Mr. Moir's experience in the capacity of Director of Civil Supplies. Mr. Moir explained that at the period for which he spoke conditions were very exceptional. There had been a great shortage of rolling stock and, he understood, of engine power on the railways, while there was an exceptional scarcity of food over a large part of the Presidency. As Director of Civil Supplies, he was one of a number of officers empowered to issue priority certificates for railway transport. Thus he issued blue (or urgent) and red (or ordinary) priority certificates in espect of transport of foodstuffs. Other officers, with whom he was not concerned dealt similarly with the transport of military stores and of coal. So far as foodstuffs were concerned, the principal commodity dealt with was rice; large quantities of Burma rice were being imported, the rapid distribution of which was very important. Before his appointment there had been a Controller of Railway Traffic who he understood exercised certain powers of co-ordination, but this appointment was abolished before he took up his own post. There was no real co-ordination between the different

authorities issuing priority certificates and he had some reason to think that the efficacy of the priority system was impaired by the too generous issue of the more urgent class of certificates by others.

4734. In Mr. Moir's opinion, the administrations of both the railways with which he was concerned did their best, in the unprecedented circumstances, to cope with the demands made upon them and made the best use of the means at their disposal: he had no reason to complain of the manner in which they dealt with his representations. While he had no serious criticism to offer, he thought that the railways had been caught napping occasionally; for instance some difficulty occurred at points where there was a change of gauge necessitating transhipment. With reference to this point, the Chairman pointed out that if transhipment facilities had been provided only on a certain scale, any large increase of traffic was bound to cause congestion. Mr. Moir stated that congestion had taken place more on the broad gauge than on the metre gauge system. So far as the South Indian Railway was concerned, it was worst at Erode Junction.

4735. The Director of Civil Supplies had no control over the ports to which rice was brought from Burma. The Shipping Controller sent the ships where he thought best and the authorities in India had to make the best of it. It sometimes happened that rice was unloaded at Negapatam and it had been found best to take it to Salem *viâ* Erode.

4736. Congestion also occurred at Bezwada. Mr. Moir explained that the Kistna District was the only district in Madras which had a large surplus of rice. No export was allowed from that district except under license. Many complaints were received from licensed exporters that they could not get their rice away and that the subordinate staff, station masters and others, who appeared to be in a position to manipulate the supply of wagons, had to be bribed in order to secure rolling stock. His impression was that this malpractice was serious and prevalent throughout the line though it was mainly confined to those stations where there were large volumes of traffic. The Chairman asked whether this was not a criminal offence, to which Sir Arthur Anderson replied that this was the case, as instanced by a recent successful prosecution on another railway. Mr. Moir stated that he had had considerable correspondence with the railway authorities and with the Local Government on the subject of the malpractice referred to. The Government were much impressed and had asked his deputy to prepare a statement showing the extent to which it was prevalent.

4737. The irregularities were accentuated by the fact that in the districts of Guntur and Godavari, adjoining Kistna, there were also good stocks of rice, but not so large as in Kistna. Mr. Moir had found it necessary to stop the export except by license from those districts, and prices rose higher there than in Kistna partly because of the surplus not being so considerable and partly because the merchants held up supplies in the hopes of the export restriction being withdrawn. There was thus an inducement to take rice from Kistna into the Guntur and Godavari districts, and this led to an organised system of smuggling growing up. Bags of rice were taken surreptitiously by passenger trains, goods trains and even on engines. The Chairman explained that the Committee could not go into the details of particular abuses, but was concerned rather with the general questions of policy. He enquired what the result of the references to Government and railways had been and especially what remedy Mr. Moir would suggest to prevent the recurrence of similar irregularities. Mr. Moir stated that he thought that the railway agents had not fully recognised the seriousness of the position. So far as he was aware the Government had not come to a final conclusion in the matter, which was still under correspondence.

4738. He did not know whether it was the duty of the railway police to follow up such matters even if they had cognisance of them. Numerous merchants had complained, but always under the pledge of secrecy. They were perfectly willing to give information but not willing to come forward as witnesses, and this prevented the institution of criminal proceedings.

4739. So far as remedy for the future was concerned, Mr. Moir thought that the only suggestions he could make was greater courage on the part of the public and that the rolling stock and engine power should be adequate to meet the maximum demands. In reply to the Chairman he said that he did not think that this would necessitate keeping a very large stock of equipment idle in the expectation of a famine occurring, because when a famine occurs, although it increases certain kinds of traffic, others fall off. He thought that a railway which is able to cope with the traffic of a good year should be able to handle that offering in a year of famine.

4740. In answer to Sir Arthur Anderson, he said that he fully recognised that the difficulties experienced by the railways had occurred immediately after the five-year period of depression during which railway equipment had not been allowed to grow normally. He emphasised that in his opinion the railways had done all that they could reasonably be expected to do.

4741. Although he had thought that the railway agents had not fully appreciated the seriousness of the complaints regarding corruption, and had furnished further additional evidence to satisfy them, he had not considered it his function to follow up matters further after having brought them prominently to the notice of both the railways and of the Local Government.

4742. As Commissioner of Labour, Mr. Moir stated that he had not received complaints in connection with the grievances of third-class passengers. He had not noticed the matter ventilated in the public press of late, where one would expect to see the first signs of dissatisfaction.

4743. In reply to Mr. Purshotamdas, Mr. Moir stated that after a preliminary period of some confusion, there were some six firms engaged on the distribution of Burma rice, two European firms, Messrs. Best & Co. and Messrs. Walker & Co., and four Indian firms, namely, Messrs. Kuopal Doongarsee, Messrs. Ellappa Chetty & Sons, another Hindu firm and one Mohammedan firm, whose names he had forgotten. He had not received complaints as to these firms having to bribe the railway staff. On the contrary, he had been assured by the heads of European firms that they at least never paid anything. Mr. Moir explained that he did not mean to suggest that the Indian firms had paid bribes any more than the European firms, but that naturally he was in a position to obtain information more easily from the latter.

4744. In the case of Burma rice, arriving at Madras Harbour it was put direct into wagons and despatched in accordance with the pre-existing orders. The system had worked very well. The distributing firms had nothing to do with the arrangements alluded to in the Kistna district.

TWENTY-FOURTH DAY.

(Madras.)

Wednesday, 19th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Lieutenant-Colonel C. L. MAGNIAC, C.M.G., C.B.E., R.E., Agent, Madras and Southern Mahratta Railway Coy., accompanied by Mr. F. B. WATHEN, M.B.E., General Traffic Manager, Madras and Southern Mahratta Railway, was called and examined on a memorandum which had been furnished to the Committee by Colonel Magniac.

4745. Colonel Magniac stated that he was the Agent of the Madras and Southern Mahratta Railway, and also a Lieut.-Colonel of the Royal Engineers. He joined the Indian State Railway Service in 1897 and had been employed in turn as Assistant Engineer, Assistant Traffic Superintendent, Assistant District Traffic Superintendent and District Traffic Superintendent on State railways. He had had experience of company railway working as Deputy Agent and Agent from 1908 to 1914 on the Madras and Southern Mahratta Railway. He then went to France and served there in the capacity of Deputy Assistant Director of Railway Transport, Assistant Director of Railway Transport and Deputy Director of Railway Transport, between September, 1914, and February, 1919, returning to the Madras and Southern Mahratta Railway as Agent at the end of 1919. In France he was working at headquarters, and shared in the charge of the whole railway transport system, working in direct contact with the French Railway Service.

4746. The Chairman explained that, as the Committee had already taken the evidence of Colonel Constable in London, it would be unnecessary to go into the opening portion of Colonel Magniac's written statement regarding State *versus* Company management.

4747. Colonel Magniac stated that the Board of Directors of the Madras and Southern Mahratta Railway consists of a Chairman, a Deputy Chairman and four Directors (omitting the Government Director). He stated that of these Colonel Constable and Mr. Sawyer had a special knowledge of the Madras and Southern Mahratta Railway system. Sir Donald Robertson had been Resident at Mysore and some of the other members had general Indian knowledge; and one of them, Mr. Forrest, was conversant with the Bombay side of the undertaking. In speaking of a Company's Board having more detailed local knowledge than a State Railway Board could have, he was not relying wholly on the personal knowledge of the members of the Board, but also on the detailed information constantly supplied by the Agent to the Directors. He mentioned that two representatives of the Board had visited India in 1919-20.

4748. Referring to the statement that there is every likelihood of less competition between lines controlled by the State than between separately administered company managed railways, the witness stated that there is not much competition between the South Indian Railway and the Madras and Southern Mahratta Railway. The Chairman remarked that, if all the lines belonged wholly or largely, as they do, to the State, it did not seem reasonable that they should compete with each other, the interests being so largely identical. The witness considered that there is sure to be competition in the case of lines managed by companies whose interests diverge, and the Chairman observed that it hardly seemed to follow that the identical interests of the State should be set in opposition to each other. Colonel Magniac explained that he did not think the competition in India was comparable to that in the United Kingdom. Each railway here puts forward the claims of different ports and does its best for its own. Colonel Magniac was not aware of any case of the development of a port being hindered by a railway in order to secure more traffic over a long railway lead. He thought that his Board would always act on the assumption that the development of a new port would lead to an increase in railway traffic.

4749. Colonel Magniac laid stress upon the discouragement to energy on the State railways owing to promotion going by seniority, and also on the disadvantages caused by transfers from one line to another. He considered that such difficulties are inherent in State management. He had reason to believe that experience on the State railways in France was the same.

4750. The Chairman said that on the one hand it was objected by some that State railways are actuated by considerations of a non-economic, or what is called "political," character, and, on the other, that the companies are actuated too much by a desire to earn large dividends, and asked whether, if "political influence" really were directed to securing the general benefit of the country, Colonel Magniac would approve of State management. If this desirable end could be secured by the control of the railways by the State, Colonel Magniac said he would approve, but he added that he feared that, if important interests conflicted with the railway policy, the railway policy would go to the wall. He thought that something might be done to prevent railways managed by the State being influenced undesirably for particular or political purposes if there were something in the nature of a Railway Council on which the different interests to be served were represented. A good deal would depend on getting the right men on the Council. He agreed that men of the right class are coming forward in Indian public life.

4751. In the written statement Colonel Magniac alluded to the advantage of direct access to the Secretary of State secured by the circumstance of the Companies' Boards being domiciled in England. The Chairman suggested that India is surely competent to manage its own business and that this access puts the Railway Board at a disadvantage. The witness agreed that this was so though it was not a disadvantage from the point of view of the railway com-

panies. He agreed also that it was unfair that there should be an appeal over the heads of the authorities in India when the appellant only has direct access to the deciding authority. He mentioned that he was looking at the matter from the point of view of the companies which have contracts with the Secretary of State. The Chairman observed, however, that the Committee is considering the matter rather from the point of view of future policy.

4752. Colonel Magniac did not press the advantage mentioned by him of the facility of access to the consulting engineers: he thought that there is something in this advantage, which he had personally found useful, but did not regard it as essential. The Chairman remarked in this connection that others, for instance, the Governments in Australia, did not find it necessary to employ consulting engineers in England except on special occasions.

4753. Colonel Magniac had expressed the opinion that the location of the Boards of Directors must be determined to a large extent by the place in which the shareholders' capital is raised. He mentioned that the Madras and Southern Mahratta Railway owns some four-thirteenths, of the share capital exclusive of advances by the Secretary of State. The Chairman enquired whether, assuming that 90 per cent. of the total capital in Indian railways has been provided by the Indian taxpayer, and only 10 per cent. was companies' capital, he did not think that the Boards should be in India. The witness considered that this did not follow, as the State has large powers and can exercise them through the Railway Board. He did not agree that it would be better if the owners of the remaining 10 per cent. of the capital were in direct contact with the Railway Board. He took the view that the maintenance of the headquarters in London is justifiable because the share capital of the companies has been raised there, though he admitted that it might not be so desirable from the administrative point of view.

4754. Referring to Colonel Magniac's opinion that an ideal Board must be composed of technical, commercial and financial representatives and of a Chairman chosen for his technical qualifications, the Chairman asked whether he was aware that, for example, the Bank of England had refused for the past 200 years to have a banker on its Board of Directors; and whether he would, himself being a technical expert in close daily touch with the railway problems, think it desirable to be controlled, and perhaps to be overruled, by a Board composed of members claiming expert knowledge, gained in the past and attending the Board's meetings perhaps only once a fortnight. The witness replied that so long as the Board approved what he advised he was quite content, and that personally he would not like frequently to be overruled.

4755. Referring to the statement of the witness that the Board of a railway company should have an intimate and up-to-date knowledge of its working, the Chairman asked whether the existing Board of Directors of the Madras and Southern Mahratta Railway has a better knowledge of the kind indicated than any State Railway Board could have. Colonel Magniac said that they derived much information from the agent's weekly letters as well as from their own experience. Colonel Magniac stated that about one day in the week is devoted to his correspondence with the Board of Directors. He did not spend a large part of his time on correspondence with the Railway Board. The Chairman observed that this might be held to bear out the complaint that the Railway Board does not devote much attention to the affairs of Southern India. The witness stated that, in important matters, he found his Board of Directors generally agreed with his views, but sometimes they put forward valuable comments and suggestions. He agreed that normally the function of a good Board is to choose a competent agent, and trust him to a large extent, guiding him by advice rather than by frequently over-ruling him. Colonel Magniac observed that, apart from cases involving the possibility of being over-ruled, he referred many cases to the Board of Directors for orders. He would not like it if the Board were frequently to over-rule him.

4756. As regards the placing of contracts for English stores and materials, the Chairman mentioned that the High Commissioner for India is now responsible for dealing with such matters for Government Departments and the State railways, and enquired whether there would be any objection to his, or somebody else with a corresponding appointment, doing similar work for the company managed railways. Colonel Magniac thought that there would be no objection as long as there was some responsible person to do it, in correspondence with the Consulting Engineers.

4757. In his written statement, Colonel Magniac had mentioned that cases arise where local Governments put pressure upon companies' boards to offer favourable terms for working feeder lines, which, if accepted, would only result in a loss of revenue to present companies. The Chairman asked whether, if local opinion could be secured within the railway management, this would not help to a better appreciation of the railway companies' point of view. Colonel Magniac thought that a financial interest would be necessary. People are anxious to get things done, and, unless they had a financial interest, they would not appreciate the difficulties and objections. He agreed, however, that a competent council for example, in Madras, comprising representatives of different industries, commerce, agriculture, etc., might be of some advantage in resisting unreasonable pressure of the kind referred to. He thought that there was a general idea that railways were made to be fleeced. Though he was doubtful about the advantage to be secured by means of local advisory councils, he was not averse to something of the kind being considered.

4758. The witness had expressed the opinion that money raised by companies by means of debentures or otherwise should rank as capital for the division of surplus profits in the same manner as advances made by the Secretary of State. He admitted, however, that, if it were the case, as mentioned by the Chairman, that the debentures or other issues are secured by the guarantee of the Secretary of State, this would make a difference.

4759. The Chairman observed that it appeared to him from what Colonel Magniac had written to the effect that a suitable Chairman for a local Board could be obtained only by appointing the Agent of the railway, that it came back to this: that the head official, no matter by what name he is called, who gives his whole time, ought to be the real manager.

4760. Regarding the difficulty anticipated by Colonel Magniac in selecting suitable Directors for Railway Companies serving different provinces and centres, the Chairman observed that it was not infrequent in London for Directors to be appointed who have little local knowledge of the places in which the business of their company is done: they are chosen rather for their general qualifications. Colonel Magniac thought that there would be a greater tendency to bias in India. For example, a Madras Director, he thought, would have a natural bias in favour of Madras interests. He agreed, however, that there is something to be said on both sides of the question.

4761. Colonel Magniac alluded to the difficulty of formulating a workable system under which management might be conducted jointly by Boards located in the United Kingdom and in India, although at first sight the proposal appeared attractive. He admitted that ultimately authority must be centred in one place or the other, any power given to one of the Boards being controlled by, and being subject to, revocation by the other. He agreed with the Chairman that a railway is an entity, and its management cannot be divided into two parts. There must be some one authority with power to harmonise and co-ordinate. With reference to his recommendation that the function of the Indian Board should be consultative only, he agreed that their powers should be subject to the ultimate control of the London

Board. Colonely Magniac was apprehensive of difficulties which might run in the way of conflicting orders being received by the agent from the London and Indian Boards. He agreed that much would depend on the personality of the agent and the extent to which he could either persuade the local boards in India to agree with him, or to recognise at least the reasonableness of his position in cases of disagreement.

4762. In Colonel Magniac's opinion the Railway Board spends a portion of time on matters of small importance. He thought that the schedule of powers delegated to the railway companies should be enlarged. He did not experience difficulty ordinarily in getting sanction to his proposals, but there was a waste of time and trouble in making references. In cases of emergency he could anticipate sanction to make appointments, but usually this was not necessary. He did not find the Railway Board unreasonable, but merely thought that the necessity for referring minor matters to them, though it did not really fetter the agent's discretion, caused loss of time and unnecessary work. The matters which he had in mind were mainly staff questions. For instance, a case of the grant of exceptional leave, outside the leave rules, would need to be referred to the Railway Board. There would be no temptation to an agent to give such leave unless it was necessary, and he might very well be allowed to use his own discretion.

4763. The Chairman observed that the Railway Board appears to have two distinct functions: one, executive, dealing with such matters as the control and management of State railways, scrutiny of designs of works and so forth; the other consultative and advisory. The Board has or should have a general policy with regard to rates and fares, programme of extensions and the like. Colonel Magniac considered that there should be a Board of several members, responsible for the executive work. He was opposed to centralising the authority of the Board in the President; in saying this he had in mind his experience in the Army Department where much difficulty and delay was caused by the necessity for referring matters to a single controlling head, whereas in the Railway Board he had found that a matter could be disposed of by a single member much more rapidly. With regard to the question whether the President of the Board should have a deciding voice where a difference of opinion occurred after discussion, the Chairman suggested that, in the somewhat similar case of a railway adminstration, the agent would insist on having the power to over-rule the heads of departments. Colonel Magniac considered that the case was different, the decisions of the Railway Board being issued as those of the Board as a whole and not in the name of any one individual. He saw no reason why the Board should not adopt more generally the practice of meeting, and discussing and passing orders on matters after seeing the papers relating to them. He observed that it was not the practice of the Government of India to deal with business in this way, but he considered that such a practice, if introduced, would be a change for the better. In his written evidence he had not proposed a radical change in the constitution of the Board. He agreed, however, that it would be desirable to reconstitute the Board as a body of technical men on the executive side, with a representative council on the consultative side, to deal with questions of general policy and finance. The Minister in charge of railways should be the President in both cases. He did not contemplate that the members of the consultative council would meet more than three or four times in a year.

4764. The witness agreed that it was undesirable that the Finance Department should have an opportunity, such as had been alluded to by Sir T. Wynne, of choosing any particular expression of opinion in the Board's office notes which happened to be in accord with their own views, and using it to support those views. In his opinion the less the Finance Minister interfered with the railway business the better it would be.

4765. He agreed that it is impossible for the Board as a whole to perform tours of inspection without interfering with their current work at headquarters. He considered that they should be strengthened by the addition of a staff of inspectors for commercial and operation purposes.

4766. To secure continuity on the Board he would abolish the five year time limit on the tenure of appointments of members. He was strongly opposed to bringing the railways under the control of the Department of Commerce and Industry: the railway system being too important to be treated as an appendage to any other department.

4767. With reference to railway expenditure for military purposes, Colonel Magniac expressed the opinion that the Army Department not having enough funds for its requirements, had been strong enough to cause the burden to be imposed on the railways. He agreed that this expenditure should be a charge to military funds.

4768. He was of opinion that there has been a tendency to give a larger share of the available capital funds to the lines serving the most important presidency towns and ports in response to the pressure of powerful interests. He said, for example, that the Eastern Bengal Railway was favoured because of its serving Calcutta and of its connection with the jute industry. Generally speaking, he believed the places near the Railway Board's headquarters got greater consideration than those which are more remote. One advantage of the appointment of local inspectors would be to secure the better consideration of the needs of more distant places.

4769. Regarding the distribution of capital funds, the witness was decidedly of opinion that the Railway Board could not have a clear grasp of the relative importance of different demands. He did not see, for instance, how they could say that an engine was more urgently required on the Madras and Southern Mahratta Railway than a bridge requiring strengthening on the Assam-Bengal. He was not certain, but assumed, that when a railway budget grant has to be cut down, something in the nature of a *pro rata* distribution is made amongst all the railways. So far as he could see, the Railway Board has no better way of deciding how to distribute a reduction; subject always to the consideration that the more influential people would probably get a larger share of whatever is available.

4770. In his opinion inconvenience was caused by the practice of the Railway Board, in allowing concessions to the staff on State lines, communicating the fact to the railway companies, leaving it open to the boards of directors to introduce similar concessions, if they so desire. Even if the directors did not wish to exercise the authority, the staff were certain to press for the same concessions which thus tended to spread throughout India.

4771. Colonel Magniac promised that he would furnish the Committee with further details of the items in the Schedule of powers in which he considered that the authority given to the boards of directors might reasonably be increased.

4772. Referring to his opinion that the Railway Board possesses adequate powers of control in matters relating to the requirements of the travelling public and of trade, the Chairman asked whether, for example, the Railway Board has power to order the provision of a refreshment room. Colonel Magniac said that the Railway Board could bring pressure, but he did not understand that it has actual authority to issue orders. He agreed that it is reasonable that there should be some power of public control to deal with the case, if such were to arise, in which a company might be reluctant to provide reasonable facilities which did not directly increase dividends.

4773. The Chairman suggested that a case might arise in which a railway company, acting within the approved maxima and minima rates, might levy different charges for the same service rendered to individuals. Colonel Magniac said that he did not

consider that railways ever act so unreasonably. He agreed, however, that if anybody though such cases might occur, the remedy provided by the Indian Railways Act, namely the appointment of a Railway Commission for dealing with complaints, is too cumbrous; he would see no objection to the appointment of a tribunal consisting of a lawyer specialising in railway work and including two business men and two railway officials to deal with complaints regarding rates and fares. He thought it necessary that a deposit of caution money should be required from complainants, to prevent frivolous complaints being made. He suggested that Rs. 100 would not be too deterrent a fee.

4774. Colonel Magniac shared the opinion which other witnesses had expressed that there could be no reasonable objection to an increase of rates and fares if railway facilities were correspondingly improved. As instances of places where railway facilities are specially needed, Colonel Magniac mentioned the Arkonam and Jalarpet Junctions. He stated that at present the Madras and Southern Mahratta Railway are not refusing traffic, but traffic has fallen off considerably of late. Frequently traffic is delayed in transit. He ascribed this mainly to the want of sufficient rolling stock.

4775. Mr. Wathen mentioned that congestion of traffic has been caused, for example, by the carriage of locomotive coal from Bezwada to the metre gauge lines to the West. This has to be carried during the heavy traffic season, over a light section of the line on which heavy engines cannot run. Coal was formerly taken by sea to Mormugao, but it was now carried by rail mainly on account of heavy cost of sea transport.

4776. Regarding the question of the adequate supply of funds for railway expenditure, the Chairman drew attention to the details contained in the following statement comparing the demands made by the Madras and Southern Mahratta Railway for funds, with the amounts allotted by the Railway Board:—

	Demand by Railway. Lakhs Rs.	Sanctioned 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 in seven years	506·11	269·45

4777. The Chairman observed that out of Rs. 506 lakhs asked for, roughly only one-half had been allotted. These figures, the witness explained, related wholly to open line capital requirements, and did not include funds for the Guntur-Tenali line (15 miles), the only extension constructed during the period under reference. The figures therefore represented the cost of additions for bringing the open lines and equipment up to a suitable standard. In 1919-20 the railway had got at the beginning of the year Rs. 18 lakhs more than had been asked for; the larger part of the Rs. 154 lakhs allotted in that year was for engines and wagons. In 1920-21 the demand was for Rs. 145 lakhs, and the sanctioned grant was Rs. 161 lakhs. This, however, included a provision for an anticipated throw forward of liabilities from the previous year of no less than Rs. 134 lakhs, so that there was only about Rs. 27 lakhs not already earmarked when the grant was allotted. For the year 1921-22 the demand was for Rs. 164 lakhs, and the preliminary sanction is for Rs. 67 lakhs only. This necessitates the abandoning of all new projects during the coming year. The agent observed that this is not conducive to economy, and makes it impossible to make up existing arrears. He explained the reference to "arrears" as meaning that it was impossible to work up to the accepted programme; he did not refer to actual arrears of expenditure.

4778. Turning to two statements attached to the written evidence, the Chairman ascertained that Statement A, relating to renewals of rails on the broad gauge and metre gauge lines, indicated that out of a programme of 194 miles proposed by the railway and generally approved by the Railway Board to be renewed on the broad gauge, only 75 miles had actually been renewed from 1914-15 to 1919-20, the corresponding figures for the metre gauge being 342 miles in the programme and 131 miles actually renewed. This meant that the renewal programme is 119 miles behind hand in the case of broad gauge and 211 in the case of metre gauge. The largest part of this cost would have been chargeable to revenue. The fact was that Government had been utilising as revenue for general purposes money which should have been spent to keep the railways up to standard; but these renewal arrears were also largely due to difficulties caused by the war in obtaining the required material and stores. The witness promised to furnish the Committee with money figures corresponding to the mileage mentioned above.

4779. Turning to Statement B, which relates to renewals of locomotives, carriages and wagons, the Chairman noticed that the comparison would be as follows:—

	No. of renewals that ought to have been made.	No. of renewals provided in the current year.
Broad Gauge.		
Locomotives ...	36	12
Boilers	37	12
Coaching vehicles	114	67
Goods stock ...	603	160
Metre Gauge.		
Locomotives ...	20	22
Boilers	37	10
Coaching vehicles	257	110
Goods stock ...	595	393

4780. The Chairman enquired why the renewals on the metre gauge were less inadequate than on the broad gauge. The witness explained that this was merely due to the accident of supply. Colonel Magniac promised in this case also to translate the information given into terms of money [giving an indication in both instances of the basis on which the calculation of costs is made]. The Chairman said that he would also be glad to have information regarding renewals in another shape, namely, a statement showing the actual expenditure for the past ten years, year by year, on maintenance and renewals, both for permanent way and rolling stock.

4781. Colonel Mangniac urged that the existing lines must be brought up to standard before extensions could be contemplated. The strengthening of bridges is very important, as heavy engines cannot be run over many of the existing bridges. The Godavari bridge, for example, is not up to the present standard: it was built some 22 years ago to take a calculated train load (allowing for impact stresses) of 344 tons, the present load of the Madras and Southern Mahratta Railway trains reaching over 544 tons. In this connection, it was explained by Sir George Godfrey that about 1906 an enquiry was instituted by the Railway Board into bridge standards, and standards were decided for new bridges on the basis of a considerable increase of engine axle loads above the pre-existing figure of 14 tons. The recommendations made were examined further and the new standard "B," as it was called, was again revised and it was decided that for the future bridges should be built to the standard "B" plus 25 per cent. The effect of introducing the revised standard is that a very large number of existing railway bridges in India are out of date. The Chairman observed that he judged from the information given that India was lagging behind other countries in the matter of standards. Colonel Magniac mentioned that the standard now adopted would allow of train loads of 780 tons (calculated) as compared with 344 tons prior to 1906. He explained that the Godavari Bridge was built by the East Coast State Railway and not by the Company.

4782. Referring to the agent's estimate in his written statement that for the next five years a capital grant of about 200 lakhs is necessary to meet the requirements of the Madras and Southern Mahratta Railway, Colonel Magniac stated that this would include the provision for the capital portion of the requirements indicated in Statements A and B appended to his evidence.

4783. The Chairman drew attention to Colonel Magniac's observation that there are decided advantages in raising in India a proportion of the capital funds required by railways. Colonel Magniac agreed that it would be better that some of the Indian public should be encouraged, as shareholders, to see railway questions from the railway point of view. At present they do not appreciate the need of cutting the coat to suit the available cloth, there being a tendency to think that the supply of cloth from the United Kingdom is unlimited. They would appreciate the position more directly as shareholders, and he would prefer this to their being obliged to realise it in the form of taxation.

4784. Regarding the employment of Indians as officers on the Madras and Southern Mahratta Railway, Colonel Magniac stated that a certain number of promoted employés have risen to the position of both officers and honorary officers. In the case of honorary officers, their appointments are superior to those of subordinates and carry the ranks and privileges of ordinary officers but not exactly the same scale of pay. These appointments were not restricted to Indians. There were some Anglo-Indians in them also. Apart from these, there are about 12 Indian officers of ordinary status employed as assistant traffic superintendents, assistant engineers, assistant secretaries, and assistant auditors. There is nothing to prevent these rising to higher appointments. It is only a question of capacity and merit.

4785. In reply to the Chairman, he said that he had no objection to the employment of Indians in officers' posts. He had not had suitable men pressed upon his attention, but had had to seek them when required. He said that he had not refused any man of suitable qualifications offered by the Madras Government, but had to obtain some of his Indian officers from up-country. He considered it essential that the officers appointed should have had a suitable education and be prepared to undergo the usual training. He was entirely opposed to anything savouring of racial discrimination.

4786. In the event of Boards of Directors being constituted in India, he realised that a substantial proportion would be Indian gentlemen. Colonel Magniac was of opinion that it is preferable to raise additional monies by means of preference shares or debentures, rather than as ordinary share capital. He thought that to raise ordinary share capital on terms necessarily different from those applying to the existing capital would cause undesirable complications. He was unable to say how the question of control could be properly dealt with in the event of a substantial body of Indian shareholders coming into existence.

4787. Adverting to his opinion that a more or less general increase in railway rates is justified, subject to the check of a tribunal as already agreed to in principle, the Chairman asked why he objected to an all-round percentage of increase. Mr. Wathen stated that in his opinion some of the traffic could not bear an increase of rates. The railway had dealt with individual cases and had increased rates where considered desirable, frequently by the cancellation of the existing special rates. In some cases the rates had been increased by as much as 100 per cent. He thought that in the event of a general increase of rates, it would not be practicable for railways to compete with canal traffic.

4788. In this connection, the Chairman drew attention to the complaint of the Southern India Chamber of Commerce that the railway attempts to "kill" canal traffic competition altogether. Mr. Wathen admitted that the railway competed, but he thought fairly, for such traffic. He considered it quite arguable that the railway is justified in quoting rates appreciably lower than the generally prevailing rates on the system and allowing of only a small margin of profit to the railway, for the sake of securing the traffic from competing carriers. He admitted that he had been trying to "kill" the steamer traffic from Madras to Calcutta in order to utilise empty stock. After some discussion on the use of the word quoted, he observed that the word "kill" had been put into his mouth, having been quoted from the Southern India Chamber of Commerce's representation. He emphasised that water carriage will always be cheaper than transport by rail. The canal and steamer traffic is in fact protected by the existence of the minima rates imposed on the railways by Government. Though water carriage would always be cheaper, the railway is able to secure a share of the traffic because of the greater expedition of despatch.

(*The Witness withdrew.*)

Colonel MAGNIAC, Agent, Madras and Southern Mahratta Railway, and Mr. WATHEN, General Traffic Manager, Madras and Southern Mahratta Railway, were recalled and further examined.

4789. The Chairman asked, with reference to Colonel Magniac's objection to control being exercised both in India and in the United Kingdom, how the natural claim of Indian shareholders to a share in the direction could be met. He instanced the case of the Bombay tramways, in which he had been informed that the Indian shareholders had bought out the English shareholders and transferred the Company to India from the United Kingdom. Colonel Magniac agreed that this might be done in the case of the railways also, if Indians were to subscribe so large a part of the share capital. He urged that dual control would in any case be impossible. He would not object to control being exercised in India if Indian shareholders held a dominating interest in the line. He thought that Government should always retain the majority of the capital so as to be in a position to claim a preponderating voice in the management as the most important shareholder.

4790. With reference to the question of raising maxima and minima limits for rates and fares, Mr. Wathen thought that it might be urged that one-tenth pie per mile per maund—the minimum rate for first-class goods which had originally been introduced as the lowest rate at which railways might carry traffic without loss—should now be increased in view of the all-round rise of working expenses, but he considered that it is still not too low for traffic carried over long distances in stock that would otherwise have to run empty; and he thought it was better not to raise the minimum limit for this reason.

4791. Colonel Magniac had suggested that the maximum for passenger fares might be increased to:—

1st class	pies 30 per mile
2nd class	pies 15 per mile
Inter, ordinary	pies 6 per mile
Inter, mail	pies 7½ per mile
3rd, ordinary	pies 4 per mile
3rd, mail	pies 6 per mile,

it being left to railway administrations to adopt such increase within these maxima as they might consider justifiable. He agreed that the public should be given reasonable notice of any intention to increase goods rates, to enable them to arrange their contracts accordingly.

4792. Referring to the existing system under which railway administrations are not free to transfer the provision in the budget grant between certain heads,

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the Chairman asked if there was any special reason why money which could not be spent, for example, on works, owing say to the occurrence of a strike, should not be spent on the purchase of coal, if ultimate economy could be produced thereby. Colonel Magniac said that he was not aware of the precise reason for the restrictions on transfers. He understood them to be a part of the general policy of Government, and designed to maintain control with the object of preventing wasteful expenditure. He had not found that the Railway Board had always refused applications to transfer provision from one head to another, and he had not experienced delay on the part of the Railway Board in answering references.

4793. With reference to the July forecast of capital requirements, he explained that this is only an estimate of expenditure which the railway considers likely to be required. It has to be worked up some time before July in which month it is submitted to the Railway Board. Thus in effect it is drafted nearly a year before the proposals in it come into force. Although sent to the Railway Board in July and discussed with them by the agent in August, it is not until about December that orders are passed. Colonel Magniac was not in a position to say exactly what happened in the intervening period, but he thought that it is probably spent by the Railway Board in discussing matters with the Finance Department.

4794. Referring to the grant by the Railway Board, of additional sums for expenditure during the year to which the grant relates, Colonel Magniac explained that such extra allotments can usually be spent only in India, because time does not permit of orders being placed and complied with in the United Kingdom. The effect was to restrict outlay to such work as can be carried out in India, but it has frequently been advantageous to utilise such additional grants in this way as it relieves the charges which would otherwise fall against the following year's grant.

4795. In his written statement, Colonel Magniac expressed the opinion that the financial control of the Railway Board should cease once it has sanctioned the grant of money to any railway. He was not asking to be allowed to carry out unsanctioned works, but only to be allowed to make the best use of money provided for expenditure on approved works. Under the present system, the budget provision lapses at the end of the year even if definite commitments had been entered into. For example, if an order for coal be given during a particular year and the coal is not delivered in that year but is delivered in the next money to cover the payment in the following year must be definitely provided in that year's grant.

4796. The Chairman drew attention to certain figures set out in Colonel Magniac's written evidence, the tenor of which was to show that frequently since 1912-13 the amount of money granted for capital expenditure in particular years had been but little greater than the amount of indents outstanding at the beginning of the year. Colonel Magniac suggested that the figures seemed hardly consistent with the opinion of the Indian Railway Finance and Administration Committee of 1907 that, in deciding the allotment to be made in any particular year for railways, the Government takes account of any improvement in the financial position owing to the occurrence of lapses. For instance, in the year 1913-14, the total grant amounted only to Rs. 53·62 lakhs, whereas the amount of indents outstanding at the beginning of the year was no less than 49·90 lakhs. In this case the railway had demanded a grant of Rs. 58·31 lakhs. Colonel Magniac admitted that possibly the inference drawn by him from the figures was not fully justified, as the amount of outstanding indents at the beginning of the year would include, as pointed out by Sir George Godfrey, not merely the amount which lapsed from the grant for the preceding year but also the amounts by which indents had been certified in advance for the current year. In addition to the difference between the net capital grant and the amount of outstanding indents at the beginning of the year, the railway capital account would receive a credit for stores issued for revenue purposes and the money available for cash expenditure in India on works chargeable to capital would be correspondingly increased. In connection with this question, Colonel Magniac admitted that, in common with most others, he did not clearly understand all the details of the budget system. It was a matter in which the Railway Agents usually rely largely on their Audit Staff.

4797. Referring to the question of the classification of goods, Mr. Wathen explained that a uniform classification had been approved by the Railway Board in 1910. The sanction, however, had shortly afterwards been cancelled, before the classification could take effect. He could not explain the reason. In practice, the witness said, the introduction of a uniform classification led to the transfer of certain commodities from a lower to a higher class. Where this involved a transfer from the lowest to a higher class, it might in some cases necessitate the quotation of higher rates owing to the fact that the minimum rate for all the higher classes was one-sixth pie as against one-tenth in the case of Class No. 1. Otherwise, the only effect of the altered classification would be to enable the railways, if they chose, to introduce higher rates within the new maximum, as the minimum rate would remain unaltered. Although the uniform classification had not been finally approved by the Railway Board, the railways are as far as possible working towards it and are eliminating exceptions from its provisions. Thus the Madras and Southern Mahratta Railway has eliminated all exceptions and other railways have fewer than they formerly had.

4798. Mr. Wathen was unable to explain why the Great Indian Peninsula Railway should be permitted to charge pies ·80 per maund per mile for cotton, full pressed, whereas the Madras and Southern Mahratta Railway, in common with others, is only permitted to charge pies ·50. The Madras and Southern Mahratta Railway had at one time applied for permission to transfer cotton to the 5th class in the classification; this had been sanctioned by the Railway Board, but subsequently cancelled. The commodity at present stands in the second class on this Railway and the Great Indian Peninsula Railway is the only railway which, for some unknown reason, is allowed a special classification for this commodity.

4799. In his written evidence, Colonel Magniac had mentioned two cases of exception being taken to the rate quotations of the Madras and Southern Mahratta Railway, namely, for firewood and betel leaves, in which higher rates were charged in the busy traffic months than in the off season. Mr. Wathen defended the policy of railways charging higher seasonal rates for traffic which only comes to the railway at times of pressure or when other means of transport, for example, carriage by canal, have temporarily become unavailable.

4800. Colonel Magniac had stated that, on the Madras and Southern Mahratta 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. He stated that it had been his experience throughout his railway service on the State as well as on companies' lines that at certain times public demands cannot be fully met. It follows that the maintenance of a priority register for wagon supply is a matter of course on Indian railways.

4801. Questioned by the Chairman with reference to evidence given by others regarding the restrictions of interchange between the South Indian and the Madras and Southern Mahratta Railways, Colonel Magniac quoted as an example Arkonam junction where traffic is exchanged between the two railways and between the metre and broad gauges. He stated that restrictions had been imposed by the South Indian Railway which announced its inability to accept more than 100 tons daily at Arkonam. The Madras and Southern Mahratta Railway had, for this reason to distribute amongst all railways the right to book *viâ* Arkonam, so that the maximum of 100 tons should not be exceeded.

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4802. With reference to the evidence given by Mr. Moir to the Committee regarding complaints of corruption against railway staff, specially in the Bezwada district Colonel Magniac promised to furnish the Committee with information. He had not been on the railway at the time of the complaints and was not in possession of full details. He believed, however, that the complaints had been generally exaggerated. He read a letter dated 16th March, 1920, to the *Madras Times* newspaper in which it was pointed out by him that no specific cases had been brought to the notice of the railway. He admitted that, in certain cases, the railway authorities have satisfied themselves that the staff had acted improperly. These cases were dealt with departmentally, and the station masters and others responsible had been dismissed or otherwise punished. All specific cases had been dealt with in this way; but people would not come forward to substantiate their complaints and the railway could do nothing more in the circumstances. Mr. Wathen explained that the station staff really had no control over the distribution of wagons which was made by the District Traffic Superintendents on the priority certificates issued by Government officers. There were rumours of a similar nature regarding irregularities connected with the issue of priority certificates. The Chairman, however, observed that the Committee could not go into that question as it did not concern it.

4803. Referring to Colonel Barnardiston's evidence to the Committee, the Chairman asked whether there was any ground for suspicion that the Madras and Southern Mahratta Railway did not ask the Railway Board for as large allotments of funds as they should have done. Colonel Magniac thought that the figures already placed before the Committee and quoted in the morning's evidence, showing that the railway had asked for nearly double the sums allotted to it over a series of years, was a sufficient disproof of the suggestion.

4804. In respect of delays in correspondences, Sir George Godfrey asked what Colonel Magniac's experience had been of the slowness of the Madras Government in acquiring land for railways. Colonel Magniac said that there had undoubtedly been serious delays, extending in some cases from six to eleven or twelve months. He instanced a case which the local Government had taken from March to December, 1920, to settle, though the owner of the land was perfectly willing to sell the land and the railway to buy. There was no reason for delay. In another case there were certain complications, but he thought the delay which had occurred was unwarrantable.

4805. In reply to the Hon. Mr. Sastri, Colonel Magniac stated that the railway administration employed Indian officers on the recommendation sometimes of the Government of Madras and sometimes of the Railway Board. In the case of promotion of staff, no enquiries are necessary, but in the case of outside candidates for appointment, enquiries must be made regarding their suitability. Colonel Magniac denied that the policy of employing Indians was one of very recent date; from the time he was on the Madras and Southern Mahratta Railway there had been Indian officers employed. There was no special arrangement on this railway for ensuring the recruitment of a regular number of Indian officers annually. It was not, however, correct to say that the Board of Directors did not make special efforts to secure Indian officers. They had, for instance, succeeded only with difficulty in getting one Indian with European qualifications in the engineering branch. Mr. Sastri suggested that European qualifications could hardly be necessary in that branch as there are good engineering colleges in India. Colonel Magniac said that he thought that Indians trained in the Madras colleges were not as a rule anxious to enter railway service, but preferred to go to the District Boards, and the State lines had the pick of the men from Roorkee.

4806. In the case of a railway, like the Madras and Southern Mahratta Railway so large a number of vacancies do not occur every year as would make it possible to introduce a regular recruitment system. Colonel Magniac said that he would have no objection to an arrangement for the admission of a limited number of apprentices annually.

4807. In answer to the Chairman, he said that there are 140 officers on the railway. The average period of service, he thought, might be taken at about 30 years or something less, so that the average total recruitments would not be more than about five per annum.

4808. Sir Arthur Anderson observed that Colonel Magniac was in favour of the association of Indian gentlemen of standing with the Railway Administration and also of the utilisation of Indian money for railway development. In this connection, he drew attention to the scheme which had been put forward for the utilisation of Indian companies affiliated with the main line companies domiciled in the United Kingdom, and asked whether Colonel Magniac had received any instructions on the subject from his directors. Colonel Magniac stated that he had received from them a copy of a letter on the subject from the India Office but no instructions.

4809. Sir Henry Burt enquired whether Colonel Magniac would see any objection to the general business of the railway being brought before a Consulting Committee which might, for example, discuss with the agent such questions as the railway programme. Colonel Magniac thought it might lead to difficulties; he had no objection, however, to taking the public into his confidence and to taking advice provided it seemed to him to be good.

4810. In answer to Sir Rajendra Nath Mookerjee, the witness explained that apprentices are taken in the Madras and Southern Mahratta Railway workshops, but only of the artisan class.

4811. Asked how he would avoid the difficulty of dual control in the event of Indian subscribers putting up as much money as the existing English shareholders have, Colonel Magniac reaffirmed his objection to any form of divided control, which he regarded as impracticable. He considered there would be good reason for the direction of the railways being transferred to India in the event of Indians acquiring a preponderating interest in the lines, but thought it was looking far ahead to assume that they would do so. Sir Rajendra Nath drew attention to the fact that, in the future, money required for railway expenditure must be voted by the Imperial Legislative Assembly, and said that he thought that effective Indian control is coming much sooner than Colonel Magniac appeared to anticipate.

4812. In reply to Mr. Hiley, Colonel Magniac emphasised that the detailed knowledge of companies' Boards of Directors is gleaned largely from the reports submitted by the agents to the railways. The Railway Board could not be expected to deal with similar reports from all the railways in India.

4813. With regard to competition between different railway administrations, Mr. Hiley emphasised the point that, even under State management, competition in efficiency could be secured by a proper use and comparison of operating statistics. The witness agreed with Mr. Hiley that, in the event of the purchase of stores being arranged through a High Commissioner or other special officer who was not tied to any one firm of consulting engineers, some advantage might be secured by ensuring that the most up-to-date and highly specialised advice would be available in connection with any particular problem. The witness agreed that some advantage might also be secured under a similar system through the combination of orders from different railways so as to get the benefit of ordering large quantities; he did not, however, think that the advantage would be very great. He considered, also, that this might lead to less individual care and attention.

4814. With regard to the possibility of the Home Board of Directors taking advantage of opportunities of getting into touch with officers of the railway on leave, Colonel Magniac agreed that he would not expect the Board to be influenced by information gleaned from such officers differing from what he, as Agent, after due deliberation, had decided to

place before the Board. He thought, however, that the Association of the Directors with those officers would help to bring them into closer touch with the position in India without necessarily derogating from the Agent's independence and authority. Colonel Magniac explained that, when he had recommended that the Railway Board should include amongst its members men acquainted with the different parts of India, he was speaking of the Board proper. His object was merely to ensure that the controlling Board should have as much local knowledge as possible of different parts of India. Should this be impracticable, the next best thing would be for the Board to have amongst its staff officers with the necessary acquaintance with different parts of the country.

4815. Adverting to Colonel Magniac's view that the President of the Railway Board should not be given the right to over-rule his colleagues, Mr. Hiley suggested that experience showed that, among a group of technical experts, it was desirable that one should be president or vice-president, so as to co-ordinate the policy of the whole body. He recognised that a member whose opinions had been over-ruled should have the right to place the case before the Railway Minister. Colonel Magniac agreed that he would not be prepared to manage a railway unless as agent he had the power to over-rule his technical officers in case of a difference of opinion. The Chairman stated that from the observations made both Mr. Hiley and Colonel Magniac appeared to contemplate the establishment of a railway board with a president, as at present, responsible to a separate Railway Member of Council. Mr. Hiley explained, however, that all he had in mind was that amongst the technical officers one should have a preponderating position.

4816. Referring to that portion of Colonel Magniac's evidence in which he expressed the opinion that powerful industries such as the jute industry in Bengal are in a position to exercise undue influence over the allotment of railway funds, Mr. Hiley asked whether the appointment of merchants on the local advisory boards would not assist other parts of India to secure fuller consideration when funds were distributed. The witness agreed that this might certainly prove to be the case.

4817. With regard to the reconstitution of the Railway Board, Mr. Hiley asked whether it was Colonel Magniac's opinion that there should be a separate Department for Railways only with a member in charge. The witness said that that was so.

4818. With reference to Colonel Magniac's statement in his written evidence that ordinary share capital with a Government guarantee would be the most promising method for attracting private capital in India, Mr. Tuke asked whether the witness really thought that the ordinary capital of an English company with a Government guarantee would be attractive to Indian investors. The witness said that he was not sure if it would, and did not feel competent to express an opinion.

4819. The witness thought that Indians would be unlikely to invest in a railway company domiciled in Great Britain; a rupee capital company would be much more likely to appeal to them. Asked whether it would not be preferable that Government should raise funds by the issue of a Government loan, he considered that the objection to this course was that a fixed rate of interest is attached to Government loans, which are, therefore, not so attractive as the prospects of a better return on share capital.

4820. In reply to Mr. Purshotamdas Thakurdas, the witness stated that he was a member of the Madras Chamber of Commerce and of the Madras Port Trust, and thus gets in touch with the requirements of certain sections of the community. As regards the Indian commercial community, he had not been invited to become a member of the Southern India Chamber of Commerce, which specially represents their interests, nor of the Madras Trades Association. If invited to do so, he would willingly become a member of the Indian Chamber. It was not at his instance, but at that of the Chamber itself, that the agent and general traffic manager of the Madras and Southern Mahratta Railway had become members of the Chamber of Commerce. He believed that Indian merchants are represented on the Chamber of Commerce.

4821. He claimed that he was able to get in touch with the requirements of Indian merchants, whom he was always glad to meet. In the case of the Mysore Chamber of Commerce, the railway had been invited to nominate a member, and a district traffic superintendent had been appointed.

4822. Referring to the appointment of honorary officers, he explained that these hold an intermediate position between the subordinates and the regular officers of the railway, drawing special rates of pay. Mr. Purshotamdas observed that in the Bombay mills most of the engineering appointments are held by Indians who are quite efficient, whereas forty years back they were all Europeans; and, asked whether that would not be a parallel for the Railway Locomotive Department, Colonel Magniac said that he had not found qualified Indians in Madras in that line; his experience was that Indians were more lacking in power to control their staff than Europeans.

4823. Mr. Purshotamdas asked how the officers who were relieved for active service during the war were replaced. Colonel Magniac said that it had been partly done by stoppage of leave, by the promotion of subordinates, and partly by fresh appointments from outside. Some Indians had been promoted, and in one case an Indian had been employed specially as assistant traffic superintendent. This young man was now a regular officer of the company.

4824. When speaking of the difficulty of securing impartial directors with commercial experience, Colonel Magniac explanied that he had in mind impartiality as regards local requirements. A Madras director, for example, would naturally be more inclined to further the interests of Madras rather than of other parts of India, such as Bombay. He thought that it would be placing a heavy burden on the headquarters controlling board, for instance, the Railway Board, to expect it to exercise a restraining influence to secure a due balance of conflicting provincial requirements. Colonel Magniac said he was not aware of any case in which a proposal put before the Railway Board for facilities, such as waiting sheds for third-class passengers, desired in the interests of the travelling public had been refused. Ordinarily, however, such cases would not be referred to the Railway Board, as they would be within the powers of sanction of the directors. The Railway Board would come in only in connection with the provision of funds.

4825. In answer to Sir Rajendra Nath Mookerjee, Mr. Wathen stated that there were refreshment cars for Indian passengers on certain trains both on the broad and metre gauge of the Madras and Southern Mahratta Railway. He was not certain whether the North-Western Railway had introduced a similar convenience. He believed that on the Madras and Southern Mahratta Railway the provision of a refreshment car was appreciated by the Indian passengers.

4826. The Chairman asked whether Colonel Magniac could justify the disproportionate allowances of rolling stock to the Eastern Bengal and the North-Western Railways over that of the Madras and Southern Mahratta Railway, quoting figures to show that the former lines have relatively much more stock per unit of traffic per mile than the last named. Colonel Magniac thought that the explanation might lie in the fact that on the Eastern Bengal Railway there is more seasonal traffic and shorter leads and numerous sidings, involving a loss of effective carrying capacity; while on the North-Western Railway there is heavy seasonal traffic and also a surplus of stock for strategic reasons. The Madras and Southern Mahratta Railway is a receiving line, and usually has foreign vehicles on it, for which it can provide back loads; whereas the position on the Eastern Bengal State Railway is different, some of its stock usually being employed on other lines. The Chairman was doubtful whether the explanation of the circumstance noticed by him is quite adequate, and pointed out that there might be something in the suggestion which had been made that the State Railways receive more consideration from the Railway Board than the company-worked lines. Colonel Magniac stated that in his experience he had never known sufficient rolling stock to be in existence at times of pressure on the Eastern Bengal, the North-Western, or the Madras and Southern Mahratta Railways.

TWENTY-FIFTH DAY.

(Madras).

Thursday, 20th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The Hon'ble Mr. J. F. SIMPSON, Chairman, together with SIR GORDON FRASER and Mr. A. P. SYMONDS, Members of the Madras Chamber of Commerce, were called and examined upon a written statement which had been furnished to the Committee.

See Written Statement No. 36, Vol. IV., P. 139.

4827. The Chairman observed that the Chamber of Commerce had expressed themselves as being in favour of the existing policy of railway management being maintained: that is to say, that railways partly owned by the State should be worked by companies. They had admitted that they were not perhaps in the best position to express an opinion in the matter, as they had no direct contact with lines managed by the State, but on broad grounds they were inclined to think that company-worked lines are likely to be more efficiently, more economically, and more satisfactorily managed than State railways.

4828. The Chamber had observed that they were rather attracted by the suggestion that the systems of management by companies domiciled in England and by companies domiciled in India might be combined, and considered that this proposal should be explored. An advisory and consultative Board with powers of independent action in certain directions might be a useful adjunct to a main Board in London. They feared, however, that such a plan might be found unworkable.

4829. In answer to the Chairman Mr. Simpson said that he thought there might be more room for such Local Boards as the Chamber contemplated, if an advance were made in the direction, indicated by the Madras Government, of grouping the railways into systems corresponding roughly with the provincial divisions of India. In this case it might perhaps be possible to combine the management by Boards in England and in India.

4830. Mr. Simpson agreed that if, for instance, the South Indian and the Madras and Southern Mahratta Railways were treated as one group, London company management being maintained in view of the fact that the existing contracts do not expire for many years to come, it would, in the last resort, be a matter for the voluntary acceptance of the London Boards of Directors whether they would accept the co-operation of a Local Board in India as suggested, though some pressure could no doubt be brought to bear upon them to accept this system. He fully realised the difficulty of having two controlling Boards each exercising real powers, and agreed that ultimately, in the case contemplated, the London Board must retain the final authority and be free to withdraw any powers delegated by it to the Board in India. In such cases Mr. Simpson thought the old adage that "who pays the piper calls the tune" must apply.

4831. The only alternative would be the acquisition of a controlling right by Indian subscribers through their putting up a larger share of railway capital than the London companies. The unattractive nature of an investment by an Indian subscriber in an English domiciled company, consequent on the liability of dividends to English income-tax was of course obvious, but if Indians acquired a controlling interest in the English companies they could of course secure the transfer of these to India.

4832. Sir Gordon Fraser stated that he thought a dual company system might be found practicable, and he placed before the Committee a rough outline of a scheme which he suggested for consideration. He explained that he was merely putting forward his personal ideas and was not now speaking for the Chamber of Commerce, as he had not been able to place the matter before his colleagues.

4833. In rough outline his suggestion was that the existing Madras and Southern Mahratta Railway Company, domiciled in England, should sell its assets to a new Madras and Southern Mahratta Railway Company (India), to be domiciled in India, in return for shares of equivalent value, which, in the instance taken, would be £5,000,000. The London Company would then become merely a holding Company and its entire property would be its shares in the Indian Company. At first the London Company would hold the whole of the share capital of the Indian Company and would have complete powers of control over that Company. But taking this as a starting point he contemplated the subscription of additional capital in India by Indian shareholders to the Indian Company. So long as the London Company had a preponderating interest, it should exercise its control by retaining the right to nominate the majority of the local Directors on the Board of the Indian Company. Or alternatively it might appoint one or two of its own Directors as London Directors of the Indian Company, reducing *pro tanto* the number of its local representatives on the Indian Board. It would be open to Indian sub-

scribers to come forward, and possible for them in time to acquire a preponderating interest in the Indian Company. If this were to happen, the right of the English Company to nominate the majority of the Directors would cease to operate.

4834. Ordinarily the Directors resident in India would deal out of hand with the day to day business of the Indian Company, but it should be provided in the Articles of Association that in the case of important questions under heads to be specified, a decision should not be taken by the Board of the Indian Company until it had obtained by letter or by telegram the recorded opinion of its one or two London Directors should these exist. Sir Gordon Fraser thought that some such scheme would amply protect the British shareholders' interests, while giving Indians an immediate influence in the management together with an opportunity of subscribing and ultimately acquiring a controlling voice in the concern. Thus the Board of the Indian Company might consist at the outset of seven persons, three representatives of Indian interests, two London Directors and two Directors in India nominated by the London Company. Later on, when the Indian capital exceeds the British capital, the Board might be increased for instance to nine including, say, five representatives of Indian interests, with the two London Directors and two Directors in India nominated by the London Company.

4835. Sir Gordon considered India perfectly entitled to expect this transfer of effective control to the Indian Company as soon as Indian subscriptions exceed the British capital, but he did not think that this position would be attained for many years to come. In addition to the members of the Board mentioned there might also be on the Indian Board one or more Government nominees. Once the amount of Indian share capital had reached equality with the British share capital both the British and the Indian shareholders should have equal right to subscribe further share capital as required.

4836. It appeared to Sir Gordon that under such a scheme English income-tax would be leviable only on the money sent to the English Company for payment as its dividends to the British subscribers, and that dividends paid to Indian shareholders and any sums placed to reserve would be free of English income-tax. Sir Gordon observed that, if the return on capital were sufficient to attract English investors, it should be still more attractive to Indian investors as, in the latter case, it would be free of English income-tax, and would incur no risk of loss through fluctuations in exchange.

4837. The Chairman observed that shortly before he left London the Madras and Southern Mahratta Railway Company had declared a divided of 9 per cent., yet its stock stood only at 94. It was evident that the 9 per cent. dividend is precarious, it having been explained that 3 per cent. of it was due to a profit on exchange which could not be counted on again. It was evident that the Company's prospects were not regarded as sufficiently good to bring the shares to a par quotation. In these circumstances he doubted whether Indian investors could be induced to subscribe at par unless a more profitable contract than that at present existing was arranged. Sir Gordon Fraser said that he would not be in favour of offering a better return to Indian subscribers than to the shareholders of the existing English Company, especially in view of the advantages already mentioned by him which the Indian shareholders would enjoy. He agreed that, in the present abnormal conditions of the money market, it might be difficult to attract share capital either in India or in England, and that it might be impracticable to use the scheme to attract Indian capital at the present time. He thought that it would certainly have done so before the war, and hoped that it might afford a nucleus of a suitable scheme for future adoption. So far as relates to the immediate future, assuming that share capital would not be subscribed, even if the Secretary of State permitted the English investors to do so under the existing contracts, the Secretary of State could himself go into the market and raise money paying whatever rate of interest might be necessary.

4838. Sir Gordon Fraser explained that what he contemplated was that the capital of the London Company should be in sterling and that of the Indian Company in rupees. He had not gone fully into the question of the complications which would probably be caused by fluctuations in exchange. The natural course would be for the Indian Company to declare in rupees the amount available for payment as dividends to the English Company. Dividends paid by the Indian Company to the English Company would be transferred to London at the current rate of exchange and distributed to its shareholders by the English Company. As an alternative which might be worth consideration, he suggested that it might be specially arranged that the dividends on any part of the subscribed capital should be remitted to London at the same rate of exchange as prevailed at the time when the capital was subscribed. In this case any loss on these transactions would be charged to working expenses of the railway.

4839. In reply to the Chairman Sir Gordon Fraser admitted that there would be difficulties in perfecting his scheme, but he thought that they would not prove insurmountable. He knew of at least one company in India constituted very much on the lines suggested. The Chairman thanked Sir Gordon Fraser for having put forward the first constructive suggestions which the Committee had received for a scheme by which the dual company system might be carried into effect. Sir Gordon promised to furnish the Committee with a memorandum setting forth his views in a somewhat more detailed manner.

P.S. (The memorandum was subsequently furnished and is reproduced as an annexure hereto.)

4840. In reply to Mr. Hiley, who asked whether, if Government were to have directors on the Indian Board in proportion to their holding, it would vitiate the scheme under consideration, Sir Gordon Fraser said that in that case, the capital being mainly (about 93 per cent.) Indian, the control would be in India; in the particular instance in Madras.

4841. Sir Arthur Anderson pointed out that in the case of the Madras and Southern Mahratta and other Indian railway companies, there are really no tangible assets. The Chairman observed in this connection that the position in India was peculiar: the companies generally holding no specific assets, but only a guarantee covering the payment of interest and the ultimate repayment of capital. Sir Gordon Fraser agreed that the lack of any definite asset, which could be assigned to the proposed Indian company, might involve some complication, but that presumably the company's interest in an agreement with Government would rank as an asset.

4842. Sir Arthur Anderson suggested for consideration that, as under the existing system, each railway is managed practically by the Government of India as a senior partner with a working company as junior partner, the latter exercising certain powers of control, it might be possible for the Government to take in a second junior partner in the shape of an Indian company to which some of these powers of control might be specifically delegated. The witness expressed no opinion on the suggestion beyond that the proposal might fail owing to the application of the English Income Tax. Sir Arthur Anderson said that the difficulty which he anticipated in Sir Gordon Fraser's scheme would be in persuading the shareholders to transfer their holdings to India as suggested.

4843. In answer to Sir George Godfrey, who asked whether he thought the adoption of his scheme by one or more companies would result in Indian railways obtaining more money, Sir Gordon Fraser said that though, as time goes on, those who have in the past been urging that Indians should be allowed a greater interest in the railways would come forward,

he was certainly not very hopeful at the moment. He thought, however, that Indian money was more likely to be forthcoming under his scheme than under present conditions.

4844. Mr. Simpson observed that, as had been explained by Sir Gordon Fraser, the Chamber of Commerce had not had an opportunity of considering the scheme, which had not been placed before the Chamber. In the Chamber's opinion, the whole of the railway problem was one of finance. He thought that any scheme that promised assistance in raising funds was deserving of consideration.

4845. Sir Gordon Fraser observed that an object of his scheme was that it should, in addition to facilitating the raising of money, afford Indians a definite opportunity of being associated with the control of the railway property, and that the advantages of a more local control would be very considerable, only important matters being referred to London.

4846. The Chairman explained that another line of approach would be that Government, acting both as Government and as the preponderating partner, might decide to establish local advisory boards to assist in the management of the railways. Sir Gordon Fraser thought it possible that they might decide upon this. Personally, he was doubtful of the value of advisory boards if they had no definite powers. He thought that merely advisory boards were likely to be more of a nuisance than of a help. The Chairman observed that the recorded opinion of the Chamber was in favour of the appointment of boards, advisory and consultative, with certain powers of limited action, and that it seemed clear that the Chamber had no objection to the exercise of advisory functions over and above the exercise of any actual power which these boards might possess. Mr. Simpson agreed that, assuming some power is delegated to the Boards, there would be no objection to their advising on matters of which it was not within their competence finally to dispose.

4847. Mr. Simpson stated that the Madras Chamber had no experience of any inconveniences due to the agents in India not having adequate powers and having to make references to London.

4848. The Chamber urged that the majority of the directors on the London Boards should have recent Indian experience, and that they should keep in close touch with the conditions in India by means of frequent visits. He said some visits had been made from time to time, but, speaking generally of normal times, he did not think that this had been a regular custom. It would be a step in the right direction to make it a rule that ordinary directors should keep in personal touch with Indian conditions by means of periodic visits. The Chairman observed in this connection that there might be on the boards of directors in London a few directors chosen specially, for instance, for financial experience, and personal knowledge of Indian conditions might not in their case be regarded as essential.

4849. The Chairman drew attention to the recorded opinion of the Chamber of Commerce that the Railway Board cannot be said to have come up to public expectations and would seem to require strengthening and enlarging. In this connection he explained that the Railway Board exercises two distinct functions—one executive, the other relating rather to matters of policy—and asked what the Chamber would think of the reorganisation of the Board in such a manner as to provide an expert, whole-time body dealing with executive questions, associated with a consultative body representative of different interests and places. The latter committee would not be a whole-time body, but would probably meet three or four times a year. Mr. Simpson agreed that this seemed to be a promising suggestion. He urged, however, the desirability of having on the executive body somebody who was acquainted with South Indian conditions. He did not agree with the Chairman's suggestion that a locomotive engineer, for example, who had acquired his experience in Southern India, would not necessarily be very valuable on the Railway Board. He thought that the Board would at least be more efficient in dealing with South Indian questions with such a man as one of its members than it is at present. He agreed that the members of the proposed consultative body should not be paid a fixed salary as in the case of the members of the whole-time executive Board; they would, of course, be paid their expenses and suitable fees for their attendance. It would be necessary for this body to have an effective voice in the railway administration. He agreed with the Chairman that this would probably be sufficiently secured through the facility with which local representatives on it could have public attention drawn to matters in which their opinions had not been accorded sufficient weight and consideration in the Imperial Council. He, however, still thought that the Railway Board should be strengthened and enlarged.

4850. Mr. Simpson laid stress upon the opinion of the Chamber of Commerce that it is an absolute necessity for many years to come to improve the existing facilities on, and equipment of, open lines, and that new construction should be held in abeyance for the present. He stated that these views applied equally to the construction of branch lines as to extensions to existing railways. In this connection he read a letter from the Cochin Chamber of Commerce, dated the 8th January, 1921, in which that Chamber stated that it would wish to be associated with the Madras Chamber in any representation placed before the Committee. He drew attention to the following statement in the Cochin Chamber's letter, in deference to its wishes:—

> "The Cochin Chamber has no definite opinions to put forward regarding railway administration, but, if opportunity offers, would request you to call the attention of the Committee to the development which will be necessary as the Cochin Harbour Scheme progresses and the disabilities at present existing through the break of gauge from the South Indian Railway to the narrow gauge of the Shoranur Cochin Railway and the serious shortage of rolling stock on the latter-mentioned railway to Cochin."

4851. He felt bound to say that the Madras Chamber would deprecate new extensions which would militate against the bringing up of existing railways to an adequate standard of efficiency. Subsequently, in reply to Sir George Godfrey, Mr. Simpson said that if the construction of a new harbour with new lines connecting to it would relieve the pressure and congestion on existing railway routes, he would not oppose the immediate expenditure of money on such a scheme. He would regard it as in the same light as expenditure on improving open lines.

4852. In answer to the Chairman, who mentioned that the vice-chairman of the Calcutta Port Commissioners had accepted the suggestion that there should be a closer organic connection between the administration of Indian ports and railways, Mr. Simpson expressed himself as also in agreement with this view. The Chairman mentioned that recent legislation in England was designed to secure this closer connection between the railways and the harbour authorities of the United Kingdom.

4853. Mr. Simpson said that the Chamber were of opinion that separate borrowings for railway purposes would undoubtedly interfere with Government borrowings for general purposes. The Chamber would prefer that money required by Government for capital purposes should be obtained by means of a large ordinary loan of which a considerable proportion should be devoted to railway purposes. The Chairman asked, seeing that before the War only a relatively small amount of money was borrowed by Government for purposes other than railways and irrigation, whether the witness thought there would be any considerable competition between ordinary Government borrowings and railway borrowings in future. Mr. Simpson thought that Government borrowings for ordinary purposes would be likely to be heavier in future. He mentioned that probably larger sums would be required for military purposes, though

unable to detail the other objects for which the Central Government might desire to raise money.

4854. With reference to the question of lapses Mr. Simpson considered that it is quite unreasonable to treat railways in any other way than as a mere ordinary business concern. No business would work as Government does, on the principle of a cash account in which the books are closed periodically without taking into consideration outstanding liabilities and assets.

4855. The Chamber's written statement observed that its relations and, so far as the Chamber is aware, the relations of the trading community in general, with the railways serving the Presidency are of the most amicable and satisfactory character. Mr. Simpson stated that, in making this statement, the Chamber had in mind both the South Indian Railway and the Madras and Southern Mahratta Railway Administrations.

4856. Referring to the emphatic opinion of the Chamber that there was serious cause for complaint against the adequacy of the railway system at present, Mr. Simpson stated that they had got along fairly well up to 1914, although at certain seasons difficulty had been experienced. The Chamber had in mind the difficulties and arrears caused by the war, but regards it now as an urgent matter to repair war-time leeway before undertaking any new railway construction. The daily recurrent maintenance of the railway had dropped behindhand, and the public are now suffering greatly from the inadequate carrying capacity of the lines. He considered that the traffic is growing and must continue to grow. He commented on the extent to which the railway stations are crowded with merchandise, lying frequently for days awaiting transport. In this connection, he cited as an example the Beach Station at Madras where this state of affairs might be seen. He considered it a matter of urgent necessity that the improvement of the carrying capacity of the railways should be attended to.

4857. Mr. Simpson said that he had no reason to believe that the railways had refrained from asking for sufficient funds for the reason that they had no desire to expend them.

4858. The Chamber had mentioned the necessity, when time comes for pushing the system of feeder railways, of revising the Branch Line Terms so as to provide an adequate attraction for the subscription of capital. Mr. Simpson stated that the Chamber had no experience enabling it to express a valuable opinion regarding the merits of fresh construction by independent companies rather than by the existing main line companies.

4859. In answer to Sir Henry Ledgard, who drew attention to the very large extent to which, since the war, capital had been subscribed for new industrial enterprises, Mr. Simpson indicated that he would attach much more importance to the amount of paid-up capital than to the amounts for which new companies had been registered. He agreed, however, that there is more money to be procured, though he would not say that there is no scarcity of money at the present time, the markets now being very much disorganised.

4860. In this connection, Sir Gordon Fraser thought Indian investors are much more attracted by a speculative investment offering a chance of high return, and a large part of the money which had been referred to by Sir Henry Ledgard as having been subscribed during the past couple of years, had been put up in that hope; it would not necessarily have been available for the more modest return promised by railway investments.

4861. With regard to the attractiveness of premium bonds as a means of borrowing money, Sir press a definite opinion on the subject. It had to be remembered that this Presidency is mainly agricultural and that the majority of the population here have not got much ready money to invest.

4862. In reply to the Chairman who asked whether it is possible to get at the hoards of silver in India, Mr. Simpson mentioned that the recent speculative boom had brought out a certain amount, but the present moment is inopportune for attempting to induce a subscription of further capital.

4863. In answer to Sir Rajendra Nath Mookerjee, Sir Gordon Fraser agreed that purely advisory committees might be useful to some extent, though he was much in favour of the establishment of Boards with certain definite powers. Sir Rajendra Nath Mookerjee asked whether it could be expected that capable business men would be willing to join committees possessing merely consultative and no real powers of action. Mr. Simpson thought such men would be forthcoming for service on local consultative Committees. He agreed with Mr. Hiley that responsible business men would be capable of impressing their personality and exercising an appreciable measure of effective control through their advice. He said that of course they would not attempt to interfere with the details of railway management, but he believed that their advice would be valuable to the Railway Administrations in general commercial matters.

4864. In this connection, reference was made to a resolution passed last year by the Associated Chambers of Commerce in favour of the association with the Railway Board of a commercial representative. The principal Chambers had however found it impracticable to nominate a wholetime commercial man of adequate standing, and the matter had not been pursued further for that reason. The appointment of members to local consultative Committees stood however on an entirely different footing and should present no difficulty.

4865. In answer to Mr. Hiley, Mr. Simpson stated that the Chamber had done all it could to impress Government with the necessity for improving the railway position. They had acted mainly by constant unofficial references. Mr. Hiley remarked that the Committee had been struck by the unusual patience displayed by the public in tolerating the inadequate railway service.

4866. In reply to Mr. Purshotamdas, Mr. Simpson stated that he had not had an opportunity of studying in detail the views placed before the Committee by the combined Madras Government. He thought however that the Government's view would not meet with general assent amongst the commercial community.

4867. He agreed with the local Government that the railways should be worked in the interests of the country but considered that they should be managed by companies as commercial concerns. Mr. Purshotamdas said that it had been explained that the Madras Government did not mean that the railways should be worked in an unbusinesslike manner but only that they should not be worked for profit but should rather aim at balancing working costs and interest charges.

4868. Mr. Simpson agreed that there would be no objection to the separation of railway finance if it were impracticable to provide for the requirements of railways from the general borrowings of Government. The Chamber was however definitely opposed to the abolition of company management. He admitted that the Chamber was not directly acquainted with State management, and so did not feel itself in a position to discuss the merits of State *versus* company management in detail. The Chamber's views were based on general considerations. They had been put forward with full cognisance of the trend of Indian public opinion against managment by companies.

4869. Mr. Simpson explained that the Chamber as such was not concered with the grievances of the travelling public, particularly of third class passengers. It was however not oblivious of the interests of the Indian public in general in regard to commercial matters with which it was more particularly concerned.

4870. In connection with the quotation of special rates, for taking raw produce to factories and for removing manufactured articles from factories to places of consumption, Mr. Simpson stated that the Chamber as such had never approached the railways with any request; individual members might have done so.

4871. Mr. Simpson explained that there were hardly any branch line companies in Madras and that the Chamber was not therefore in a position to say much on the subject of branch line companies. Subscriptions for feeder railways were not generally placed on the open market in Madras.

4872. Mr. Simpson agreed entirely with Mr. Purshotamdas that it would be unjust to say that the Indian public would not subscribe for railway purposes, until they had actually been given a reasonable opportunity of doing so. In this connection, Mr. Purshotamdas drew attention to the circumstance of Government having on some occasions raised money for Indian purposes, in London, at a higher rate of interest than had been offered to subscribers in India.

P.S.—With reference to paragraph 4839 above the following memorandum which was subsequently furnished by Sir Gordon Fraser is reproduced:—

Madras, 21*st January*, 1921.

As requested by the Chairman of the Committee I have the honour to submit, herewith, a memorandum embodying proposals with reference to the future control of Indian Railways.

I have no practical knowledge or experience of the administration of Indian Railways, so submit the following proposals with due diffidence, realising that on many points the scheme is open to criticism, and that many important details are not dealt with.

It will simplify matters if I treat the scheme as applying to one particular railway, and for the purpose of this memorandum I take the Madras and Southern Mahratta Railway Company.

The two main points I have in view are to bring the administration more in touch with the actual working of the railway, and also to protect the earnings of the railway from English taxation. The Madras and Southern Mahratta Railway is, at present, incorporated in England, and the railway is managed by the London Board of Directors of the company.

I suggest for consideration that a company be formed and incorporated in India under the title of the Madras and Southern Mahratta Railway Company (India), Limited, to take over the interests of the present Madras and Southern Mahratta Railway Company. The value of the interest taken over to be paid for by an adequate allotment to the London Company of shares in the new Indian Company. Under this arrangement the constitution of the London Company would not be changed, but, instead of administering the railways in India, the London Company would be a "holding" company only, and its assets would be the shares allotted by the Indian Company.

The Board of Directors of the Madras and Southern Mahratta Railway Company (India), Limited, to be constituted as follows:—

(1) Directors elected in India by the shareholders of the Madras and Southern Mahratta Railway Company (India), Limited.
(2) Directors nominated by the Madras and Southern Mahratta Railway Company, London, in proportion to the London Company's holding in the Indian Company.
(3) Directors nominated by Government.

In addition to the above, the London Company should have the option of nominating, say, two of its own Board as London Directors of the Indian Company, but if this option is exercised the nominations to the Indian Company's Board in India would be reduced accordingly.

The interests of the Madras and Southern Mahratta Railway Company, London, would be amply safeguarded by the above power to nominate Directors in proportion to its financial holding in the Indian Company. The administration of the railway would be in the hands of the Directors of the Madras and Southern Mahratta Railway Company (India), Limited, but it would be necessary for certain important matters of administration to be reserved, and only dealt with after recording by letter or cable the opinions and votes of the two London Directors of the Indian Company.

All other questions of administration relating to the railway would be decided on the spot by the Indian Board. The right should be reserved to the Madras and Southern Mahratta Railway (India), Limited, to raise capital in India to an amount equal to the total value at par of the shares in the Indian Company held by the London Company. Thereafter, both companies to have the right to participate on equal terms in all issues of new capital of the Indian Company. Some safeguard would probably be necessary to ensure that the failure of one party to raise its share of new capital would not debar the other party from accepting capital offered.

The above scheme would, I think, give to India the opportunity of subscribing capital for railways, and at the same time secure to Indian shareholders powers of control proportionate to their financial interests.

The earnings of the Madras and Southern Mahratta Railway Company (India), Limited, would be free from liability to English Income Tax except, of course, in regard to dividends received in London by the London Company on its holding of shares in the Indian Company.

If the return on capital invested in railways in India is sufficiently attractive to investors in England, it ought to prove even more attractive to Indian investors, as the latter would pay Income Tax on a lower scale than the former. Also, the Indian investor would not run the risk in exchange incurred by the shareholder in the English Sterling Company. The home expenses (Offices, Directors, etc.), would also have to be deducted from dividends received from the Indian Company before the same would be available for distribution by the London Company to its shareholders.

I was questioned as to whether the above scheme would result in money coming forward more freely for the development of Indian Railways, but I am afraid I cannot give a definite opinion on this point. It seems to me, however, that the above scheme amply safeguards the English investor and will not make it more difficult to raise money in London in the future than in the past.

On the other hand, the scheme certainly makes the position more attractive to the Indian investor, and provided Indian Capital were forthcoming it would not be long before Indian shareholders secured a controlling interest in the railways in this country.

The fact that the Madras and Southern Mahratta Railway Company, London, is a Sterling Company, and the Madras and Southern Mahratta Railway Company (India), Limited, would be a rupee one, raises a difficulty, but not, I think, an insurmountable one. It would be necessary in the case of sterling capital to fix the rate of exchange at which the rupee shares would be given in exchange for the sterling. This means the sterling investor runs a serious risk in exchange which might be overcome by an arrangement whereby dividends on sterling capital would be paid to the London Company in sterling at the same rate of exchange at which the original sterling capital was converted. If sterling investors are prepared to take the risk, well and good, but, if not, and if capital raised in London is essential, then it seems to me there is no alternative but for the Indian Company to accept the risk.

In a covering letter forwarding the above memorandum, Sir Gordon Fraser made the following remarks:—

There is one point which has occurred to me, and which requires legal opinion, and that is whether a company under the English Act can transfer its business or property in exchange for shares in a foreign company. Clause 192 of the English Act permits a company, on being wound up voluntarily, to transfer its assets to another Company, but as the definition of "Company" under the Act is "A Company registered under this Act," it follows that Clause 192 restricts the transfer to a Company registered under the English Act, and this, of course, would not cover a company registered under the Indian Companies Act.

Clause 192 only refers to the case of a company being wound up voluntarily, and I do not know what the position is in the case of a company transferring its assets in exchange for shares and continuing as a "holding" company only. These, however, are questions for a legal expert.

The present subject, however, is so important, politically, that I think the Secretary of State, if he so desired, would have no difficulty in passing the necessary legislation to make the proposed transfer possible, provided the transfer met with the approval of both parties concerned.

The point was raised yesterday that very probably English shareholders would oppose the exchange of their interests for shares in an Indian Company, but I think the scheme as a whole is such an important concession to India that, in turn, the Indian Company might very well offer sufficient compensation to make the transfer attractive to the English shareholders.

One method of doing this would be by fixing the exchange for the conversion of the original capital, and the payment of dividends on same, at rates sufficiently favourable to the English shareholders to ensure their acceptance.

Mr. M. A. Ahmed Badsha Saib, B.A., representative of the Southern India Skin and Hide Merchants' Association, was called and examined upon a statement of which copies had been furnished to the Committee immediately before the meeting.

See Written Statement No. 37, Vol. IV., P. 140.

4873. Mr. Badsha explained that there had been some delay on the part of his Association in preparing the statement to be placed before the Committee, due to pressure of other work on the part of the Association and, possibly, also to some oversight in its office. The Association had confined itself to expressing its views on general matters connected with railway policy, which had been suggested by the questionnaire, and had not dealt specifically with the bearing of the railway problem on the hides and skins trade.

4874. The Association were entirely in favour of direct State management. They had had no immediate experience of railways managed by the State, but, their experience of companies' railways led them to think that management by the State would probably be better. On general grounds, also, they considered that the State would manage the railways more in the interests of the public.

4875. Mr. Badsha distinguished between the application of this view as a general one, which might be urged in respect of railway administration in any country, and its application in the special case of India. He pointed out that in other countries railway companies have, as a rule, been floated in the countries themselves, whereas in India all of the important companies are companies with foreign domicile and foreign shareholders. It might be the case, as pointed out by the Chairman, that two-thirds of the capital, for instance, of the Madras and Southern Mahratta Railway, is owned by the State; but so far as his observation had gone, the company appears to be quite uncontrolled.

4876. Some discussion followed as to whether the railway companies could fairly be blamed for deficiencies in carrying capacity and rolling stock if they had, as the agent of the Madras and Southern Mahratta Railway had represented, applied repeatedly to Government for the necessary funds. Mr. Badsha was of opinion that the companies had failed to do what was necessary and that the only remedy would be the transfer of the line to the State and direct financing by Government. The Chairman explained to him, that, in fact, the lines are in any case dependent upon the provision of funds by the Government of India, but Mr. Badsha urged that the State should have a larger measure of direct control over the companies.

4877. Referring to a specific instance mentioned in the written representation, Mr. Badsha emphasized the need for better communications between Madras and Pallavaram or Chingleput. He said it was in his own experience that there was an urgent demand for the railway to be doubled to enable it to cope with the heavy traffic on it. He was not in a position to furnish details as to any applications which the company might have made to Government in this connection, but could not believe that Government would have refused to provide funds for so urgent a necessity. The Chairman mentioned that the evidence which had been placed before the Committee elsewhere was conclusive that Government had been unable to supply funds for many admittedly urgent requirements in various parts of the country.

4878. Mr. Badsha was unable to furnish figures in support of his statement that, in the higher Indian railway service, there are relatively fewer Indians than in the various Departments of the State. He was, however, convinced of the accuracy of the assertion.

4879. Regarding the opinion of the Association that labour troubles and difficulties could be solved more satisfactorily by the State than by private companies, he cited the settlement of the coal strike in England under State guidance. The Chairman pointed out that it was while under State management that the recent strikes had occurred in the coalfields and on the railways in the United Kingdom.

4880. With reference to his representation regarding the need for better facilities for the Chingleput traffic, Mr. Badsha was asked whether, if money could not be found in India he would prefer to borrow it in England or to do without the facilities. He expressed his inability to believe that the necessary funds could not be raised in India. He thought it could be done if the lines were managed by the State. His Association were of opinion that, if company management must be retained, they should at least have companies floated in India and not elsewhere. He considered that a considerable amount of money would be subscribed for railway purposes even by the ryots. He thought they had subscribed substantially for the war loans. He thought there was a good deal of money available, apart from what may have been locked up in jewellery and ornaments.

4881. Referring to the Associations' statement that Indian railways could be worked at a profit under proper State management, the Chairman drew attention to the fact that the State was already receiving some 9 per cent. on its capital in the Madras and Southern Mahratta Railway property. Mr. Badsha explained that it was not desired that such high profits should be earned at the expense of public convenience. He agreed, however, that railways should be worked at some profit.

4882. His Association were strongly of opinion that railway officers' salaries are excessively high in India and much higher than in other countries.

4883. Speaking of his special experience as a trader in hides and skins, Mr. Badsha explained that the principal difficulty met related to the supply of wagons, and that constant difficulties and delays in transit had occurred, especially in the case of hides coming from long distances and passing from one administration or gauge to another. The hides were liable to damage and great delay, and there had been many cases of complaint. There was a demand for greater expedition on the part of the railway authorities. As matters stand, merchants were always afraid of being unable to fulfil their contracts owing to delays caused by the railways. He did not believe that the railways did their best to grapple with the problem.

4884. As an instance in which he thought there was ground for complaint, he mentioned that, in the case of damage to consignments passing over more than one railway, if he appealed to the Madras and Southern Mahratta Railway he was referred to the Great Indian Peninsula Railway, and the Great Indian Peninsula in turn transferred the blame elsewhere, and ultimately the whole loss falls on the purchaser of the goods.

4885. Mr. Badsha had no special complaint to make with regard to rates charged by the railways.

4886. In answer to Mr. Purshotamdas, he explained that the members of his Association are all exporters and importers of hides and skins. Asked to give an idea of the importance of the interests represented by the Association, he estimated the annual turnover at from five to ten crores of rupees.

4887. He was asked to quote instances in which the Association had grounds for dissatisfaction with the railway. He said there had been several grievances; but barring one or two instances which he mentioned in answer to the Chairman, he could not remember any others. Asked whether the Association had ever approached the Railway Board and complained that the railway agent did not attend to any particular grievance, the witness replied that they had not done so.

4888. He mentioned a case in which damage had occurred to a consignment transferred from the Madras and Southern Mahratta Railway at Raichur. This was a case in which there was no change of gauge, but for some unknown reason the goods had been transferred from one wagon to another. He could not say where the damage had actually occurred.

4889. Mr. Badsha said that he could not confirm the evidence placed before the Committee by representatives of the Madras Chamber of Commerce that the traders had no complaint against their relations with the Madras and Southern Mahratta Railway. He mentioned, as an example, the dissatisfaction of the piece-goods merchants, who complained bitterly that they are kept waiting for weeks together for wagons; and even when they get these, consignees cannot count on prompt delivery of goods. He mentioned that it was "necessary to spend something" to ensure the supply of wagons. This was a matter of common talk even in the newspapers. He could not remember whether specific complaints of this kind had been brought to the notice of the railway authorities. Representations might have been made to them.

4890. His principal reason for pressing for the State management of railways was that it would make the railway administrations more responsive to the people in the Legislative Assembly.

4891. Mr. Hiley commented on the absence, in the Association's representation, of any special mention of grievances connected with the hides and skins trade. Mr. Badsha agreed that the most important grievances, on which the Association wished to lay stress, were those of the third-class passengers.

4892. The Chairman observed that it appeared to him that, if the grievances of the Association had really been very serious, they would not have failed to have brought them prominently to the notice of the Committee and would have devoted more attention to the subject matter of the Committee's investigations and have dealt with it at an earlier date than they had found themselves able to do.

(*P.S.*—The President of the Association subsequently wrote to the Committee mentioning that the Questionnaire was received by the Association only on the 1st January, 1921, this being the first official information received by the Association about the Committee.)

TWENTY-SIXTH DAY.

(Madras.)

Friday, 21st January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Sir P. THYAGARAYA CHETTY, B.A., M.L.C., President, Southern India Chamber of Commerce, Madras, was called and examined on a statement which had been furnished by the Chamber.

See Written Statement No. 38, Vol. IV., P. 141.

4893. The witness stated that he was the President of the Southern India Chamber of Commerce, which had been established for about ten years. The present membership of the Chamber was about 230, mostly wholesale traders. The membership is wholly Indian except for the representation of the South Indian Railway Company. The Chairman enquired how it came about that the Madras and Southern Mahratta Railway was not a member of the Chamber, seeing that the South Indian Railway was. He remarked that the Madras and Southern Mahratta Railway had said that they had never been invited to become a member. The witness stated that neither had the South Indian Railway been invited; he believed that they had volunteered to join the Chamber. In view of it having been stated that the Madras and Southern Mahratta Railway would be glad to join if invited, he thought that the Chamber would readily issue the invitation.

4894. The Chairman drew attention to the fact that the Chamber's opinion was decidedly in favour of

management of railways by the State. He observed that there appeared to be some conflict between the Chamber's observation that their experience in railway matters was confined to the two administrations in Southern India which are company-managed, and their observation that their experience led to the conclusion that State management was in every way better than management by companies. The witness explained that the Chamber had every reason to expect that State railways would be better than company-managed railways, although they had not had personal experience of the former system. The Chairman mentioned that many witnesses had appeared in Calcutta who had experience of both the systems, and that some of them considered that they were better served by the company-managed system than by the others. The witness stated that the state of affairs in Madras is so extremely bad that it could not, in fact, be worse. He was confident that State railway working would be better, mainly because it would be amenable to public opinion. Referring to the Chamber's desire that railways should be managed by Government, and their belief that it would be possible in this case to compel the administrations to devote more attention to public requirements, the Chairman asked what would happen if Government failed to fulfil these expectations. The witness observed that the position could not anyhow be worse than at present, and there was good reason to expect that it would be better, for although they had no experience of State railway management, they had sufficient experience of the working of Government in other departments to justify confidence, and they could always bring pressure to bear in the reformed councils.

4895. With reference to the Chamber's observation regarding companies' railways being managed by representatives of stockholders living thousands of miles away, the Chairman asked whether the witness did not think that Government itself really manages the lines in view of the extent of its capital invested in them and of the powers it exercises. The witness answered that he did not think this was the case. The Chairman cited an instance in which the agent of a company-managed railway could not allow an officer a special rate of pay and travelling allowance while employed on special Government duty without referring for, and obtaining from Government, the necessary sanction, and asked whether this was not a clear indication that Government was really the managing authority. The witness thought, however, that management by Government is only nominal. He agreed that if, for example, in his own business one of the heads of his departments had to obtain his permission to carry out measures which it was desired to introduce the management would then in reality be his and not that of its subordinate.

4896. The Chairman cited another instance in which complaint has been made to the Committee regarding the lack of a double line railway in a place where traffic is very heavy, and asked who was responsible in such a case as this, if the failure to provide the required facility is due to the refusal of Government to find the necessary funds. The witness thought that, if the Government were to directly manage the lines, the public would succeed in getting such improvements carried out. The public would be prepared to face additional taxation, if it were necessary, for the purpose, though he did not think that this would be necessary, seeing that the railways now earn about 9 per cent. He considered that the companies were to blame for not pressing sufficiently for the necessary funds. He said that under the existing system the public made complaints, but could get no one to listen to them, and they had become quite despondent.

4897. The Chairman asked why the pubic should not force Government to attend to their grievances even now. Being by far the largest proprietor in the railway system, the Government obviously could not shelter themselves behind the fact of the companies having a relatively very small interest in them. The witness considered that Government was at present only nominally the head. He was prepared to admit, however, that Government might have the powers, but it does not exercise it. The Chairman asked that, if the management was so bad that it could not be worse, and if they had to put up with such an intolerable state of things for 24 years on the South Indian and for 16 years on the Madras and Southern Mahratta Railway, why they did not make the Government do what they wanted. The witness replied that it was not possible to secure any consideration for their demands because the railway administrations were manned by Europeans, and the Government, having left the working of the lines in the hands of the companies, could not interfere with them. The Chairman again asked whether the Chamber had ever complained to the Railway Board, and the witness replied that it did not occur to them to do so; the Railway Board was too far away. They only approached the agents who were on the spot, but failed to secure satisfaction from them. He mentioned that on one or two occasions complaints were made to the Railway Board. A member of the Railway Board visited Madras before the war about 1913, and matters were discussed with him. No complaint had been addressed since then to the Railway Board, as the Chamber recognised that improvements could not be expected under war conditions. The Chairman observed that the Southern India Chamber of Commerce was an important body, and would surely have its representations attended to, if it continued to make them to the Railway Board. He did not understand why the Chamber did not approach those who had the control over the local railways if the latter proved obdurate, as represented by the witness. The witness said that the public are now getting into a position in which they can ensure their wishes being carried out through the medium of the Legislative Assembly.

4898. The Chamber proposed that during the pendency of the contracts with the railways serving this Presidency a provincial Advisory Committee composed of officials and non-officials with the Senior Government Inspector of Railways at the head should be constituted, the non-official members being representatives of trade, industries, finance and the general public. It should be the duty of this Committee to enquire into all railway grievances; to use their best offices and influence in the settlements of claims against the companies and of disputes between the employers and 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 to ensure, in short, 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 Committee should be regularly recorded and communicated to the Government of India for information, and further action, should that be necessary. The Chairman suggested that there might be a difficulty in asking the Senior Government Inspector of Railways to be the chairman of the proposed Advisory Committee, considering that he is a subordinate of the Railway Board, and asked whether the witness would like any assistant of his own to lead a deputation complaining of his management of his own business. The witness considered that the Government Inspector might not unreasonably be given the position suggested, considering that he is a public servant; he is not the personal servant of the Railway Board, though he is subordinate to it. The Chairman agreed that this point might, however, be waived, as no doubt a suitable chairman could be found. As a matter of personal opinion, he thought the functions and the procedure proposed for the Advisory Committee were eminently reasonable, and he expected that the railways would not be opposed to the institution of such a Committee; in fact, Colonel Magniac had expressed himself as not opposed to some such body.

4899. The Chairman remarked that the representatives of the Chamber of Commerce, Madras, said that they had no complaints against the two railway administrations. The witness observed that they rightly said so, it being Indians who had ground for complaint. His Chamber were convinced that in such matters as the allotment of wagons preference is given by railway administrations to European firms. He stated that goods are stored on platforms and left unprotected for long periods, causing loss both by delay and damage. He quoted an instance occurring in 1916, in which a specific complaint had been made by telegram to the Railway Board by the Guntur merchants. The member of Railway Board who visited Madras was not satisfied with the telegraphic statements, and demanded specific instances of this kind of preference to enable him to deal with a complaint of so serious a character. Particulars were duly furnished to the Railway Board, but no reply had been received. The Chairman suggested that it was hardly the fault of the Railway Company if the Railway Board failed to take notice of such a representation. The witness observed that the public suffered all the same; he promised to furnish further specific instances of more recent date in support of the statement that railways serve European firms better than Indian firms.

4900. The witness also read the following extract from the Annual Report of the Proceedings of the Executive Committee of the Southern India Chamber of Commerce for the year ending February, 1913, as showing the complete neglect of public requirements on the part of the railways:—

Delay in the Transport of Goods.

Mr. W. H. Wood, Senior Member of the Railway Board met the members of the Committee at the rooms of the Chamber on the 6th August, 1912. The interview lasted for over three hours, in the course of which several railway matters affecting the public were discussed at great length. One of the subjects was the delay in the transport of goods. In the interview of the Chamber with Mr. S. Finney in 1910, it was pointed out that goods were carried to wrong places and by wrong routes, entailing serious delay, which was generally avoidable with reasonable care and attention. It was contended that when loss was occasioned by negligence on the part of the administration or its servants, the owners of goods should be compensated. It was also requested that the general exemption from liability regarding the arrival of goods within any definite time at any station should be modified. A specific case of the evil complained of, a case which was typical of the delay and the consequent inconvenience and loss, was taken to the notice of Mr. Wood. In this case, a member of the Chamber complained on the 25th June last, that several consignments of gram despatched to him from Chirgaon, Harpalpur, Jhansi, Lalitpur, Morina and Mengavali, on the Great Indian Peninsula Railway, between the 20th April and the 28th May, aggregating to nearly 4,000 bags, had not till then arrived, excepting 300 bags received partly on the 13th May and partly on the 24th June, and that thereby he had been put to much inconvenience and loss. He stated:—"These consignments were wired for by me to execute certain contracts and to meet certain offers about that period, and by these delays I had to suffer penalties in various ways. I can't say when it is likely that these consignments will come into my hands, and if at all they arrive I am at a loss to know how to dispose of them, since the market for this stuff is so very dull just now." The Chamber forwarded copies of the complaint with particulars of the consignments to the Agents, Madras and Southern Mahratta Railway and the Great Indian Peninsula Railway as well as to the Railway Board. The first replied that the responsibility for the delay rested only with the Great Indian Peninsula Railway. The latter intimated that some of the consignments had passed Raichur, its limit, and that endeavours were being made to trace the remaining consignments. The Railway Board, however, pointed out that the Great Indian Peninsula Railway had had more traffic offering to them than they were able to carry and that the Company were doing their best to deal with the very difficult situation. At the time of the interview with Mr. Wood, the consignments and arrivals were as follows:—

Date of Invoice.	No. of bags.	Date of Arrival.
April 20	150	*Nil* (not yet arrived).
,, 22	300	27th June, 1912.
,, 27	700	13th May, 1912 (*a*).
May 4	300	6th July, 1912 (*b*).
,, 6	175	24th June, 1912.
,, 9	222	18th June, 1912.
,, 10	172	10th July, 1912.
,, 17	300	6th July, 1912 (*c*).
,, 20	300	29th June, 1912.
,, 20	151	5th July, 1912.
,, 26	131	21st June, 1912.
,, 26	170	8th July, 1912.
,, 27	215	26th June, 1912.
,, 27	120	25th June, 1912.
,, 28	132	28th June, 1912 (1 bag short).
,, 28	174	1st July, 1912.
,, 28	161	8th July, 1912.

(*a*) 175 bags received on 13th May, 1912, 125 on 24th June, 1912, 225 on 26th June, 1912, and 175 on 12th July, 1912.

(*b*) 150 on 6th July, 1912, and 150 on 15th July, 1912.

(*c*) 99 on 6th July, 1912, rest not yet arrived.

The first consignment in the list was booked on the 20th April at Chirgaon. It was believed that this consignment of 150 bags was received in Madras about the 17th July in two parts, the first of which contained 20 and the second the 130 remaining bags. The Madras and Southern Mahratta Railway withheld delivery on the ground that no code mark of forwarding station, Invoice No., etc., were to be found on the bags. No replies to enquiries had been received till the 28th July. There was thus a delay not only in consignments reaching their destination but also in actual delivery after arrival. With regard to another consignment not included in the above list invoiced on the 10th June at Harpalpur, 175 out of 525 bags arrived at the Salt Cotaurs and were lying at the shed for over 10 days, during which period enquiries were leisurely proceeding, and it was not before the 17th July that the consignments were delivered. The remaining 350 bags had not arrived on the 25th July. The above was a typical instance of delay, and the Committee drew the attention of Mr. Wood to the disappointment and dissatisfaction among merchants, who at the time had arranged to have their consignments from Central India sent from Calcutta and shipped from there to Madras, though by this route they had to pay three annas extra on each bag. In these circumstances, the Committee requested the Railway Board to institute a careful enquiry and to devise some means by which these inordinate and ruinous delays could be mitigated, if not removed, in the near future.

He agreed that this particular case did not give any indication of preference to Europeans, but he cited it in support of the general complaint of the Chamber against the existing system of railway management.

4901. Referring to the suggestion of the Chamber that the Advisory Committee should use its influence in the settlement of claims against companies, the witness explained that he did not mean that the influence should always be exercised against the

companies but only, as understood by the Chairman, in the interest of justice as between the two parties concerned. The witness agreed with the Chairman that great advantage would be secured through the appointment of an Advisory Committee, enabling responsible representatives of different public interests to meet the railway authorities in person. He was sure that this would lead to a better mutual understanding between the traders and the railways.

4902. Referring to the Chamber's further recommendation that, if the Railway Companies are not agreeable to transfer their Boards of Directors to the scene of their actual operation, they should at least be urged to constitute auxiliary local Boards, the Chairman observed that he regarded the demand for some authoritative body on the spot to assist in the settlement of difficulties as perfectly natural. He observed that he understood that the wishes of the Chamber would be met in this respect if the advisory committee, recommended in the earlier part of the written statement, were instituted. The witness agreed that this would be enough. What they wanted was that their difficulties should be discussed and settled across the table in Madras, instead of being told that matters must be referred to London or even to Delhi. The witness urged that, as the company system must apparently be put up with for 16 or 24 years, it is necessary that there should be somebody to supervise the companies.

4903. The Chamber were not dissatisfied with the existing system of control by the Railway Board. They had urged that that control should be vested in the Commerce and Industry Department with a fully equipped Railway Branch with an expert staff in the Traffic Section and Stores Department. The witness said that some such form of control might at present exist, but he considered that it is only nominal. What the Chamber contemplated was that a section of the proposed Railway Branch should be located in Madras. The Chamber would like the Minister in charge of Railways to take a firmer hand and to have an adequate number of local representatives. He recognised that one representative already exists in the Government Inspector of Railways, but desired that there should also be an Inspector authorised to deal with matters relating to traffic and public convenience.

4904. The Chairman drew attention to the observation in the Chamber's written statement that the members of the existing Railway Board are erstwhile Company Agents, and that there is a free interchange from the Companies to the Board and *vice versâ*, and remarked in this connection that the Committee had been assured in Calcutta that the whole staff of the Railway Board were drawn from the State Railways and none from company-worked lines.

4905. Some misunderstanding as to the witness's views with regard to the assistance that would be required at the headquarters by the Minister in charge of Railways, was subsequently cleared up by the witness in answer to a question by Mr. Hiley. He explained that what he had in view was that there should be an expert body located at headquarters to assist the Railway Minister, and that there should be local expert branches of that body in Madras and elsewhere. Most matters requiring decision would thus be settled locally, and it would only be necessary to refer them to Delhi in case of differences of opinion.

4906. The Chamber emphasised the necessity for crying a halt in new construction, unless pressed by the most urgent necessity for military or strategical considerations. The Chairman remarked that he thought everybody would agree with the view of the Chamber, that such money as can be provided at present should be devoted to improving open lines and new equipment. The witness agreed with the Chairman that in a case of an expanding business such as that of the railways, it was hardly reasonable to expect that new capital expenditure should be provided from earnings. He would not object to additional capital being raised, though the Chamber thought that as far as possible railway earnings should be devoted to railway development and improvement. The Chairman thought that progress would be retarded if railway earnings were relied on too much for this purpose. He understood, however, from the Chamber's written statement that their view was that money should be raised preferably by a Government loan in India; failing this by a Government loan in England, and only if both these expedients failed, by allowing companies to raise further share capital. The witness agreed that this was the Chamber's view. He urged that they did not wish to stop railway development, but are anxious that as far as possible finance should be provided by Government. The Chamber were in favour of the separation of railway finance from the general finance of the country in the interests of simplicity and also as facilitating a departure from the existing budget system of "lapses." The Chamber would be very unwilling to see railway development hampered in Madras merely to enable Government to spend money for different purposes elsewhere, as for instance, in military expenditure in Afghanistan.

4907. The Chairman referred to the dissatisfaction of the Chamber of Commerce with the existing Government control of rates and fares. He observed that three experienced agents, including the agent of the Madras and Southern Mahratta Railway, Colonel Magniac, had expressed themselves favourably disposed towards the suggestion that public interests might be protected by the establishment of a special tribunal consisting of a lawyer chairman specialising in railways matters assisted by two commercial and two railway members. The witness agreed that such a tribunal should be very useful, but he was not clear why its president should be a lawyer. The Chairman explained that it was desirable to have on such a body someone qualified to sift evidence and impartial by training. He did not, however, lay stress at the moment upon the qualifications of the chairman. He was glad to hear that some such tribunal would be acceptable.

4908. Referring to the increase of rates on the South Indian Railway the Chamber had observed that they had not been able to discover the causes of the increase in each case. The witness explained that the Chamber fully recognised that an increase of rates might be necessary, but they were unable to understand the system on which individual rates had been increased by very varying amounts. He agreed with the Chairman that a railway tribunal would be useful in considering such matters as complaints against unreasonable alterations in rates. He accepted the Chairman's assurance that the fixation of railway rates is a very difficult and technical matter which could never under any circumstances be simple. He said he was not opposed on general grounds to an increase of rates in present conditions so long as it was not done as a means of earning larger dividends. The Chairman remarked that railways had expressed themselves as apprehensive that dividends might be reduced. The witness, however, observed that there was little fear of this.

4909. In the written statement, the Chamber of Commerce had commended for consideration the views expressed by the Indian Industrial Commission under the head "Industries and Transport" in their report. They desired 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 for similar distances to and from the ports. The witness agreed that the words "and in the same quantities" might reasonably be added in this enunciation of policy after the words "similar distances." Subject to this addition, the Chairman said that he thought that nobody would question the reasonableness of the principle as set forth.

4910. The Chairman explained that the Committee could not deal with the technical issue involved in the "railway risk" and "owners risk" question to which the Chamber had drawn attention, though it

was clearly a matter which should receive consideration.

4911. Regarding the use of railway workshops as a training ground without racial distinction for the youth of the country in mechanical engineering and allied directions, the witness observed that there was not even a pretence at this in Madras. He was pleased to hear that considerable progress had been made in this matter in Calcutta under the Presidency of Sir Rajendra Nath Mookerjee, as stated by the Chairman. He hoped that a commencement would be made in Madras also. The Chairman observed that he thought that everybody would agree with the Chamber's aspirations. He suggested that Government is moving in the matter, though not very fast. The witness agreed that this was the case, especially with regard to the qualifying clause.

4912. Turning to the observations of the Chamber with regard to bribery taking place in connection with the distribution of wagons, the Chairman observed that Colonel Magniac had given particulars of a number of cases in which punishment had been inflicted on railway servants for favouritism. He also mentioned that Mr. Moir, speaking from his experience as late Director of Civil Supplies, had said that the merchants were willing to give information in such cases, but refused to come forward as witnesses. He suggested that they should be willing to do this. The witness observed that he had been present at a conference at which the railway representatives were also present, in which a specific instance was cited in which Rs. 150 had been paid to ensure the supply of a single wagon. The name of the railway servant who accepted the bribe had not, however, been given. The witness did not consider it possible to stop this kind of abuse on the part of the railway servants unless the railways adopted special measures to check it. The Chairman remarked that it was certainly not possible to check such improper practices unless those within whose power it was would come forward to give evidence. The witness remarked that the objection to this was the liabilty to prosecution under the Indian Penal Code of the complainant as well as of the person bribed. The Chairman did not pursue the matter, observing that this appeared to be rather a question for the consideration of the Legislative Assembly.

4913. Turning to the observation of the Chamber about competitive traffic, that the Madras and Southern Mahratta Railway has killed all traffic by the Buckingham canal, the witness explained that from the time the East Coast Railway—which was a State railway—was started, the Buckingham canal had been neglected and it was thought by everybody that this had been done in order to support the traffic on the railway. Formerly the canal was navigable for 30-ton cargo boats but now even 20-ton cargo boats could not move on it easily in the hot season. The witness said that for this state of affairs which has now lasted for over 15 years, the Government of Madras was to blame. He remembered having complained about it as far back as 1910, when he was a member of the local Legislative Council. The Government of Madras then promised to improve the canal, but did not do so. In this connection, the Chairman remarked that it was the fault of Government in not having kept the canal in proper condition and asked how the railway got the traffic away from it. The witness said that as the railway rates were lower the traffic went to the railway.

4914. Speaking of the concluding observations of the Chamber regarding the abhorrence in which the South Indian Railway corridor carriages are held by the public, the Chairman observed that corridor carriages had been liked in other countries and he supposed had been introduced in India under the impression that they were an improvement which would be appreciated. The witness urged that they were particularly disliked by third-class passengers.

4915. In reply to Mr. Purshotamdas, the witness stated with reference to the representation of the South Indian Railway on the Chamber of Commerce, that the headquarters of that line are at Trichinopoly, but any officer may be deputed by the railway to attend the Chamber's meetings. For some time attendance had been regular, but afterwards it became irregular owing to the negligence of the railway staff. He agreed that it was an advantage to have a railway representative on the Chamber as it facilitated the representation of matters requiring attention.

4916. Referring to the Chamber's views regarding Government management, he explained that the Chamber held that, so long as the existing contracts remain in force, the Government control over the companies should be stricter; and that thereafter Government should assume direct charge of the railways. Mr. Purshotamdas expressed the hope the witness would supply the committee with some definite instances illustrating the failure to secure attention to their complaints which had led to the feeling of despondency to which the witness had referred in answer to the Chairman. He expressed himself as surprised that so powerful a body as the Southern India Chamber of Commerce had not been able to secure the adequate attention.

4917. The witness mentioned that the preferential treatment of European traders by the railways had come to be regarded so much as a matter of course, that complaints have ceased to be made. Although the Chamber believed that great improvement would be secured by the association of Local Advisory Committees with the existing company administrations, they were still decidedly of the opinion that the railways should be taken over directly by the State when the companies' contracts expire. Even after the assumption of direct control over the railways by the State, they considered that Advisory Committees would still serve a useful purpose.

4918. Mr. Purshotamdas drew attention to the observations of the Chamber regarding the increase of rates and fares. The witness observed that the classification was frequently changed. It transpired however, that what was meant was not that constant changes were made in the classifications approved by Government but there had been a number of cases in which special rates had been withdrawn which led to the ordinary class-rates automatically becoming applicable. The point on which the Chamber wished to lay stress was that they should be consulted by railway administrations before alterations in rates are made. At present they know nothing of what is in view until changes are actually announced. They should have an opportunity of representing their point of view before action is decided upon.

4919. Regarding the question of payment of bribes for securing goods wagons, Mr. Purshotamdas observed that it appeared that the railways had asked for definite proofs of the irregularity, which those concerned had not produced. He asked whether in any case the railways might not have taken steps to prevent the possibility of irregularities. The witness stated that they had promised to do so but he was not aware of what they had actually done. He understood that they had not appointed a special inspecting officer for the purpose. He was aware that the railways have an ordinary traffic inspecting staff but was understood to suggest that there was some suspicion that these were themselves not free from blame.

4920. In answer to the question whether, if there are the same defects on the State-managed lines as had been complained of on the company-managed lines, he would ascribe this to the fact that the former take the company lines as their model; the witness said that he could not say if this was so, as he had no clear idea of how the State lines are worked and whether Government keeps sufficient control over them.

4921. With further reference to the Buckingham Canal case, in reply to Mr. Purshotamdas, the witness said that as the railway company came in and offered lower rates, the canal was neglected and it could not at present carry heavy traffic. He did not

mean, however, that the traffic had entirely stopped but only that it had considerably decreased. If a large amount of traffic passed through the canal, the Government would get some revenue.

4922. Reverting to the question of bribery in connection with wagon supplies, the Chairman asked whether the witness was sure that the railway had not employed special detective staff, as would seem reasonable for them to do rather than to put uniformed inspectors who would be recognised as such. The witness said that he was not aware of what had been done, in this connection. In reply to Mr. Purshotamdas at this point, he said that no information had been given by the Railway administration that they had taken any such action.

4923. In answer to Sir Arthur Anderson, who drew attention to the heavy expenditure, estimated at Rs. 30 crores per annum, which was necessary for railway improvement and development the witness expressed his inability to make an estimate of how much money might be expected to be subscribed in Southern India.

P.S.—In connection with the promise of further evidence made in paragraph 4899 above, the witness subsequently furnished the Committee with an extract from the Annual Report of the Executive Committee of the Chamber in which the same charge against the railways of giving preferential treatment to European firms was made. The witness was thereupon asked whether he could not quote actual instances in support of the allegations. In reply, he wrote:—

> "I am afraid I cannot furnish any further evidence in the matter from the records of the Chamber, though I am aware that instances of favouritism shown to European firms in the matter of their supply of railway wagons are quite common in this part of the country. It is because such cases are very common that they do not form the subject of formal complaints."

Mr. W. LAMB, Deputy Secretary and Treasurer, Bank of Madras, was called and examined.

4924. The Chairman said that he did not propose to ask Mr. Lamb about railway matters, but to ask his assistance in connection with the question of finance. He referred to information which had been furnished by the Secretary and Treasurer, Bank of Bengal, regarding cash subscriptions to Government loans in recent years, and asked whether Mr. Lamb could indicate to what extent these subscriptions had been contributed by the Madras Presidency. Mr. Lamb explained that he had not full details with him, but he placed the following figures before the Committee as showing where Government Paper was held the amounts of the 4 per cent., 3½ per cent. and 3 per cent. Loans enfaced for payment of interest being as follows:—

	Crores.
Calcutta	65·47
Bombay	36·20
Madras	7·84
Rest of India	25·83

4925. The total subscription of Rs. 29,34,69,400 to the ten year six per cent. Bonds issued in 1920 was divided as follows:—

	Crores.
Calcutta	11·47
Rest of Bengal	0·15
Bombay	9·50
Madras	2·14
United Provinces	2·09
Punjab	1·43
Burma	0·52
Bihar and Orissa	0·24
Central Provinces	0·36
Assam	0·02
Central Revenues	0·50
Post Offices	0·92

4926. The above subscription consisted of new—

	Crores.
Money	11·59
Treasury Bills	0·17
War Bonds payable 1920-22	17·58
	29·34

Of the new money 26 lakhs were withdrawn from the savings bank. Mr. Lamb drew attention to the fact that less than Rs. 1 crore had been subscribed through the post offices throughout India; he thought that it would be unduly optimistic to assume that Madras would subscribe for Government loans in future in the ratio of every two crores to eleven that might be subscribed in Bengal. He doubted in any case whether as much as two crores could be got from Madras.

4927. He stated that the usual pre-war practice had been for Government loans to be issued only through the Presidency banks by tender. So far as the Madras Presidency was concerned, he did not think other banks could help very much; they had few branches throughout the Presidency. The Indian Bank has only two branches, both situated in the places where there are also branches of the Presidency Bank. A large part of the recent 6 per cent. bonds and of the war loans had been taken up by the Bank and disposed of to clients. The experience of the Bank of Madras in this connection was somewhat different from that of the Bank of Bengal, as given to the Committee by Sir Norcot Warren, as they had not been able to dispose to their clients of the whole of the block of 6 per cent. loan which they had taken up. The Bank was left in possession of rather a larger share than it had intended to hold on its own account. He mentioned as a significant fact that a larger percentage of the people of the Madras Presidency subscribed to the war loans than in other parts of India, although the amount subscribed was relatively smaller. He was not much disposed to believe in special propaganda in connection with loans. What had happened in connection with the war loans is that the paper is largely coming back to the Bank of Madras. Mr. Lamb stated that the only market for Government Paper in Madras is the Bank of Madras. A big transaction, by which he meant a transaction of Rs. 5 lakhs or upwards, could not be put through easily. Bombay is much better situated for important financial operations.

4928. He entirely agreed with Sir Norcot Warren's opinion that it would be best to raise any capital money required by means of an ordinary Government loan. He was also of the same opinion as Sir Norcot as to the unattractiveness to the average Indian subscriber of any new form of security. It should be remembered that Madras is an agricultural Presidency, and a great deal of money is not to be expected from it.

4929. Mr. Lamb agreed with the Chairman that 5 per cent. is regarded as a poor return now-a-days. He thought that the inducement of an extra 1 per cent. would make a real difference in the amount that might be subscribed. He said that it would, of course, depend on circumstances, but would be regarded as good business for a commercial concern to pay even a high rate for money urgently required to a develop a prosperous and growing undertaking rather than see its progress blocked for want of additional capital. He would prefer to borrow in India the money required for railways if the total amount wanted could be obtained in the country. He would not, however, rule out any particular market, but would borrow wherever money could be obtained. He saw no prospect of getting money cheap in any country at the present time. He thought that the amount of money seeking investment in Trustee securities in Madras from year to year is relatively insignificant.

4930. With regard to the depreciation of the existing 3½ per cent. Government Paper because of the issue by Government of new loans at higher rates, Mr. Lamb observed that the quotation of 3½ per cent. paper at present practically places it on a 6 per cent. basis. It had recently fallen to a 7 per cent. basis, but had recovered to six. He agreed that, even if Government were not to issue loans at a higher rate, there would be a natural tendency, though it would manifest itself slowly, for the 3½ per cent. paper to fall to the current market rate. Assuming that the Government were to issue a new loan at 6 per cent., unless it were income tax free, Mr. Lamb saw no reason why it should be more popular than investments in 3½ per cent. paper at a 6 per cent. valuation. He noticed that even the recent 6 per cent. Government loan had fallen to Rs. 98-8; he could not say why. He agreed, however, with the Chairman that 6 per cent. bonds issued at par can never appreciate very much as it is redeemable in ten years.

4931. Mr. Lamb was of the same opinion as Sir Norcot Warren that the banks could do nothing more than they already do to popularise the flotation of Government loans. The practice of purchasing for customers and allowing them to repay the purchase money by instalments had been introduced during the war. He thought the Banks would probably hesitate to continue to offer this facility.

4932. Mr. Lamb thought that even if Government did get a loan of Rs. 100 crores at the present moment it need not be idle, as they would have no difficulty in lending it out till they were ready to spend it pretty profitably at present market rates.

4933. With regard to the suggestion that money might be raised by premium bonds, Mr. Lamb expressed the strongest dislike to an experiment of this kind, which savours too much of a gamble. He did not think that subscribers generally would care for it, and thought that, if it attracted money, it would do so only at the cost of something else. Mr. Lamb agreed that Indian taxation is low considering the security of the country. The Chairman instanced the postal charges, which are very low as compared with the corresponding charges in the United Kingdom. Mr. Lamb thought that these low charges could not last much longer. He regarded an increase of taxation as being undoubtedly overdue.

4934. The Chairman mentioned that Sir Norcot Warren had expressed the opinion that, if a loan of 30 crores of rupees were floated in one year it would probably be found easier to float a similar loan in the following year, owing to the education of the public, who would gradually become accustomed to such investments. Mr. Lamb said that Sir Norcot Warren was doubtless speaking from his experience of Bengal and Northern India. He doubted whether it would make much difference in the case of Madras, where the people would develop very slowly the habit of investment.

4935. In answer to Mr. Purshotamdas Thakurdas, Mr. Lamb stated that the average bazaar rate in this Presidency is usually some 3 per cent. or so higher than the Bank of Madras rate. The Madras Bank rate had always been 1 and sometimes 2 per cent. above the Bank of Bombay rate. Mr. Lamb noted, however, that the Banks of Bengal, Madras and Bombay are now amalgamated under the style of the Imperial Bank of India, and the official minimum rate for advance on the security of Government Paper will be the same throughout India. He ascribed the large percentage of subscribers to the war loan rather to effective propaganda and the influence of patriotism.

4936. Mr. Lamb had no experience of the issue of Madras Port Trust loans, of which none had been issued for some time. With regard to the municipal loans, the latest rate, as far as he could remember, was 4 per cent. He had little to do with that class of security, and, therefore, he could not quote figures off hand.

4937. Mr. Purshotamdas suggested that, now that Government is borrowing at rates more closely approximating to the rates ruling in the open market for commercial transactions, it seemed likely that it would be easier for Government to secure their full requirements for railways in India. Mr. Lamb was doubtful of this; he thought that mercantile firms can employ their money to greater advantage in their own businesses.

4938. In reply to Sir Henry Ledgard, Mr. Lamb said that he was of opinion that India offers a better return on borrowed money at present than the English money market. He thought that in the event of a considerable sum of money requiring to be borrowed every year, it would be better if a single large loan were issued every year rather than three or four smaller ones. He thought that, if a loan were to be income tax free, Government should have the right to redeem it after a short term, by which he meant ten years or a little more. He was not in favour of the issue of income tax free loans. If the loan were not free of income tax he thought that Government should have the option of repurchasing at any time after 21 years had elapsed. But he would not give any corresponding option to the lender. Mr. Lamb said that the facilities for buying and selling Government paper in Madras are simple and convenient. A man can either sell or buy without difficulty within a few hours.

4939. The Chairman mentioned that a witness had told the Committee that a number of small investors in the war loan were under the impression that the scrip handed to them was no more than a receipt for a donation to Government, and that, in many cases, the scrip had been destroyed. In this connection Mr. Lamb mentioned that there had been an instance of a Mohammadan subscriber in the South of India who had been extremely indignant when furnished with the interest warrant sent out by Government in pursuance of special arrangements made to facilitate the payment of interest to subscribers. The gentleman in question considered himself insulted by the suggestion that he should be paid anything for money placed by him at the disposal of Government for their urgent necessities and refused to receive the interest. The Chairman observed that this was not exactly what he had in mind. It rather related to some subscribers being under the impression that their subscriptions were a gift and not a loan to Government.

TWENTY-SEVENTH DAY.

(Madras.)

Saturday, 22nd January, 1921.

PRESENT:

Sir WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. C. Duraiswamy Ayyangar, Representative of the Madras Liberal League was called and examined.

4940. Mr. Ayyangar stated that he proposed to give evidence as a representative of the Madras Liberal League, which is a political association started in March, 1919, and now having a strength of 200 members, men of light and leading in Madras. The object of the League is the attainment of responsible self Government in India as an integral part of the Empire.

4941. The main point which the League wished to press on the attention of the Committee is the necessity for railways being managed by the State, and the abolition of the existing system. They wished to impress the political aspect of the matter as seen by the average Indian politician. In reply to the Chairman, Mr. Ayyangar explained that the Madras Liberal League is affiliated with other bodies with similar objects in different parts of India. He believed that the demand for State management of the railways is endorsed by all of them.

4942. He said that he would consider it desirable to buy out, if possible, those companies whose contracts have still a long term of years to run. He recognised that the shareholders' assent to this step would have to be obtained, and that it would doubtless be necessary to give them a good bargain to induce them to surrender their existing interests in the railways. He thought it preferable to pay them a lump sum to get rid of them once and for all rather than to continue to allow part of the profits on Indian railways to go year by year to shareholders of the companies outside India.

4943. The view which he desired to represent is that the people of India are the major partner in the railway enterprise. They have by far the largest share, though varying in different instances, and they see no reason why they should not themselves manage the railways. They objected to the management being dictated by companies who have only a trifling interest in them. He recognised that in a business concern a manager might be employed who might even have no partnership in the concern. He did not, however, think this is a fair parallel. In the case of the railways the managing companies appear to be all in all, and Government to have power to exercise but little control.

4944. He agreed that the case would be different if the companies could be brought under proper control. In view of the political temper of the country, and in the interests both of the Government and the companies, he considered it desirable that a different state of affairs should be brought about. Mr. Ayyangar agreed that there would always be complaints in any big business, and that even if the State manages the railways, there would be complaints against the administration. He considered that, however well the companies might manage the lines, the political aspirations of the people would not be satisfied. Indians are anxious to advance the material development of their country, and as a part of that large scheme of economic reconstruction of India it would be anomalous that the railway management should be in the hands of foreign private companies.

4945. The Chairman pointed out that in the old phrase Rome was not built in a day, and observed that the existing policy of the Government of India is a gradual, not an abrupt, transfer of authority from bureaucratic government to government by elected representatives of the people. He asked whether Mr. Ayyangar would approve of a corresponding gradual process in the transfer of the management of the railways. Mr. Ayyangar considered that the transfer of the railways to the Government of India is only one step which might be taken at once. The railways would still remain a reserved subject of administration and the transfer to effective *popular* control would still be gradual only. He did not agree that the necessity for improving the Railway Board also affords an argument against the State assuming the control of the railways. He considered that the administrative system and the controlling machinery might both be improved simultaneously. He wished to establish a machinery of a stable character. The speed at which it might be worked would be a matter for separate judgment.

4946. The educated people of India feel strongly that as they pay the piper they are entitled to call the tune. He considered that the masses are even more discontented than the better educated people. They blame the companies and not the Government. They realise perfectly that the railway administration is in the hands of foreign companies. It was not merely a matter of vague aspiration. There is a practical desire for a change of policy, and this is growing stronger day by day.

4947. One aspect of the case to which he specially would draw attention is the prevalence of racial discrimination in railway management. There is a strong feeling that railways have one way of dealing with one class and another with another. When a European wanted to have a seat reserved in a train, or to be served in a refreshment room, or to be provided with wagons for the transport of his goods, he invariably found greater facilities and attention than an Indian with identical requirements. The feeling is acute and strong that railways are more anxious to satisfy Europeans than the Indians who constitute the bulk of their clientele and whose traffic is the mainstay of their prosperity.

4948. As an instance of want of consideration in matters of form, the witness cited the fact that nameboards indicating certain conveniences for the use of

Europeans are marked "Gentlemen," whereas those for Indians are marked "For Indian Passengers." He thought this an instance of a distinction which is hurtful to the feelings of Indian gentlemen. The Chairman said he hardly thought this particular instance was a very strong one as the use of the word "gentlemen" in that way is streotyped in England. The witness, however, observed that the distinction is made in India. He instanced again the use of retiring rooms at the stations, to which Indians are not admitted although Europeans are. The Chairman said that he understood from a recent mention in the newspapers that these retiring rooms had been thrown open to the public regardless of race. The witness observed that this is not, generally speaking, the case, and that only in certain instances had it been done. He considered that the retiring rooms should be available for the use of all passengers of the particular classes for whose use they are provided. A discrimination between classes of passengers was reasonable, but not a racial discrimination. He was unaware whether on the State lines similar distinctions injurious to the feelings of Indian passengers exist.

4949. He was satisfied that once the management is in the hands of the State, the people could look after themselves. The case may be as bad on the North-Western Railway as on the Madras and Southern Mahratta, but, if so, the people have the power to have it altered on the North-Western Railway, whereas they have not the power to do so on the Madras and Southern Mahratta Railway.

4950. When grievances were brought to notice in the Council, the Government of Madras have only been able to say that they had referred to the companies, or else that the companies were unwilling to remedy matters. The witness considered that a scheme should be evolved which should enable Government to redress grievances locally. The Chairman observed that even in such democratic countries as the United States, Canada and South Africa (with small exceptions in the case of the United States), matters of railway administration are reserved to the Central Government. They had found that this was necessary, and that the control of the railways could not be divided up between the Governments of different provinces. The witness said that, even so, it would be something if the Government of India had authority to deal with matters. What he wanted was a proper machinery for representing the views of the public which would ensure attendance to local grievances.

4951. The witness emphasised another point, that foreign companies running the railways in the interests of the shareholders have no inducement to promote the industrial progress of the country except in so far as it might pay them to do so. He thought that there would be better progress if the Indian public had control over the lines. He admitted that the Government at Delhi might not know much about what is necessary to ensure the economic development of a district in Madras. But he considered that there should be a machinery controlled by the Railway Department or Railway Board at Delhi which would be fitted to ensure attendance to such matters.

4952. The Chairman enquired whether all development would not in fact be to the interest of the shareholders in the railways. The witness replied in the negative. He said, for example, that if the public of Madras had a free hand, they would proceed more rapidly with the construction of District Board railways. An obstacle was interposed by the South Indian Railway Company to the construction of lines which it thought might take away some of its traffic from its existing line. There is a provision in its contract safeguarding the South Indian Railway from the competition of short circuiting lines. Objections had been raised when that contract was made, but they had not been attended to by the Secretary of State. He had been informed, in fact, that the representations made had reached the India Office, if not actually after the new contract was settled in 1908, at least too late to have its provisions altered.

4953. With regard to the provision of funds for railways he explained that the District Boards themselves were responsible for finding the money. They found it from the railway cess or by borrowing on the security of the cess. The Chairman observed that a difficulty which might influence the South Indian Railway in objecting to the construction of feeder lines is the practice by which the main line has to find the rolling stock for the feeders. The South Indian Railway is already short of rolling stock and would naturally dislike having to provide stock for an additional length of railway. So far as this went the real difficulty is the failure of the Railway Board to find sufficient money for the main lines. The witness observed that he was not speaking of the conditions in the immediate present, but was trying to evolve a scheme for the future.

4954. Another way in which an average man looked at the companies having their headquarters in London is that they have the ear of the Secretary of State and get things done in the way they desire, whereas the Railway Board, which should look after the interests of the people of this country, and is in touch with its people and Government, has no influence with the Secretary of State, and that, therefore, the system is faulty. The ordinary man did not care whether it was the company or the Railway Board that was to blame. He considers that if the companies are wrong-doers, the Government are abettors. He hopes that, under the new political dispensation, the Government will stand by him, and that a Government machinery will be devised which will manage the railways in the way in which this important State property should be administered.

4955. In reply to the Chairman the witness said that, in his opinion, full control of the railways should be handed over at once to the Central Government, popular control following more gradually. The people felt that these companies are an obstacle and that they must go. How best this block could be removed should be a matter for consideration and recommendation by the Committee. Anyhow it has got to be done, as otherwise the people of the country would neither give themselves nor the Government rest.

4956. He desired also to draw attention to the necessity for amending the Indian Railways Act of 1890 and the subsidiary Act of 1905. The Chairman remarked that in making this recommendation the witness was knocking at an open door, as the need for amending the Railways Act was generally admitted. The witness complained that the provisions in the Act for the appointment of Railway Commissions to deal with traffic matters was a dead letter—so dead, in fact, the Chairman observed, that it had never been born.

4957. Regarding the responsibility of railways as carriers, the Chairman observed this was too technical a matter for the Committee to go into. The witness said that he did not wish to go into technical subjects, but would point out that such matters as these should not be shirked as at present. They should be considered and arrangements made to enforce responsibility on railways.

4958. In connection with the development of District Board railways the Chairman observed that they would bring additional traffic on the existing lines, and it was clearly necessary for large capital to be provided for this. He asked whether the Indian public would readily meet the cost if guaranteed reasonable accommodation and a reasonable voice in the railways which so closely touch their daily lives. He remarked that the essential difficulty in the past had been the fear of Government allowing too much money to be spent on the railways. The witness agreed that that policy had been a mistaken one and was satisfied that the public would readily pay on the conditions stated. The Secretary of State should borrow whatever money was necessary, on the credit of India, wherever he could get it on favourable terms.

4959. In reply to Sir Rajendra Nath Mookerjee the witness expressed the opinion that there is plenty of money in India to enable the existing English companies to be bought out. He saw no reason why the abolition of the companies should affect the ability of the Government of India to raise money, as its credit is good.

4960. He considered it preposterous that the companies should be in a position to dictate the terms on which their contracts should be terminted before these expire by efflux of time. He thought that, if it is really the case that they can do so, the Government are tenfold more to blame for having entered into such contracts than he had believed them to be.

4961. In reply to the Honourable Mr. Srinivasa Sastri, the witness said that his view was that railways must be brought under the influence of the people's representatives. By their immediate transfer to the control of the Central Government the railways would still not cease to be a reserved subject, so that any danger there might be in entrusting them to inexperienced people is not imminent. He considered that Government would be well advised in employing experts to manage the railways. The objection to the way in which it is at present done is that the experts manage the lines for their own benefit and not for that of their employer. The people have the impression that the Railway Board is powerless and has been allowed to be eclipsed by the companies' boards, which have become unduly independent. So far as there were any complaints in the State railways it is probably because they had been influenced by the example of the longer established company-managed lines.

4962. The witness claimed that the State railways are further advanced in respect of employment of Indians, and that this fact was a clear case where the influence of the people was felt, because it was the State they had to deal with and not the companies.

4963. The witness agreed with the Honourable Mr. Sastri that there are many matters in which, though the Government of India might be supreme, local governments are used as agents, and he thought that a similar plan might be devised by which local authorities could be enabled to deal with matters of local importance in railway administration.

4964. He agreed with the Honourable Mr. Sastri that companies are not willing to take in hand small lines which do not show immediate prospects of prosperity. There are, however, indirect benefits to the country from the construction of railways. In regard to the development of the country there would thus be a great difference between the attitude of a company and of the State.

4965. In reply to Sir George Godfrey the witness stated that he had been connected with the Southern India Chamber of Commerce as assistant secretary for the past ten years; there was no disputing the fact that there was great congestion on the railways, and that a large sum of money would have to be spent to bring these to a proper standard. Assuming that only a limited amount of money was available, he agreed that he would devote it, in the first instance, to the removal of the congestion rather than to buying out the companies. He did not wish, however, the importance of the latter measure to be ignored.

DEWAN BAHADUR M. RAMACHANDRA RAO, B.A., B.L., M.L.C., President, District Board, Kistna, was called and examined upon a statement which he had furnished to the Committee.

4966. The witness said that since 1910 he has been a member of the Madras Legislative Council. He had special experience as a member of the Pilgrim Committee appointed by the Government of India for the Madras Presidency.

4967. The witness said that the point which he wished to make with regard to the position of the Secretary of State in regard to the administration of railways is that the Secretary of State is far away and cannot be in as close touch with the opinion of the Legislative Assembly at Delhi as the Government of India, and his control ought to be the last resort, especially so now that there is a non-official majority in the Legislative Assembly and that the provision of funds for railways will be subject to the popular vote. The Chairman observed in this connection that a difference exists between India and England in that in this country, if the Legislative Assembly do not agree with the Railway Minister, they cannot turn him out of office, whereas Parliament can get rid of a Minister with whose policy it disagrees. He suggested that it might possibly be an advantage from the Indian point to be able to bring influence upon the House of Commons or House of Lords to ensure the attention by the Secretary of State to Indian requirements. The witness observed that it is a far cry to England, and he thought that the object to be aimed at is the attainment of a position in which the Government of India itself could get rid of an unpopular Minister. The Chairman mentioned that meanwhile some advantage will be secured through the appointment of the Joint Committee of both Houses of Parliament, which has been formed specially for Indian affairs.

4968. With regard to strategical railways, the Chairman observed that there are certain railways built at a large capital cost and worked at a considerable loss, for military purposes, and asked which Minister ought to take the responsibility for that expenditure. The witness said that ordinarily he would leave it to the Minister in charge of railways so far as the management is concerned. The Viceroy can always say that so much expenditure should be incurred on these railways and there would be no difficulty about voting funds. That being so, the witness thought that the strategical railways should be under the Minister for railways. He considered, however, that the expenditure ought to be debited to the military account seeing no difference in that respect between railways required to protect the frontier, and the guns.

4969. The witness laid stress upon the point made in his written memorandum that all loans raised in India either for railway or for other purposes will have to be embodied in the budget of the year, and urged that it will no longer be expedient for the Secretary of State to conclude agreements with railway companies in England over the heads of the Government of India and local Governments: if he did so, notwithstanding the reservation of certain powers to the Governor General in financial matters, he could not in the normal course of events hope to obtain the assent of the Legislative Assembly. The Government of India must therefore in the nature of things hereafter be the primary authority with whom questions relating to railway development, finance and administration should be settled. Notwithstanding the reservation of railways as a central subject, he regarded the liability of the budget provisions to the popular vote as giving the Indian Government considerable power. He considered that in the altered circumstances, the system of management by boards in London cannot last permanently and would not work smoothly even with advisory boards assisting them in India.

4970. With regard to railway companies whose contracts have still many years to run the witness hoped that the Committee would be able to devise some method for getting rid of these. The Chairman observed that whereas in the case of some railways, for instance, the East Indian and the Great Indian Peninsula Railways, only a few years have to run before their contracts expire, others have much longer periods. He asked whether the witness would desire the State to take all over at once, or to take them in turn according as the contracts expired. The witness thought that an attempt should be made to expedite the process rather than spread it over a long

period. Recognising that Government has no power to terminate the existing contracts, which was indeed one of his complaints against the Government policy in the past, he agreed that generous terms should be offered to induce the existing companies to surrender their interests in the Indian railways. He considered it as important to buy the companies out as to expend money on the development of the existing railways. He laid stress upon the point, made in his written statement, that should it be decided that company management should be continued in future, all new contracts entered into with companies, whether in the United Kingdom or in India, should be entered into by the Government of India, and only after obtaining an affirmative resolution of the Legislature in India. Public discussion and acceptance of the proposed action was the more necessary in view of the experience of the past. He referred to the case of the South Indian Railway contract which was made in 1910 against the wishes of the local Government and the people of the Presidency, and which can only be terminated in 1945. The witness was not aware what the views of the Government of India were with regard to that contract but he had been informed by a member of the Government that they had endorsed the objection of the public in Madras to the terms arranged with the company, but it was understood that the protest had reached the India Office too late to be effective.

4971. With regard to the raising of funds, the witness thought that it would probably be necessary to raise additional capital by loans in the United Kingdom. He thought that this could quite well be done by the High Commissioner for India as the Agent of the Government of India. The Chairman observed in this connection that the trend of the expert financial advice hitherto received by the Committee indicated that it would be necessary to borrow outside as well as in India. The witness saw no reason why, if all the companies were got rid of, it should not still be possible to raise money in England. He realised that it would be undesirable, in buying out the existing companies, to be in any way ungenerous and thus to prejudice the Government of India in the London money market. With reference to the figures reproduced in the written statement showing the extent to which the Secretary of State and the companies respectively had contributed to the railways, the Chairman observed that there was some doubt how the witness's figures were compiled and what precisely they included. The point however remained true that the great bulk of the money had been raised by the Secretary of State. He observed however that it was raised mostly in England and that the borrower must keep on good terms with subscribers there.

4972. The witness said that with regard to the blocking by the South Indian Railway of Railway development by any other Agency, the feeling of the public was that they were at the mercy of the companies. The Railway Board's protection, to which the Chairman referred, is really non-existent. The Chairman agreed that there might be cases in which no qustion of short circuiting arises and in which it should be to the interests of the company to promote the construction of the feeder lines. Even on such cases, however, the witness thought that the Railway Board might prefer not to let the lines be built until the main line itself was in a position to construct them.

4973. With regard to the difficulty over the supply of rolling stock by the main line companies, he mentioned that, in a recent case, the Madras and Southern Mahratta Railway Company had intimated that they would be willing to consider proposals for new District Board lines only if the District Boards were themselves willing to supply the stock. In this connection Sir Arthur Anderson mentioned that the charge levied by railway companies in Southern India for the supply of their rolling stock is, he understands, five per cent. of the gross receipts, which is the usual charge in India. Sir George Godfrey, however, laid stress on the fact that the difficulty in the supply of stock by the main lines is a real one, irrespective of the question of rental, and, so far as this point goes, affords some justification for the attitude of the main line companies.

4974. The Chairman drew attention to the table showing the progress of District Board Railway construction which had been extracted by the witness from a statement prepared by the Government of Madras for the use of the Committee on Financial Relations, and which was embodied in his wrtten statement. He observed from this that district boards had already constructed in Madras 263 miles of railway and projected a further construction of 909 miles. He understood that Madras is leading the way in this matter though some attention is being devoted to it in Assam also. He observed that the accumulated railway cess at the end of 1918-19 amounted to Rs. 77½ lakhs to the credit of the Coimbatore, Guntur, Kistna, Salem and Tanjore District Boards. He ascertained from the witness that during the time when his cess had been accumulating, at the rate of 3 pies in the rupee on the settlement valuation, the railways had been earning as a whole high profits reaching as much as 11¼ per cent. in two cases. The witness mentioned that by a recent enactment, the accumulation of the railway cess had been prohibited. Authority was given to the accumulations already existing being spent on tramways and motor services.

4975. In reply to the enquiry by Sir George Godfrey why advantage has not been taken of the funds already in hand to construct more lines, the witness ascribed this partly to war conditions, and partly to delay in settlement of terms of construction and working with the main line companies. The witness agreed in the Chairman's summing up of his views as being that the objections existing to the construction of additional district boards lines might be reasonable, so far as they are due to the impossibility of main line companies supplying the rolling stock, but that they are entirely unreasonable so far as based on the objection that the existing companies might suffer loss, or might prefer to construct the feeder lines hereafter by their own agency.

4976. Recognising however that the provisions of the existing South Indian Railway contract must be accepted as a factor in the case, the witness considered that whatever is possible should be done to mitigate their ill effects. He thought that in some cases objections to the construction of new lines are raised which are untenable and he mentioned that in the case of Mannargudi-Tiruturaipundi Railway, the South Indian Railway Company had even refused to accept the decision of the Railway Board that no protection to the Company was necessary. He was uncertain, and the question was not pursued, what remedy is provided in the South Indian Railway contract in cases of differences of opinion on such points. He promised to furnish the Committee with further details of the Mannargudi Railway case, and with particulars of other cases in which unreasonable claims for compensation for short circuiting had been set up and had thus delayed the progress of railway development.

4977. In answer to Mr. Purshotamdas, the witness explained that negotiations with the Railway Board were conducted through the Local Government. He recognised that there might be good reasons why no progress could be made during the war, but even before the war cases had occurred in which the South Indian Railway Company had blocked the construction of District Board lines. Many of the cases mentioned by him in his list were of long standing, he promised to furnish the Committee with dates relating to them.

4978. He agreed with the Chairman that the upshot was that there are some 900 miles of railways which the District Boards have been anxious to build at their own cost or on their own responsibility but, for one reason or other, they were not allowed to spend their own money in this way to serve their own

requirements. The witness agreed that it is preferable that the main lines should make and work the extensions. It was only when they were unwilling to do so that the District Boards would care themselves to construct and work the lines. They should, however, be built for and on account of the District Boards and not preferably as part of the main lines. The District Boards naturally wished to secure the profits for themselves. The feeling of the District Boards with regard to the Railway Board is that neither party knows or cares very much about the other.

4979. In his written statement, the witness had anticipated that there would be no difficulty in financing development schemes, as he understood that the Local Government had been allowed to place the funds required by the Boards on the Provincial Loan Account. He explained that up to 1908 the District Boards could borrow through the Local Government, which raised the monies required and made advances at a slightly higher rate of interest to the District Boards. This, however, was stopped in 1908 and though the matter was discussed in the Imperial Council, the objection of the Government of India was upheld. The Local Government were prohibited from providing funds for railway extensions, it being held that the District Boards should either themselves borrow in the open market or else have the lines constructed through the ordinary railway programme procedure. Attempts had been made to float loans through the Bank of Madras but had not been very successful.

The further examination of the witness was postponed until 3 o'clock on Monday the 24th January, 1921.

P.S.—With reference to paragraphs 4976 and 4977 above, the witness subsequently referred the Committee to the official records which were obtained from Government (*not reproduced*).

The witness also furnished the Committee with an abstract of correspondence relating to the construction of certain proposed branch railways in Madras, of which he made the following summary:—

In the following cases compensation has been claimed by the South Indian Railway Company on the ground of short-circuiting where the branch lines do not actually short-circuit.

1. *Manamadura-Sivaganga Railway*—Length, 12·43 miles.

The question of compensation for short-circuiting was raised by the Company. It was held that no such question would arise until the projected line was extended to some point on the South Indian Railway. The insertion of a clause providing for compensation for short-circuiting in the agreement with the company for constructing and working the branch railway was, in the circumstances, held to be premature.

Construction of this line will be commenced in the near future. The lands required for the railway have been acquired.

2. *Salem-Suramangalam Railway*—Length, 3·88 miles.

This is a small bit of district board line belonging to the Salem District Board.

No question of cross traffic arises until the lines from Salem to Atur, Atur to Chinna-Salem, Chinna-Salem to Ulundurpet and Panrutti to Trichinopoly are built. The line was sanctioned for construction by the Government of India and working terms were also settled with the Company. The Company, however, refused to commence construction until the arrangements to be made for protecting them from loss by diversion of traffic in the event of the branch becoming hereafter part of a through line short-circuiting the Company's undertaking had been settled. The construction was commenced only when the Secretary of State called upon the Company to construct and work the line under Section 10 of the Principal Contract with the Company as amended by Section 6 of the 1910 contract, leaving the question of protection to be settled afterwards.

3. *Madura-Bodinayakanur Railway*—Length, 55·19 miles.

The question of short-circuiting was raised by the Railway Company. It was held that no short-circuiting could arise in regard to this railway, and that it was therefore unnecessary to insert a clause in the agreement providing for compensation. The project has since been abandoned in favour of the Kodaikanal road-Uttamapalayam alignment.

4. *Salem-Atur, Atur-Chinna-Salem and Ulundurpet-Chinna-Salem Railways—Length*, 36·60, 12·42 and 32·51 miles.

The above lines are proposed to be constructed jointly by the District Boards of South Arcot and Salem. The lines, if built, will be a feeder to the Panrutti-Trichinopoly Railway, meeting that proposed railway at Ulundurpet. These, together with the small bit (Salem-Suramangalam line) will form as it were a through connection from Salem to Ulundurpet. On the analogy of the Salem-Suramangalam line, sanction to the construction of these lines will be conditional on the district boards' acceptance of any arrangement that may be agreed upon by the Secretary of State and the Company for the protection of the latter's interests.

6. *Erode-Satyamangalam Project*—Length, 40·20 miles.

Question of short-circuiting raised by the Company has been postponed for consideration if and when the line is extended as a through line to Mettupaliyem causing short-circuit.

CASES OF ACTUAL SHORT-CIRCUITING.

7. *Dindigul-Palghat Railway.*

The effect of the construction of this railway as between Dindigul and Palghat and Dindigul and Podanur will be to short-circuit the company's line. Messrs. Binny & Co. agreed to give up all earnings from cross traffic to the South Indian Railway. Messrs. Binny & Co. have, however, since withdrawn from their proposal to construct the railway owing to the conditions in the money market.

8. *Mannargudi-Tiruturaipundi Railway*—Length, 16·05 miles. (A Tanjore District Board Railway.)

In this case the Company refused to agree to the decision of the Railway Board that no protection was needed to it on account of the short-circuiting branch. The matter was subsequently referred to the Secretary of State by the Railway Board. The former was of the opinion that if, leaving out of account the loss from diversion of traffic, a short-circuiting line produces an increase in the savings of the Company's undertaking, the Company should be considered to be protected to the extent of such increase against loss from diversion of traffic within the meaning and intention of the terms of the contract (*i.e.*, Clause 7 of the contract of 1910). The Company refused to accept even this decision of the Secretary of State.

TWENTY-EIGHTH DAY.

(Madras.)

Monday, 24th January, 1921.

PRESENT:—

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. Ryan, C.I.E. (*Secretary*).
Mr. E. R. Pole (*Assistant Secretary*).

Mr. H. H. G. MITCHELL, Chairman of the Madras Port Trust, was called and examined upon a written statement which had been furnished to the Committee.

See Written Statement No. 40, Vol. IV., P 147.

4980. Mr. Mitchell explained that, in addition to being Chairman of the Port Trust, he is also the Chief Engineer. His whole time is devoted to the business of the Port Trust, of which he is the real manager. The Board of Trustees consists, in addition to the Chairman, of 14 members, of whom six are nominated by Government. Of the other eight members, four are elected by the Chamber of Commerce (Madras), two by the Southern Indian Chamber of Commerce (Madras), and two by the Madras Trades Association.

4981. Mr. Mitchell stated that, until the present time, the Port administration was directly responsible to the Government of Madras; but under the Reform scheme he understood it would come directly under the Government of India, who, however, would deal with the Board of Trustees through the Madras Government, so that there would in practice be little material change.

4982. Mr. Mitchell explained that the Port Trust owned its own railway, which is a railway for the purpose of the administration under the Indian Railways Act.

4983. With regard to the charges levied on the Port Trust Railway, he explained that only a terminal charge is made, and this is regulated in accordance with the Railway Conference Association schedule. Generally speaking, the Port Trustees work in harmony with the railway administrations, and are assisted in this by the existence of railway representatives on the Board. Mr. Mitchell agreed that there ought to be some authority which could correlate questions of mutual interest arising on railways and in the port administration. He thought that decided divergences of opinion are not very likely to occur, and he was inclined to think that, if they were to occur, a correlating authority might already be found in the person of the Member of Council in charge of the Commerce and Industry Department, Government of India. It seemed possible, however, that cases might arise in which the Government of Madras and the Port Trust on one side might be in opposition to the railway companies and the Railway Board on the other; and he agreed that there should be a court of appeal to obviate such occurrences.

4984. With regard to the recorded opinion of the Port Trustees that, except in the case of purely strategic railways, management should be by companies on a profit-sharing basis, Mr. Mitchell explained that this was the unanimous opinion of the Port Trustees who had considered the matter, including one of the Indian representatives. He thought, however, that this representative in acceding to that view, contrary to that expressed to the Railway Committee by the Southern India Chamber of Commerce by which he had been elected, must have been expressing only his personal opinion Though the Trustees were unanimous for company management there had been a difference of opinion amongst them on the question of domicile of the working companies. The Trustees' opinion is that company management is better than state management, but opinion as to whether the present companies are the most satisfactory form of company management was not by any means unanimous, and was therefore not expressed. His personal reason for believing that company management is better than management by the State is that he would expect to get better personnel under company management. Speaking on general grounds, he thought that the advancement of officials of private or company concerns was more intimately connected with the success of an undertaking than the advancement of Government officials was with the success of a departmentally managed undertaking, with the result that the team work in a company was better and an undertaking would be more efficiently and economically run by a company than by Government. Both on companies and State railways officers would, of course, be interested in their own advancement, but promotion is more likely to come by seniority irrespective of merit in the case of the latter than of the former.

4985. The Port Trustees were of opinion that companies should hold a larger proportion of the railway capital than they do at present. He thought they should increase their share capital. He recognised that, at present, this would necessitate capital being raised at a discount, or else on more attractive terms than those given to the existing shareholders regarding the participation in profits. The Chairman observed that this would apparently mean that there

would be two sets of ordinary shareholders, the old and the new, the latter with preferential terms. Evidently, the view of the Port Trustees was that whereas the complaint of Indian public opinion is that the companies holding a small share in the concern exercise too large powers, the Port Trustees would give companies, though not necessarily the present companies, a larger interest together with corresponding powers.

4986. Mr. Mitchell said that his own inclination would be to favour the establishment of railway companies independent of Government assistance, which would freely undertake the construction of competitive lines in the interests of the public. He agreed, however, that if there is only a limited amount of money available to meet the very large demands for railway capital, it was best that it should be devoted to the improvement of the existing railways and the construction of new lines where they are required to open out fresh country, rather than to building lines which would compete with existing ones.

4987. In expressing the opinion that the Railway Board requires strengthening and enlarging, the Port Trustees were looking at it mainly as the provider of finance for the railways. He agreed that, just as in the case of the Port Trust the Chairman is responsible for the executive work and the Trustees as a body are concerned mainly with questions of policy, so in the case of the Railway Board the executive work should not occupy the attention of a large number of individuals, but should be managed by a suitable body of experts. On the other hand, the policy side of the Board's work should be entrusted to a large body, representative of different interests and localities, which would keep the executive side in touch with public requirements.

4988. Mr. Mitchell emphasised the "utter inadequacy" of the supply of funds for railway purposes; of this, he said, there could be no possible question.

4989. With regard to the suggestion that rates should be raised to prevent the railways becoming a burden on the general taxpayer, Mr. Mitchell said that in the Trustees' opinion the railways should always be managed so as to pay their way. Rates and fares should be increased, if necessary, to enable them to do so. He agreed also that it is necessary to ensure that the earnings of railways should also be sufficient to meet the interest charges on new capital, having in mind the requirements both of existing and proposed new railways.

4990. Mr. Mitchell said that he knew nobody who differed from the Port of Trustees' opinion that the carrying capacity of the railways is not adequate. He cited figures showing that the railways have, at least at periods of pressure, been unable to cope satisfactorily with the whole of the traffic offering to them through the port, and he promised to furnish the Committee with a memorandum dealing specifically with this point and showing in particular for a period of maximum stress, namely, October, 1919, the total imports into Madras by sea, the total tonnage sent away by rail, and the total which it was desired to send if the railway had been able to carry the traffic. He said he would also furnish statistics showing the extent to which the docks have been able to deal with the traffic carried to them by rail.

4991. In Mr. Mitchell's opinion, the Madras port is capable of dealing with a considerably larger volume of traffic than normally reaches it. Broadly speaking, the docks are abreast of requirements. A comprehensive scheme exists, but has not yet been submitted to Government, for enlargement of the harbour facilities. It is estimated to cost about 1¼ crores of rupees, and would take some ten years to complete. In view of the probable growth of traffic Mr. Mitchell thought that difficulties would occur if the scheme is not promptly proceeded with.

4992. With reference to the suggestion in the Port Trustees' written statement that improvements should be made by duplicating congested portions of the line and by providing more rolling stock, the Chairman observed that there appeared to be no room for doubt as to the necessity of such measures being adopted. He asked, however, in what way it was thought that greater use might be made by railways of the existing rolling stock. Mr. Mitchell stated that there are cases in which the full use of the existing rolling stock is prevented by inadequacy of the line carrying capacity. He said that there are cases in which the largest bogie wagons used on the South Indian Railway Company cannot be fully loaded because of the light standard of certain bridges on the line. He promised to furnish the Committee with the details of such cases. He mentioned also that, during the exceptional pressure of rice traffic in 1919, a Director of Wagon Supply had been sent by the Railway Board to supervise wagon distribution in Madras, and his efforts undoubtedly led to a substantial improvement in the supply of wagons to the port. Mr. Mitchell could not, however, say whether this was due to more economical use being made of the wagons, or whether it was due to the port requirements being met only at the cost of others. After some discussion with regard to the nature of the improvement in the ratio of supply to demand, effected by the Director of Wagon Supply, Mr. Mitchell promised that he would send further details to the Committee for its information.

4993. In reply to Mr. Purshotamdas Thakurdas, Mr. Mitchell stated that the Port Trust was under the control of a Board of Trustees and the ultimate control by the State. It is not an institution where there is any proprietary interest. Mr. Purshotamdas drew attention to the fact that there is not much distinction except in point of size between the administration of a Port Trust and that of a State-managed railway. He suggested that the objections of the Port Trust to the State management of railways would seem to apply equally to the existing system of port management by themselves. Mr. Mitchell agreed that, if it is the case, as suggested by Mr. Purshotamdas, that serious complaints do not exist against the management of ports in Madras, Bombay and Calcutta under the existing system, but that on the contrary the management of these have given general satisfaction, it detracts greatly from the weight of the Port Trustees' objection to the State management of the railways, but pointed out that a port was the meeting place of so many different interests that it was not necessarily comparable with a railway. Mr. Mitchell was not aware of any complaints against Port Trust management. He further agreed that, if there are no serious complaints of the kind, there cannot be much force in the argument adduced by him regarding the lack of incentive in the case of the officers of non-company administrations.

4994. With regard to the possibility of finding money, he stated that the Madras Port Trust is precluded by law from working at a loss; if expenses exceed the income, the Trustees are bound to raise the charges to redress the balance. On the other hand, the Port Trustees do not aim at making a profit, but administer their business solely for the benefit of the public. With regard to the question of building competitive lines of railway, Mr. Mitchell explained that he would not advocate the construction of competing lines by companies which were dependent on Government for a guarantee.

4995. With regard to finance, he stated that the Madras Port Trust had never borrowed directly in the open market, but had been financed by the Government of Madras. The Trustees had been recently advised by their bankers that, with regard to further requirements, it would be unwise to go on the open market at present, and that it would be better to take a share in any loan issued by the Government. Prior to the war they had paid 4 per cent. on their borrowings.

4996. In reply to Mr. Hiley, Mr. Mitchell stated that, in order to ensure railways working up to a better state of efficiency, representations had not been made to the Government of India, the practice being to take up with the local railways only in regard to defects when they attracted special attention.

4997. In reply to Sir Arthur Anderson, he said that when the Port Trust rates were revised this was done generally on the basis of percentage increase. The cases of certain commodities, however, were specially examined and dealt with.

4998. In reply to Sir Henry Ledgard, Mr. Mitchell stated that the capital expenditure of the port amounted to Rs. 3¼ crores. This had been provided in the shape of:—

Original grant by Government	...	Rs. 1 crore.
Loans	...	,, 1¾ ,,
Revenue contributions to capital	...	,, ½ ,,
Total	...	,, 3¼ ,,

P.S.—Mr. Mitchell subsequently sent the following letter to the Committee:—

Letter No. G. 2070, *dated the* 26*th January*, 1921.

With reference to my oral evidence before the Committee on Monday the 24th January, 1921, I have the honour to furnish the following figures:—

I. PORT TRUST TRAFFIC.

October, 1919.

(*a*) By sea—	(i) Imports	86,921 tons.	
	(ii) Exports	11,694 ,,	
			98,615 tons.
(*b*) Railway traffic—	(i) Inwards	26,301 tons.	
	(ii) Outwards	48,830 ,,	
			75,131 tons.

Monthly statistics of deliveries by road are not maintained except in the case of grain.
The tonnage of grain removed otherwise than by railway wagons in October, 1919, was 11,604 tons.
Balance of grain in transit sheds at end of October, 1919, was 11,032 tons.

Demands and supply of wagons during October, 1919.

	Indented for.	*Supplied.*
Broad gauge	2,393 wagons.	1,867 wagons.
Meter gauge	1,729 ,, (units).	1,319 ,, (units).

During October there were railway restrictions in various directions on the movements of grain from the port, and the wagon supply was not up to our demands. It is certain that had there been an adequate wagon supply much of the grain that was removed otherwise than by rail, and that remained in the transit sheds at the close of the month, would have been despatched by rail during the month.

II.

Details of supply of wagons to demand for the year April, 1918 to March, 1919, are given in the accompanying statement. The percentages indicate an improvement in supply after control was instituted.

III.

With regard to restrictions on the amount of goods that can be loaded in certain types of wagons on the South Indian Railway, I would refer the Committee to pages 42 and 43 of Part I. of the South Indian Railway Goods Tariff, dated October, 1920, where full details are given. I have stated before the Committee that Coleroon Bridge appears to be the weak spot on the line.

If it is of any interest to the Committee, I forward the charts of grain movements during the pressure on the railway traffic owing to heavy imports of grain in the autumn of 1919. The charts are self-explanatory. I should be glad if the charts could be returned after perusal.

(*Enclosures*).

Statement showing the total number of broad and metre gauge wagons indented for and supplied from April, 1918 to March, 1919.

1918 and 1919.	Broad Gauge.		Metre Gauge.				
	Indented for.	Supplied.	Indented for.		Supplied.		
	C.G.	C.G.	C.G.	B.C.G.	C.G.	B.C.G.	
April	1,984	234	379	704	131	72	Before control.
May	2,573	379	679	955	170	79	
June	1,665	458	464	603	148	133	
July	3,585	706	1,113	1,258	180	149	
August	4,082	735	1,384	1,833	184	150	
September	4,535	504	198	276	130	91	
April to September, 1918 ...	18,424	3,016	4,217	5,629	943	674	
October	1,442	705	95	178	82	95	After control.
November	764	692	136	107	167	75	
December	577	525	377	388	200	199	
January, 1919	1,062	761	581	1,470	308	313	
February	2,216	1,229	223	116	240	108	
March	2,123	1,712	281	349	210	301	
October to March, 1919 ...	8.184	5,624	1,693	2,608	1,207	1,091	

Percentage of Supply to Demand.

Before control	Broad gauge	16·4	per cent.
After control	" "	68·7	"
Before control	Metre Gauge C.G.	22·4	"
Before control	" " B.C.G. ...	11·9	"
After control	" " C.G.	71·2	"
After control	" " B.C.G. ...	41·8	"

C.G. — Covered goods wagon.
B.C.G. — Bogie covered goods wagon.

Mr. K. PARTHASARATHY IYENGAR was called and examined upon a statement which had been furnished to the Committee by the Railway Passengers' Association, Madras.

See Written Statement No. 41, Vol. IV., P. 147.

4999. Mr. Iyengar stated that he was a member of the Association, which has some 500 members, all of whom subscribe at the rate of one rupee for first and second class and annas 8 for third class passengers per annum paid in two instalments. There is a compounding fee of Rs. 25 for life members. The Association has a branch at Tanjore, and has recently received applications for extensions to other places. Being unable to undertake further responsibilities, however, the formation of separate associations at other stations had been recommended. The Association was an old one which had been reconstituted about a year ago. The managing body consists of a President, two Vice-Presidents, a Secretary, a Treasurer and 10 Executive members, and meets regularly once a month. It is a serious body and not merely a casual association.

5000. Mr. Iyengar agreed with the Chairman that really the Association's grievances might be classed under two heads: firstly, that passengers are uncomfortable and badly treated by the railways; and secondly, that Europeans are better treated, as such, than Indian passengers. He agreed with the Chairman that it was clearly not for the Railway Committee to go into details, but to suggest a machinery which would ensure that matters, if wrong, are put right. The Chairman said that, in view of this, he would not go at length into the details dealt with in the Association's representation. Mr. Iyengar desired, however, to urge that the inconveniences of which complaint was made, were not trifling but were on the contrary serious and numerous. The Chairman said that it appeared to him that the fact that an Association exists specially to enforce attention to these matters, and that applications for its extension have been made, appeared to be sufficient proof of this, as people would not devote their time and money to matters in which they are not seriously interested.

5001. Mr. Iyengar said that he was prepared to regard as largely sentimental the complaint of racial discrimination in favour of Europeans. This, however, led to substantial grievances in some cases, for instance, when Indians are excluded from retiring rooms, or when, notwithstanding the overcrowding of the ordinary carriages, space is wasted by reservation for Anglo-Indians and Europeans, as is done in suburban as well as in long distance trains. His Association would agree that, if people pay more for better accommodation, they should get it. But they consider that where the payment is the same, the services should be equal.

5002. The witness quoted the following letter which had recently appeared in the "Hindu" Newspaper of Saturday, 22nd January, 1921, as an instance of preferential treatment to Europeans on the South Indian Railway:—

> Sir,
>
> In train No. 226 that leaves Pallavaram at 7.25 A.M., seats for Anglo-Indians are reserved in a carriage near the engine, and two compartments are generally reserved for "Females only" in any of the last few carriages. I am used to travel in this carriage daily and as usual I got into the last open corridor carriage to-day. A few Anglo-Indian gentlemen also got into the same carriage and a gentleman informed me that the whole carriage was reserved for them. I referred the card attached to it and found on it written "2 compartments reserved for Europeans and Anglo-Indians." I drew the attention of this to the gentleman. He pulled the slip off and complained about me to the A. S. M. Sarangapani Iyengar on duty. The A. S. M. requested me to take another carriage. I informed him that self-respecting men should not be tossed out in this wise, and further 2 compartments are only reserved for Anglo-Indians. The A. S. M. then took the slip from the ground and changed the figure "2" into "6" and attached it to the carriage. The A. S. M. took the law into his hands and I left the carriage under protest. Wherefrom did he derive this sudden authority? The D. T. S. was travelling in the same train, but he was not to be seen from outside for making a personal complaint.
>
> C. NARASIMHACHARI.
>
> Pallavaram, January 21.

5003. He personally had recently had an unpleasant experience. Two compartments had been reserved for Anglo-Indians and Europeans and the witness got into a third, which was not so reserved. He was asked, but refused, to get down and was insulted by the Guard who brought a Sergeant who threatened him. The train was detained for 20 minutes. When complaint was made the Traffic Manager wrote to say that the Guard was an old servant of the Company, and that he was disposed to trust the Guard more than the complainant, even though the latter offered to produce respectable witnesses to bear testimony to the fact. This incident happened about four or five months ago at Egmore Station. The witness forgot the name of this Guard, but knew that he was still in the service of the South Indian Railway. The Chairman said that the Committee would ask the South Indian Railway what it has to say with reference to both the above complaints.

5004. Mr. Iyengar considered the discrimination made between Europeans and Indians is as great now as it used to be formerly, though in form some distinctions have been removed. He did not think that there was greater ground for complaint, but thought that the public are more alive to a sense of the impropriety of such differentiations.

5005. As a beginning in the direction of transfer of control to local Governments and local legislatures the Association recommended the appointment by Government of a Committee of officials and non-officials for each section of the railways, and that these committees should represent the different local interests. In brief they wanted to have direct access to the authority and considered that the Indian members whoever they are would better represent their feelings and their interests.

5006. With regard to profits derived from railways, the Chairman observed that, compared with the sums involved in the railway business, the amount which goes as profits (as distinct from interest charges proper) to the companies is relatively small, probably about half a crore of rupees per annum. The witness observed that the comfort and convenience of the public was of greater importance than profits, and in urging the establishment of a consultative and independent Committee, the object was to be sure of getting a satisfactory reply to and settlement of

complaints. It would be a vigilance department without any powers of direct interference with the railway management except through the departmental heads or the agent.

5007. The witness expressed himself as unable to indicate the precise machinery which should be adopted to ensure that improvements determined on are carried out. He considered that it was rather a matter for the Committee to devise a suitable machinery for the purpose. At present the Government Inspector of Railways seems to be unable to do anything effective in this direction.

5008. With regard to the Association's statement that the usual excuse of the South Indian Railway for not effecting the improvements most urgently needed, is want of funds, the Chairman suggested that that might be in fact a genuine reason and not a mere excuse, since works of importance could not be carried out without funds which Government have not been able to grant. The witness thought, however, that there are many things which the railways might do with even the small sums at their disposal if they only cared for the convenience of the passengers. He said that he was not in a position to speak with regard to the conditions on the Madras and Southern Marhatta Railway. He could only speak of the grievances of the South Indian Railway passengers.

5009. The Association laid stress on the need for doubling the railway between Egmore and Chingleput to enable quicker, and a larger number of trains to be run to satisfy the demands of suburban passenger traffic. The Chairman remarked that this is essentially a matter of funds. The witness said that apart from this doubling which is urgently necessary a better and more convenient train service could be arranged. He mentioned that in one case the railway had been forced to make such improvements as the result of the obstructive action of some of the passengers who, when they failed to get their complaints attended to in any other way drew attention to their grievances by using the communication cord in the trains. In this connection he quoted the following statistics from statements compiled by the Railway Passengers Association and the Madras Social Service League of both of which he is a member:—

Figures instancing over-crowding.

I.—*For the outgoing trains.*

(*a*) No. 127 train Beach to Chingleput for the week ending July 10th—

Average number per day, of persons that actually travelled	865
Average accommodation provided...	553
Average excess	312

Distance to Saidapet, where the congestion is substantially relieved, about 10 miles. Time taken about half an hour.

(*b*) No. 129 train from Beach to Pallavaram.

Average number per day, of persons that actually travelled	842
Average excess for which accommodation was necessary	297

II.—*For the incoming trains.*

No. 118 train Pallavaram to Beach—

Average number of persons actually travelled, per day	835
Accommodation provided including the compartments reserved for the Anglo-Indians	564
Average excess	271

5010. The Chairman urged in this connection that the South Indian Railway could not double the line nor could they run more trains unless provided with funds for doubling or for an additional supply of rolling stock. It is impossible to increase the train load. He also suggested that possibly the reason why the Madras and Southern Marhatta carriages are found more convenient is that the latter is a broad-gauge line. The witness admitted that this makes some difference, but thought that the South Indian Railway could still improve their arrangements. He thought that by the introduction of the intermediate class congestion in trains could be relieved by limiting the space that is used now for accommodating the second class passengers. Personally he would have no objection to the substitution of intermediate for second class traffic, but did not go so far as a witness who urged before the Committee at Calcutta the abolition both of the second and intermediate classes. With regard to the Association's request for the provision of special accommodation for smokers and better accommodation for ladies, the Chairman observed that the experience of railway administrators was that the more divisions are made the more waste of space occurs. The witness said that he would not press for such separate accommodation for smokers if it meant more waste of space. He thought, however, that the railway carriages in general and those reserved for ladies in particular as a whole could be improved very much, without taking any or at least appreciably large extra space. The experience of his Association was that the South Indian Railway Company was most unsympathetic.

5011. Asked what action he would recommend to be taken having regard to the fact that the Government have made a definite contract with the South Indian Railway Company, he thought that the Government should in the first place negotiate with the management so as to effect improvements; failing success such pressure as is possible should be brought to bear upon the Company within the limits of the law. He considered that Government had considerable powers which they should use to the utmost. He would be prepared to consider the question of special legislation if necessary. Personally he would be disposed to give good terms to the South Indian Railway Company in order to get rid of them altogether. He laid stress upon the fact that some of the conveniences demanded might be provided at small cost. An additional platform for example only meant a little earth and brick work, and a water-man to supply water to passengers would cost only a few more rupees. He observed that the Railway appeared to be able to find money for improving station accommodation at such places as Guindy, and to be able to provide special trains to take people to the races at that place, although they complained that they had not enough money to provide for the requirements of the ordinary traffic. He said that railway authorities had refused to supply water for the lavatory at the Madras Park Station.

5012. He considered that the Committee should devise means for securing more money and more attention to public requirements. The witness said that he did not feel competent to advise on the question of financing the railways. The Chairman observed in this connection that it would be useless for the Committee to suggest a means for getting money if the public do not come forward to provide the funds. The witness laid stress upon the fact that the Company have not taken the public into confidence. It was possible that there might be greater difficulties than they appreciate. He was doubtful whether the arrangement of merely providing an opportunity of meeting the heads of the Railway Administration would be of much use. He had been present at meetings at which the public representatives got scant consideration and even were treated rudely. In this connection he mentioned that the Association had been told in some cases by the Traffic Manager of the South Indian Railway that it was useless to continue correspondence such as had passed. He promised to furnish copies of such communications as these together with the original letters which had led to them.

5013. The witness said that in the opinion of the Association the local Council should have greater powers of control. In the past they had been referred to the Imperial Council. He thought that there should be some machinery for ensuring action on the spot to

redress grievances. He stated that the Association had not directly addressed the Railway Board but some of the members had done so and he promised to endeavour to obtain copies of correspondence for the Committee's information.

5014. Mr. Iyengar mentioned that he had been working as a member of the Social Service League with a view to assisting the public at the Egmore Station; he wished to co-operate with the Station Master and he applied for the necessary authorisation. He had the Station Master's sympathy, but was referred by him to the Agent. Subsequently he approached the Agent the Honourable Mr. Muirhead, who said he would consult his Traffic Manager, but although reminders were sent in nothing was heard afterwards.

5015. The witness observed that there had been some show of improvement at Egmore Station in the last few weeks, since the Railway Committee had begun to sit, but even now there are serious complaints there. He mentioned in particular the absence of the booking clerk from the window where tickets are supposed to be issued to ladies. This led to ladies having great difficulty in obtaining tickets as they have to apply to others for assistance. The witness gave details of various inconveniences to which the public are put at Egmore Station and mentioned that in some cases tickets can be obtained only on extra payment to the booking clerks or to intermediaries.

5016. In answer to Sir Henry Ledgard he said he did not know whether it was the case that a good many passengers travel without tickets. He had seen them alight on the off-side of the trains, but knew that some of these were season ticket holders.

5017. In reply to the Honourable Mr. Sastri the witness stated that the public did not object so much to the reservation of special compartments for Anglo-Indians and Europeans on long distance trains. Their complaint is mainly with regard to suburban trains. He thought that there could be no reasonable objection to these passengers travelling with the people, generally of a respectable class, who travel most on the suburban trains. With regard to the use of reserved accommodation on long distance trains, he thought that those for whose use it was intended should use it and should not travel in the public accommodation. Mr. Sastri drew attention to a letter No. 552T-17, dated the 23rd January, 1918, from the Railway Board to the Agents of the principal railways detailing matters which in the Board's opinion called for the exercise of constant supervision on the part of both railway officers and subordinates. In this connection he asked the witness to go through the list and to say whether complaints still existed under any of these heads. The witness went through the list and observed that little or nothing had been done in any of the instances cited.

5018. The witness dealt at length with the arrangements for dealing with passengers at Egmore Station and criticised particularly the way in which passengers are forced to use the 3rd class waiting shed which is sub-divided into what resemble cages. He explained in detail the inconvenience and discomfort to which passengers are subjected in the use of these arrangements. He was not aware of any advantages which might be secured to the railway by their use.

5019. Asked by Mr. Purshotamdas to mention specifically any one Station where there was not proper provision for supplying water to passengers the witness mentioned Saidapet and pointed to the absence of a proper supply of water at Stations as an instance of lack of attention to the comfort of passengers.

5020. The Chairman said he was sure Mr. Iyengar would appreciate that the Committee could not deal at length with and go into the details of the inconveniences which had been represented, but subject to whatever the Railway Administrations might have to say on the other side, he felt that a strong *prima facie* case had been made out of the existence of specific matters of complaint which it was the business of the Committee to suggest a machinery for remedying.

5021. He thanked Mr. Iyengar for the moderate and temperate manner in which he had represented the Association's case for the Committee's consideration.

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5022. The witness drew attention to the provision in the South Indian Railway Company's contract, providing that the Secretary of State would undertake such legislation as might be necessary to enable the company to carry into effect the provisions of the contract, as an instance of the difficulty which he anticipated in maintaining the existing company system under the new Indian Constitution, since it will no longer rest with the Secretary of State to decide whether any particular legislation can be carried into effect or not. There being now a non-official majority in the Legislative Assembly, it is possible that legislation proposed by the Secretary of State might not be carried out.

5023. Assuming that it is impracticable for Government to terminate the company's contract before its expiry by efflux of time, the witness said that he would be prepared to agree to liberal terms to induce the company voluntarily to surrender their connection with the railway. He laid so much stress on the importance of getting rid of the companies that he would be willing to slow down progress on railway improvements if necessary, in order that the funds might be provided.

5024. With reference to the possibility of getting the Nizam's Guaranteed State and the Mysore State Railways to work in a joint railway scheme for Southern India, the witness thought that probably it would be somewhat easier for those States to negotiate with Government than with the existing railway companies. He recognised that it would probably be necessary to buy out the Nizam's Guaranteed State Railway Company, just as in the case of the other two Southern Indian railway companies. He considered that it would be in the interests of India and of the States concerned if all the railways were worked under a unified control for the benefit of the country. In this connection, the witness mentioned that the Mysore State Railway is anxious to secure access to a port of its own, and that the Nizam's Guaranteed State Railway recently examined a proposal made to get running powers into Masulipatam, which was alleged to be a free port for the Nizam.

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> "It is not to the interest of the South Indian Railway Company to allow the District Boards to construct branches to the system. In other words, the avowed policy of the company is to stifle all private enterprise and to reign supreme in the territory allotted to it. In negotiating an agreement it is manifest that if the interest of one of the parties thereto lies in the indefinite postponement of such agreement, nothing is easier to accomplish. The one party has merely to hold out for impossible terms and remains master of the situation unless or until some higher authority comes to the rescue of the other party."

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5030. With regard to the grievances of passengers, the witness agreed with the Chairman that it was unnecessary for him to go further into it as he would only be repeating what had already been stated to the Committee by more than one witness. He was confident that in such matters things would be much better under State management. He urged that in many cases at present the local Government is not in a position to afford any redress, and that the Railway Board, which is the controlling authority, has done very little to assert itself and to remove long-standing complaints. He drew attention to detailed statements of suggestions made for removing the grievances of pilgrim traffic, embodied in reports furnished by Committees appointed in each Province to deal with this matter. He handed to the Committee the report of the Madras Pilgrim Committee.

5031. In this connection the Chairman referred to the recognition by Government of the use, on occasions of exceptional pressure, of goods vehicles for the carriage of pilgrims. He observed that it would be very expensive for the railways to provide rolling stock on a sufficiently liberal scale to carry the heavy pilgrim traffic which occurs only at intervals. In this connection the witness mentioned that he wished to correct his written evidence about complaints of passengers being carried in open trucks. He believed that there had been cases of their carriage in open trucks, but what he had more in mind was their carriage in goods stock. Sir Arthur Anderson drew attention to the fact that the railways, recognising that it may be necessary to use goods stock on occasion for carriage of pilgrim traffic, have made arrangements to fit some of the goods wagons, to a certain extent, for use by passengers by providing lighting and special ventilation arrangements.

5032. Referring to the Chairman's observation that carriage of pilgrims in goods vehicles cannot be a serious complaint, as soldiers all through the war were removed in goods vehicles, the witness said that pilgrimage could not be compared to a state of war seeing that this is an annual function. It is quite recognised that pilgrimages come at particular seasons of the year. It is a seasonal traffic and ought to be provided for. Next February, Mahamaham comes at Kumbakonam, which is one of the largest congregations. In his own district there is the Pushkaram, which comes once in twelve years. The annual moving of people is heavy only in February, March, August and September, as this is the marriage season. It must be recognised that this is a thing which occurs regularly throughout India. People go to Benares and Allahabad and other places at stated periods of the year. The Pilgrims Committee report laid considerable stress upon this fact.

5033. Referring to the witness's written complaint that local Governments are now deprived of their legitimate influence and control in the interests of the well-being of their own provinces, the Chairman observed that there is a considerable difference between influence and control. He understood that prior to the appointment of the Railway Board the local Governments were in a position to exercise considerable influence, at least, on the railway management through the consulting engineers whose appointments were abolished by the Railway Board. The witness agreed with the Chairman that there must be a central authority, which must evidently be at the headquarters of the Government of India, but he urged that it is possible for that authority to delegate certain powers to the local authorities.

5034. In his written evidence the witness furnished some statistics, which he explained had been compiled from the Railway Establishment list, published annually by the Railway Board, showing the relative numbers of Indians and of Europeans in the superior service of the principal railway systems, the figures being as follows:—

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redress grievances. He stated that the Association had not directly addressed the Railway Board but some of the members had done so and he promised to endeavour to obtain copies of correspondence for the Committee's information.

5014. Mr. Iyengar mentioned that he had been working as a member of the Social Service League with a view to assisting the public at the Egmore Station; he wished to co-operate with the Station Master and he applied for the necessary authorisation. He had the Station Master's sympathy, but was referred by him to the Agent. Subsequently he approached the Agent the Honourable Mr. Muirhead, who said he would consult his Traffic Manager, but although reminders were sent in nothing was heard afterwards.

5015. The witness observed that there had been some show of improvement at Egmore Station in the last few weeks, since the Railway Committee had begun to sit, but even now there are serious complaints there. He mentioned in particular the absence of the booking clerk from the window where tickets are supposed to be issued to ladies. This led to ladies having great difficulty in obtaining tickets as they have to apply to others for assistance. The witness gave details of various inconveniences to which the public are put at Egmore Station and mentioned that in some cases tickets can be obtained only on extra payment to the booking clerks or to intermediaries.

5016. In answer to Sir Henry Ledgard he said he did not know whether it was the case that a good many passengers travel without tickets. He had seen them alight on the off-side of the trains, but knew that some of these were season ticket holders.

5017. In reply to the Honourable Mr. Sastri the witness stated that the public did not object so much to the reservation of special compartments for Anglo-Indians and Europeans on long distance trains. Their complaint is mainly with regard to suburban trains. He thought that there could be no reasonable objection to these passengers travelling with the people, generally of a respectable class, who travel most on the suburban trains. With regard to the use of reserved accommodation on long distance trains, he thought that those for whose use it was intended should use it and should not travel in the public accommodation. Mr. Sastri drew attention to a letter No. 552T-17, dated the 23rd January, 1918, from the Railway Board to the Agents of the principal railways detailing matters which in the Board's opinion called for the exercise of constant supervision on the part of both railway officers and subordinates. In this connection he asked the witness to go through the list and to say whether complaints still existed under any of these heads. The witness went through the list and observed that little or nothing had been done in any of the instances cited.

5018. The witness dealt at length with the arrangements for dealing with passengers at Egmore Station and criticised particularly the way in which passengers are forced to use the 3rd class waiting shed which is sub-divided into what resemble cages. He explained in detail the inconvenience and discomfort to which passengers are subjected in the use of these arrangements. He was not aware of any advantages which might be secured to the railway by their use.

5019. Asked by Mr. Purshotamdas to mention specifically any one Station where there was not proper provision for supplying water to passengers the witness mentioned Saidapet and pointed to the absence of a propor supply of water at Stations as an instance of lack of attention to the comfort of passengers.

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of the State-managed lines, even if they were now carrying out the policy of employing Indians on the same scale as the State. The witness said that he would not trust companies to carry out any such policy unless they are forced to do so. He had never heard of any announcement of their adopting the policy. The Chairman referred to the fact that the East Indian Railway witnesses had assured the Committee that this was their policy, and that there was a special understanding in regard to it when the contract was extended until the end of 1924.

5036. The witness had mentioned that the Indians employed are generally in the lowest grades of the appointments. The Chairman observed that this seemed only natural, as they must begin at the bottom of the list. The witness agreed that, with regard to the selection for appointments, while he would certainly employ an Indian if the choice lies between an Indian and a European possessing equal qualifications, he would not put in the Indian if the European were decidedly the better fitted for the post. He emphasised, however, that there is a tendency to assume that the European has better qualifications.

5037. Regarding the suggestion that Indians do not take kindly to employment as mechanical engineers, the witness observed that they are employed largely in Indian mills. He believed that they would be quite as good mechanical engineers as civil engineers, if given proper opportunities for training. There is at present little or no opportunity of training in Madras. Students going to the engineering colleges should be given facilities for practical training in the railway workshops.

5038. The Chairman observed that he thought the witness's written statement quite reasonable, that he would urge State management in preference to company management on the identical ground which has been urged by Colonel Magniac against it, namely, that under State management the Government is committed to the employment of Indians in superior posts, whereas the company-managed lines are not so committed. The witness emphasised that if Colonel Magniac had, as he had said, to send to Northern India for Indian officers, it was because that there were not adequate training facilities in Southern India. It was only a slight extension of the same principle to bring the officers from the United Kingdom. It all emphasised the necessity for providing adequate opportunities for local training. He wished, firstly, that educational facilities should exist, and, secondly, that opportunities of securing employment should be given to candidates who have been properly trained. He was satisfied that companies would not give these facilities and opportunities, his case for State management being, therefore, all the stronger.

5039. He admitted that even on State railways for some time to come there may be a tendency on the part of the superior officers, being Europeans, to be prejudiced in favour of men of their own nationality. He was anxious, however, that the thin end of the wedge should be got in and that pressure should continue to be applied in favour of the wider employment of Indians.

5040. The Chairman cited the example of the United States, South Africa and Canada, in which central control of railway administration had been found necessary. The witness readily agreed that this would also be necessary in India, but repeated his recommendation for delegation of powers in matters of local interest. He agreed that the appointment of an influential Advisory Committee might be useful even if it was impossible to get rid of the existing railway companies at once.

5041. The Chairman observed that, having already dealt with all the points except the last mentioned in the witness's summary of his written evidence, he would not discuss these further. He observed, however, that a new point was raised in paragraph 9 of the summary, in which it was suggested that there should be a more equitable distribution of funds and that South India should get its legitimate share. He observed that a central authority is necessary to decide on the distribution of funds, and that there are other parts of India whose demands are even more insistent than those of Madras. He mentioned that evidence had been given indicating that the traffic on parts of the Bengal-Nagpur Railway system is likely to be multiplied by five within the next five years. The witness observed in this connection that nobody at present knows on what principle the available funds are divided by the Railway Board.

5042. In answer to Sir Henry Ledgard, the witness stated that the value of land has increased greatly in those parts of the country where District Board railways have been constructed since the last revenue settlement was made in 1896 or 1897.

5043. Regarding the levy of railway cess, the witness did not think that Government would object to the continuance of this method of raising funds if they were satisfied that the railway projects for which it was designed could be proceeded with. He was inclined, however, to think that money might be raised on the security of the railway themselves.

5044. In reply to the Honourable Mr. Sastri, the witness said that he was unable to estimate how much money could be obtained for railway development in India, but that a substantial amount should be available.

5045. Considering that in future funds could be devoted to railway purposes only with the assent of the Legislative Assembly, it was all the more important that the railway policy should in future be made thoroughly acceptable to the people, which has not been the case in the past. It was necessary to make the educated classes in India take a lively interest in the welfare of the railways. It was evident that Indians would take an increasingly larger share in the administration, and the witness had no doubt that if the matter were discussed ten years hence there would be an overwhelming demand for management by the State. In view of this the political view of the railway question can by no means be regarded as of minor importance.

5046. With regard to the absence in the railway contract of any simple provision for the revocation, on reasonable compensation, of the contract at any time when this might be desirable, the witness thought that the Secretary of State had been badly advised, and the home Board in England well advised in the making of the last contract made with the South Indian Railway.

5047. In connection with the difficulty experienced by Indians in obtaining access to railway retiring rooms, the witness mentioned that he had himself had difficulty in this respect. A friend of his had written to the railway administration and had ascertained that the criterion was the wearing by him of Indian costume. He was apparently not a "railway gentleman." He did not believe that the railways were acting within their rights in withholding the use of the retiring rooms from Indian passengers. The railways claimed that they had met the case by arranging that where special accommodation was provided for one class of the community special accommodation should also be provided for the use of other classes. It was useless for the public to complain to the Railway Board, and direct management by the State is the only complete remedy.

5048. Having regard to the difficulty, emphasised by the Honourable Mr. Sastri, as to the lack of sufficient funds and the difficulty of securing the company shareholders' assent to the termination of their contract, the witness thought that something might be done to induce the companies to transfer their domicile to India, though he did not regard this halfway measure as very satisfactory. Mr. Sastri suggested that the Secretary of State, being the dominant owner of the undertaking, ought to be in a position to bring influence to bear upon the companies to agree to transfer of domicile. The witness was decidedly of the opinion that the railways should be treated not as profit-making investments but as an instrument to be used for the benefit of the public. They should be self-supporting, but should not be worked to make a larger profit than is necessary to enable them to meet working expenses and interest on additional capital. He believed that it would be very desirable to separate railway finance from the ordinary finances of the country. He did not think that the ordinary citizen would look upon this in the sense of a "State within a State." The policy for the present as well as for the future should be that the railways should be treated as public utility services intended to serve the public without profit. It would not be the correct view to hold that, as the taxpayers have given the guarantee and have borne the loss when the railways were working at a deficit, they have a claim to make profits when they can.

5049. In answer to Mr. Purshotamdas, the witness thought that if all the railways were under one control, it would facilitate the pooling of stock to meet complaints such as shortage of stock to deal with pilgrim traffic. At times of pressure in one place, stock could be transferred from other lines to meet it.

5050. Asked why, when the South Indian Railway Company obstructed the construction of District Board lines, the District Boards did not undertake the work themselves, the witness assigned this partly to financial difficulties and partly to the desire of the main lines themselves to undertake the line of their own account. Moreover, the District Boards have not got the necessary staff to undertake the construction of the lines. He agreed with Mr. Purshotamdas that it was the duty of the trunk line to help the District Boards and other feeder-line companies. As they are company-managed, they disregard the general well-being of the people of the province. There would be no difficulty in the construction of branch lines if the main lines were under State control. The Government of Madras had, in fact, been anxious that the District Board lines should be built.

5051. With reference to the competition of the railways with canals, the witness stated that there is a large canal system more or less parallel with the railway. Even during the war when there was a complaint of shortage of wagons, the railways were still competing to obtain traffic from the canals. The question came up in council, but so far as the witness could remember, the only answer was that the matter had been referred to the railway company.

5052. Mr. Purshotamdas drew attention to a reference made by the witness, speaking in council, regarding canal rates having been substantially raised at the instance of the railway company and in opposition to public opinion, Sir Arthur Anderson suggesting the case dealt with was that of the East Coast Railway when it was under State management, Mr. Purshotamdas cited another instance in which, as recently as 1917, the General Traffic Manager of the South Indian Railway Company wrote to the Collector of Tanjore suggesting that certain ports should be closed in the interests of the railway.

5053. The Chairman reading from a copy of the South Indian Railway current contract which had been placed at his disposal by the witness said that it was clear that the company was an ordinary guaranteed company under the English Companies Act. There was certainly a provision in the contract that it might be broken in the event of breach by the company of the terms of contract, or in the case of gross mismanagement of the railway. The witness agreed with the Chairman that it would be very difficult in practice to bring that clause into operation. He complained strongly of the absence in the contract of any simple provision by which the contract could be terminated on the payment of a reasonable compensation to the shareholders; and he observed that in the case of the contracts made by the French Government in similar cases there was a provision of this kind.

5054. In answer to Sir Arthur Anderson, who asked what the present position is of the projected District Board Railway extensions in the Kistna district, the witness stated that he had just seen a letter from the Madras and Southern Mahratta Railway Board of Directors in which emphasis was laid on the high price of machinery and the difficulty of obtaining the necessary funds for rolling stock, and which suggested that the matter be postponed. There was a movement also by the main line companies for a revision of the terms on which the existing District Board lines are worked by the main lines. Sir Arthur Anderson suggested in this connection that the contention of the main line companies that they are working the line on too favourable terms might not be unfounded.

5055. In reply to Sir Henry Burt, the witness said that he believed that in pressing for the construction of overbridges in substitution for the existing level crossings at which traffic is congested both because of increased number of trains and heavier road traffic, the Madras Corporation had offered to bear a portion of the cost, but he was not sure whether they had done so.

5056. Sir Henry Burt read that portion of the South Indian Railway contract which gives power to the Secretary of State to require the companies to carry out works necessary for the safety of the public or the effectual working of the undertaking, and asked whether the witness thought that Government might have done more in this respect. The witness agreed with the Chairman that it was very doubtful whether under this clause the company could have been called upon to carry out works necessary merely for the convenience of the public. The witness agreed that if control over the companies could be decidedly tightened up, matters might be improved, but he thought that the control must be exercised in India and not through the Secretary of State in London.

5057. Mr. Hiley drew the attention to that part of his written statement where he had referred to the difficulty with which the Pilgrim Traffic Committee had pursued their investigations, and asked for information regarding this point. The witness mentioned that he had required certain information for the use of the Committee from the agent of the South Indian Railway Company and his letter was at first not answered. When he complained to the agent that he could not get a reply, he was ultimately advised that the information required by this Committee (which had been appointed under the orders of the Government of India), could not be furnished unless demanded by the local Government.

TWENTY-NINTH DAY.

(Madras.)

Tuesday, 25th January, 1921.

PRESENT:

SIR WILLIAM ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The following representatives of the Rice, Grain and Sugar Merchants' Association, Madras, were called and examined upon a statement which they furnished, shortly before the meeting, to the Committee:—

Mr. Janoo Hassan,
,, Hajee Habib Peer Muhamed,
,, Tar Muhamed Ayoob,
,, Haji Jamal Noor Muhamed,
,, Tar Muhamed Janoo,
,, Pooran Lall, and

Mr. Abul Karim Noor Mahamed, the Vice-President of the Association, who acted as spokesman.
Mr. Mangalvedkar acted as interpreter.

5058. The witnesses explained that the Rice, Grain and Sugar Merchants' Association is a body founded some 1½ years ago. It comprises 62 members, all at present being residents of Madras, but membership is open to merchants in other localities also.

5059. The Chairman said that he observed that the Association were in entire agreement with the views expressed by the Government of Madras in their memorandum to the Committee in regard to railway policy. They emphasised the need for abolishing company management, the separation of railway and Government finances, the organisation of the railways in suitable groups and the establishment of local Committees on which the traders and public should be represented.

5060. The Chairman asked to what control the Association referred in laying special stress on "the rigidity and wooden character of the present system of control by Government" regarding rates and fares. He was informed in reply that the Board have not shown themselves able to effect proper control in the popular interests. The Association wished that there should be a body on the spot to whom they could refer their grievances and who could deal adequately with them. They laid stress on the need for having representatives of the people on this Board.

5061. The Chairman observed that the Agents of the railways in Calcutta had agreed that there ought to be a body of that kind. The witnesses stated that there should be a full popular representation on such bodies so that they may have some control over rates and fares. The Chairman observed that he thought that the Committee as a whole sympathised with the desire of the Association for the appointment of some body to perform the functions specified above.

5062. In the opinion of the Association the Railway Board has not done all it might have to keep the railway managements in order. In observing, in their written statement that the present system of administration in the traffic department is highly undesirable, unjust and supremely corrupt, the Association were speaking with reference both to the Madras and Southern Mahratta and the South Indian Railway systems. They were speaking with a knowledge of the comparative position in other parts of India, as they have trade connections throughout India. Asked what had been done by the merchants to help the companies to prevent malpractices on the part of their subordinates, the witnesses stated that attention had repeatedly been drawn to the matter in public meetings and otherwise. They had failed, however, to induce the administrations to introduce any effective remedy. At one of the meetings referred to, His Excellency the Governor, Lord Willingdon, had been present. They had complained on several occasions to officers of the railways in writing, but had ultimately become despondent owing to their failure to secure any redress.

5063. With regard to the bribing of station staff in connection with the distribution of wagons, it was stated that this is not done on the sly, but it is an open secret and the practice is widespread. The witnesses said that they would put in copies of correspondence in which the names of stations and dates were mentioned, though not the names of the individuals. The individuals responsible are the station masters and other subordinate station staff.

5064. Referring to the complaints in the written statement that the "*mamool*" or customary payment, for wagon supplies ranges from Rs. 10 to Rs. 50 per wagon, the witnesses said that the practice is for the European merchants to be first supplied with their requirements and for the remaining wagons to be auctioned. There are records in the accounts of all merchants of payments which they had to make to railway subordinates to secure wagons. The Association offered to produce as many of the merchants' accounts books in proof of this as the Committee might desire to see. It was stated that many hundreds of cases could readily be produced. The witnesses were told that half-a-dozen would suffice, and they promised to furnish these for the Committee's perusal later in the day.

(*P.S.*—In the afternoon six different merchants' vernacular account books were accordingly placed before the Secretary to the Committee with numerous entries marked. It was affirmed in the presence of a large number of witnesses that these items recorded the payment of sums, varying from Rs. 10 to Rs. 70, to station staff for wagons supplied. Certain accounts in English rendered by carting agents showing payments made under head of "Wagon Expenses" or simply "wagon" were also submitted. The respective amounts ranged from Rs. 6-8 to Rs. 15.)

5065. The Chairman asked how far the Association held the companies responsible for defects in railway facilities having regard to the fact that these imply the expenditure of money which Government has not made available. The witnesses said that companies should raise the money. They knew it was the fault of Government for not supplying funds, but the merchants had been doing their best to ensure attention to their requirements, and they thought that, as the railway companies are in better touch with them, they should have brought more pressure to bear upon Government.

5066. The Chairman observed that the Madras and Southern Mahratta Railway Company had over a recent period of years asked for more than 500 lakhs of rupees for expenditure, but had only been able to secure about one-half of this sum. The Association considered that the blame should still be divided between Government and the companies. They thought that the companies as a last resort should have been content to take smaller profits, and to devote the balance to improvements. Asked whether, in their own businesses, the merchants would pay greater attention to the requirements of their customers than to themselves, it was emphasized that the neglect of the customers would mean a loss to the merchants. They thought it was right that more attention should be paid to the adequacy of the source of income.

5067. With regard to the complaints in the written statement regarding the unreasonableness of the owners' risk and railway risk system, the Chairman explained that the Committee recognises that this is a matter which requires attention, but it was not within its own province to deal with it in detail. In deference to the wishes of the witnesses, attention was devoted to a particular case in which a consignment of 248 bags had been booked from Arrah on the East Indian Railway to Madras. The consignment had arrived, but, because of some defect in the information received regarding it from the forwarding railway, the railway company would not deliver the goods. The goods being booked at owner's risk, the railway could not be made responsible. The witnesses had other grievances regarding rates; they considered that companies which had been making a profit before the war had raised the rates generally to an unreasonable extent; they were frequently 100 per cent., 70 per cent. and 50 per cent. above the pre-war level. There were very few cases in which substantial increases had not been made.

Mr. M. Ross LOGAN, Acting Agent, and Mr. C. S. ROWBOTHAM, Deputy Traffic Manager, South Indian Railway Company, appeared to give evidence on questions of fact, on behalf of the South Indian Railway administration.

5068. Mr. Ross Logan explained to the Committee that he was acting as Agent in the absence of the permanent incumbent on leave. Mr. Rowbotham appeared in place of Mr. Acres, the General Traffic Manager, who was unwell.

5069. Mr. Ross Logan said that he had received instructions from his Board of Directors in view of which he, as acting Agent, was not in a position to submit replies to the questionnaire or to offer evidence on matters of policy or opinion; he attended only in order to give answer with reference to matters of fact. He understood that the late Agent, Mr. Muirhead, now Managing Director of the South Indian Railway Company, would be available to give further evidence in London and might again be referred to by the Committee on its return to that country. The Chairman said, and Mr. Ross Logan confirmed, that in the circumstances the Committee were apparently not to have the benefit of the witnesses' personal familiarity with the subjects under enquiry.

5070. The witness evinced some reluctance to admit that, as suggested by the Chairman, the whole company's machine (that is, the South Indian Railway) is inadequate to deal with the demands made upon it. He admitted, however, that it is the case that overcrowding is serious on certain sections of the railway and that the line has access to Madras only by a single line carrying the whole of the long distance as well as the suburban traffic, and that the line runs over a number of level crossings within the city boundaries. He had no doubt that the line ought to be doubled near Madras and the level crossings should be obviated. It is the case that owing to the low standard of the new Coleroon bridge and certain other bridges, it is impossible to use some of the goods stock to its full capacity. He admitted that there is a deficiency of goods and rolling stock as well as of engines. Recognising these facts, Mr. Ross Logan agreed that it must be admitted, without necessarily implying any imputation of blame to the company, that the railway facilities are inadequate. The witness admitted that, in fact, he could point to no important direction in which the facilities of the railway for dealing with its increasing traffic are at the present time sufficient.

5071. Regarding the responsibility for this state of affairs, some attention was devoted to a comparison of demands made by the Administration upon the Railway Board for capital funds. Mr. Ross Logan mentioned that, in the forecast prepared in July, 1918 (that is under war conditions and naturally based on a very restricted scale) the Railway had asked for only Rs. 15·06 lakhs; subsequently the grant was actually fixed at Rs. 121·45 lakhs for the year 1919-20, war conditions having ceased in the interval. Only Rs. 12·09 lakhs had been spent, the large lapse being ascribed, however, to the inability of contractors in England to give deliveries. The Chairman asked that Mr. Ross Logan should subsequently furnish particulars showing the extent which orders had been placed against the budget grant of Rs. 110 lakhs, with a view to establishing the facts with reference to the efforts of the company to expend the money or alternatively, their disinclination to do so.

5072. With regard to the demand prepared in July, 1920, relating to the capital requirements for the year 1921-22, Mr. Ross Logan stated that 108 lakhs of rupees had been asked for. The Railway Board promised only Rs. 28 lakhs, but, on receipt of a protest from the Railway Administration had promised to grant a further 15 lakhs, making a total provision of Rs. 43 lakhs for all capital purposes including the Loco workshop scheme at Trichinopoly. Mr. Ross Logan had not brought with him details of the figures relating to other years, but promised that he would supply the Committee subsequently with a full statement, in a form provided to him, with a view to enable the Committee to judge whether it was a fact, as had been represented by some witnesses, that the South Indian Railway Company does not apply for sufficient funds for its requirements, with a view to maintaining a high dividend.

5073. Questioned with regard to the present position of the case connected with the proposed conversion of the Erode-Trichinopoly branch from the metre to broad gauge, Mr. Ross Logan explained that this is bound up with the question of the location of the South Indian Railway broad gauge workshops. The matter had been under discussion for many years. The Board of Directors were in favour of having joint broad and metre gauge workshops at Trichinopoly and, as a corollary of this, of the conversion of the Erode-Trichinopoly line to broad gauge. The only reason why this work had not been started was that the Railway Board had not yet agreed on the location of the broad gauge shops. They had agreed to work proceeding at Trichinopoly on the construction of the shops for metre gauge stock only, leaving the inclusion of broad gauge facilities to be settled subsequently. The Railway Board had sent down two officers, Messrs. Hanson

and Chase, specially to investigate the question some two years ago. Mr. Ross Logan understood that these had been in favour of locating the workshops for both gauges at Madras. The only definite advance so far made was in the decision that the metre gauge shops might be located at Trichinopoly. The company had repeatedly pressed the Railway Board for a decision.

5074. Mr. Ross Logan disputed the accusation that the Railway Board have not sanctioned adequate provision of funds, because the London Board do not wish capital money to be spent. He cited as cases in which the Board wished to spend money but was not able to do it, in addition to that just mentioned of the broad gauge workshops and conversion of the Erode-Trichinopoly line, the lapsing of funds for additional engines, underframes for new rolling stock, etc. He mentioned that that, in the event of the conversion of the Erode-Trichinopoly line to broad gauge, it would cost some 15¼ lakhs of rupees more than if renewed on the existing metre gauge.

5075. The Chairman observed that many charges had recently been made against the South Indian Railway administration by the witnesses examined in Madras. They are generally charges of passengers being badly treated, of inadequate facilities, and complaints not being attended to: indeed most of the charges that could possibly be made against a railway had been brought forward. He asked Mr. Ross Logan whether he wished to make any general statement in connection with these matters.

5076. Mr. Ross Logan admitted with regard to passenger traffic that there is a good deal of overcrowding in certain parts of the line. The fact was that the railway had not yet recovered from the ill-effects of the war. He admitted, however, that there had been overcrowding even before the war though, only he believed, on certain office trains. It had not been thought possible to put on more of these, but within the last couple of months the railway had succeeded in working one more train during the rush period. He could not say why this had not been done before the recent agitation which led to this action being taken.

5077. The railway was doing all it could to mitigate the ill-effects of the shortage of engines. On certain sections of the line they had pooled the locomotives resulting in an improvement of 50 per cent. in the mileage per engine. In this case also he could not say why the step had not been adopted some time before, unless it was that the previous head of the administration had accepted the objections of the locomotive department who are usually opposed to the pooling of locomotives.

5078. He said that he knew of no specific instance of a complaint of lack of stand pipes for supply of water to passengers. He was aware that there were certain general complaints, but he could not deal with any except specific instances. At Saidapet, which was specially mentioned to the Committee, there are water carriers to supply water to the passengers.

5079. In answer to Mr. Hiley he stated that the new Coleroon bridge was built about 40 years ago. It is now proposed to replace it to the 1908 standard.

5080. The railway had been suffering from the shortage of coal. Its consumption is about 20,000 tons a month. There is considerable difficulty in getting the rail-borne supply and this has to be supplemented by sea-borne coal. In order to facilitate the supply of coal the South Indian Railway has lent 400 broad-gauge wagons to the general pool for coal transport and 10 broad-gauge engines to the Madras and Southern Mahratta Railway. They have about 15 days stock of coal in hand, but used before the war to have two months' stock. The rail-borne supply is very irregular. He could not say whether or not water carriage is cheaper, though the freights ruling are high.

5081. The pooling of engines results in these being too often in the sheds for repairs, but it was admitted that it results in greater efficiency—an increase of efficiency from 65 miles to 100 miles run per day.

5082. With regard to the complaints of passengers at Egmore Station with reference to their being imprisoned in "cages," Mr. Rowbotham explained that the reasons for the arrangements were that formerly passengers used to take tickets near the entrance to the platform shortly before the arrival of trains and there was excessive crowding at the entrance. Now passengers take tickets at leisure at the entrance to the "cage" in the waiting hall and when the time comes for admission to the platform, the "cage" is opened widely the tickets having already been checked. It has the advantage of preventing an inconvenient rush of passengers after the train has come to the platform, and also facilitates the separation of persons holding tickets available for particular trains from others who have not such tickets.

5083. Mr. Ross Logan said that it was within the Agent's power to spend money to an unlimited extent on ordinary maintenance, and up to Rs. 25,000 on individual works chargeable to "special revenue" or to capital. In reply to the Chairman he explained that this is always subject to the provision of sufficient funds in the budget allotment made by Government.

5084. In answer to Mr. Purshotamdas, Mr. Rowbotham said that he had been the representative of the South Indian Railway on the Southern India Chamber of Commerce for some two years in Madras. He did not think that during that period he had missed more than one or two meetings of the Chamber. He had been on the Committee of the Chamber. He was not aware as to the truth of the report that the South Indian Railway's representative no longer was regular in attendance at the Chamber's meetings, and that it was for this reason that he had not been made a member of the Committee.

5085. With regard to the reservation of special accommodation for Europeans and Anglo-Indians, Mr. Ross Logan stated that he was not in a position to say precisely why the practice of reserving compartments had not been abolished. It was a practice which had continued for a considerable time. He was not aware that it led to waste of space or that the reserved compartments were not fully occupied. He was aware that Indian opinion demands the abolition of the special accommodation, but European and Anglo-Indians consider that it should be retained. Mr. Rowbotham said that in his experience this reserved accommodation used to be taken full advantage of a few years ago. He could not speak as to the present position.

5086. Mr. Ross Logan said that he was not in a position to give any information with regard to the application of certain members of the Social Service League who had offered to work under the orders of the station master at Egmore, to be of service to the lower class passengers. Mr. Ross Logan said he was not aware why they had not been able to obtain any reply from the Railway Administration. He could not say off-hand what definite action had been taken on the specific recommendations made by the Pilgrim Committee some time ago. He was under the impression that the railway had attended to the more important recommendations.

5087. In view of the instructions he had received from his Board of Directors at home he expressed himself as unwilling to express any opinion on the question of the attitude of the South Indian Railway Administration towards the District Board Railway enterprise; he thought questions on the subject should be addressed to the Company's representatives in London.

5088. With regard to complaints regarding the closing of ports with the object of retaining traffic to the railway route, the witness read certain provisions of an agreement which had been entered into between the South Indian Railway and the Agents of the British India Steam Navigation Company, the effect of which was to establish certain territorial divisions and to obviate competition for traffic. Mr. Ross Logan observed that the agreement had been formally approved by the Government of India on the 17th December, 1902, *vide* Madras Government Order No. 446 of 4th March, 1903. This agreement was still in force. In reply to the Chairman, Mr. Ross Logan said that the complaints regarding the ports being "closed" really meant that they were for all practical purposes closed in so far as they offer no inducement to the steamers of the companies concerned in the agreement to go to them, as they would not obtain traffic even if they were to do so unless there was a surplus which the railway was unable to deal with; physically, no doubt, the ports remained open. In this connection Mr. Purshotamdas Thakurdas observed that his information was that in some cases the use of the ports even for country craft had actually been prohibited by orders of the Collector. Mr. Ross Logan furnished a copy of certain correspondence bearing on this in the shape of a demi-official letter from the then agent of the railway to the Collector of the Tanjore District (and the latter's reply thereto expressing his inability to comply with the request), expressing a desire that a particular port should be closed in the interests of the railway. The Committee expressed the view that as this correspondence was dated 1897 it could not be the particular correspondence which they had in mind, whereupon Mr. Ross Logan promised to ascertain if there was any subsequent correspondence of a date more nearly concerned to that of the agreement itself, and if so to furnish copies thereof.

5089. Mr. Purshotamdas Thakurdas drew attention to the case of Rameswaram Station, where pilgrim traffic is exceptionally heavy. Mr. Ross Logan said that the waiting accommodation at that station is adequate. He did not attach great significance to the provision of a shed at the cost of a private benefactor as he thought that such benefactors frequently like to provide such works for the sake of associating their names with them. He admitted that no private philanthropist had yet come forward with an offer to double the line in the vicinity of Madras.

5090. With regard to the use of corridor carriages, about which complaints had been made to the Committee, Mr. Ross Logan said he believed some passengers liked them and others did not. He admitted that he was not aware of any Indian expressing approval of them. On the contrary he had heard that they preferred the old style carriage. He was not personally aware of complaints of inconvenience to *Ghosha* ladies caused by the use of these conveyances.

5091. With regard to the auctioning of wagons and bribery of railway servants in connection with their distribution, he was aware that such irregularities occurred, but the difficulty was that nobody came forward to give evidence in specific cases. He had no doubt the practice existed, but he doubted whether it is widespread on the South Indian Railway. The Traffic Authorities are vigilant and do their best to prevent irregularities, but no special staff had been appointed in connection with complaints of this kind. Mr. Rowbotham mentioned that there had been at least three cases within his own knowledge, and probably there were more, in which railway servants who were reasonably suspected, although not actually convicted, of being guilty of irregularities, were punished. In another case the station master was ordered to prosecute for defamation, and the prosecution case succeeded. He suggested that if the irregularity has been so frequent and so open a secret as alleged by other witnesses it should be easy for the merchants to agree not to pay for wagon supplies. He agreed that it is the duty in any case of the Railway Administration to take precautionary measures against irregularities where there are so frequent complaints of their occurrence. The South Indian Railway has no special machinery such as the employment of detectives for doing so in the present case.

P.S.—Mr. Ross Logan subsequently furnished to the Committee the following:—

(*a*) A statement (not reproduced) of amounts totalling £1,045,387 outstanding in the United Kingdom on contracts placed against the Budget Grant for 1919-20.

(*b*) the following statement relating to the capital allotments of the South Indian Railway for ten ten years:—

CAPITAL ALLOTMENT (OPEN LINE).

FOR 10 YEARS UP TO 1921–22.

Rupees in Lakhs.

—	1910–11	1911–12	1912–13	1913–14	1914–15	1915–16	1916–17	1917–18	1918–19	1919–20	1920–21
SOUTH INDIAN RAILWAY. *Particulars.*											
1. Amount asked for in July Forecast of previous year.	105·00	77·25	70·00	118·75	106·84	110·63	25·50	8·00	62·00	15·00	131·92
2. Amount agreed to in discussion of August of previous year between Agent and Railway Board.	60·00	...	60·20	118·75	83·45	...	29·39	8·00	No discussion.	No discussion.	...
3. Amount promised provisionally (about December of previous year).	90·00	48·00	60·20	116·47	75·28 8·17*	31·40	15·28	11·68	21·56	115·33	117·75
4. Amount actually allotted in Budget Orders	90·00	48·00	60·20	109·90	75·28	31·40	15·28	12·28	21·56	109·07	73·69†
5. Amount at which grant stood at end of year.	38·96	40·70	79·49	90·14	45·10	28·21	—8·15	5·07	6·44	56·72	73·69
6. Amount actually spent by Railway in the year.	28·11	33·16	77·79	91·82	46·08	21·09	—17·83	—·31	—2·79	12·06	—

* Over-certification. † Rate of Exchange adopted is 2*s.* 6*d.* per rupee.

(*c*) Similar statements to the last relating to the Travancore, Coonoor-Ootacamund and Dharampuri Hosur Railways (not reproduced).

(*d*) A statement of the main causes for the lapses occurring in each year, from which the following is quoted as typical:—

(1) A portion of English stores not having been received in time as anticipated to be charged off to works.

(2) Owing to delay on the part of the Revenue authorities in handing over land to the railway for the construction of certain quarters.

(3) Certain stores having been purchased but not paid for before the close of the year.

(4) Late receipt of sanction on estimates for important works.

Messrs. M. Ross LOGAN and C. S. ROWBOTHAM, Acting Agent and Deputy Traffic Manager, respectively, of the South Indian Railway, were recalled and further examined.

5092. Mr. Ross Logan explained with reference to observations made during the morning's evidence that, owing to breaches on the South Indian Railway, he had not been able to keep in touch with the tenor of the evidence offered to the Committee by other witnesses recently in Madras, having seen only the newspaper report of Colonel Barnardiston's and the Madras Government's views. It was for this reason that he was not in a position to deal with some of the complaints which had been made by others against the South Indian Railway.

5093. In answer to Mr. Purshotamdas, he read the following demi-official letters which had passed in 1897 between the then Agent of the South Indian Railway and the Board of Revenue, Madras.

From the Agent to the Board of Revenue.—"For some time past, I have been endeavouring to divert the rice exported to Colombo from the small ports in the Tanjore District, to Tuticorin. In order to do this it will be necessary to quote rates which are barely remunerative, and I write therefore to ask you whether you think there is any chance of Government helping us by, either reducing the export duty on the rice, or by allowing us a percentage on the duty we pay.

"The rice which is shipped by country craft from obscure ports must frequently evade duty, and by diverting it to Tuticorin we ought to increase the Government revenue and also render the collection of duty less costly. There may be objections to reducing the duty of 3 as. per maund on rice exported by us at Tuticorin, and I have therefore suggested the percentage alternative.

"We are allowed a concession of this nature in connection with the collection of income-tax from railway employees, and this might form a precedent to the help I ask for being granted. It is directly to Government advantage for the freight on this rice to go mostly into its coffers, than for the shipping community to annex the whole."

From the Board of Revenue to the Agent.—"I am afraid that Government could not listen to either of the courses which you suggest.

"There is a legal difficulty with regard to the first as the export duty is fixed by law and could not be altered without legislation. It would also necessitate the abandonment of the principle of levying the same duty everywhere which would be a fatal objection.

"The second expedient would be objectionable, amongst other things, in connection with the Provincial Contract. If I am not mistaken the Madras Government would have to pay all the cost and India would get the advantage.

"I also think that India would not allow any money to be spent for customs revenue in favouring one port. It would tell us to make our small customs port honest if the matter came before it."

5094. Mr. Purshotamdas observed that the expedient in question in the above correspondence related to the export duty. He quoted, as bearing more directly on the question of the attempts of the South Indian Railway to secure the closing of ports in the interests of its traffic, observations made at a meeting of the Honourable Mr. W. Clark, then Member of the Viceroy's Council in charge of the Departments of Commerce and Industries and Railways, with the Southern India Chamber of Commerce in August, 1915. It was specifically mentioned on that occasion that the General Traffic Manager of the South Indian Railway Company had written to the Collector of Tanjore District saying that it would be better to have some of the minor ports closed and to see that people send more of their rice by rail rather than by steamers.

5095. Mr. Ross Logan agreed with the Chairman that some motion of the Agent, South Indian Railway, more recent than that of 1897 to which he had referred, must have occurred to account for the correspondence to which Mr. Purshotamdas alluded. He promised that he would look up and send to the Committee copies of any correspondence that might have passed between the Agent, South Indian Railway and the District Officer of Tanjore, since 1897.

5096. With further reference to the morning's evidence, Mr. Purshotamdas ascertained from Mr. Ross Logan that there are some half a dozen pilgrim centres on the South Indian Railway, and that the volume of pilgrim traffic varies from 5,000 to 300,000—the last named figure being the number expected during the ensuing Mahamagham festival which takes place once in twelve years—on occasions of pilgrimages to these. In no other case than that of Rameswaram had anybody offered to put up sheds for the use of railway passengers as a private benefaction. There had been cases, however, of offers to supply arrangements for the provision of drinking water.

5097. On the South Indian Railway, there are water carriers practically at every fifth station. The average distance between stations is less than four miles. During the hot weather extra men are engaged.

5098. Mr. Rowbotham had never heard of any complaint that wagons were auctioned amongst Indian merchants after European requirements were fulfilled. He did not believe this. At any rate, it was never represented to him officially that Europeans were dealt with first and Indians afterwards.

5099. In connection with the rush at third-class booking offices at the railway stations, Mr. Ross Logan did not consider that there was any extraordinary rush. On special occasions, such as pilgrimages, as many additional temporary booking offices are opened as required.

5100. Mr. Purshotamdas drew attention to a letter dated the 23rd January, 1918, from the Railway Board to the agent, South Indian Railway, among others, in which particular attention was drawn to the need for introducing various specified improvements with a view to increasing the comfort and safety of the travelling public, and mentioned that the witness from the Passengers' Association had stated that very little had been done by the South Indian Railway Company in connection with these matters. Mr. Rowbotham admitted that in the case of certain suburban stations, owing to congestion, it is necessary for trains to be drawn up and for passengers to entrain and detrain on the line away from the passenger platforms. This happens when the platform is already occupied by one train and another has to be accommodated.

5101. Asked whether the railway has employed any special man to supervise the passengers' refreshment arrangements, he stated that there is one such man. He said that the books maintained by contractors contain numerous entries which show that the public are generally satisfied. He had no reason to believe that these entries were made by friends of the contractors.

5102. With regard to the employment of special men to look after the interests of the lower class travelling public Mr. Rowbotham said that there is a Coaching Inspector who goes about and puts up recommendations for conveniences, etc. There are also the Traffic Inspectors, numbering about 20, of whom at least 12 are Indians, who look after the comfort and convenience of passengers as well as the working of the trains.

5103. In reply to Mr. Hiley, the witness said that in a suburban station, when a train is drawn up at the platform, a second train is allowed to stand on another line for want of time, to get to which passengers go round the platform. There are men posted on the platform to direct them. At present there is no scheme for improving the suburban line, except the doubling, nor is the witness pressing for this at the moment. The Government Inspector of Railways had not, he believed, condemned the practice of allowing passengers to entrain and detrain at suburban stations otherwise than at the platforms.

5104. In reply to the Hon. Mr. Sastri, Mr. Ross Logan said that he was not prepared to admit that the policy of employing Indian officers was introduced on the South Indian Railway only in 1916. He said that there are at present 8 of these officers, namely, 3 in the Audit, 3 in the Traffic, 1 in the Engineering and 1 in the Agent's Department. He stated that the instructions of the Board of Directors were that ordinarily not more than 2 Indian officers should be appointed in each department. It followed that, if there were already two Indian officers in any department, all further vacancies, until one of these had gone, would be filled by Europeans unless exceptional circumstances were shown to justify the appointment of another Indian.

5105. In this connection the Chairman referred to information given by Diwan Bahadur M. Ramachandra Rao which shows that in June, 1918, there were only three Indian officers employed on the railway. He asked if Mr. Ross Logan would check this and would give the names of the Indian officers now in the service, and the date of appointment in each case.

5106. With reference to the statement that it is only at suburban stations that passengers are sometimes required to alight and entrain otherwise than at platforms, Mr. Sastri mentioned that in his own experience this was also done at Kumbakonum.. Mr. Rowbotham said that if this was so, it was a breach of the regulations and contrary to the intention of the company. Mr. Sastri observed that other railways employ Passenger Superintendents, whose sole function it is to look after the interests of lower class passengers, and observed that the Railway Board had recommended this specially in its letter to the agent, quoted above. Mr. Ross Logan said that there are no men of that class appointed on the South Indian Railway. There would not be much difficulty in appointing men of that class. It was within the competence of the agent to sanction such appointments.

5107. In reply to the Hon. Mr. Sastri, Mr. Ross Logan said that he had some recollection of the complaint made by the Passengers' Association that much difficulty was felt for want of a water tap in the lavatory at the Park Town Station, as well as of the reply sent by the Administration saying that this improvement must await until the station was remodelled. There was no special reason why a tap could not be provided irrespective of the remodelling of the station. The Hon. Mr. Sastri observed in this connection that it was certainly not consulting the convenience of passengers seriously to suggest that a station should be remodelled before a tap could be provided in the lavatory.

5108. In connection with a complaint which had recently attracted the special attention of the Railway Committee regarding overcrowding at Mayavaram on No. 26 down train, Mr. Ross Logan read the annexed report which had been submitted by an Indian Assistant Traffic Superintendent on the South Indian Railway. The Chairman observed that the report, which it appeared the superior officers of the railway had accepted as satisfactory, contradicted the evidence of two gentlemen of position who had put their names to the accusations against the railway administration, and asked whether Mr. Ross Logan was satisfied to leave the matter at this. Mr. Ross Logan said that he was quite prepared to believe that the main facts were substantially as reported by the gentlemen referred to, although the Assistant Traffic Officer's Report suggested that the case had somewhat been exaggerated.

5109. Pressed with regard to the point that it appeared to be clear that the Station Master, though appealed to, had washed his hands of the case, Mr. Ross Logan admitted that nothing had been done by the railway after the report had reached it in the matter of communicating direct with the complainants. Mr. Purshotamdas asked if this was the way in which complaints by the public are dealt with, merely by a departmental enquiry and without taking the trouble to obtain the independent evidence of reliable witnesses. Mr. Ross Logan did not admit that this could be asserted as representing the regular practice of the administration.

5110. In reply to Mr. Hiley, he agreed that the point of view of the administration is that it really cannot stop overcrowding in existing conditions, and felt therefore that it would be useless, in the circumstances, to hope for any material advantage by making further enquiries. He agreed that the Chairman summed up his contention correctly as being that the public have no serious grievances except such as due to lack of facilities, and that this is purely the fault of the Railway Board owing to their failure to supply the necessary money. Mr. Ross Logan stated that the company had done all that it could reasonably do to induce Government to provide the necessary funds.

Annexure.—(*The Report mentioned in paragraph* 5108 *above.*)

1. Briefly stated, the complaint made in the cutting from "New India" is—

(*a*) that BTV 31 on No. 26, which had accommodation for 32 passengers, was occupied by 39 passengers when leaving Tanjore;

(*b*) that on arrival of the train at Mayavaram over 100 passengers rushed into the compartment;

(*c*) that the staff at Mayavaram had allowed passengers on to the platform without control and any sense of proportion; and

(*d*) that the staff were inattentive to the calls of the complainants until pressure was brought to bear on them.

2. As regards (*a*), No. 26, being the only through train in the down direction for which ordinary third-class fares are charged, is generally full. Further, this day was the eve of the Arudra-Darsanam festival at

Chidambaram, falling immediately after the Vaikunta-Ekadesi festival at Srirangam, and heavy traffic was passing owing to Christmas and New Year holidays.

So far as the train in question is concerned, there were nine bogie carriages on it, the maximum load on this particular train for the class of engine which works it from Mayavaram to Villipuram, and there was accommodation in them for 14 first, 24 second, and 440 third-class passengers, as detailed below:—

No. of carriages.	Seating accommodation.		
	1st.	2nd.	3rd.
BTV 31	—	—	32
VFS 25	14	15	—
VT 389	—	—	64
VT 388	—	—	64
VT 113	—	—	72
VT 386	—	—	64
VT 387	—	—	64
VTB 31	—	—	48
VFT 6	—	9	32
	14	24	440

As the number of passengers who travelled by the train on the date in question cannot be easily found without obtaining figures in regard to passengers booked from and alighted at each of the stations on the main and branch lines south of Mayavaram, any way, at this period, it is very probable that there were passengers in the train in excess of its capacity. This overcrowding cannot, however, be wholly prevented for various reasons, of which the following are worthy of mention:—

(i) various branch line trains connecting with the main line trains at the several junctions;

(ii) pilgrim parties, especially during festivals, travelling in large numbers without regard to any inconvenience they might suffer;

(iii) women and children not wishing to be separated from their male relations whilst journeying; and

(iv) passengers rushing at the carriages in front of them, in their anxiety to secure accommodation, without seeing for themselves if accommodation is available in other parts of the train.

As regards (*b*), the statement that over 100 passengers rushed into one compartment all in a body is, on the face of it, impossible.

As regards (*c*), No. 56 from Arantangi connects with No. 26 at Mayavaram, and the former train is received on B platform at the station, and the passengers arriving by it are thus on the platform when the latter train arrives. In the circumstances, the complainants' statement that passengers had been allowed on to the platform without control and any sense of proportion is a gross misrepresentation, as passengers actually booked at Mayavaram had not been allowed to enter the platform for No. 26.

As regards (*d*), it is also incorrect that the station staff refused to attend to the complainants' call.

The station staff, as soon as their attention was drawn to the crowded state of the compartment by the complainants, detrained some passengers from it and despatched the train. The complainants, not being satisfied with what was done, stopped the train by pulling the intercommunication chain, and when the train came to a halt, some additional passengers were detrained from the same compartment, and the train re-started. This is supported by the paid telegram which was received from detrained passengers on the morning of the next day, viz., 26th December, 1920, reading as follows:—

"4,000 passengers starving: two specials wanted from Mayavaram to Chidambaram. Early reply."

The original of the telegram is attached.

The telegram, so far as the number of passengers detrained, was found on enquiry to be grossly exaggerated. There were actually about 150 passengers left behind, and these were cleared by No. 244 leaving at 6.15 hours (next shuttle train), on 26th December, 1920.

P.S. (1).—In connection with the case referred to in paragraphs 5093–5095 above, Mr. Ross Logan subsequently furnished the Committee with the following further correspondence:—

A.

Copy of letter dated 27th July, 1906, from Mr. Priestley, Agent S.I. Railway Company, to Mr. Davidson, Collector, of Tanjore.

I send for your information a note by McCloughin. You, may, perhaps, think it worth while to look into the question of cost of keeping up the port with a view to deciding whether it is worth while keeping it open any longer.

(*Enclosure—Note by Mr. McCloughin, G.T.M., S.I. Railway Company.*)

RICE FROM TIRUMALAVASAL TO COLOMBO.

For years the Tirumalavasal Port successfully competed with the S.I. Railway for rice traffic from the country in and around Shiyali and Tirumalavasal for export by sea to Colombo until 1905, when, owing to reductions in rates and the enforcement of the agreement between the S.I. Railway and B.I.S.N. Company, under which their steamers and those of the Asiatic Company, which are in combination with the B.I.S.N., should not call at this port, we were able to pull down the exports by sea, as shown in the accompanying statement. But recently, again owing to the exertions of some mirasdars in the vicinity of the port, the Asiatic line have again been induced to call, thus preventing what inevitably must have happened in the eventual closing of the port.

Government have more money invested in railways than in sea carriage along the coast, and the proper thing to do would be to close this small port and divert the whole of the traffic to the railway unless there are objections which do not appear on the surface.

Perhaps the Local Government authorities might be moved to investigate the reasons why the port should not be closed, at all events for Colombo traffic, and, if they are not sound, to close the port except for small craft.

TIRUMALAVASAL PORT TO COLOMBO.

		Bags.
(*a*) From 1st January, 1903 to 31st December, 1903		91,629
,, ,, 1904 ,, ,, 1904		58,418
,, ,, 1905 ,, ,, 1905		7,115
,, ,, 1906 to 30th April, 1906		3,107
,, 1st May, 1906 to 23rd May, 1906		5,848

(*b*) Port Income:

	Rs. a. p.	Rs. a. p.
1903	39,533 4 0	
1904	21,991 8 0	
1905	3,001 10 3	
(*c*) Prior to 25th September, 1905	2 2 7	0 7 1
From 25th September, 1905	2 1 3	0 5 9
,, 18th December, 1905	1 2 6	0 5 7
,, 15th June, 1906	1 0 1	0 5 7

(*d*) B.I.S.N. increased Rs.0 1a. 0p. per bag from Tirumalavasal to Colombo in December, 1904

B.

Copy of letter dated 26th October, 1906, from the Collector of Tanjore to the Agent, S.I. Railway Company, in reply to A.

With advertence to the Traffic Manager's Note dated 12th July, 1906, suggesting the closure of the Port of Tirumalavasal, in the Shiyali Taluq, I enclose a copy of report on the subject submitted by the Divisional Officer, Mayavaram. I have given careful consideration to the question, and while not endorsing all the statements of the Divisional Officer, I do not feel that I should be justified in supporting the proposed closure of the port. I may add that I have also consulted the Collector of Customs orally on the subject.

(*Enclosure—Report dated 30th September, 1906, from the Sub-collector, Mayavaram, to the Collector of Tanjore.*)

1. * * * * * *

2. The Tirumalavasal Port is at a distance of 7 miles from Shiyali, which is the nearest railway station, and the two places are connected by a metalled road constructed by the District Board at a cost of about Rs.50,000. There is a toll gate on this road. The Tranquebar Port is about 18 miles distant from Tirumalavasal, and the Karikal Port about 26 miles.

3. A statement showing details of the export and import trade at the port from 1901–1902 up to 31st August, 1906, prepared by the Superintendent of Sea Customs is enclosed.

4. It will be seen from the statement that paddy and rice are the chief commodities of export from the port, and the trade has fluctuated. The figures furnished by the Traffic Manager are for the calendar year, and could not therefore be reconciled, though the figures for 1905 seem to be incorrect.

Year.	No. of bags of of paddy and rice.	Customs duty, Rs.
1901–02	88,904	37,506
1902–03	90,710	36,965
1903–04	99,503	41,811
1904–05	54,502	19,598
1905–06	26,528	9,780
1906–07 } up to 31/6/06 }	28,567	11,383

5. The Traffic Manager attributes the fall in the export trade at the port in 1904–5 and 1905–6, to the successful competition of the S.I. Railway, the reduction in the rate of railway freight, and the enforcement of certain agreements effected between the Railway Company and the British Indian Steam Navigation Company. It is also stated that Asiatic Line has again been induced to call at the port owing to the exertions of some mirasdars in the vicinity.

6. There is no information as to what the terms of the agreement enforced are, but the railway company seems to have allowed some concession by way of reducing the rate of charge on bags booked from Shiyali Station. In their notification dated 14th December, 1904, the B.I.S.N. and the A.S.N. Companies, having increased the freight on rice bags exported from Tirumalavasal Port alone by one anna per bag, the merchants appealed to the proprietors of the companies against such increase, and meantime, there was temporary combination among the leading merchants not to ship their cargo at the port owing to the agreement entered into with the railway company, the B.I.S.N. Company also ceased to call at the port, while the A.S. Navigation Company alone touched at the port; and the Tahsildar and the sea Customs Superintendent report that these special disadvantages brought to bear upon the merchants at the port tended to the temporary decline of the sea-borne traffic with Colombo, while the figures for five months from April to August, 1906, show marked improvement. The local adverse seasons and scarcity rates prevailing calling for increased local consumption are also advanced as reasons for the diminution in the export by sea.

7. The leading merchants of the place were consulted, and they loudly protest against the closing of the port *vide* their memorials dated 16th and 23rd September, 1906, and the petition dated 24th September, 1906, of M.R. Railway, Vijaya Raghavalu Naidu of Edamanal, who is the commission agent of the port for the

Asiastic Steam Navigation Company. The merchants state that there are great facilities in getting the paddy husked by the mass of professional labourers readily available in and near Tirumalavasal, and that there are special advantages in the export by sea at the port in question, *e.g.*, the proximity of the port to many villages in the Shiyali Taluq, the facility in carrying paddy by boats plying on the Uppanar which traverses the taluq, the existence of a sufficient number of go-downs at the port to secure the rice bags till exportation and the absence of such warehouses at the railway station, the certainty of the steamers touching the ports on fixed days as against the difficulty of securing a sufficient number of trucks at the railway station, especially during festival occasions, the safety of the cargo in steamers against the several transhipments occasioned in transit from Shiyali Station to Colombo, the direct conveyance of the rice bags from the port to the several outlying ports, Colombo, Jaffna Galle, &c., against the circuitous, risky and costly course by train to Tuticorin, then by steamer to Colombo, and by train again from Colombo to Jaffna Gallo and other places, and lastly, the gain of about Rs. 7/ per garce in shipment over the railway consignment charges. The merchants add that they have no confidence that the railway company will continue to charge the same reduced rates, should the port be closed. The Tahsildar, on local enquiry, is satisfied that these representations carry weight. The Tahsildar also reports that some of the merchants requisitioned the agents of the navigation companies at Calcutta in August, 1906, to ply their vessels through the port, and though they informed them that Mr. Chidambaranada Mudaliar also intended to arrange for a Swadesi steamer service, their requisitions had not the desired effect, in the face of the agreement effected by the S.I. Railway Company.

8. The question of closure of the port is one affecting not merely the Government Customs revenue and the convenience of the trading comunity, but one vitally affecting the well being of the labouring classes. The population of Tirumalavasal is 4,644, and a good proportion of this population, as well as that of many of the adjoining villages, Vettangudi, Edamanal, Palayapalayam, Achalpuram, Arappallam, Tirunagiri Perunthottam, Tennampatnam Nangur, Neppathur, Karimodu, Tiruvengadu, Kodavasal Varisaipathu Vadagal Madanam, Kattor and Sattanadapuram depend entirely on their profession of rice pounding and on their coolie work in the go-downs and the port.

9. Above all, the port has been open to traffic with Colombo for a long time past. The superintendent reports that the date of its opening is not known. The port has a very good harbour, and the vessels arrive very near the shore, the sea being deep. The sea-borne trade carried on at the port has not been inconsiderable during the past, and there seems no good reason why it should be closed for the sole benefit of the S.I. Railway Company, while the disadvantages of the public, the mercantile community and the labouring classes are many. A metalled road has been formed at immense cost. If the port is closed the tolls will fall and the Customs revenue disappear.

10. In conclusion, I venture to state that the Traffic Manager's argument about Government interests being antagonistic to the export trade at Tirumalavasal on the ground of the loss of the trade traffic to the railway is not sound. I doubt very much if the proportionate gain expected from the closure of the port will materially affect the dividends of the company. On the other hand the measure, if enforced, will amount to an arbitrary interference with the natural trade of the whole of this tract of country, the population of which has adapted itself to the occupations and means of livelihood rendered available for them from generations under proper arrangements, the Customs revenue at the port may well be expected to go beyond half a lakh, and I do not see that any case has been made out for allowing the sea-borne export trade to be carried by the railway to the great inconvenience of merchants and the bulk of the population. I further consider that the Government attitude in cases of this nature can only be one of *laissez faire*.

P.S. (2).—Mr. Ross Logan also supplied the Committee with the following particulars regarding the appointment of Indian Officers on the S.I. Railway, in connection with the observations in paragraphs 5104 and 5105 above.

Names.	Age in 1921.	Designation.	Date of appointment to Officers' grade.	Age on Date of appointment to Officers' grade.	Present pay.	Total number of Officers in department.	Percentage of Indian Officers.	Remarks.
	Years.	*Agent's Department.*			Rs. a. p.			
1. Mr. T. N. Subrahmania Pillay.	42	Assistant Secretary.	23-8-1918	39½	550 0 0	3	33·3	
		Engineering Department.						
2. Mr. B. S. Chetti ...	30	Assistant Engineer.	1-12-1918	27	550 0 0	29	3·44	
		Locomotive Department.						
		Nil.	—	—	—	14	Nil.	
		Traffic Department.						
3. Rao Sahib S. Krishnamachari.	43½	Assistant Traffic Superintendent.	1-10-1918	40½	550 0 0	23	8·6	In addition, one Indian is now acting as an A.T.S. with a view to future absorption permanently in the Officers' grade.
4. Mr. S. Purnaiya ...	26	Do.	8-3-1918	23	450 0 0			

Names.	Age in 1921.	Designation.	Date of appointment to Officers' grade.	Age on Date of appointment to Officers' grade.	Present pay.	Total number of Officers in department.	Percentage of Indian Officers.	Remarks.
		Audit Department.			Rs. a. p.			
5. Mr. G. Krishnaswami Iyengar.	41½	Assistant Auditor.	6-11-1916	37	550 0 0	9	33·3	One Anglo-Indian Assistant Auditor employed.
6. Mr. V. Rajah Iyer ...	43½	Do.	1-2-1918	41	550 0 0			
7. Mr. R. Sreenivasa Iyengar	25½	Do.	13-11-1918	23½	400 0 0			
		Stores Department.						
		Nil.	—	—	—	4	Nil.	Two are Anglo-Indians.
		Medical Department.						
		Nil.	—	—	—	4	Nil.	
		Marine Department.						
		Nil.	—	—	—	1	Nil.	
Total number of Officers for all departments			—	—	—	87	8·04	

NOTE.—In addition to the foregoing officers:—

(1) Rao Sahib T. V. Annasawmi Mudaliar was appointed as Assistant Auditor on 1st August, 1893, and died, while in the service, on 1st August, 1904.

(2) Rao Bahadur Y. Narayana Row was promoted to Chief Cashier on 1st January, 1909, and retired on 9th August, 1916.

P.S. (3)—In connection with the evidence given to the Committee in India regarding the South Indian Railway Company, the following note was subsequently furnished to the Committee in London by the Company:—

The Committee appointed by the Secretary of State for India to enquire into the administration of Railways in India met in Madras in January, 1921. The Indian newspapers report that a memorandum was placed before the Committee by the Government of Madras in which the railway policy advocated by that Government was defined. Colonel Barnardiston, Secretary for Railways to the Government of Madras, as well as members of the European and Indian Commercial and Industrial Communities, and others, also appeared before the Committee, and stated their views. The following notes are in reply to, and in refutation of certain criticisms adverse to the South Indian Railway and its administration.

Reference at the outset of the Proceedings, in recording the evidence of the Acting Agent of the South Indian Railway was made as to the evidence of the latter being confined to matters of fact.

The permanent Agent having been obliged to take leave suddenly because of a serious breakdown in health, the Board felt that as the Acting Agent had not long been connected with the administrative side of the Company's work, having served the Company for years as an Engineer, and had only recently been appointed Acting Agent, it would not be fair to him, or helpful to the Committee to throw upon him the responsibility of declaring the policy of his Board in matters of great importance with which he had not had sufficient time to make himself acquainted.

The following cable was therefore despatched to him:—

> "With reference to your paragraph 8163, 23rd December, advise Committee, Agent unfortunately breakdown in health obliged to take leave, you acting, do not propose to submit replies to questions or offer evidence, understand further Chairman and late Agent given evidence London and may be again referred to on return Committee London, perhaps not now necessary for you give evidence."

It was understood that it was the intention of the Committee to take further evidence on return from India. The suggestion contained in the cable to the Acting Agent was made on this understanding.

DISCOURAGEMENT OF DISTRICT BOARD RAILWAYS.

Mr. C. Duraiswamy Ayyangar, giving evidence for "the Liberal League," is reported to have said:—

> "The opposition to District Board Railways on the part of the South Indian Railway Company "showed how little the railway company cared for the industrial advancement of the people of India.

And Dewan Bahadur, M. Ramachandra Rao stated:—

> "There were at present schemes for the construction of 909·4 miles of railway in the various districts "of the Presidency, most of them under consideration very many years; progress on many of them "held up on account of objections raised by the South Indian Railway, which had consistently opposed "construction of some of the lines on the ground that they would affect the Company's traffic.
> "It was impossible to carry out the present programme of District Board Railway projects, or "any other development schemes, until the difficulties created by the existing rights of the railway "companies were removed. The District Boards were obliged to accept whatever terms were offered "by the railway companies both for construction and working."

The recorded facts relating to the South Indian Railway Company's attitude towards District Board lines entirely contradict the alleged statements made by these gentlemen. The Company have not shown any

opposition to District Board Railways, nor has progress on any of them been held up on account of objections raised by the Company.

On the contrary, the company have done everything possible to encourage the construction of such lines, having in every case offered to make the lines for actual cost without remuneration of any kind for its services.

The company have further quoted most favourable terms for the working of such lines; in the case of additions to existing District Board Lines, offering to work and maintain them on the same conditions as are embodied in the agreements for working the existing lines to which they were to be added; and in the case of lines for District Boards who had not previously owned any railways, offering terms for working and maintenance never less favourable than those embodied in the Railway Board's branch line terms.

The only reservation made has been in respect of traffic already served by existing railways. The company maintain that the justification for a branch railway should rest upon the traffic to be developed in the territory served by the branch line, and that the owner of the branch line should not look for, nor be entitled to, benefit from traffic that, by reason of the branch forming a shorter through route, it might be in a position to divert from an existing route. Justification for a branch line should be established on its own merits, *i.e.*, the local and interchanged traffic it would create, and not on traffic it would filch from existing lines.

There is nothing new in this principle of conserving the rights of owners of existing property, and in its relation to railways it is a principle that has been applied by the Government of India to branch lines short-circuiting existing State lines. That principle was embodied in the contract with Government, under which, since the year 1911, the Company have worked the South Indian Railway system. It was inserted in that contract, not only in the interests of the company, but also of Government, who, as the predominant partner, stand to lose most by any diverted traffic from its railways.

This reservation by the company of cross-traffic has therefore not been made obstructively, nor has it in practice actually been an obstruction to the construction of any branch line. There have certainly been discussions, but in no case within the Company's knowledge has there been delay from this cause to the work of building any District Board Railway.

The main cause of delay, that the company are aware of, to the construction of District Board Lines, has been the inability of District Boards to finance the cost, and this notwithstanding that many of the District Boards have for a considerable number of years been accumulating funds by imposing a railway cess on their districts. So long ago as the year 1911 the company sought for means to help District Boards out of their difficulties, and, in consultation with the Authorities of the India Office, evolved a scheme for the formation of a Branch Lines Railway Company, in which the District Boards might have become shareholders, for the purpose of obtaining funds from the public to finance the branch line requirements of Southern India. Particulars of the scheme are given in the company's letters addressed to the Secretary of State for India, Nos. 102 and 103, of 8th November, 1911. (Attached.)

The idea was at first received favourably by several District Boards, but it failed to obtain the support of either the Government of India or of Madras, and therefore was shelved. This was unfortunate, as at the time the proposals were put forward it would have been possible to raise all the funds on such favourable terms as are not likely to recur for many years, if ever, and Madras would, by this time, have been provided with all the branch railways that had from time to time been projected.

Madras Government.—*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.*

As regards the Panruti-Trichinopoly-Ramnad lines, surveys and estimates were made by the company many years ago, both for a high-grade and for a low-grade railway; but Government have not seen their way to provide funds for construction. With a view to overcoming this difficulty of funds the company included these lines in the scheme they put forward in the year 1911 (attached) to promote a company on an unguaranteed basis for the purpose of financing the construction of branch lines in Southern India; but that scheme did not commend itself to Government.

There have been some differences of views between the Government and the Company as to the class of railway that should be built; the company holding that the traffic prospects were not more than sufficient to justify, in the first instance, the construction of a low-grade line. There was also correspondence between Government and the company as to the operation of the clause in the company's contract securing them from loss arising out of their being required to construct lines that are non-paying propositions. The views of Government and the company have since been brought into agreement, but even had that not been the case the contract provides means for the settlement of differences of any kind; and those differences need not, and would not, have given rise to a moment's delay in the construction of the railway in question had Government at any time been in a position to provide the necessary funds, and to issue their sanction for the work to be undertaken.

Regarding the suggested line for linking up Bangalore, Salem and Trichinopoly, the company, as far back as the year 1911, put forward a proposal for the survey of a line that would effect this connection so far as it rested with the company, and a reconnaisance survey was duly carried out and submitted for the approval of Government in the year 1914. In September, 1916, the Railway Board sanctioned the detailed survey of that portion of the proposed line which would lie between Salem and Samayapuram. But owing to the scarcity of engineers, and the improbability of funds being available for the construction of the line within any reasonable period, the survey was postponed until after the war. If funds are made available the company are ready to complete the survey, and construct this railway.

Madras Government.—*The Railway Board has also failed to obtain satisfactory terms from the South Indian Railway regarding the construction and working of the Karaikudi-Arantangi Railway, among other instances.*

Colonel Barnardiston.—"*Whenever Local Boards wanted to make new lines the question of a short circuit also came up.*"

The company have offered to construct and work this line on the same favourable terms as they have extended to other District Board Railways. The above remark of the Madras Government can refer only to the reservation by the company of cross traffic.

Colonel Barnardiston.—

1. *The South Indian Railway had been given all the money they could spend.*
2. *They did not want to spend all the money they ought to spend.*
3. *The company did not want to spend on capital work if they could help it.*

These are new grounds of complaint to be brought against a railway company. Hitherto, from the days of Sir Charles Wood's Despatch, which defined the principles of allocation to be applied to railway expenditure, the view held has been that companies encouraged capital outlay with a view to conserving revenue expenditure.

The complaints now made by the Secretary for Railways to the Government of Madras are without foundation in fact, if they refer to capital expenditure on the open line. It is true, and the Board have much satisfaction in admitting it, that in regard to new construction it has been their constant endeavour to keep *first outlay* within such limits as the traffic prospects justified the expectation of producing reasonable interest on the capital expended. This policy was adopted in what the Board have considered to be the true interests of the State as well as of the District Boards, and others who were finding the money.

In regard to the open line, however, it can be stated that the Grants sanctioned by Government have invariably been less, and generally considerably less, than the company budgeted to spend on capital requirements.

Then, as to expenditure, notwithstanding that delays occurred in materialising the new programmes following on the renewal of the company's contract, the open line capital outlay between January, 1911, and September, 1914—a period of 3¾ years—amounted to Rs. 231.78 lakhs, and but for the War this rate of expenditure would not only have been maintained but exceeded if Government had agreed to the money being provided. As regards post-war expenditure, up to the end of the year 1919–20 it had not been found possible to obtain delivery of any but a trivial portion of the large quantity of materials and rolling stock that had been ordered. But in the year ending 31st March, 1921, it is expected that it will be found that the capital expenditure will have been very little short of 100 lakhs of rupees.

For the year 1921–22 the company asked for an allotment of Rs. 95.26 lakhs, but a provisional grant was first sanctioned for only Rs. 28.35 lakhs, subsequently increased by Rs. 15.00 lakhs, and again, on the company's urgent representations of the requirements of the railway, a further increase of Rs. 17.50 lakhs has been given, making a total grant of Rs. 60.85 lakhs for capital outlay in 1921–22.

Madras Government.—*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 Railway route, which might mean* 100 *miles or more of extra lead to be paid for.*

The Madras and Southern Mahratta Railway work all three junctions.

As to the suggested diversion of traffic referred to, it is difficult to see what other course could be proposed for moving traffic that would otherwise be held up by reason of a block at junctions.

But the diversion of traffic in such circumstances does not always involve the public in extra charges for the longer lead, and in the absence of further particulars it would seem probable that the assumption of the Government of Madras in this respect is incorrect.

STATIONS AND YARDS INADEQUATE AT ERODE AND PODANUR.

It is recognised that the station yards at these two junctions are inadequate and inconvenient.

The re-modelling of Erode has been under the consideration of this administration for some time past, and plans and estimates for the work have been prepared and are in readiness

Unfortunately the delay by the Government, for which the South Indian Railway administration is in no way responsible, in deciding the final location of the broad-gauge shops (on which is dependent the conversion of the Erode branch) has rendered it impossible for this urgent work to be proceeded with.

In regard to the re-modelling of the Podanur Yard, this is a question also dependent on the Railway Board's decision as to the location of the workshops, and the scheme is, to the regret of the administration, more or less in abeyance.

The reason for this is that, due to the awkward location of the temporary workshops as well as other locomotive buildings, it is quite impossible to prepare a satisfactory scheme for re-modelling until it is definitely known whether the buildings in question may be removed or not. The question, so far as it is possible, is receiving the attention due to its importance, but, as pointed out, further active measures are dependent on the Railway Board.

THIRD LINE STATIONS.

A number of the roadside stations on the company's system are furnished with two running lines only, and with the largely increased traffic now worked, difficulties are experienced in regard to the crossing of trains at these stations.

To minimise the trouble, a programme to furnish the whole of the stations with a third running line is being worked to, and the Board have ruled that this urgent work is to be completed within three years.

SOUTH INDIAN RAILWAY JUNCTION STATIONS INSUFFICIENT.

It is admitted that certain of the junction stations on the South Indian Railway system are now inadequate for the heavier traffic to be dealt with, and the arrangements to be made to remedy matters are now under preparation.

The position of the more important stations is as indicated below:—

Mayavaram.

The entire re-modelling of the yard has been completed.

Villupuram.

The entire re-modelling of the yard has been completed.

Madura.

The general plan for the re-modelling of the yard and buildings has been approved. The detailed working drawings and estimates are under preparation. The work will be commenced as soon as funds become available.

Trichinopoly.

The general plans governing the re-modelling of this place have been received and approved. Detailed drawings and estimates will be prepared. It is anticipated the work will be commenced and completed during 1922–23.

Tiruvallur.

The general plans, estimates and detailed drawings have been completed. The purchase of the land necessary has been effected. The commencement and completion of the scheme is dependent on the allotment of funds.

It is the wish of the Board that the above several works should be considered as urgent, and that every endeavour be made to hasten their progress. In these cases also, as with others, progress has undoubtedly been retarded during the war period when all expenditure was necessarily curtailed.

SOUTH INDIAN TRACK TOO LIGHT.

The following are the rail sections throughout the South Indian Railway system:—

Metre Gauge Section.

Madras—Pambam Viaduct	50 lbs. B.H.	
Pamban Viaduct	55 lbs. F.F.	
Viaduct—Dhaneshkodi ...	50 lbs. B.H.	
Madura—Tuticorin ...	50 lbs. B.H.	
Manayachi—Quilon ...	50 lbs. B.H.	
Quilon—Trivandrum ...	35 lbs. B.H.	
Tanjore District Board ...	41¼ lbs. F.F.	
Peralam—Karaikkal ...	41¼ lbs. F.F.	
Nagore Branch—		
Tanjore to Nega ...	50 lbs. B.H.	
Nega to Nagore	68 lbs. D.H.	
Trichy—Erode	52 lbs. B.H.	steel—68 lbs. D.H.
Villupuram—Katpadi ...	41¼ lbs. F.F.	
Villupuram—Pondicheri ...	41¼ lbs. F.F.	
Arkonam Branch	50 lbs. B.H.	

Broad Gauge Section.

Jalarpet—Podanur	5 ft. 6 in. ...	80 lbs. B.H.—75 lbs. D.H.
Podanur—Calicut	,, ...	80 lbs. B.H.—76 lbs. B.H.
Calicut-Azhikkal	...	60 lbs. F.F.
Azhikkal-Mangalore	...	75 lbs. F.F.
Podanur—Mettupalaiyam	,, ...	75 lbs. D.H.
Olavakkot—Palghat	,, ...	75 lbs. D.H.
Salem District Board	,, ...	75 lbs. D.H.
Nilgiri Railway	3 ft. 3⅜ in. ...	50 lbs. F.F.
Podanur—Pollachi	,, ...	41¼ lbs. F.F.
Shoranur—Cochin	,, ...	41¼ lbs. F.F.
Narrow Gauge	2 ft. 6 in. ...	30 lbs. F.F.

So far as requirements up to the present period are concerned the rail sections on the metre gauge main line, and throughout the broad gauge have been adequate.

In this respect the Company's Consulting Engineer reports as follows, under date of 24th January, 1921:—

MAIN LINE—METRE GAUGE—PERMANENT WAY.

"I duly received your letter of the 17th instant referring me to paras. 25 and 30 of the Government Inspector's Report for the year ending 31st March, 1920, in which allusions are made by the Inspection Officer to the desirability of adopting 60-lb. rails as standard for the metre gauge main line of your railway. Having perused the paras. referred to I now have pleasure in offering the following remarks:—

"Your metre gauge main line has permanent way consisting of 50-lb. bull-headed rails, 30 ft. or 36 ft. long, with angle fishplates, and laid with 12 or 15 cast iron pot sleepers respectively, according to the length of rail employed. The engines in use for these sections of the line are of the standard 'B' and 'M' superheated classes.

"The Inspection Officer, in proposing the use of 60-lb. rails on the main line, states in para. 25 of his Report that the 50-lb. rail makes a good metre gauge road for moderate traffic, but that it is insufficient to meet the requirements of the public, who require a very much better service on the main line, it is not, however, made clear whether the improvement is to be effected by the employment of heavier trains and higher speeds or by better running conditions.

"I understand that the Madras and Southern Mahratta Railway and the Bombay, Baroda and Central India Railway intend to relay their metre gauge systems with 60-lb. flat bottom rails and steel transverse sleepers, the provision of heavier section of rail being in anticipation of large increases of traffic, but that it is not the present intention to employ on the main line section with ruling grades similar to those on your railway heavier engines than the 'B' and 'M' classes.

"I am of the opinion that the existing permanent way on the main line sections of your railway which has already been improved or renewed is suitable for the engines of the 'B' and 'M' classes now in use, and it would appear from the remarks of the Agent in his note against paragraph 146 of the Government Inspector's Report that heavier and more powerful engines are not called for.

"The desirability of relaying the main line section of the railway with 60-lb. rails would therefore appear to depend upon whether the traffic development is likely to be such that longer trains and higher speeds requiring the employment of heavier and more powerful locomotives will, in the near future, become a necessity. I need hardly remind you that with the present high cost of materials, a programme of renewals for 60-lb. rails and new pot sleepers throughout your main line sections would involve very considerable expenditure."

Erode Branch (relaying).

The delay in dealing with the relaying of the Erode Branch arises from the inability of the Railway Board to arrive at a definite decision in respect to the concentration at Trichinopoly of workshops to serve both gauges—a measure that involves the conversion of the Erode Branch to either broad or mixed gauge.

This branch was originally laid between the years 1866 and 1868 as a broad-gauge line with 68-lbs. D.H. iron rails, and on its conversion to metre gauge in 1879, the same rails were used.

During 1899–1900 it was recognised that the rails were failing, and some 21 miles, beginning from Trichinopoly Junction, were relaid.

The bridge girders are also weak, and the need to arrange for their replacement had arisen.

These two factors—

weak bridges,
weak permanent way—

entered largely into the question of conversion of the branch, and it was decided to defer action in regard to renewals until such time as the Railway Board had definitely dealt with the question.

Unfortunately, the Railway Board are still in doubt as to the wisdom of locating the broad-gauge portion of the workshops at Trichinopoly, and hence the conversion of the branch is undecided.

But it is no longer possible to defer the question of renewals, and arrangements have been made for the first instalment of the work to be taken in hand during 1921–22.

OUT OF DATE STANDARDS FOR RAILS AND BRIDGES.

This is a revival of the old controversy in relation to the standard of efficiency of the lines projected for construction within the influence of the South Indian Railway system.

The Traffic Surveys of the lines to which the comments apply indicated that the probable earnings would only justify capital expenditure on a basis of lines of low grade, and the Board in the true interests of the owners accordingly advocated in each case construction on a scale of outlay that was considered to be adequate to deal with the traffic to be moved.

So as to conveniently illustrate the position as it now stands, the undernoted statement, recording the rail sections and girder standards of mere gauge lines that have been recently constructed or are in course of construction, as well as of lines still in the "project" stage, has been prepared:—

Lines Completed.

	Rail section.	Girder standard.
Podanur—Pollachi	41¼ lbs. F.F.	1903
Quilon—Trivandrum	35 lbs. F.F.	1903
Nidamangalam—Mannargudi	41¼ lbs. F.F.	1903
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Line in Course of Completion.

Tinnevelly—Tiruchender	40 lbs. F.F.	1903

Lines Contemplated.

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Cuddalore—Vridachallam	50 lbs. F.F.	1903

In so far as the constructed lines are concerned, the standards adopted are based on the clear and explicitly expressed views of the Board, presumably accepted by the Railway Board, and it rests with the Government of Madras to substantiate by verified facts the manner in which these lines have proved incapable of meeting the demands that have so far been made on them.

Whatever the policy has been in regard to the standard both in construction and maintenance for rails, bridges and structures, and the facilities offered, it has been adopted with the knowledge of the Local Government and the concurrence of the Government of India, who through their Consulting Engineers and Government Inspectors maintain so close and full control over the matters of this nature as to ensure their wishes being observed.

In any case the policy has resulted in the railway being worked on commercial lines with fair results financially to Government, and not as a burden to the taxpayers.

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The administration is misjudged in this matter, as the deficiencies by no means justify the adverse criticism of the company put forward by the Madras Government, or by their representative, Colonel Barnardiston, at the enquiry. Here, again, no consideration has been given to the fact that war of gigantic magnitude has been in progress for several years.

As an example of the callousness of the Southern lines to the interests of the public, a definite statement is made to the effect that during the period 1908–1918 (five years of war included) the gross wagon stock of the two lines concerned has been augmented to the extent of 13 per cent. only. It is far from clear

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why the performances of the two lines during the period in question are lumped together, or why the percentages of increase are averaged. Whatever the reason, the statement is misleading.

How matters stand with the M. & S.M. Railway in regard to stock problems, or the extent to which augmentation of stock has taken place on that line is unknown to the South Indian Railway Administration. The case as it concerns the South Indian Railway shows clearly the extent to which whole-hearted efforts during a period of unusual stress and difficulty have successfully achieved a general augmentation of locomotives, carriages and wagons, and that the strictures passed by the Madras Government are, in respect to stock matters, undeserved.

The difficulties that beset the South Indian Railway during the years 1908–1918, including as they did the period of the war, were considerable.

During that period not only were the metre gauge facilities for the construction of stock inadequate and obsolete, but the Administration was further hampered by the acquisition from the late Madras Railway of approximately 400 miles of broad-gauge line with weak bridges and a complement of, worn-out engines, carriages and wagons (40 per cent. of which required renewal); within these years also came the war period, during which little or nothing could be done.

To meet the difficulties unusual measures were taken.

In the first place it was realised that the real and permanent solution for overcoming the difficulties in regard to stock shortages lay in the provision of up-to-date workshops for both gauges at Trichinopoly; a scheme entailing the conversion of the Erode Branch to a mixed or broad-gauge line.

The preparation of this scheme was steadily proceeded with, and the plans and project estimate were submitted to the Railway Board in September, 1911.

The estimated expenditure amounted to Rs. 80,15,902, and the completed estimates and detailed shop drawings were finally forwarded to the Railway Board in September, 1913. The war then intervened, but in spite of this Administration's earnest and constant representations as to the urgency of an immediate authority to proceed with the work, the Railway Board adopted a policy of hesitation, and it was not till October, 1920, after a further urgent representation made by the Board in a communication which reads as follows:—

"Under Agent's letter No. 444/10, dated 18th June, 1919, the Board were advised of the appointment "of a Committee of Heads of Departments to investigate the relative advantages and disadvantages of "Madras as compared with Trichinopoly as a site for the workshops. This Committee was appointed on "receipt of the Railway Board's letter dated 7th June, 1919.

"The Committee's Report on the results of their investigations is now to hand, and has been duly "considered by the Board. It has also received the consideration of the Company's Consulting Engineer, "whose remarks thereon are enclosed in the packet.

"The Board are also indebted to the Locomotive Superintendent for a note on this question received "under Agent's latter dated 23rd July, 1919.

"The Report is unfavourable to Madras as a site for the workshops, and the reasons advanced by the "Committee in support are concisely and convincingly expressed, and receive the entire approval of the "Consulting Engineer. Its conclusions are similar to the views expressed by the Locomotive Superintendent "in his note of the 12th July, 1919.

"The Board concur in the conclusions of the Committee, and desire submission to the Railway Board "of the documents enumerated below:—

"Committee's Report, with its enclosures.
"Consulting Engineer's Report.
"Locomotive Superintendent's Note.

"With the submission of these documents the Agent is requested once again to represent to the Rail-"way Board the need there is for a decision of a question so seriously affecting the South Indian Railway. "In making this representation, the Agent is requested to emphasise the following points:—

"A centralised workshop at Trichinopoly (to deal with the metre gauge stock) was decided on by this "Administration during the year 1907. During 1908, the partition of the Madras Railway took place, and "under the altered conditions it became necessary for the Board to re-open the question and study it anew.

"Ultimately it was decided to adhere to the Trichinopoly site for combined shops for all gauges as the "only one that gave wholly satisfactory results, and this conclusion was supported at the time by the "Railway Board. This adherence by the Board to the original site was decided on after every aspect of the "scheme had been closely studied, and every conceivable possible site, Madras included, had been investigated. "Finally, after a preparatory period exceeding five years, the detailed scheme, with estimates, was submitted "to the Railway Board during September, 1913.

"The difficulties that beset this Administration in respect to the inadequacy and inefficiency of workshop "space and working facilities have been repeatedly represented to, and are well known to, the Railway "Board. With the submission of a scheme so thoroughly prepared, it was hoped a speedy decision by the "Railway Board would enable the Board to commence operations on workshops suitable to its needs. To "the disappointment of the Board, a period of six years has been allowed to elapse without a final decision "being arrived at.

"The position in regard to the maintenance of the Company's locomotives and rolling stock is grave—"the responsible officers are unable to cope with the steadily increasing demands now made on the workshops "at Negapatam and Podanur, and the standard of excellence maintained in past years is on the wane.

"It is hoped the gravity of conditions now prevailing in respect to workshop inadequacy may be fully "realised, and that the Trichinopoly workshop scheme may be sanctioned without the need for further "delay, also that the Board may be authorised to commence constructional operations on a scale consistent "with the great urgency the position now demands.

"Unless emergent measures on the lines indicated are taken, the Board fear they cannot expect from "their responsible officers the standard of maintenance necessary for the efficient and economical working "of the locomotives and rolling stock of the line."

that their sanction to proceed with the metre gauge portion of the scheme only was received, the question of the broad gauge portion being left over for further consideration.

At the time this large shop scheme at Trichinopoly was decided on, it was realised that a work of such magnitude and cost would necessarily entail a good deal of time on its preparation and construction, and that

in the meanwhile it was necessary to adopt measures to enable the Administration to tide over the intervening difficult period.

The measures adopted were on a liberal scale, and comprised the following costly works:—

Negapatam Workshops.—Carriage construction shop provided; saw-mill and plant provided electric power house and plant provided; electric drive extended throughout the workshops.

Podanur.—Large temporary workshops complete with plant, machine tools, &c.

Coonoor.—Permanent workshops and plant provided.

These were the most prominent measures adopted, and indicate the extreme desire of the Administration to act as far as possible up to its obligations to the public.

Further aid was, however, found to be necessary, and a contract with Messrs. Burn & Co., Calcutta, for the construction of coaching stock was entered into with that firm. A special officer to supervise the work was posted at Calcutta, and, although the prices charged were high, the contract remained in force for several years.

As a result of these efforts, a large quantity of stock of all descriptions was provided during the periods in question, as will be seen from the following figures:—

ENGINES AND ROLLING STOCK ACTUALLY ON LINE.

Engines.

				Percentage of rise.
Metre Gauge.				
31–12–1907	238			
31– 3–1918	278	1907–18		16·80
31– 3–1920	286	1907–20		20·16
Broad Gauge.				
30–6–1908	88			
31–3–1918	142	1908–18		61·36
31–3–1920	142	1908–20		61·36

Goods Stock.

(In terms of 4 wheelers.)

Metre Gauge.				
31–12–1907	3965			
31– 3–1918	5141	1907–18		29·65
31– 3–1920	5228	1907–20		31·85
Broad Gauge.				
30–6–1908	1384			
31–3–1918	1778	1908–18		28·46
31–3–1920	1752	1908–20		26·58

Passenger Stock.

(In terms of 4 wheelers.)

Metre Gauge.				
31–12–1907	1350			
31– 3–1918	2260	1907–18		67·40
31– 3–1920	2289	1907–20		69·55
Broad Gauge.				
30–6–1908	286			
31–3–1918	528	1908–18		83·91 per cent.
31–3–1920	531	1908–20		84·96 per cent.

The above figures it is contended indicate considerable percentages of increases, and refute the adverse criticisms made against the administration of the South Indian Railway.

It is further recorded for information that since the Armistice of 11th November, 1918, orders have been placed in this country for stock of the following values:—

Locomotive	£1,286,220
Coaching Stock	136,558
Goods Stock	413,000
	£1,835,778

NOT ENOUGH LINES NOR ENOUGH ROLLING STOCK. CONSEQUENT OVERCROWDING.

The allusion to the insufficiency of line relates to the proposal to double the line between the Beach and Pallavaram, and eventually to extend the doubling as far out as Chingleput.

This question was raised as far back as 1897, and in October, 1912, a project estimate for doubling the line between the Beach Station and Pallavaram was prepared.

Subsequently, the scheme was deferred pending the results of enquiries in relation to an alternative scheme for electrifying the single line between the Beach and Chingleput.

The results of these enquiries were submitted to the Board in October, 1912, but in view of more urgent matters, the matter was not proceeded with. The war came on shortly after, when action could not be taken.

Recently the question has again been under consideration, and the Consulting Engineer asked to report on it generally. His Report favours the doubling and condemns the electrification of the single line as inadequate.

Matters are being re-investigated, and a revision of the project estimate, which is now out of date, is under preparation.

This is how the question stands at the present time. There can be no doubt as to its need, and the project is one that will be proceeded with as soon as circumstances allow.

As for overcrowding, it is unavoidable in present conditions between Madras and Trichinopoly and Tanjore and Negapatam.

The cause is an insufficiency of trains to deal satisfactorily with the enormous third-class passenger traffic offering, and the insufficiency is due to the inadequacy of the engine-power and coaching stock available. It was not possible, however, during the period of the war to secure increases in engine-power or coaching stock; on the other hand, the engine-power and rolling stock was further depleted by the call made on the Administration during the national emergency—a call which was responded to very fully by the Administration. —

The effectual remedy will be steadfastly to continue the policy of adding to the power and coaching strength of the line, as also improving facilities.

In this particular connection, and generally in the matter of facilities to deal with the traffic on the South Indian Railway system, the criticisms which have been made have not given full and sufficient consideration to the causes which have so rapidly led to the present condition..

In the period prior to 1911, when the Company's present contract commenced to operate, the traffic on the South Indian Railway was of smaller volume than what it is to-day. The following figures will support this statement—

Number of passengers carried over the Company's system

In the year	1908	31,290,000
Do.	1910	34,059,300
Do.	1919–20	51,681,700

the earnings also having considerably increased.

The quantity of goods traffic carried for the public also increased from 2,312,000 tons carried in the year 1910 to 2,502,000 tons carried in the year 1919–20.

The traffic has grown rapidly and enormously, and from small dimensions has risen to such importance that on certain portions of the system it is equal in density to that of any other metre gauge section on other lines in India, creating large demands for increased trains, engines, and rolling stock. Unfortunately these demands arose during a period of war, when it was not possible, for financial reasons, and also because materials, engines, rolling stock were not obtainable anywhere, at any price, to meet the demands. It must also be remembered that the railway had been depleted to meet the calls caused by the war, and were not in a position to maintain the standard of renewals of all kinds necessary.

During the war period endeavour was made, by increasing the fares, to discourage travel, which however, it failed to do.

In these circumstances it is hardly an opportune time to criticise the deficiencies of the system in respect of these points.

ENGINES.

Colonel Barnardiston, in his Inspection Report for the year ending 31st March, 1920, records his views on the Company's engines in the following terms:—

> "*The provision of engines and rolling stock generally is inadequate to meet the requirements of the traffic, and heavier and faster engines are required. The trains are at present too slow and too light.*"

The engine supply on the metre gauge is inadequate, and this in a measure is due to the war. In a previous paragraph it has been pointed out that between the years 1908 and 1918 the engine strength was raised as follows:—

Metre Gauge (*Engines*).

				Percentage of rise.
31-12-07	238			
31- 3-18	278	...	1907–18 ...	16·80
31- 3-20	286	...	1907–20 ...	20·16

Broad Gauge.

30-6-08	88			
31-3-18	142	...	1908–18 ...	61·36
31-3-20	142	...	1908–20 ...	61·36

and that since the Armistice the Company has either sent out or placed orders for 74 engines. (This latter figure would have been exceeded had money been forthcoming.)

It is not considered that heavier and faster engines on the metre gauge than the "B" and "M" classes are immediately necessary. The limit of speed permissible under the rules has also been reached, and consequently, in so far as speed is concerned, no object would be gained by the adoption of a new mail passenger engine on the metre gauge.

With regard to the loads fixed for the standard engines in vogue on the South Indian Railway, they are:—

	Mail and Passenger. ("M" and "B.")	*Goods.* ("B.")
Between	Madras-Villupuram, 12 bogies	500 tons.
,,	Tanjore-Manaparai, 12 bogies	500 ,,
,,	Manaparai-Ayalur, 12 bogies	420 ,,
,,	Ayalur-Tuticorin or Dhaneshkodi, 12 bogies	500 ,,

These loads will more than compare with the performance of engines of similar types on other metre-gauge lines in India. Also these two types are the work of the standardisation Committee appointed to design locomotives of suitable types for India (Sir Douglas Fox, Chairman). They are, therefore, the most modern and up-to-date achievements of the locomotive designer.

Broad Gauge.

On the broad gauge the "T" class engine, used for the mail and passenger service, is not now up to requirements, but this is being rectified by the acquirement of a modern and up-to-date 4-6-0 type of mail engine, 11 of which are now on order. This type was also designed by the Standardisation Committee.

The standard goods engine adopted for the broad-gauge service is the superheated "K" type, equal at 20 miles an hour to a load of 700 tons, a load more than equal to the needs of the line.

Nilgiri Mountain Railway.

This line was taken over in 1908, and the engines acquired with it were obsolete in design, worn out and of extreme age (four dated back to 1879). The Company have adopted as a standard a rack engine of Swiss design, and this is giving satisfactory results. The following additions up to 31st March, 1920, were made:—

"P" class	3
"X" class	3
	6
Renewed ("X" class)	3

It will thus be noted that the engines the Company are now acquiring are of the most modern and up-to-date types. They are well up to the work required of them.

BRIDGES UNDER STRENGTH BETWEEN TANJORE AND MADRAS.

The bridge question on the Company's main line Madras–Tuticorin has been the cause of perplexity and difficulty to the South Indian Railway Administration.

As an indication of the seriousness of the position, as well as a record of the Company's efforts to rectify matters, the under-mentioned statement shows the position on 1st January, 1905, and the measures taken by the Company:—

Statement of Weak Girders on Main Line Tuticorin-Madras.

Section.	*No. of Spans to be renewed.*	*Action taken.*
Madras-Villupuram	212	All renewed.
Villupuram-Trichinopoly	204	185 renewed.
Trichinopoly-Madura	145	All renewed.
Madura-Tuticorin	171	All renewed.
Maniyachi-Tinnevelly	10	All renewed.

The end of a perplexing difficulty is well in sight, as only three bridges now remain to be operated upon. These are:—

(1) The Cochrane Canal Bridge, 2 spans, 50 feet.
(2) The New Vellar Bridge, 3 spans, 150 feet.
(3) The New Coleroon Bridge, 14 spans, 150 feet.

The girders for the Cochrane Canal Bridge are under construction in England, and will be completed within three months' time. The programme is to deal with this bridge, and complete it during 1921-22.

The new girders for the Vellar Bridge are now in India, their erection, and the completion of the bridge will take place during 1921-22.

The girders for the New Coleroon Bridge are under construction in this country, and will be completed within three months' time. The present programme is to deal with this bridge and complete it during 1922-23.

But with a view to the speeding up of bridge work the Administration has recently arranged for the appointment of a special Bridge Engineer for its system, and in view of this appointment, and subject to funds becoming available, it is hoped the erection of the New Coleroon Bridge will be commenced during 1921-22.

ENGINE POOLING.

This is by no means a new idea, and it is a method of working peculiar to America. In India it has been talked about and tried here and there in a spasmodic sort of way, but until the last year or two it has not made much progress. On the South Indian Railway, due to the after-effects of the war and the enormous prices demanded for locomotives, the system has been introduced on a fairly large scale, and, so far, it must be admitted results are favourable, and it undoubtedly leads to a saving of power.

On the South Indian Railway its working has been facilitated by an almost simultaneous installation of a hot-water plant for washing out locomotive boilers almost immediately after the engines arrive in shed. This new method of dealing with boilers has undoubtedly overcome many of the difficulties of pooling, as it enables an engine, a very few hours after arrival, to leave again with an absolutely clean boiler.

Whether after a time, with the limited workshops' capacity available, the Company's officers will be in a position to deal with the increased repair work the system necessitates, is a point yet to be settled.

As stated, so far it has worked satisfactorily, and proves beyond doubt that a few engines can deal with a considerable volume of traffic.

WANT OF STAND PIPES FOR SUPPLY OF WATER TO PASSENGERS.

The water supply at stations receives careful attention from the Company's Executive Officers, and in this respect it is satisfactory to note that in the Report of the Pilgrim Committee it is described as reasonably adequate in quantity and satisfactory in quality. (As station supplies of water are dependent on wells, occasional inadequacy in a tropical climate is unavoidable.) The Committee's recommendation as to the abolishment of filters, the systematic analysis of the water supplies, and the extension of the system of hydrants or stand pipes, from which the water can be drawn direct, are points that have always had and are receiving the attention of the Administration.

With regard to the extension of the hydrant system, considered by this Administration to be the more important of the recommendations made, it is sufficient to state that its extension, as well as the fitting of "T"-shaped taps, has been decided on.

COMPLAINTS ABOUT CAGING OF PASSENGERS AT EGMORE STATION.

The system of regulating the admission of third class passengers on to the down departure platform at Egmore is simple and convenient, and is made entirely in the interests and the safety of the passengers concerned.

The large waiting shed contains an enclosure.

A passenger intending to leave Madras by one of the several through trains, after the purchase of his ticket, enters the enclosure, and, on entering, his ticket is checked. On arrival of the train at the platform the gates giving access to the platform from the enclosure are opened and passengers to a controllable number allowed to pass on to the platform and then entrained.

This system is applicable to all the services, and the outcry against it appears to the Administration to be an unusually childish one.

A somewhat similar system is carried out at Underground stations in London, when and where traffic requires it. The traffic in London is governed by the opening and shutting of a gate leading to the platform, and the passengers outside a gate must stand in queues extending along passages and up staircases, and patiently await their turn for admission.

RESERVATION OF ACCOMMODATION FOR EUROPEANS AND ANGLO-INDIANS.

Limited accommodation (it rarely exceeds one compartment per train) is reserved for the use of third class European and Anglo-Indian passengers on the Company's long distance and, in a few cases, local trains.

This custom is of far-back origin, and was at one time favoured by Indians. It is understood that it is in force on certain Indian railways.

It cannot be gainsaid that the privilege, more especially in regard to women and children, is of inestimable value—it inflicts hardship or inconvenience on no one.

The reservation of compartments for Europeans has also received the approval of the Railway Conference, *vide* their Resolution No. 42, page 5, of the Proceedings held at Lucknow on the 1st, 2nd and 3rd, December, 1903.

Of late years, however, the custom is viewed unfavourably by a certain class of person whose cry is "equality for all." The efforts of these people eventually resulted in a fracas at the Fort Station, Madras, accompanied with some show of violence. Lengthy police proceedings followed, and a number of those implicated were punished by fines. The grievance was in relation to accommodation being reserved for Europeans and Anglo-Indians on the local services.

Spasmodic objections to the practice have also occurred from time to time on other parts of the line.

MADRAS SOCIAL LEAGUE OFFER.

It is understood that the League was kind enough to offer to depute certain of its members to attend at Egmore Station and lend their aid in connection with the entraining and general needs of third-class passengers.

The offer is appreciated, but, fortunately, the Company possess the staff and the means for attending to such matters, and there was, therefore, no occasion then for accepting the Society's offer, which it is thought would lead to friction by the introduction of another authority.

PILGRIM COMMITTEE'S REPORT.

The Report of the Committee appointed by the Government of India to enquire into the question of improving the sanitary arrangements at centres where pilgrims congregate was received by the Company's Agent in India in April, 1916.

The Report can be generally accepted as a fair criticism so far as the South Indian Railway is concerned, as well as a satisfactory record of arrangements for dealing with pilgrims on the South Indian Railway system. The scope of the enquiry was extended, and goes beyond the objects defined in Government of India's letter No. 1578, dated 24th August, 1912.

The Report has been carefully considered by the Company's executive officers concerned, and the recommendations recorded therein have received the closest attention.

The points concerning the South Indian Railway have been duly investigated, and wherever possible have either received or will receive the attention necessary.

Certain of these recommendations have been found on examination to be either impracticable, unnecessary, or after trial unsuitable, in which case the why and wherefore for their non-acceptance has been stated to the Madras Government.

Altogether the Report is favourable to the South Indian Railway, and especially so is the forwarding letter under which the Report was submitted to the Government of India.

CLOSING OF MINOR PORTS.

The working agreement dated 1st August, 1902, and sanctioned by the Government of India on the 17th December, 1902—*vide* Madras Government Order No. 446 of 4th March, 1903—between the South Indian Railway and the British India Steam Navigation Co., Ltd., and Asiatic Steam Navigation Co., Ltd., for through booking of passengers and goods traffic *via* Tuticorin was devised to avoid the competition for the rice traffic which had existed for years between the all-sea route to Colombo and the combined rail and sea route *via* Tuticorin to the same port, and to increase the earnings of the South Indian Railway by securing this traffic, thus benefiting the Imperial revenue.

The arrangement has now been in force for a lengthy period, and has resulted to the advantage of merchants of the localities concerned, who for equal or fairly even rates secure facilities for regular despatch, rapid transit, and are no longer dependent on the inconveniences of the former fortnightly services offered by the steamship companies.

The agreement has therefore been in the best interests of the parties concerned—the public, the railway company, the steamship company—and was introduced with the full concurrence of the Governments of India and Madras.

From the first, persistent agitation arose from landowners who had constructed go-downs for storage, from which they derived rent—this was lost by the diversion of the traffic.

It is well known and recognised that no matter how greatly improvements may benefit the interests of a locality and its inhabitants, there must always be losers, and in the case in point these landowners are the people who have suffered, and for their own ends are prepared to see the locality and its inhabitants revert back to the inconvenient arrangements of the past.

The Administration cannot admit that Tirumalavasal Port was closed by the civil authorities in order that the South Indian Railway might carry the rice traffic. The sea traffic from this port having fallen off considerably, due to merchants preferring the all-rail route, the place no longer comes under the category of "major" ports, but is now, it is understood, open for Indian craft plying between coast stations and ports in Ceylon, and also for steamers when previous notice is given to the Customs people to enable them to make the necessary arrangements.

CORRIDOR STOCK.

Corridor coaching stock was introduced on the South Indian Railway as far back as 1907. Its introduction was the result of a sincere desire on the part of the Administration to alleviate as far as possible the inconveniences and discomforts of travelling in India, and in adopting this type of stock the Company undoubtedly made considerable sacrifices.

But somehow or other this type of stock from the very commencement met with some opposition, and do what the Administration would to improve designs and rectify faults, this opposition never abated.

At the present time, the system has its detractors and supporters, but of the two the former perhaps predominate.

It is stated that in adopting this type of stock the Company sacrificed a good deal, and the following are the reasons for this statement:—

As compared with the non-corridor stock,

It is heavier.
More difficult to construct.
Takes longer to construct.
Is more expensive.
Requires more coal to haul.
Its capacity is less.

These are its disadvantages. They are all serious, and more especially the last one mentioned in regard to capacity, and particularly the capacity of the third class stock.

In this respect the ratio—capacity to tare—is as follows:—

Corridor Stock—1 passenger to 4 cwt. 3 qrs. 9 lbs.
Non-corridor Stock—1 passenger to 3 cwt. 3 qrs. 20 lbs.

The problem of a suitable metre gauge third class latrine carriage to meet modern conditions remains unsolved.

Up to the time of the insistence by Government of a latrine coach, third class carriages were constructed on the cross compartment principle with corresponding seating arrangements, liberal overhead racks for stowage of kit, and doors on either side (allowing easy in and out movement). This was a popular carriage—complaints were non-existent, and in spite of the absence of latrine accommodation, the third class passenger was a tolerably contented individual.

With the introduction of the latrine coach the cross-compartment ceased to be constructed. The latrine coach, with its large open compartment (with no privacy), wasteful passages, undesirable latrines, awkward doorways, and cramped seating arrangements (not allowing a reclining position), soon became unpopular, and with its advent there commenced a persistent and continuous grumble in regard to the discomfort and inconvenience of the type of carriages supplied for the use of the third class passenger.

The corridor coach introduced by the South Indian Railway administration was an attempt to evolve something better, and although it is as convenient a coach as will be found on a metre-gauge line, the disabilities peculiar to the system were not, and could not, be overcome, and it failed in a measure to secure the approval of the third class travelling public.

The reasons why the construction of a latrine third is attended by so many disadvantages are easily explained.

The provision of a latrine in a coach necessarily adds to its dead weight as well as diminishes its seating accommodation. To bring down the loss occasioned by these two disadvantages to the lowest measure, a minimum of lavatory accommodation is arranged for, and so the size of a compartment is necessarily governed by the number of latrines to be provided—hence, the fewer the latrines, the larger the compartments.

To enable a passenger to secure access to the convenience provided, it is necessary for the compartment to be intersected by passages; these passages not only entail further diminished seating accommodation, but are also responsible for the cramped seats and awkward doorways.

In the light of these remarks, it is contended that the outcry against Indian railway administrations in general, and against the South Indian Railway in particular, in respect to discomfort and inconvenience of third class stock is the outcome of orders that can neither be disregarded nor disobeyed, and that so long as these orders are in force (unless the seating capacity of a coach is cut down to such an extent as to render it no longer a paying proposition) it is unlikely that a latrine coach universally pleasing to the Indian travelling public will be forthcoming.

CORRUPTION OF STAFF.

It is possible that the practice of illegal gratification obtains to some extent on the South Indian Railway, as on other Indian railways and generally in India. The Administration is ever on the alert to take action against employees offending in this respect, but unfortunately, due to the almost impossibility of obtaining incriminating evidence, such cases are few in number. The South Indian Railway adopted measure to defeat the evil—as, for instance, the removal of the power to allot wagons from stationmasters, and placing it in the hands of district officers and special inspectors appointed for this purpose; and continue to give the matter attention, but its entire eradication is dependent not alone on the efforts of the administration, but also on the general determination of the Indians themselves to disapprove of and stamp it out.

At present it is feared that it is viewed by the lower classes as a custom of the country, defensible, and one to be shielded.

EMPLOYMENT OF INDIANS IN THE SUPERIOR GRADES.

As far back as 1911 the South Indian Railway administration, acting on the principle that Indian affairs should be administered to be as beneficial to the Indian British subjects as ourselves, raised the question of employment of Indians as officers in the several departments of the railway.

A subject of such importance and complexity necessarily involved a considerable amount of correspondence and references, but eventually the Board decided that, while they did not at the time consider it desirable to fix any definite percentage of appointments which should be filled by Indians, they considered that a beginning should be made with the recruitment of Indians for the superior grades.

It was also ruled that as war exigencies disappeared and recruiting began again two Indian gentlemen should be taken on as probationers and trained for the superior grades of the Audit and Traffic Departments. In regard to the Engineering Department, it was considered there were Indians in India who had been trained either in England or in India, and from whom it should be possible to obtain suitable men, and it was resolved that the next two appointments should be filled by Indians on the same conditions of service as applied to the officers of the railway generally.

In the Locomotive Department it was realised that, due to the prejudice which existed (and still exists) in India among the upper classes of Indians against the training which is required for qualification as a mechanical engineer, the field for selection would be limited.

As indicated, the Board not only announced the policy they desired to inaugurate in relation to the employment of Indians, but also adopted measures by which the policy immediately assumed active proportions. This policy has been steadfastly persevered with, and the recruitment of Indians as opportunity and circumstances allow is now an established custom on the South Indian Railway.

The extent to which the efforts of the Company have succeeded is enumerated below:

Department.	*Indian Officers.*
Agency	1 Assistant Secretary.
Egineering	1 Assistant Engineer.
Locomotive	Nil.
Traffic	2 Assistant Traffic Superintendents.
	2 Probationers (eligible for promotion).
Audit	3 Assistant Auditors.
Total	9

Madras Government.—*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.*

This observation of the Madras Government has but little or no application to the Board of the South Indian Railway Company, as the following will show:—

The Chairman, Sir Henry Kimber, Bart., Banker and Lawyer of many years experience in London; 28 years M.P., during which he presided over many Committees on Railway and other Bills in the House of Commons; has large commercial and property interests in India and Ceylon and many of the Colonies—South Africa, New Zealand, Queensland, &c.—and also of some foreign railways in Europe (Italy and Sweden), 40 years at the head of the South Indian Railway and its predecessors. Chairman of, and large Shareholder in Calcutta Tramways, and the largest proprietor of the Karachi Tramways, both successful undertakings.

He promoted and founded the connection of Indian Railways with the French at Pondichéri. He is well informed as to modern conditions in India. He has visited India on several occasions in his various capacities and is an all-world traveller.

Sir Douglas Fox is the senior partner of an eminent firm of consulting engineers, late President of the Institution of Civil Engineers, Chairman of the Standardisation Committee in charge of Locomotives for India, and interested in large railway, dock and other undertakings in other parts of the world.

Sir John Rees, Bart., K.C.I.E., C.V.O., M.P., who retired from India after a long period of service in the Indian Civil Service, chiefly in the Madras Presidency, in which the whole of the South Indian system works, is also a Director on the Boards of large planting, gold mining and other railway companies in India.

Mr. A. J. Yorke has large commercial interests in the Madras Presidency; was for many years in India; a partner in Messrs. Parry & Co., merchants, of Madras, and is on the Board of the East India Distilleries and Sugar Company.

Mr. A. Brereton, C.S.I., was for many years in India on railways, was Secretary to the Government of India for Railways, and later as Government Director representing the Secretary of State in London on Boards of Indian Railways.

The late Mr. Neville Priestley came straight from the Agency of the Company in India to take up the Managing Directorship in the year 1910, and he paid several official visits to India subsequent to that date on the business of the Company.

Mr. Alexander Muirhead, C.I.E., the present Managing Director, served for many years on Indian railways, was recently the Agent in India of the Company, and was on leave in England when he was called upon to succeed the late Mr. Priestley.

OFFICERS AND SUBORDINATES ON WAR SERVICE. LOCOMOTIVES AND ROLLING STOCK REQUISITIONED BY GOVERNMENT.

The demands made by the Government of India on the resources of the Company in respect of its executive officers, subordinate staff, locomotives, carriages and wagons were large, and in no single instance did the administration decline or demur, even though the efficiency of the railway was at stake. With a view to illustrating the sacrifices made by the Company to enable it to accede to the Government's demands, the undernoted statement has been prepared:—

		Percentage of strength.
Members of executive staff permitted to accept commissions in the Army or volunteer for war work in Mesopotamia, East Africa, &c.	34	40 per cent.
Subordinates joining Army or volunteering for war work	576	
Locomotives lent to Government (23 not yet returned)	33	11·53 per cent.
Carriages lent to Government (47 not returned)	81	3·51 per cent.
Wagons lent to Government (318 not returned)	488	9·33 per cent.

In regard to these efforts to aid the country in time of adversity and stress, the administration desire to take no credit. They are merely recorded to illustrate the strain and stress brought about in working conditions and the difficulties under which the work of the line has been carried on, and they are relevant to criticisms of the working conditions of the South Indian system at a time when, due to war efforts, its working efficiency had unavoidably deteriorated.

[Enclosures not reprinted.]

THIRTIETH DAY.

(Madras.)

Wednesday, 26th January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Colonel MAGNIAC, Agent, and Mr. WATHEN, General Traffic Manager, Madras and Southern Mahratta Railway, were recalled and further examined.

See Written Statement No. 35, Vol. IV., P. 130.

5111. Colonel Magniac explained that, in appearing again before the Committee, he desired to be afforded an opportunity of giving information with regard to some of the matters relating to the Madras and Southern Mahratta Railway, which had been mentioned to the Committee by other witnesses in Madras since he was examined on the 19th January.

5112. Referring to Dewan Bahadur Ramachandra Rao's evidence before the Committee, in connection with the accusation that district board enterprise is blocked by the railway company, he stated that, on the Madras and Southern Mahratta Railway, he could trace no cases in which district board railways had been opposed either on the ground that the main line preferred itself to construct the lines as part of its own system at a later date, or that his company objected to their construction because of short-circuiting their main line. There were two cases in the Kistna district with which the Madras and Southern Mahratta Railway had been unwilling to proceed. In the first instance there was delay, which had been correctly assigned by Dewan Bahadur Ramachandra Rao to war conditions. Owing to the general rise in prices for labour and materials, it had been necessary to revise the estimates of the two railways in question, and it was found that they did not now present promising features as remunerative investments. In the circumstances he thought that the criticisms by the district board's representative were hardly fair.

5113. One of these cases was the Gudivada-Bhimavaram line, 41 miles long. The estimate for the construction of this line on the broad gauge now amounts to Rs.79 lakhs, including the charge for rolling stock. The gross earnings are estimated at slightly over Rs. 3 lakhs and the actual cost of working would be about 58 per cent. of the earnings. On this there will be a return of only about 1·51 on the capital. The district board had asked that the line should be worked at 50 per cent. and the rolling stock should be provided free of charge by the main line. In a letter dated the 25th August, 1920, the Madras and Southern Mahratta Railway Company's board of directors had advised that the project should be postponed, but expressed readiness to agree to its proceeding if the district board were willing that the line should be worked for actual cost, or alternatively for actual cost under the engineering head and for the same percentage of gross earnings under other heads as obtains on the main line. He said he merely instanced this to show that this was not a line which could be called a remunerative investment, and, therefore, the district board was not quite fair in saying that the company refused to give them reasonable terms.

5114. Colonel Magniac cited the Tenali-Repalli project as a case which disproved the assertion that the railway company never receded from its original position. In this case, the company's board originally proposed that the line should be worked for 60 per cent. of its gross earnings and offered a rebate, from the main line's earnings from interchanged traffic, to bring up the return to 4 per cent. Alternatively, they offered to work at 55 per cent., but limiting the rebate to what is necessary to ensure a 3½ per cent. return. The case was referred to the Government of India, and by them to the Secretary of State, who placed the Railway Board's proposals before the board of directors, in consequence of which the railway company agreed to work the line at 50 per cent. and to give a rebate to make up 3½ per cent. dividend. This was some time about 1911. The result of the action taken had been that this railway had been worked at a dead loss to the company ever since. Colonel Magniac admitted that, to some extent, war conditions had contributed towards the unfavourable outcome in this instance.

5115. In reply to the Chairman, Colonel Magniac said that he did not think that the earnings from interchanged traffic would produce a rebate sufficient to bring the district board lines' earnings up to 5 per cent. on their capital.

5116. Colonel Magniac agreed that, in the event of the railway increasing rates and fares to an extent corresponding with the increased cost of working, then the working percentage might remain unaltered,

and there would be no justification on the ground of increased working costs for claiming a higher working percentage rate from feeder lines worked by the main line. Colonel Magniac said he wished to emphasise that, even if all the main lines were worked by the State, he did not believe that there would be so little delay in getting sanction and settling working terms on the part of the district board lines as Dewan Bahadur Ramachandra Rao believed. He doubted if a State administration would agree to construct and work an unpromising line on terms favourable to the district boards.

5117. In reply to the Chairman's enquiry whether branch lines generally showed a tendency to develop well, Colonel Magniac admitted that this was so in many cases. He cited the case of the Bezwada-Masulipatam railway, constructed in 1908, which was worked by the main line for 45 per cent. of its gross earnings with no charge for rolling stock. The 11 per cent. return earned by this line was largely obtained at the cost of the Madras and Southern Mahratta Railway, owing to the working terms being too favourable to the branch.

5118. In connection with the allegations of wholesale corruption made by various witnesses against the Southern Indian Railways (including the Madras and Southern Mahratta Railway), Colonel Magniac stated emphatically that the railway is always willing to assist the public, but cannot succeed in the absence of help from the public in pursuing specific cases. He thought it unfair that such general allegations should be made without proof being brought forward in support of them. Such investigations as the railway tried to make had proved abortive through the failure of witnesses to come forward. He had failed to discover the letters from the Director of Civil Supplies which had been referred to in Mr. Moir's evidence before the Committee. As promised to the Committee on a previous occasion, Colonel Magniac placed before it a list of men punished for bribery, corruption, and disregard of orders about movements of traffic. The list included cases from 1917 to 1920 and contained 29 instances of station masters, guards and others who had been punished in various ways for irregularities of the kind indicated.

5119. Colonel Magniac observed that the evil complained of was equally existent on State-worked lines. He mentioned, in support of this, information obtained by him with reference to irregularities on the North-Western Railway. He mentioned that he had received reliable information that, at one station on that line, wagons were always loaded in accordance with the priority list, but merchants would place money, unasked, upon the stationmasters' table when they secured their allotment of wagons. It was admitted privately that the money was accepted in such circumstances, the station staff being satisfied that they had distributed the wagons fairly uninfluenced by the gift. Colonel Magniac also cited a case in which he had been informed that when a European stationmaster was replaced by an Indian stationmaster there was an outburst of complaints against the station staff, which he had good reason to believe to be due to the fact that formerly payments for the wagon had been made only to the chief goods clerk, whereas subsequently a new stationmaster had claimed his share, with the result that higher charges were demanded.

5120. The Chairman observed that the witnesses who had complained of the irregularities in question had not cited them as specifically bearing on the question of State management as against company management, but rather as general grievances against the Railway Administration. He observed that Colonel Magniac's position was that the Railway Administration had done all that it could, and would do more if the public would help.

5121. In further illustration of what had been said, Colonel Magniac mentioned a case in which the Director of Civil Supplies had reported the occurrence of certain irregularities at Cocanada. The District Traffic Superintendent wrote to the four prominent traders at that station, who certainly would have been amongst those who had grounds for dissatisfaction if such existed. He personally went to Cocanada and invited those four persons to interview him on the subject. Two replied in writing that they had no complaints against the station staff. A third appeared and said that he also had no complaint. The fourth promised to appear but failed to do so. In another case in which a stationmaster had prosecuted the complainant, the latter apologised in court and withdrew his charge.

5122. In answer to the Chairman, Colonel Magniac said he had no doubt that cases of bribery do occur, but that the railway are taking whatever steps are possible in the matter. He observed that the charge of corruption can equally be made against other departments; for instance, he understood that the abolition of octroi in the Punjab and the substitution of terminal taxes collected by the railways was due at least in part to irregularities connected with the collection of octroi.

5123. Colonel Magniac urged that the failure of the companies to provide facilities for public requirements was due to difficulties connected with the war and to want of funds, and not to any desire on the part of the company to avoid expenses and thereby maintain dividends. He expressed surprise that the representative of the Government of Madras should have been so much out of touch with the railway administration as to ascribe the circumstances to the latter cause in his evidence before the Committee.

5124. The Chairman observed that there are many things of a petty character involving little or no expense in which complaints have also been made. Such things, for instance, as the provision of water-taps in convenient places, the opening of booking-offices at suitable times, and so forth, could hardly be said to be grievances which could not be remedied for want of funds. Colonel Magniac observed that the Senior Government Inspector mentions such matters in his reports, but the railway officers are frequently in better touch with the relative urgency of requirements. The railway could not be expected always to see eye to eye with the Government Inspector. In some cases, more particularly minor matters, the Senior Government Inspector does not always discuss the points before he includes them in his report. He asked the Committee to believe that the Government Inspector may not invariably be right and that the company's view may sometimes be the correct one. The Railway Board sees both the Senior Government Inspector's complaints and the railway administrations' detailed replies.

5125. With reference to the observation, in the evidence of the Government of Madras, that the Railway Board failed to compel the Madras and Southern Mahratta Railway administration to supply sufficient rolling stock to meet public requirements, the Chairman agreed with Colonel Magniac that the expression used was somewhat misleading, as, in fact, Government had refused to allow the companies to raise additional share capital as desired by them, and had failed to supply funds for expenditure on rolling stock and other improvements. Colonel Magniac stated that the company had asked for sufficient funds but had not been able to obtain them.

5126. With reference to the suggestion in the evidence of the Madras Government that the companies have too great powers and are not sufficiently under control, Colonel Magniac urged that the powers of the companies are precisely the same as those of the State Railway Agents. The Chairman remarked that in certain directions the companies exercised wider powers. He mentioned, for instance, the instructions given by the South Indian Railway Board of Directors to the acting Agent that he should not express any opinions before the Committee, but should confine his evidence to matters of fact. He thought this was a decided exercise of power by the company. Colonel Magniac admitted this, but said that he was speaking more particularly of powers of sanction to expenditure.

5127. Regarding the wish of the Southern India Chamber of Commerce to be consulted before changes are made in the classification of goods, Colonel Magniac said that an assumption seemed to have been made that the Chamber is not in fact consulted. He mentioned that in 1918 a letter had been sent to the Chamber in which they were consulted with regard to the proposed changes of classification of ten commodities. The Chamber had agreed in nine cases and not in the tenth. It was explained that the present system is for the changes to be proposed to the Railway Board by the Railway Conference Association after they had been considered by the Traffic Committee of the Association on the representation of the railway originating the matter.

5128. Sir Henry Burt said that he understood the Railway Board does not take special steps to ascertain public opinion before dealing with an application for change of classification. It was explained, however, by the witness that the Chambers of Commerce are usually consulted before such cases are submitted to the Railway Board. It transpired further that the complaint of the Southern India Chamber of Commerce referred rather to cases in which special rates for goods have been withdrawn, thereby automatically rendering these subject to the ordinary rates. Mr. Wathen observed that in many cases this had been done because there was no traffic in the articles concerned, but in many other cases it had admittedly been done to increase the charges and improve railway earnings. The public get two to three months' notice before such changes become operative. In case of important commodities, such as, for example, cotton, they had meetings with the Chamber of Commerce before deciding on alterations. Mr. Wathen admitted in such cases the European Chambers are more likely to be consulted than the smaller merchants, who might well be Indians, and that the latter might consequently have some ground for complaint. He said that the railways are always careful to consider public opinion in such matters, but agreed that it would be desirable to give them an opportunity of considering changes proposed while they are still in the state of proposals.

5129. Colonel Magniac referred to the evidence of the Chairman of the Port Trust, who had referred to the improvement of wagon supply brought about through the appointment of the Director of Wagon Supplies in Madras. In this connection he explained that it was really due to the fact that the harbour were then dealing with large consignments of goods for which Government gave priority. Therefore the railway had to move wagons to the harbour to meet the priority orders which they had no right to do before. There was no other reason than that. And the gain to the Port Trust meant a corresponding reduction in the wagon supply elsewhere.

5130. The Chairman referred to representations which had been made to the Committee regarding the irresponsibility of railways in carrying traffic at owners' risk rates. In this connection, Mr. Wathen explained that in a particular case which had been placed before the Committee, of certain goods booked from Arrah to Madras, the reason why there had been a difficulty in agreeing to deliver the goods was due to the fact that the bags arrived with an unusual marking, in a different wagon from that in which the Railway had reason to expect the consignment, and the labelling of the wagon was also not in order. The Railway was doubtful whether the consignment which had reached it was that intended for the claimant in the particular case. A reference had been made to the East Indian Railway for instructions, and delivery had just been made to the merchant claiming the goods on an indemnity bond although in fact the Madras and Southern Mahratta railway are by no means satisfied that the goods are those sent to the merchant and they have thus undertaken a certain liability in the matter. Mr. Wathen explained that the fact of these goods being booked at owners' risk made no difference in this case. They would not be at liberty to make away with the consignments since the owners' risk conditions would not absolve them from responsibility for gross negligence.

5131. On the general question the Chairman mentioned that an agreement had been reached in England between the representatives of the railways and of the public, through the mediation of the Rates Advisory Committee, and that it was therefore likely that steps would soon be taken, to introduce a rule that in relation to all traffic where there is a possibility of serious risk, the consignor should have the choice of booking at owners' or railway company's risk; the conditions of the respective methods and the percentage difference between the charges in the two cases to be decided on by an independent tribunal. Col. Magniac thought the suggestion attractive but was unable to offer a considered opinion on the matter at short notice.

5132. In reply to Sir Henry Burt, Col. Magniac admitted that there are congested level crossings inside the Madras City area, on the Madras and Southern Mahratta Railway, for which it is desirable to substitute over-bridges. The railway authorities had a meeting on the subject with the Municipal authorities and certain general principles as to division of the cost of the charge had been agreed upon. Co. Magniac believed, however, that when the time came, the Municipality did not put down the money to meet its share of the expense in particular cases.* Substitution of over-bridges for level crossings was not blocked by the railway company.

5133. Some discussion followed on the question of providing covering for passenger foot-bridges across the railway lines. Col. Magniac thought that it was the general practice not to provide such covering and that there was no great hardship involved in the case of passengers who have to walk considerable distances by road. He thought that it was only asked for to make the bridges convenient resting places. Mr. Purshotamdas suggested that in India protection from the sun is necessary because of the extreme heat to the barefooted passenger of the iron slats with which the edges of the over-bridge steps are usually protected. Col. Magniac was doubtful whether this protection was really necessary and thought that passengers could easily avoid stepping on the iron work. He promised, however, that the matter should be investigated on his railway.

5134. The Hon'ble Mr. Sastri emphasised the necessity for providing covering on the bridges. He observed that it is optional for people to use the roads during the hottest time of the day whereas they have no option but to use the over-bridges when it is necessary to cross the line at particular train timings. Mr. Wathen mentioned that some of the over-bridges in respect of which complaints have been received were bridges which have been put up to provide an alternative passage to the pedestrians on roadways to save them from the inconvenience of waiting till level crossings are opened. The Chairman said that it appeared to him that the need for the protection of over-bridges could hardly be a very pressing one. The Honourable Mr. Sastri, however, laid great stress on its necessity in Indian climatic conditions.

5135. Sir Arthur Anderson mentioned that Colonel Magniac had handed to him for the use of the Committee, and had promised to supply further copies, of a letter from the Company's Board of Directors to the Secretary of State dealing with the affiliated Indian Companies scheme which had been placed before the Companies in London at the instance of the Government of India. The Madras and Southern Mahratta Railway Company did not think that the affiliated companies scheme would be a satisfactory one, but had but forward a proposal on quite different lines. It was agreed that this should receive the separate attention of the Committee.

* NOTE—On looking up correspondence it is found that delay has been due to the Municipality pressing for a 66 ft. width of bridge to carry a double line of Tramway which the Railway Company did not agree to. The case has been referred to the Madras Government.

5136. In answer to Mr. Purshotamdas Thakurdas, Colonel Magniac observed that there were several pilgrim centres on the Madras and Southern Mahratta Railway. It had not been his experience that benevolent Hindus provided sheds for the protection of passengers at any stations.

5137. Colonel Magniac said that the Madras and Southern Mahratta Railway Company are treating seriously the recommendations of the Pilgrim Committee and were doing their best to carry out the recommendations, some of which had been complied with. He explained that the report had been issued in 1916, since when the Railway had always been in difficulty for want of funds, but that it is doing its best to deal with the recommendations.

5138. The Honourable Mr. Sastri asked whether it is the case that there is discrimination between caterers for the supply of refreshments on the railway to European and to Indian passengers, in respect of such matters as passes, accommodation, water-supply, etc. Colonel Magniac said in reply that the Company have now in hand an entirely new scheme for taking over the whole of the Indian Refreshment rooms so as to provide better refreshments at a moderate cost. The new scheme will be given effect to when funds are made available. He said that it was the policy of the Railway to get rid of the small contractors. He had just received sanction from his Home Board to the appointment of an Indian officer to supervise the refreshment arrangements on the line.

P.S. (1)—The following note by the Agent M. & S.M. Railway Company on the evidence given by Mr. Moir before the Indian Railway Committee on the 18th January, 1921, was subsequently sent to the Committee with the request that it should be treated as an addendum to Colonel Magniac's evidence.

Mr. Moir mentions that he did not use the word "frequently" in regard to the bringing of cases of irregularity to the notice of the M. & S.M. Railway Administration, but that he stated that the matter was brought to the Railway's notice.

He cites certain instances, viz.:—

(*a*) The matter being brought to the notice of Sir Arthur Anderson, President of the Railway Board.

This has already been referred to in my verbal evidence. Sir Arthur Anderson promised that a full enquiry would be made if sufficient concrete cases of corruption were put forward.

(*b*) A confidential D.O. to Mr. Biggs, Acting Agent.

This cannot be traced, and Mr. Biggs cannot recollect any correspondence with the Director of Civil Supplies beyond some relating to the purchase of rice from the Kistna District for railway employees.

(*c*) Correspondence between Mr. Armitage and Mr. Crichton (Acting General Traffic Manager).

One case only has been traced which refers to a request of the station master, Nayudupet, to book 80 bags of rice to Madras. This was investigated and found to be due to the station master understanding that such booking was prohibited, and necessary orders were issued to regulate the matter.

(*d*) Irregularities brought to Mr. Crichton's (Acting General Traffic Manager) notice by Mr. Gray.

Mr. Gray has been approached and authorises the statement that he frequently saw Mr. Crichton and discussed matters with him, and was perfectly satisfied with the way in which matters relating to the control of foodstuffs were dealt with by the Traffic Department of this Railway.

(*e*) A letter addressed to the District Traffic Superintendent, Bezwada. Unfortunately this office has been abolished, owing to a re-organisation of the Traffic Department, and this cannot be traced.

(*f*) Two letters No. 7108/19-2 dated 16th February, 1920, and No. 1028-20 dated 4th March, 1920, addressed to the General Traffic Manager.

The first of these refers to irregularities connected with—

(1) Masulipatam booking rice to Jaggayapet Out Agency; and

(2) Guntur booking broken rice to Hyderabad and Warangal.

(1) Was due to a misunderstanding of instructions on the part of the District Traffic Superintendent, and as regards (2) broken rice was not controlled, and its booking was approved by the Director of Civil Supplies.

The second letter refers to a case of smuggling brought to notice by the Collector of Kistna. There was considerable confusion at the time in interpreting the various notices issued by the various officials. In a letter No. 272 C.T. 20 dated 14th May, 1919, from the Controller of Traffic, Railway Board, to all Directors of Supplies, it was brought to their notice that priority certificates were being issued irregularly by Controllers.

Smuggling was carried on across the Kistna Bridge by road and also by boats. Every endeavour was made by this Administration to stop smuggling by rail.

As mentioned in the evidence given by Mr. Wathen, priority certificates were issued for many consignments which failed to materialise, which resulted in waste of transport. It is not suggested that irregularities did not occur, but it is contended that this Railway Administration took steps to investigate all cases that were brought to notice and punished all staff who were found to blame. Supervision was difficult owing to officers being overworked during the war.

The following punishments were awarded, among others:—

Station and Assistant Station Masters:—

One prosecuted and dismissed.

Fourteen reduced in pay.

Guards:—

Two dismissed.

Three reduced in pay.

P.S. (2)—The following letter dated 28th January, 1921, with its enclosures, was subsequently received from Colonel Magniac.

With reference to my written statement forwarded to the Indian Railway Committee, I enclose certain addenda embodying certain further explanatory details asked for by the Chairman after my cross-examination on the 20th January.

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With reference to my reply to question 12 of the questionnaire, the directions in which I consider some correspondence might be saved by an extension of the powers granted to Boards of Companies are as follows:—

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It is not contended that any large amount of correspondence is caused by such limitations and with the exception of items 1 and 2 the cases which require to be referred to the Railway Board are probably few in number, but instances of refusal of sanction by the Railway Board must be very exceptional, and the Company's powers might reasonably be increased.

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ADDENDA TO AGENT'S REPLIES TO QUESTIONNAIRE—QUESTION 19.

Actual value in Rupees of Renewal Arrears.

Renewals deferred at end of 1920–21.

——	Miles.	Total Cost. Rs. in lakhs.	Capital. Rs. in lakhs.	Revenue Rs. in lakhs.
RAIL RENEWALS.				
Broad Gauge	118	70·92	20·61	50·31
Metre Gauge	211	44·31	10·55	33·76
	—	115·23	31·16	84·07
GIRDER RENEWALS.				
Broad Gauge	—	27·78	5·00	22·78
Metre Gauge	—	13·82	2·48	11·34
	—	41·60	7·48	34·12
	No.			
ROLLING STOCK RENEWALS.				
Broad Gauge.				
1. Locomotives	24	31·36	10·40	20·96
2. Boilers	25	5·62	—	5·62
3. Coaching Stock	47	9·90	2·25	7·65
4. Goods Stock	448	44·28	21·15	23·13
5. Machinery	—	*1·14	—	1·14
	—	92·30	33·80	58·50
Metre Gauge.				
1. Locomotives	—	—	—	—
2. Boilers	27	4·59	—	4·59
3. Coaching Stock	147	21·84	5·46	16·38
4. Goods Stock	212	12·76	2·88	9·88
5. Machinery	—	*0·57	—	0·57
	—	39·76	8·34	31·42

* According to Consulting Engineers latest advice, cost of machinery has been enhanced by 250 per cent. in the case of large machines and by 200 per cent. in the case of small machines. So 200 per cent. increase has been provided for roughly.

N.B.—In a supplementary communication Colonel Magniac made the following observations, referring to the above details:—

"I beg to inform you that the amounts given in the statement of '*Renewals deferred at end of 1920-21*' have been calculated after taking into consideration the increases in the cost of materials over the pre-war level as last furnished by the Consulting Engineers, and which are as below:—

	Per cent.	
Permanent Way Materials.		
Rails	300	
Fish plates	275	
Fish bolts	300	
Bearing plates	400	
Screw spikes	650	
Dog spikes	450	
Tie bars	400	
Gibs.	300	
Cotters	300	
Steel sleepers	350	
Girders for Bridges	250	
Rolling Stock.		
Locomotives	240	
Carriages and wagons (underframes, bogies, iron and steel work only)	200	
Carriages (metallic and lavatory fittings for bodies)?	350	
Wheels and axles for carriages and wagons	250	
Machine Tools, such as lathes, planers, shapers, &c.	250	} Average of 200
Small Tools, such as files, twist drills, &c.	200	} per cent. taken.

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	—	92·30	33·80	58·50
Metre Gauge.				
1. Locomotives	—	—	—	—
2. Boilers	27	4·59	—	4·59
3. Coaching Stock	147	21·84	5·46	16·38
4. Goods Stock	212	12·76	2·88	9·88
5. Machinery	—	*0·57	—	0·57
	—	39·76	8·34	31·42

* According to Consulting Engineers latest advice, cost of machinery has been enhanced by 250 per cent. in the case of large machines and by 200 per cent. in the case of small machines. So 200 per cent. increase has been provided for roughly.

N.B.—In a supplementary communication Colonel Magniac made the following observations, referring to the above details:—

"I beg to inform you that the amounts given in the statement of '*Renewals deferred at end of 1920-21*' have been calculated after taking into consideration the increases in the cost of materials over the pre-war level as last furnished by the Consulting Engineers, and which are as below:—

	Per cent.	
Permanent Way Materials.		
Rails	300	
Fish plates	275	
Fish bolts	300	
Bearing plates	400	
Screw spikes	650	
Dog spikes	450	
Tie bars	400	
Gibs.	300	
Cotters	300	
Steel sleepers	350	
Girders for Bridges	250	
Rolling Stock.		
Locomotives	240	
Carriages and wagons (underframes, bogies, iron and steel work only)	200	
Carriages (metallic and lavatory fittings for bodies)?	350	
Wheels and axles for carriages and wagons	250	
Machine Tools, such as lathes, planers, shapers, &c.	250	Average of 200 per cent. taken.
Small Tools, such as files, twist drills, &c.	200	

Addenda to Agent's replies to Questionnaire. Time required to make up Renewal Arrears.

It is impracticable to give a definite forecast of the number of years likely to be required to make up the present arrears on the Renewal Programme.

The practice of this Company is to review the general position from time to time and make out a fresh programme on a three or five-year basis, accelerating renewals as considered necessary to the extent found practicable. The Agent makes his recommendations to the Home Board after consulting his Heads of Departments concerned, and after receipt of his Board's orders, obtains the approval of the Railway Board.

In deciding such programmes due consideration must be given to the economic factor which is necessarily dependent on the growth of traffic and the consequent gross earnings, and other important factors are the resources of the available markets in India and rate of delivery of material.

Dealing first with permanent way, apart from the special delay in receipt of material occasioned by the war, it is explained that it has not always been possible in the past to work up fully to an accepted programme, and that had this desirable result been achieved under the present programme, it is possible that some reduction might have been made in the programme for the next period of years.

As regards the supply of material, the number of miles that can be be relaid annually is governed to a large extent by the available supply of rails in India and also sleepers, since the price is very favourable as compared with that of the home market. In order to deal with the present situation an accelerated programme will be considered and forwarded to the Home Board for their orders.

In the case of rolling stock, an added factor has to be taken into consideration, namely, the capacity of the Company's workshops, which limit the rate of renewals, and before a programme can be made out it is necessary to take into account the programme for additions as well as that for renewals. Proposals for enlarging both the Company's broad and metre gauge workshops are under consideration, and provided the necessary capital funds are forthcoming, it is hoped that the existing capacity will be considerably improved in some five years' time.

Assuming that traffic conditions are favourable we shall then be in a position to accelerate the existing programme and make up arrears.

The Madras and Southern Mahratta Railway Company Limited.
Incorporated in England.

Statement showing total Expenditure under Renewals against Capital and Revenue for the following abstracts for the eight years ending March, 1920.

Abstract.	1912-13	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	Grand Total.
A. II. Maintenance and Renewal of Permanent Way :—	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(1) Wages. Renewals	31854	48286	66622	50003	57072	16855	12547	93147	376386
(2) Materials. Do.	710743	763916	988716	657321	895908	1017630	915330	2302857	8252421
Capital portion of outlay on Renewals	310667	314583	382425	228612	465121	61426	3885	133615	1900334
A. III. Repairs of Bridges, etc. :—									
(1) Bridges and Tunnels. Renewals ...	198890	356580	52721	33199	23587	—101	2904	7536	675316
(2) Miscellaneous. Do. ...	45177	96268	15524	8933	2973	6707	412	10573	187567
Capital portion of outlay on Renewals	15810	19777	21157	24967	2839	9334	106	3116	97106
A. IV. Repairs of Stations and Buildings :—									
(1) Buildings except Staff Quarters. Special Charges.	81120	64318	20724	65814	54601	26412	20631	102436	436056
(2) Staff Quarters. Special Charges ...	14018	1060	3093	1137	—745	1405	3537	11527	35032
B. VI. Maintenance and Renewals of Loco Engines :—									
(1) & (2) Wages and Overtime. Renewals	4713	4899	203	11623	420	121	179	580	22738
(3) Materials. Do.	362415	291508	—107910	514733	154360	156798	50197	31583	1453684
Capital portion of outlay on Renewals	94792	359269	2127	—	—	—	—	—	456188
B. VIB. Maintenance and Renewals of Machinery :—									
(1) & (2) Wages and Overtime. Renewals	—	—	—	—	—	802	1923	658	3383
(3) Materials. Do.	—	—	—	—	—	44800	46487	32509	123796
Capital portion of outlay on Renewals	—	—	—	—	—	—	—	—	—
C. II. Repairs and Renewals of Vehicles :—									
(*a*) Coaching—									
(1) & (2) Wages and Overtime. Renewals	82879	142651	130102	81664	93095	120130	43562	109907	803990
(3) Materials. Do.	372806	398927	394149	312460	213935	260352	270689	305367	2528685
Capital portion of outlay on Renewals	87819	159661	123941	113791	143826	64050	64501	206106	963695
(*b*) Goods—									
(1) & (2) Wages and Overtime. Renewals	5634	8299	4959	2510	751	1845	3415	439	27852
(3) Materials. Do.	149129	305469	237049	161285	27515	22042	25420	179804	1107713
Capital portion of outlay on Renewals	130270	193396	99968	13293	3347	11857	—	40698	492829
C. IIA. Repairs and Renewals of Machinery :—									
(1) & (2) Wages and Overtime. Renewals	—	—	—	—	—	—	—	—	—
(3) Materials. Do.	—	—	—	—	—	9390	12125	35	21550
Capital portion of outlay on Renewals	—	—	—	—	—	—	—	—	—
GRAND TOTAL ...	2698736	3528867	2435570	2281345	2138605	1831855	1478850	3572493	19966321

Approximate forecast of Annual Demand on a 5-year programme from 1922-23 *to* 1926-27.

Items.	New Works Capital. Rs. in lakhs.	Renewals Capital. Rs. in lakhs.	Total. Rs. in lakhs.
Locomotives and Rolling Stock ...	100·00	12·00	112·00
Works	79·72	8·28	88·00
Total	179·72	20·28	200·00

THIRTY-FIRST DAY.

(Bombay).

Monday, 31st January, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. C. W. LLOYD JONES, Agent of the Nizam's Guaranteed State Railway Company, was examined upon a statement which he had furnished to the Committee.

5139. Mr. Lloyd Jones explained that the Nizam's Guaranteed State Railway Company is a company incorporated in London, working its own lines as well as lines belonging to the Hyderabad Durbar. The company owns its own line completely, but His Exalted Highness the Nizam's Government have the option of purchasing it on certain dates, and, failing purchase, it eventually becomes the property of His Exalted Highness the Nizam's Government after 99 years from the beginning of the contract. The first section of the line was built by the Government of India for His Exalted Highness the Nizam in 1870, and this section was subsequently purchased in 1883 by the present company, which constructed the rest of the system. The railway includes about 335 miles of broad guage and 530 miles of metre gauge.

5140. Mr. Lloyd Jones explained that his own experience was originally gained under Messrs. Merz and McLellan and with a firm of bridge engineers in Great Britain. His railway experience in England was confined to survey and construction work. He came to India as Assistant Engineer on the Nizam's Guaranteed State Railway and subsequently rose to the position of Agent. He had previously had no traffic experience.

5141. The Chairman invited Mr. Lloyd Jones' attention to his statement that not only is a working company paid by results, but the company's officials are paid by results in a way that does not happen in a State railway. Mr. Lloyd Jones explained that his point was that a man would be hardly likely to retain one of the higher appointments on a company-worked railway unless he was working the concern profitably.

5142. Mr. Lloyd Jones agreed with the Chairman in summing up his opinion as being that it does not pay the State any more than a private individual to work a railway uneconomically, and if, as he believed to be the case, economy can be promoted by the employment of companies as working agents, then it is in the interests of the State to utilise these.

5143. Mr. Lloyd Jones explained his proposal that a working company should provide an adequate guarantee to compensate Government for any failure on the company's part to carry out the terms of the railway working contract. His idea was that the money raised by the company as capital should not be considered as part of the capital of the railway but should be paid to the Government, which would pay interest upon it. It should be liable to forfeiture in case of gross negligence on the part of the company. He thought that this liability could be enforced in practice. If, for example, a company did not carry out the necessary renewals on the railway, the amount required for this purpose could be recovered as damages, to be determined by arbitration, by deduction from the money in the hands of Government. He thought this need involve no great departure from the other arrangements usually made between Government and guaranteed railway companies, except that the rate of interest paid by Government on the company's capital would not necessarily be the same as the return on the capital of the railway. He agreed that the guarantee clause would only operate in extreme cases, and that a special provision for arbitration between the interested parties would be necessary. He thought it unlikely that it would ever prove necessary in practice for Government to utilise this means of protecting itself.

5144. Mr. Lloyd Jones explained that during the war the Nizam's Guaranteed State Railway Company had formed a reserve fund by setting aside from revenue the monies estimated to be necessary for work which should, but which owing to the lack of materials could not, be carried out at the time. This money was invested in liquid form and is now being utilised to make up arrears of renewals.

5145. In his written statement, Mr. Lloyd Jones had stated that he had no experience of any undesirable delay caused by the company's Board sitting in London, or any difficulty in keeping the Board in touch with local conditions. Usually one Director comes out to India every cold weather. He had not usually any special powers delegated to him by the Board, but in certain cases it was arranged that if the Director agreed on any particular measure with the Agent, that decision might be carried into effect.

5146. With reference to Mr. Lloyd Jones' opinion that it would be impossible to find a suitable Board of Directors for a railway company in Hyberabad, he explained that he was speaking only from his local knowledge; he could not express any opinion as to the possibility of doing this in other parts of India.

5147. Alluding to Mr. Lloyd Jones' opinion that, other things being equal, Indian Boards should certainly be appointed to manage Indian railways, but that it is not in the interests of the State to risk efficiency for sentimental reasons; the Chairman enquired whether Mr. Lloyd Jones would give any weight to sentimental considerations. Mr. Lloyd Jones said that he would do so, but not if it eventually meant materially higher rates and fares or losses to the State.

5148. The Chairman suggested that if, for instance, it were established that American railway management is superior to English management, it might be suggested—on Mr. Lloyd Jones' principle—that the Board of Directors of an English railway company should be located in New York; and he asked what the opinion of the British public would be in such a case. Mr. Lloyd Jones thought that so long as the Board in New York stood to the railway it controlled in the same relation as the London Boards of Indian Railways, the public would not be much affected; if it were in the interests of efficiency, the Board should be located in New York for the public benefit. The Chairman thought that in such a case popular sentiment would certainly rebel.

5149. In reply to the Chairman, Mr. Lloyd Jones stated that the function of the Board of Directors was not to manage the affairs of the railway company from day to day, but to deal with broad questions of policy—his Board gives him a wide discretion. The Government of India have nothing to do with rates of pay to his staff, and they do not touch the company's rates at all. Mr. Lloyd Jones explained that the position of his company relatively to His Exalted Highness' Government is similar to that held by the other guaranteed Indian railway companies in relation to the Government of India. The Durbar has the right of inspection of the railways, controls rates and fares to a certain extent, and passes the revenue and capital estimates. The Government of India's Inspectors inspect the railway. Mr. Lloyd Jones was not sure whether His Exalted Highness' Government sees the Senior Government Inspector's reports—it does not act upon them.

5150. His relations with the Durbar are facilitated by the fact that the officials on the spot know all about the railway. On one occasion they had appointed a special officer to inspect the railway on behalf of His Exalted Highness' Government. No changes of any importance are carried out in rates or in policy without consulting the Government. In such matters the Agent deals with the Financial Secretary, who is not a railway expert. The Durbar have no technical railway staff of their own. Mr. Lloyd Jones thought that it facilitated work to be able to deal with the Government on the spot, as he could get into direct touch with the responsible officials and talk things over with them. He does not find that they interfere in small matters and he is careful to consult their views in regard to important questions.

5151. The witness explained that the Nizam's railway is in touch with the Great Indian Peninsula and the Madras and Southern Mahratta Railways. He has no difficulty in fixing through rates, but the line suffers somewhat from being isolated in Central India. For five or six years the Administration has been endeavouring to secure a new outlet for its traffic to the sea, and hoped to find this in Marmagoa, but had not the sanction of the Government of India to the necessary extensions. An obstacle arose in connection with proposals for the restriction of the rates on the line to Marmagoa to protect the vested interest of the Great Indian Peninsula Railway. The contention of the Nizam's railway was that if its traffic could not be got through to Bombay, it should be free to go to Marmagoa. The Great Indian Peninsula Railway, however, considered that the interests of the existing route should be protected and proposed that a rates agreement should be entered into under which Bombay would get an advantage over Marmagoa, notwithstanding that for some stations on the Nizam's railway the distance to Marmagoa would be shorter than that to Bombay. Until quite recently they were under the impression that the Railway Board would not support the claim of the Great Indian Peninsular Railway, but they were now uncertain as to the Railway Board's attitude.

5152. In reply to Sir Henry Burt, Mr. Lloyd Jones said that this was a question of traffic from the Nizam's territory; he did not think it would affect southern India traffic also; and in answer to Sir Arthur Anderson, he explained that the claim of the Great Indian Peninsular Railway was only in respect of traffic that would terminate at Marmagoa for direct export.

5153. Mr. Lloyd Jones explained that there had been no difficulty about money for railway construction in Hyderabad at least until this year. It was originally proposed that a line should be constructed from Secunderabad direct to Gadag through Raichur, enabling traffic to get on to the Madras and Southern Mahratta Railway at Gadag and to run over it to the Portuguese Railway. The line had now only been constructed as far as the river Krishna. The work was begun by His Exalted Highness the Nizam's Government on the understanding that the Government of India would not interfere with their rates in any way, but after commencing construction it was realised that His Exalted Highness the Nizam's Government would be compelled to agree to a rates restriction, and construction was accordingly stopped at Gadwal. It was at the suggestion of the Railway Board that the construction of this line was begun in the first instance. His Exalted Highness' Government also wished to construct another line (broad gauge) from Kazipet to Balasar; this was commenced as a famine relief work. Later on, Mr. Lloyd Jones advised His Exalted Highness' Government to extend the railway that had already been constructed as far as Gadwal by a connection due south to Kurnool, a distance of about 40 miles. This would give them a connection to the southern system and it appeared to him that His Exalted Highness' Government would not be required to enter into a rates agreement in connection with that extension.

5154. Mr. Lloyd Jones observed that the position is that His Exalted Highness the Nizam's Government is anxious to make railway extensions both to develop its territory and for profit. There is no such lack of money as exists elsewhere in India, but an obstacle to progress is encountered in the claim of the existing railways for the protection of their vested interests. The Chairman observed that railways would naturally object to losing part of their traffic and asked whether Mr. Lloyd Jones could suggest any remedy in such cases. Mr. Lloyd Jones thought that, if an existing railway has facilities which would be put out of use by the diversion of its traffic elsewhere, then it has a clear claim to consideration, and it would not be in the interests of the State to divert the traffic. But, if in spite of the diversion of some traffic by a new line a railway can fully utilise its facilities, then the construction of the new line should not be prevented if it is required in the public interests.

5155. He mentioned that the Nizam's railway is in a position to give 900 tons of traffic daily to the Great Indian Peninsula Railway at Manmad, but had frequently been restricted to 200 tons. It was for this reason that the Nizam's railway desired to find another outlet. They could not get their traffic on to the Great Indian Peninsula Railway, but were prevented by the claim for protection of that railway from making the lines to take elsewhere the traffic which it could not itself carry.

5156. Mr. Lloyd Jones stated that for some years past the cotton seed traffic offering was many thousands of tons more than could be carried during the season. This was on the line from Secunderabad to Manmad. In his experience, the *viâ* Manmad traffic was invariably restricted by the Great Indian Peninsula. There are constant complaints from merchants that they cannot move their crops. The Nizam's railway had done all it could to remedy matters. In normal years, no doubt, traffic had been got through before the new season. Mr. Lloyd Jones could recall one occasion when it had actually been necessary to burn cotton seed owing to the inability of the railways to carry it; in many cases, the movement of the crops to the railway stations did not take place owing to the known inability of the railways to take them away. He did not know in detail how much traffic might have been blocked back in this manner. Mr. Lloyd Jones promised to furnish the Committee with a statement giving precise figures, and the names of stations and dates at which cotton seed had been burnt. He stated that in 1919 the Nizam's Guaranteed State Railway had been involved in heavy losses on account of damage to cotton bales which could not be moved until the beginning of August. The losses to the merchants would probably be a great deal more than that to the railway.

5157. In reply to Mr. Purshotamdas Thakurdas, Mr. Lloyd Jones explained that the railway had insufficient shed accommodation to stock the goods, which were left in the open. They did not disclaim liability.

5158. Asked whether there was any remedy for the constant difficulty of protest against short circuiting, Mr. Lloyd Jones said he did not see any other alternative to the consideration of each case on its merits. The Chairman suggested that if for instance there were no District Board lines in southern India, or if the Nizam's railway were part of the general Indian railway system, this difficulty would not arise in these cases. Mr. Lloyd Jones agreed that in these cases the question would not arise if the projected line could be justified on economic grounds. He did not think that diversion of traffic by a new line was necessarily a matter for compensation of the old line by the new. The beneficial effect on the country of a new line would usually react favourably on existing railways. He mentioned that the Nizam's Guaranteed State Railway Company were constructing lines for His Exalted Highness the Nizam's Government that would divert traffic from their own system; but they had not asked His Exalted Highness the Nizam's Government to compensate them for the loss of traffic. There would be a diversion of traffic over the new broad gauge line from Kazipet to Balasar, but the company hoped that the general development of the country would eventually recompense them for any immediate loss entailed by the diversion. They expected to work the new lines for a small profit.

5159. In reply to Mr. Hiley, Mr. Lloyd Jones stated that some years ago the Nizam's Guaranteed State Railway had attempted to get into Masulipatam. He did not think that traffic to and from Masulipatam was blocked; the traffic was small because Masulipatam was not worth considering as a port. The Government of India had a short line running into Bezwada; the Nizam's Guaranteed State Railway made an offer to the Railway Board to purchase this line and to extend it as far as Masulipatam, but by that time, arrangements had already been made for the District Board to construct the line.

5160. The Chairman drew attention to Mr. Lloyd Jones' answer to Question No. 9 in his written evidence and asked whether the Committee of the Indian Board has no power to do anything unless the London Board wished. The witness agreed that it was so. He would not propose to give the Indian Board any powers except those delegated by the London Board. In the event of disagreement the Indian company would have the right to withdraw from the working company, and under their contract with the Government the English working company would be obliged to find a new Indian company to be associated with them.

5161. Mr. Lloyd Jones said that he would prefer a larger Board of an advisory character in place of the present Railway Board, executive responsibility being vested in a single officer. The Board should be more representative, consisting of permanent technical officers and representatives of business and financial interests and of the general public. The Board should have two quite separate sides—one of the nature of an Advisory Council; the other comprising the technical staff.

5162. The Chairman invited Mr. Lloyd Jones' attention to his statement in the written evidence that the railway system in the Hyderabad State would have been benefited by a more consistent policy on the part of the Railway Board and asked him to furnish the Committee in writing with some instances of what he meant by this. Mr. Lloyd Jones said that he would do this; but as an immediate example he mentioned that from about 1907 to about 1913, the Railway Board were very anxious that the northern and southern metre gauge systems of India should be connected. Their idea was to connect from the north at Akola to the south towards Kurnool, Guntakal or Gadag. His Exalted Highness the Nizam's Government were pressed very strongly by the Railway Board to proceed with the construction of this line; and a beginning was made by the construction of a line to the north from Purna, to be part of the northern link to connect with the Rajputana-Malwa main line. After this line was constructed, the policy of connecting up the M.G. system was abandoned, and the northern section which should have been constructed by the Government of India is not now to be constructed at all, with the result that His Exalted Highness the Nizam's Government have about 50 miles of line which is no longer required as part of the proposed link. Mr. Lloyd Jones promised to furnish particulars in writing.

5163. Mr. Lloyd Jones said that his statement, that 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, referred to standards of engineering construction. As an instance, he mentioned that a scheme had been drawn up for interlocking broad gauge stations and providing for short sidings at the end of the loop lines to isolate the running line. They were not allowed to use short sanded sidings and had to put in long sidings in accordance with the existing rules. On the advice of the Government Inspector, they modified their scheme and isolated the main line by means of derails on the loop lines. The policy of later inspecting officers of the Railway Board was different; they objected to the scheme which had been adopted to meet the views of their predecessor. Mr. Lloyd Jones thought that, if Government Inspectors had been controlled by one Engineer acting under the authority of the Railway Board, there would be more uniformity.

5164. The Chairman asked Mr. Lloyd Jones to do what he could in writing to particularise his answer to question 27. The particular district referred to in the written evidence in which the land revenue had increased from 13¼ lakhs of rupees in 1900 to 19¼ lakhs to-day was "Nanded." This increase of six lakhs includes only land revenue, but not excise and customs. He derived this information from the records of His Exalted Highness the Nizam's Government and suggested that His Exalted Highness the Nizam's Government would be able to give very valuable information on the subject. The Chairman asked

Mr. Lloyd Jones to furnish particulars as far as he could.

5165. With reference to his statement that the gross earnings of the railway stations serving the Nanded district have increased in the same period by 9 lakhs, Mr. Lloyd Jones said that it might be assumed that the operating ratio remained much the same. The witness said that traffic is not restricted on the Madras and Southern Mahratta Railway. There had been restrictions at Wadi on the Great Indian Peninsula Railway which had affected the castor seed traffic to Bombay. The restriction at Wadi had been serious in certain cases, but he could not give details off hand. There was no restriction on traffic at Bezwada. As regards the adequacy of their facilities, Mr. Lloyd Jones said that their engines and stock would deliver over 900 tons a day to Manmad in addition to traffic southwards; they would be satisfied with 600 tons in a normal year. They could obtain enough money to keep the railways properly developed. The State preferred to provide the money rather than allow the company to raise it.

5166. Mr. Lloyd Jones explained that the rates and fares on the Nizam's Guaranteed State Railway are about the same as those of the Great Indian Peninsula Railway. The 3rd class fares were raised about a year ago: and it was now contemplated to increase the 1st class fares also. A few items of goods' rates were also raised recently. The expenses of the railway were going up so rapidly that it was feared they would have to enhance charges more seriously in the future.

5167. In reply to Mr. Purshotamdas Thakurdas, Mr. Lloyd Jones stated that, on the metre gauge, the company had already paid off their debt. On the broad gauge, they refund a part of the Government loan every year from their revenue. They would not be able to pay off the full loan before the line reverts to Government, that is before 1983, there being still about a million and a half to be paid. Mr. Lloyd Jones promised to send for the information of the Committee documents which would give details of the financial arrangements between the Durbar and the company.

5168. The witness explained that Government did not exercise a very rigid control over rates and fares; generally speaking, these are subject to the approval of His Exalted Highness the Nizam's Government. The railway would make no important alterations without consulting that Government. Occasionally, complaints are sent by His Exalted Highness' Government regarding rates; these are decided on their merits, and the decision is eventually reported to His Exalted Highness' Government.

5169. Mr. Lloyd Jones stated that he had heard no special complaints against the railway administration generally, such as want of accommodation and other third-class passenger grievances. Complaints were received from time to time, but most of them were more or less trivial. The Nizam's Guaranteed State Railway does not get a rush of traffic.

5170. His Exalted Highness the Nizam's Government had its own official Director on the Board in London; he was a nominee of the State, and the gentleman now in that post had been the Finance Minister of the State for many years.

5171. Mr Lloyd Jones said he was hardly in a position to say whether the Railway Board have exercised adequate control, because their relations with that Board are rather exceptional. He was not in a position to know if the Railway Board have exercised any control over the quotation of block rates.

5172. In answer to Mr. Purshotamdas, Mr. Lloyd Jones did not think that the maximum and minimum rates fixed, as provided in the agreement with the various companies, were so far apart that the interests of Government and of the companies could not possibly be reconciled. He thought they could be reconciled. He thought they could be reconciled by an efficient body representing the Government. Mr. Purshotamdas emphasized that the agreements with the companies in British India are such that the Government of India cannot interfere as long as the companies do not raise their rates above the prescribed maxima; it is only when they get beyond the maximum that the Government control becomes effective, but it is then practically useless.

5173. With regard to Mr. Lloyd Jones' view that directors at a distance are able to form a better judgment, uninfluenced by local prejudice, he explained that a director who is present on the spot, and who sees some isolated effect of a certain policy, might not form so good a judgment, as he would, uninfluenced by special knowledge, be likely to be influenced more by what he sees with his own eyes than by other considerations for which he would depend on reports of other observers. Mr. Purshotamdas could not understand why a man on the spot is not able to judge a thing better than a man who is removed 6,000 miles away. The Chairman said that he understood Mr. Lloyd Jones to argue that if the director sees only one small section, say one-tentth, with his own eyes and the remaining nine-tenths through papers, he was less likely to give a correct decision than if he either sees the whole with his own eyes or the whole is presented to him in papers. Mr. Lloyd Jones agreed that that was his point.

5174. In connection with his recorded opinion that it would not be possible to find a suitable Board of Directors for a railway company in Hyderabad, the witness admitted that he was not aware of the conditions in other parts of India; there were no local industries or companies in Hyderabad of the importance of those in Calcutta or Bombay.

5175. With reference to Mr. Lloyd Jones' observation that a director's judgment is formed on carefully prepared reports submitted by the executive staff and not on personal observation, he admitted that very frequently a director's judgment results in confirmation of the local officer's action; but this is not necessarily the case. The agent considers and recommends what in his view is the best policy to adopt under the circumstances in India and the directors at Home discuss his recommendations. They might agree with or differ from him. The material on which the Home Board's judgment is based is the same as that on which agent's is. In cases of difference of opinion, as for example between the agent and the traffic manager, the views of both are sent Home.

5176. Mr Tuke said that he could not understand the suggestion that the capital of a working company should be paid to Government as a guarantee, and asked the witness kindly to explain it further. The witness said that the capital of the working company should not be looked upon as part of the capital of the railway company at all. It should rather be considered as a guarantee similar to a security deposit paid by a contractor as a guarantee that he will fulfil his contract. He did not intend that the working company should have any share in the capital of the railway they work, but the rate of interest paid to them on their guarantee should be dependent on the annual result of working the railway.

5177. In answer to Mr. Hiley the witness said that his railway could book through to Bombay and through to Madras. As regards interchange of wagons, the witness mentioned that the Nizam's Guaranteed State Railway is in the wagon pool arrangement. Although it is not under the Railway Board the railway company generally acts as though it were. The agent attends the Railway Conference meetings. As regards rates and fares and interchange of traffic the Railway Board is impartial to the Nizam's Guaranteed State Railway, but in regard to extensions it was the opinion of the witness that the railway would have been treated better if the Board had been more representative and had a better knowledge of the conditions of the Hyderabad State. Both geographically and politically the Nizam's railway is isolated. It has got its own collieries and coal traffic. It sends coal both to Madras and Bombay, the greater quantity being sent to Madras.

5178. As regards the relation of the Nizam's Guaranteed State Railway with the Barsi Light Railway Company, the witness said that before a new railway is built in the Hyderabad State, permission has to be obtained both of His Exalted Highness the Nizam's Government and also of the Government of India; the new railway has also to secure the agreement of the Nizam's Guaranteed State Railway Company, which has a monopoly under its contract with His Exalted Highness's Government. The Barsi Light Railway has entered into an agreement with the Nizam's Guaranteed State Railway Company under which the latter has agreed to the construction by the former of a line of railway, reserving the option to purchase the light railway on certain conditions. The witness said that the light railway is competing with the Hyderabad Guaranteed State Railway. He did not know whether any extension of it is under contemplation.

5179. In reply to Sir Henry Burt the witness said that the Nizam's Guaranteed State Railway worked generally within the same maxima and minima rates as other railways. The Durbar probably originally sanctioned the rates obtaining at the time of construction, and their approval is obtained for any important change in the classification. The witness did not think that there was anything in the contract that would necessitate this approval being sought.

5180. As regards the employment of Indians in the superior service of the Railway, no distinction is made between Indians and Europeans. During the war quite a number of Indians were appointed, and these are on the same footing as Europeans with regard to pay, allowances, etc. The Nizam's Guaranteed State Railway Company has no definite policy in regard to the employment of either Indians or Europeans. The proportion of Indians to Europeans in its service at present is about one to four.

5181. In answer to Sir Arthur Anderson the witness said that his company owns 385 miles of the metre gauge and the whole of the broad gauge in the Hyderabad State.

5182. The witness was almost sure that the incident of the burning of cotton seeds owing to the inability of his railway to carry them would have been reported to the Government of India. He was not quite sure of the date of its occurrence, but thought it happened about the end of 1914, that is, at a time when the effects of the war were not yet serious.

5183. In reply to the Honourable Mr. Sastri the witness said that one of the officers of his railway was a subject of the Hyderabad State, but others were recruited from all over India. The Indians had mostly been local men in the past, but they had the usual casualties by death and resignation and transfer to His Exalted Highness the Nizam's service. He admitted that a good number of Indians were appointed because many of the officers of his railway had gone to the front, but the railway always employed a certain number. In the matter of the appointment of Indians no pressure was brought to bear on the railway by His Exalted Highness's Government. Whatever appointments were made they were made entirely of the company's own accord. It did not lose any opportunity of appointing Indians. The witness did not think that there were any in district charges at present except one—District Engineer. The Chairman asked whether, in the witness's experience of 16 years, there had been any change in the company's policy towards the employment of Indians. The witness said that there was a rather greater readiness now than formerly to employ Indian officers. The railway could not so easily get men from Home to fill vacancies. The railway promotes the Indians to the highest appointment they are capable of holding, there being no racial distinction at all in this regard. Indians are exactly on the same scale of pay as Europeans, and the witness thought that there was no reason why the Indian should not be able to rise to the highest positions in the railway.

5184. The Honourable Mr. Sastri asked whether there are any training schools from which the railway recruits its officers. The witness replied that all the Indians the railway had appointed had English degrees. He thought that there was only one in the Traffic Department, and was not sure whether he had been educated in England. His rank was not high because he had not been long on the line. One Indian had risen to Assistant's rank in the Audit Department. The witness said in conclusion that the Nizam's Guaranteed State Railway is a small one, there had been one or two deaths and one or two reversions to the Nizam's service and hence it was that the number of Indians in the higher services was small.

5185. In answer to the Chairman, who drew attention to evidence placed before the Committee that Indians do not take kindly to the Locomotive Department, the witness replied that in the Locomotive Department of his railway there is only one, a non-technical, Indian officer; he added that the railway company had tried on several occasions to get Indians for this department, but had not succeeded. It could and did easily get Indians for Civil Engineering, Audit and Traffic work. Sometime back the railway had failed to obtain a qualified Indian Superintendent of Stores.

5186. The witness wished it to be recorded that he had had no instructions from his Home Board as to the evidence he should give before the Railway Committee, and that the views expressed by him were entirely his own, and should be treated as such.

P.S.—Mr. Lloyd Jones subsequently furnished the following notes, &c., to the Committee as promised in his foregoing evidence.

EXTRACT FROM THE ACCOUNTS, TO 31ST MARCH, 1919, OF H.E.H. THE NIZAM'S GUARANTEED STATE RAILWAYS COMPANY, LIMITED.

* *Contingent Liability on Interest Accounts, 31st March,* 1919.

No. 25. BROAD GAUGE SYSTEM.

	£ s. d.		£ s. d.
GOVERNMENT OF H.E.H. THE NIZAM— For amounts received to pay Guaranteed Annuities *as per last account*	3,409,536 9 4	GOVERNMENT OF H.E.H. THE NIZAM— Repaid from Net Earnings *as per last account.*	2,526,475 5 10
Receivable for the year ended 31st March, 1919.	13,750 0 0	Repayable from Net Earnings for the year ended 31st March, 1919 (*Account No.* 20)	13,771 16 4
	3,423,286 9 4		2,540,247 2 2
For Interest at 5 per cent. per annum on the balance of the above amounts accrued to 31st March, 1918, *as per last account* £1,350,041 7 9			
For the year ended 31st March, 1919 44,152 10 7	1,394,193 18 4	Balance	2,277,233 5 6
£	4,817,480 7 8	£	4,817,480 7 8

* NOTE.—These are contingent claims of the Government of H.E.H. the Nizam for interest advanced, which is repayable in pursuance of Article 31 of the Agreement dated 27th December, 1883, and Article 30 of the Agreement dated 16th March, 1897, with that Government.

31 *January* 1921.] MR. C. W. LLOYD JONES. [*Continued.*

HYDERABAD GODAVERY VALLEY LINE.

No. 26. METRE GAUGE.

	£	s.	d.		£	s.	d.
GOVERNMENT OF H.E.H. THE NIZAM— For amounts received to pay Guaranteed Annuity *as per last account*	1,500,586	12	0	GOVERNMENT OF H.E.H. THE NIZAM— Repaid from Net Earnings *as per last account.*	1,535,063	7	4
Receivable for the year ended 31st March, 1919.	96,750	0	0	Repayable from Net Earnings for the year ended 31st March, 1919, to Balance Account.	96,750	0	0
	1,597,336	12	0				
For Interest at 4½ per cent. per annum *as per last account.*	34,476	15	4				
£	1,631,813	7	4	£	1,631,813	7	4

NOTE ON POLICY OF THE GOVERNMENT OF INDIA AS AFFECTING RAILWAYS IN HYDERABAD STATE.

The Government of India agreed to the construction of the H.G.V. line from Secunderabad to Manmad on condition that the saving effected by constructing it to metre gauge should be expended on linking up the metre gauge systems of North and South India. The H.G.V. line was constructed under this sanction and opened for traffic in 1901.

From 1904 to 1906 the Government of India became more and more insistent upon H.E.H. the Nizam's Government continuing the scheme of linking up the north and south metre gauge systems. As a result H.E. Highness's Government constructed the metre gauge line from Purna to Hingoli, opening it for traffic in 1913, although the Government of India were unable to state definitely when they would be in a position to undertake the construction from Khandwa to Hingoli.

H.E.H. the Nizam's Government applied for and obtained permission to begin work on the first section of the southern link from Secunderabad to Gadwal; construction was commenced in 1913, and this section was opened for traffic in 1916. The Government of India have intimated that the completion of this line as far as Gadag will be sanctioned on condition that H.E. Highness's Government enter into an agreement restricting the rates to be charged over the new railway in such a way as to prevent the diversion to Mormugao of traffic from the Nizam's Dominions, which now goes to Bombay *via* the G.I.P. Railway.

Recently H.E.H.'s Government have learnt unofficialy that the Government of India have abandoned the scheme of metre-gauge connection from Khandwa *via* Akola to the borders of the Hyderabad State, and that the north and south metre-gauge connection no longer finds a place in the construction programme of the Government of India.

In view of the delay in arriving at a settlement regarding the extension from Gadwal to Gadag, and on the advice of the N.G.S. Railway, H.E.H.'s Government applied for sanction in 1919 to complete the southern connection by building the comparatively short line from Gadwal to Kurnool, and at the same time to proceed with the construction of a broad-gauge line from Kazipet to Belharshah. A meeting was held at Delhi in 1920, and H.E.H.'s Government were advised that the Railway Board considered that the rates' conditions proposed by the G.I.P. for the Gadwal-Kurnool line could not be sustained, and no suggestion was made that sanction to the Belharshah line would be conditioned on a rates' agreement being arranged. The construction of the Belharshah line has been commenced and sanction notified in the Gazette. The Railway Board have since suggested that a rates' agreement shall be entered into for the Kurnool and Belharshah lines on the same general basis as that proposed for the Gadag line.

RESTRICTION OF VIA MANMAD TRAFFIC.

Normal traffic outwards *via* Manmad (mostly to Bombay) is about 100,000 tons per annum, or 280 tons per day for 365 days. Most of the traffic offers in the months December to May, and the traffic offering in the heaviest month of a normal year averages 600 tons per day, but may be much higher over a shorter period than one month.

The restrictions on this traffic by the G.I.P. at Manmad have been as follows:—

Season.		1916–17.	1917–18.	1918–19.	1919–20.
Average restriction from December to May	Tons per day	250	160	291	377
	Months	2	5	5	5

The restriction approximates to the average traffic of the year, and compels the traffic to be held back during the busy season.

The season of 1913–14 was above normal, and we actually carried 181,000 tons *via* Manmad, exclusive of traffic diverted to other routes and traffic destroyed by rain. This amounts to 510 tons per day for 365 days. The restriction at Manmad was 800 tons per day, but owing to a shortage of broad-gauge wagons the G.I.P. frequently could not take more than 600 tons (*vide* telegrams interchanged between Traffic Manager, Secunderabad, and Station Master, Manmad). On 1st June 13,000 tons of cotton seed and 1,500 tons of linseed were in bags waiting shipment, principally at Nanded Station. Of this quantity, about 7,000 tons of cotton seed was stacked in the open and was damaged by rain, so that notices had to be served on the owners to destroy it. Part of this was burnt and part sold by auction. On 1st July traffic between Nanded and Manmad was interrupted by flood damage, and the undamaged cotton seed was carried via Wadi.

RESTRICTION OF VIA WADI TRAFFIC.

Normal traffic is about 300,000 tons per annum, or about 65 wagons per day for 365 days. The heaviest year in the last seven years was 1913–14, when we carried 368,000 tons, or about 82 wagons per day for 365 days. In order to deal expeditiously with our traffic the G.I.P. should be able to take 100 wagons per day in the busy season.

It is not possible to explain briefly the effect of the restrictions in all cases in recent years without separating the mineral traffic, but in 1917–18 the restriction was 70 wagons per day for four months in the season, and in 1919–20 the restriction was 70 wagons per day throughout the busy season.

In the busy season, therefore, the traffic is restricted to our average daily traffic throughout the whole of a normal year, and does not enable us to deal with seasonal traffic as it offers.

The effect of the restriction at Wadi was reported to the Railway Board in this office letter dated 7th May, 1913.

1 *February* 1921.] MR. H. P. W. MACNAGHTEN, M.L.C.

THIRTY-SECOND DAY.

(Bombay).

Tuesday, 1st February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
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Mr. H. P. W. MACNAGHTEN, M.L.C., Deputy-Chairman of the Chamber of Commerce, Bombay, was called and examined upon a statement which had been furnished by the Chamber to the Committee.

5187. Mr. Macnaghten explained that he was a member of the firm of Messrs. Wallace and Company, Bombay, which has a special personal interest in Indian railways, as its business is largely connected with the sale of timber, much of which reaches the railways.

5188. Mr. Macnaghten said that the memorandum which had been furnished to the Committee had been drawn up by the Committee of the Chamber and circulated to its members. It might be taken as the considered opinion of the Chamber of Commerce. In reply to the Chairman. he stated that the membership of the Chamber is about 90 in all and is mostly British. A very few Indian firms are full members, and there are a few Japanese associate members.

5189. The Chamber had expressed the opinion that from the standpoint of administration, State management of railways cannot be regarded as advantageous, as it tends to remove the element of competition which is necessary, from the public point of view, to the development of railways, and introduces what might be described as "the political element" into the administration concerned. The Committee feel that decisions affecting important questions of staff management, such as appointments and promotions, are likely to be influenced in the first place by extraneous political considerations, and in the second by the seniority of individuals rather than their efficiency. Mr. Macnaghten explained that in speaking of State management tending to remove competition, their view was that it was well that there should be a certain amount of competition: for example, there are two routes from Bombay to Delhi and two to Calcutta. The Chamber would like to retain the competition thus afforded. He thought that if a company were willing to construct a new route competing with the existing one between Delhi, as a sound financial proposition. it would be to the interests of the country to let them do so. In the present state of affairs, however, Mr. Macnaghten agreed that it would be better to improve existing railway facilities rather than to spend money on providing new lines competing with those already in existence. Mr. Macnaghten stated that he does not sympathise with the existing English policy of grouping railways and restricting competition between different lines. as he thought that a healthy competition is beneficial.

5190. The Chamber having advocated the adoption of the principle of company rather than State management in the case of all railway administration in India excepting any railways serving a strategical frontier, such as the North Western Railway. Mr. Macnaghten explained that if it be assumed that a railway exists purely for strategical purposes, it is on the same footing as military fortifications and other equipment, and he thought that the cost should be defrayed from military funds.

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5192. Referring to the opinion of the Chamber that the value of such a local Board in India would be particularly apparent in the settlement of labour disputes the recurrence of which, for some time to come is to be feared, Mr. Macnaghten, in reply to the question whether he would prefer labour disputes to be settled by a Board or by one competent person authorised to deal with them, thought that the latter would be the better arrangement, but the individual (who would, of course, be the agent of the railway) should have behind him the authority of a local Board which would understand local conditions. He did not anticipate any disagreement between the agent and the local Board in such matters, and thought that if they did not agree at first they would have to continue to discuss matters until they do. He did not look upon the London Board as affording a court of appeal in such cases, but considered that the local Boards in India should be the responsible authority.

5193. The Chairman observed that it had been remarked by some that a local Board would be accessible to public opinion, or, as Mr. Macnaghten preferred to express it, would be in touch with local conditions, whereas it was said that the London Boards care only for their dividends. He suggested that there would be material for considerable differences of opinion in a scheme whereby two such bodies were working together. Mr. Macnaghten considered that the London Board should leave matters of local administration to the local Board. He recognised that London shareholders might object and hold

that it was for the London Board to exercise control over matters affecting their dividends. He thought, however, that even if the settlement were left to the Board in London, this would have to act on the recommendations of the agent, or else involve the railway system in difficulties. He thought that the London Board would be in a stronger position if it had a local Board to which it could delegate powers. He did not contemplate that in the exercise of such powers the local Board should be subordinate, as the agent at present is, to the directors in London, or be liable to dismissal by them. He thought that if he were himself a London shareholder, he would have rather more confidence in a strong local Board even if it were uncontrolled from London than in the agent of a railway who can be controlled under the existing system.

5194. The Chairman observed that many other witnesses had also expressed themselves in favour of the view taken by the Chamber of Commerce as to the necessity of freeing the Railway Board from all unnecessary restrictions, especially in regard to railway finance. He asked, however, what exactly the Chamber meant by the use of the term "commercial principles" when saying that the Railway Board should have full authority to administer railways on commercial principles. Mr. Macnaghten explained that he did not mean that the services which the railway is in a position to render should be sold at the highest possible price, but rather that the lines should be managed on the principles which actuate large commercial companies, which are administered with a view to the future as well as to the present, and to the permanent interests of the shareholders rather than merely to immediate profits. He would regard every man in the country as a shareholder in the Indian railway system.

5195. The Chairman mentioned the case of a railway which had been begun in 1908 and which was not yet completed, and the interest charges on which amounted to 28 per cent. of the capital because of money not being forthcoming to allow of the earlier completion of the line. Mr. Macnaghten agreed that this was certainly not in accordance with commercial principles. He agreed with the opinion expressed to the Committee by Lord Inchcape, who said that he would pay any interest, up to 8 per cent. if necessary, to secure money required to improve existing railway facilities, though he would not raise money at the present time for further extensions. He thought in general that the railway administrations should look to the future development of the lines.

5196. The Chamber of Commerce had expresed the opinion that the removal of all control by the Finance Department over the railway budget would result in the utilisation of surplus railway earnings for railway development to a greater extent and "in a more enlightened manner" than at present. Asked what he meant by "a more enlightened manner" he said that he had in mind the practice of the Government of India, which was particularly noticeable in 1918-19, of using all the profits of the railways to pay themselves dividends and putting nothing back into the business. He thought it wrong to divide money as dividends which would have been spent on renewals if material had been obtainable, instead of its being kept as reserve to be spent when the material could be obtained. It was because of the failure of the Government of India to deal with the railways in such a businesslike manner that the Chamber of Commerce are definitely in favour of the change proposed by their Committee.

5197. Referring to the Committee's opinion that the President of the Railway Board should be a member of the Viceroy's Executive Council, Mr. Macnaghten observed as regards the qualifications of this officer, that he should, if possible, be a man of both administrative capacity and railway experience. If, however, a single individual possessing both qualifications (which are obviously desirable) could not be secured, he thought that it would probably be better to lay stress on the need for administrative capacity than on technical knowledge. He thought, however, that it would not be difficult to secure a man possessing both qualifications. He agreed that the control of all the railways in the country is an important charge, but he thought it reasonable to hope for success in finding a competent man amongst those who have worked successfully on railways and who have acquired administrative as well as technical knowledge.

5198. With regard to the salaries that would have to be paid, Mr. Macnaghten said that he could express no opinion. It would, however, be bad business to underpay the staff, and the Railway Board should be paid properly. He saw no reason why the general rise of pay which has been recognised is the case of lower-paid appointments should not apply also to the superior officers.

5199. Regarding the recommendation that a programme of the requirements of railways for a number of years should be drawn up, Mr. Macnaghten explained that what the Chamber had in mind was that a programme should be drawn up in advance to enable the important subjects which are before the railway administation from time to time to be reviewed and provided for. It should be revised each year according, on the one hand, as works in the programme are completed, and, on the other, as new demands appear on the horizon. Sufficient money should be made available to deal with the programme in an orderly manner. He would not think it sound policy to begin to build, for example, a factory and leave it unfinished at the end of a particular year until money can be provided. The amount of money necessary to suit the programme would have to be set aside and should not be available to diversion for other purposes. The Railway Board should have full authority to spend this money as required.

5200. With regard to the suggestion of the Chamber that money required for railway purposes should be raised by means of Government loans, Mr. Macnaghton explained that, in the event of Government raising money for railways as part of their general borrowings, the proportion to be raised for railway purposes should be fixed beforehand and be credited in full to the railway account, being available then to be drawn up as required. The alternative method of raising money by means of an issue of sterling capital in London implied the raising of new share capital, since debenture capital is to all intents and purposes part of the Government of India's borrowings. The Chairman observed that Indian opinion, so far as voiced to the Committee, is strongly against giving to English shareholders, some 6,000 miles away, an increased interest in, and control over, the Indian railways. Mr. Macnaghten observed that his Chamber had recommended the practice of raising money directly by the State as well as indirectly through the railway companies. He did not claim particular knowledge of these matters, but was inclined to think that money raised by share capital in London would have to carry different conditions as to participation in surplus profits or else would need to be raised at a discount in view of the fact that the Indian railway share capital in London at present stands below par. He thought that the latter would be more in accordance with ordinary commercial principles.

5201. In regard to the possibility of raising of rupee capital by the existing Companies' Boards, he thought that the Home Government would have to be approached with a view to securing exemption from English income tax. The Chairman observed that this might be difficult to work in practice, since the tax is levied on the profits of the company, and only after deducting this are the profits remaining available for division as dividends. Indian shareholders would thus have to pay English income tax, although indirectly. Mr. Macnaghten said that unless the income tax difficulty could be got over he did not see how this alternative method of raising capital could be utilised.

5202. Turning to the Chamber's recommendation regarding the utilisation of private enterprise, and capital for the construction of new lines and for an improvement in the terms granted to promoters, Mr. Macnaghten stated that if the Government or the companies had enough money for the purpose, he would not advocate the use of branch line companies to make feeder lines. The Committee's recommendation was made on the assumption that the available money would not be enough to let the main lines undertake the branches, as had always proved to be the case in the past.

5203. The Chamber of Commerce expressed the opinion that the present control by Government over rates is adequate, and that they were unable to suggest any modification in respect of it. The Chairman suggested that a railway company, being free to modify its charges within the prescribed maxima and minima rates, might charge one man more than another for a similar service. He did not suggest that railways actually do so, but observed that it appeared to be a possibility. Mr. Macnaghten said that he was under the impression that the railways were prevented from giving any undue preference. The Chairman explained that at present Government have special powers of control in this matter under some of the companies' contracts, but that in other cases the only remedy was that provided by the Railways Act for the appointment of a Railway Commission. That power had been in existence for many years, but had never been used. Either the railways must have been very virtuous or the machinery provided must be too inconvenient to set in motion.

5204. Referring to the Chamber's opinion that the existing machinery for deciding disputes between railways and traders is satisfactory, Mr. Macnaghten explained that as far as he was aware no serious difficulty had arisen, and it might therefore be assumed that whatever machinery exists for the purpose is adequate. He did not think that the Railway Board would be the best body to settle disputes if such were to arise, and he agreed that possibly the cases of small traders, who cannot so easily obtain a hearing from the higher railway authorities as the larger firms, might require more protection.

5205. In reply to Sir Henry Ledgard, Mr. Macnaghten explained further what he meant by the use of the expression "commercial principles" in connection with the management of railways. He explained that if, for instance, owing to the increased working charges, railways are unable to pay their way, and have to fall back upon the Government guarantee of a dividend, it would be their duty to increase their rates, so that they might meet their liabilities. While the railways should not aim at selling their services at the highest possible price, they have a reasonable claim to raise the rates for certain commodities in view of the general rise in working costs.

5206. Mr. Macnaghten said there was very little doubt that the railways having access to Bombay had not in recent years provided adequate facilities for the carriage of goods. As an example, he mentioned the shortage of coal, which is due to the lack of railway facilities. He believed that delays in the transport of commodities are considerably greater now than they were eight or ten years ago. The Chamber of Commerce receives a very large number of complaints from its members. He thought the general situation is improving, though the adequacy of the railway facilities is much behind the standard of ten years back.

5207. He stated in reply to the Chairman that the railway companies are members of the Chamber of Commerce, the two Railway Agents always being members of the Committee.

5208. In answer to the Hon. Mr. Sastri, Mr. Macnaghten agreed that, in speaking of competition being desirable between railways, he had rather less in mind competition between two lines to secure the same traffic, which is not at present very large except as regards the carriage of Bengal cotton to Bombay. Such competition he thought it would be uneconomical to introduce. He had in mind rather another form of competition, namely, emulation in efficiency. He thought that if all the railways were managed by the State there would be less rivalry of this kind. He agreed that some such expression as "emulous rivalry" might be substituted for the word "competition" in the second paragraph of the Chamber's written evidence.

5209. As regards the question of staff promotion being determined rather by seniority than by efficiency, Mr. Macnaghten laid stress on the opinion that, within bounds, promotion should always be given with reference rather to efficiency than to seniority. Mr. Sastri observed that in every large service there is the feeling that selection for promotion may be dictated rather by favouritism than by real consideration of efficiency, and that it is easier to prevent such a feeling in a small service than in a large one. Mr. Macnaghten said that he did not think it would be more difficult to apply the test of efficiency in dealing with a large scale than with a small scale business. He thought that to make promotions by seniority tended rather towards the introduction of the Trade Union practice of limiting output; that is, it would reduce the incentive to work. He did not agree with Mr. Sastri that it would be desirable to follow in the railway service the example given in many departments by Government in which there is a division of grades, seniority counting mostly in the lower grades, and efficiency counting most for appointments to the higher posts. He would recognise seniority to a somewhat greater extent in the lower grades, but considered that efficiency might be recognised right down to the bottom. As an illustration, he mentioned that in an army of many millions of men even lance-corporals are selected for efficiency, and not otherwise. He agreed, however, with the Chairman that this case indicated the existence of a real difference between a small and a big concern, since such promotions as those made inside a platoon caused no ill-feeling, but they would be resented if they involved transfers from one section of the service to another. Such feeling is not uncommon when the second in command of a regiment does not succeed to the command on a vacancy occurring and a colonel is brought in from another regiment.

5210. With regard to the Chamber's observations on the introduction of the political element into railway administration, Mr. Sastri observed that he agreed with Mr. Macnaghten that company managed administrations are freer from extraneous considerations, by which Mr. Macnaghten explained that he meant considerations apart from seniority or efficiency of individuals, than the State administrations. But he suggested that it may not necessarily be a weakness or a source of danger and therefore undesirable. Mr. Macnaghten explained that he would regard it as such if it tends to the sacrifice of efficiency. He thought that there would be a tendency to the creation of sinecures or the promotion of less efficient men for political reasons. He said he was not afraid of the introduction of Indian element into the highest posts. On the contrary he thought that the sooner efficient Indians could be introduced the better. He was not troubled by the thought of efficient Indians holding the highest appointments, but he thought that the State would be more disposed than a company management to put in or retain inefficient people whether Indians or Europeans.

5211. Sir Arthur Anderson questioned the witness with regard to the point whether the probable dislike of the English shareholders to the delegation of powers to local Boards of Directors, would be lessened if the local Board represented a capital stake in the concern by being, for example, representatives of Indian shareholders. Mr. Macnaghten agreed that this would be the case as the interests of the local and the London Boards would then be more in line. Sir Arthur Anderson explained that what he had in mind was the formation of a local company to take the position of a third partner in the concern of which the present partners are the Government of India and the managing company and to which the London Company might dispute some of its powers of control. Mr. Macnaghten was uncertain as to the

feasibility of such a scheme, but he thought that if it were possible to devise a satisfactory scheme on these lines, and in particular if the difficulty apprehended through the liability of the Indian Company to English income tax could be surmounted, it would be a good thing to raise rupee capital in this way. He thought the idea was to some extent on the same lines as what the Committee of the Chamber of Commerce had in mind.

5212. Sir Arthur Anderson mentioned that the Railway Administration Report for the year 1919-20 indicated that a little over Rs. 18 crores had been provided for capital expenditure on open lines, rolling stock and a small outlay for new construction, and at the end of that year there had been a lapse of nearly Rs. 8½ crores. Again in 1920-21 the budget provision amounted to nearly 22 crores, and he understood that considerable lapses are probable this year also. He suggested that, in the circumstances, it could not be urged that the railways had not been allowed substantial sums of money, and, in fact, more than they were in a position to spend. He recognised that their failure to expend the money was largely due to inability to secure delivery of the goods ordered. Mr. Macnaghten observed that when the note of the Chamber of Commerce was drafted, the latest Administration Report available was that for 1918-19. The Chamber thus had not the figures which Sir Arthur Anderson referred to at their disposal. He agreed that the railways had been allowed a good deal of money in the past couple of years. He considered, however, that they had not an opportunity of preparing and working to a regular programme of expenditure. Sir Arthur Anderson said that he was not defending the present system of finance, but only wanted to point out the misapprehension that there was as regards the budget sanctions for the two years mentioned.

5213. Referring to the recommendation of the Chamber of Commerce that Directors of the Home Board should serve on the Indian Board in rotation, to ensure that there is always a member on the Home Board whose experience of Indian conditions is of reasonably recent date, the Chairman asked what this Director deputed from England would do for the 13 days of a fortnight during which he is not attending a Board meeting. Mr. Macnaghten observed that he would be occupied with acquainting himself with the details of the undertaking. He would of course be paid a substantial salary. He was not afraid that there would be risk of friction between the temporarily resident London Director and the permanent Agent, even though the Director when in London was the superior of the Agent while in Bombay, the Agent would take the chair at the local Board meetings.

5214. In answer to Sir Henry Burt, who asked whether the Chamber had any views on the question of the differential rates that obtain as between import and export traffic on the one hand, and internal traffic on the other, with the result, as it has been alleged, that the development of indigenous industries is hampered, Mr. Macnaghten replied that he had not gone at all into the question nor had the Chamber. The raising of import and export rates much higher relatively to inland rates than they are now, required very careful consideration, each commodity being dealt with on its own merits. He fully realised that a general increase in the rates is inevitable owing to the increase in the cost of working, and he thought that this Chamber would recognise this fact. He would not generalise in any way, as for instance, he would not approve of rates being put up all round by say 25 per cent. He would rather consider individually each case.

5215. Sir Henry Burt asked whether the Chamber of Commerce was satisfied that the Railway Companies in Bombay deal with its complaints satisfactorily. Mr. Macnaghten replied that it was quite satisfied with the way it was treated. He even went further and said that in this matter he thought he might also speak for the smaller firms as well as others. Though he could not say everything was perfect, it was the feeling of the Chamber that the Railways were making very satisfactory efforts to meet it as far as they could within their financial abilities.

5216. Mr. Hiley asked whether Mr. Macnaghten could give any instance of competition leading to improvement in the working of the railways in India. Mr. Macnaghten cited the train service between Bombay and Calcutta and Bombay and Delhi. Here competition operates as far as passengers are concerned. As regards competition in the matter of goods traffic the witness was glad to believe that there is really no active competition, as competition is understood in other parts of the world, but that what there is is merely a sort of emulation in efficiency. Mr. Macnaghten was rather doubtful if there would be the same emulation if the Agents who are now under Companies came under State management. He feared that they would deteriorate. The Chamber might possibly be prejudiced, but it felt that State management tends towards lifelessness.

5217. The Chamber of Commerce regard it as important that in addition to maintaining the London Board at its present strength, there should be instituted in India an Executive Board. Mr. Hiley asked Mr. Macnaghten what powers would remain to the London Board if, as the Committee of the Chamber suggest, questions of local policy—other than those connected with new construction and administration were left to the Indian Board, and if, as advocated by him in answer to the Chairman, the local Board should have control over the Agent, the principal executive officer of the railway. Mr. Macnaghten replied that the local Board would have very little qualification to deal with technical matters which at all times are bound to arise in a railway as apart from questions of administration such as labour, staff, etc. Mr. Hiley pointed out that the railway being in India, all questions connected with it are local questions, and that further there arises the question of fixing rates, in so far as they have not been fixed by law which meant control of finance by a local Board who are not responsible to the shareholders; he asked whether Mr. Macnaghten really thought it possible to have two Boards controlling the same staff, as suggested by the Chamber of Commerce. Mr. Macnaghten observed that he works in this way himself. He manages a fairly large Indian and Burma staff for which only he is responsible, but he freely asks the help and advice of his senior partners in London. He agreed, however, on re-consideration that the cases are not on all fours. He laid stress on the view of the Chamber of Commerce that something in the nature of an advisory board is necesary. Mr. Hiley said that if the Chamber had in mind only an advisory board there would be no difficulty in understanding how this could work. But a difficulty seemed to be created by the proposal that the Indian Board should have delegated to it final powers of control in important matters.

5218. Mr. Hiley observed that there seemed to be some conflict between the opinions of the Chamber of Commerce that the Railway Board should be given fuller authority to manage the railways, and its view that if the Board were given more powers of control, it would result in their having to deal with a number of appeals, many of which should not be referred to that body. Mr. Macnaghten explained that the general impression was that the Railway Board should have more powers. The latter opinion had been expressed more particularly with reference to the disposal of appeals in connection with rates and fares. Mr. Hiley observed that the delegation of greater powers to the Railway Board would inevitably lead to a large number of appeals being presented to it for the exercise of those powers in special cases.

5219. Mr. Macnaghten stated that it might be taken that the Chamber considers that the Railway Board are sufficiently alive to the requirements of

Bombay in particular and of India as a whole. Mr. Hiley remarked that some witnesses had suggested that more remote parts of India suffer at the hands of the Railway Board in comparison with those which are more in touch with it. Mr. Macnaghten stated that the Chamber of Commerce was not of this opinion, and did not consider that the Board needed a local representative to keep it informed of local demands.

5220. In answer to Mr. Tuke, Mr. Macnaghten agreed that the question of finance is a very important one. He admitted that there appeared to be serious objections to rupee capital being raised by existing railway companies in view of the liability of Indian shareholders to English Income Tax which, as explained by the Chairman, could not easily be avoided; and also having regard to the possibility that it might necessitate the existence of two classes of capital sharing differently in profits. Regarding the independent Indian company which had also been suggested by Sir Arthur Anderson, Mr. Tuke asked which company should appoint the Agent if this third partner were introduced. Mr. Macnaghten agreed that there appeared to be very considerable difficulties in the way of separate Indian companies. He did not understand how the accounts could be kept.

5221. With regard to the suggestion that money should be raised by the State, he thought that it should have to be settled at the time of borrowing whether a special railway loan should be issued, or whether railway requirements should be met by an ordinary loan. In the latter case a suitable part of the loan should be definitely ear-marked for railway purposes.

5222. In connection with the suggestion that share capital might be issued at a discount, Mr. Tuke asked whether Mr. Macnaghten had heard of any such issue. The Chairman intervened and explained that the question is complicated by the fact that some of the railway companies are Statutory companies, with power to issue shares at a discount, and some are limited having no such power. Mr. Macnaghten agreed that there were considerable difficulties in the matter.

5223. In reply to Mr. Purshotamdas Thakurdas, Mr. Macnaghten explained that the Chamber of Commerce looked upon the North Western Railway as being mainly a strategic line, and would prefer State management for it. He said that he was aware of no specific instance indicating a drawback in the case of State-worked railways as compared with company-worked lines, but the Chamber has a general impression that the latter are better administered. He agreed that the whole of the North Western Railway could not be regarded as a strategic line, but it would be difficult to say precisely which parts serve essential military purposes and which do not.

5224. Mr. Macnaghten observed that the Chamber of Commerce was apparently in favour of the retention of the London Board of Directors for two reasons. Firstly, that the existing capital had been raised in sterling, and for raising further capital the London Board is necessary. In the second place London is the only place where all technical questions can be threshed out. He attached importance to the facility of access to the best consulting engineers, which is provided by the existence of London Boards. He attached less importance to the utilisation of these Boards for the purpose of stores. In this connection Mr. Purshotamdas Thakurdas quoted from Sir Marshall Reid's evidence, which indicated that, in his opinion, very little importance need be attached to the financial argument for the retention of the Boards of Directors in London. Mr. Macnaghten agreed that there is a difference of opinion on this point, as the Chamber held a different view. He was not aware of any important Indian commercial concern, other than railways, which found it necessary to maintain a Board of Directors in London consisting of retired officials. In the case of the Bombay Port Trust there is no such Board; the consulting engineer does all the work for them in London. The same, Mr. Purshotamdas observed, had been ascertained of the Port Trusts at Calcutta and Madras. Such important firms as Tata Sons and Company have only an agent in London. Mr. Purshotamdas Thakurdas quoted the following observation from the speech of the Chairman of the Bombay Chamber of Commerce as recorded in the report of the Chamber of 1897:

> "I am, however, not able to appreciate all the advantages of having a Board of Control 6,000 miles away from the base of actual operations, and this particular Board cannot be congratulated on the results, or the working of their lines."

5225. Mr. Purshotamdas observed that M. Macnaghten would doubtless agree that a Board of Directors 6,000 miles away is not desirable unless good reasons could be found in favour of it. Two reasons which had been suggested, namely, the financial one with regard to which there exists a considerable difference of opinion, and the other regarding the need for experts on the Board, is one which has not led to corresponding action on the part of the Indian Port Trusts. Mr. Purshotamdas observed that the Committee of the Chamber of Commerce in 1916 laid stress on the remoteness of the Boards of Directors. Having regard to the suggestion that the directors should come out to India for a year in rotation, Mr. Purshotamdas Thakurdas suggested that if there were so little difficulty in getting the directors to come to India there would seem to be no need to retain the Board in London. If each railway sent out a director in accordance with the Chamber's scheme there would at least be six technical experts in India. It should be an easy affair to have Boards in India on which there would be technical experts and (as the Chamber itself desired) representatives of Indian trade, industries and the general public, both technical and local knowledge in India thus being provided. Mr. Macnaghten observed that, while it would not be difficult to find suitable directors in India, it would be difficult to get suitable men to join the Indian Boards and undertake the heavy work entailed. He admitted that the position would be different if, as explained by the Chairman, the claim on the time of the directors only meant about the equivalent of a day a month as indicated by experience in England.

5226. In connection with the question of competition between railways, Mr. Purshotamdas quoted from the report of the Bombay Chamber of Commerce for 1897:

> "It is shown in our records that even from stations about equidistant from Calcutta, Bombay railway freights are so adverse to us that, notwithstanding all the advantages of the finest and cheapest harbour in India, and economically and very efficiently worked docks, we have to look on at trade going, what is to us, the wrong way (to Calcutta)."

He explained that the East Indian Railway got the original traffic and carried it all over its line to Calcutta, and that this competition continues even to this day. With reference to the Nagda-Muttra Railway, the Chamber had a good deal to complain of for a period of 15 years in that its construction was not attended to sooner, though this would result in a shorter lead from that part of India to Bombay.

5227. In connection with the three ways suggested by the Chamber for raising capital for main line purposes, Mr. Purshotamdas Thakurdas asked whether it would not be necessary to give a guarantee to the new capital, as in the past. Mr. Macnaghten thought that a guarantee of about 5 to 6 per cent. would be necessary if a loan were floated in London. He saw no reason why any special provision should be made giving shareholders a prospect of their shares being subsequently acquired at a premium, as had been done in some cases in the past. He saw no reason why their proprietary interest in the railway should not be permanent. He was disposed to think that, in the present circumstances, London would not be prepared

to invest in Indian railways unless improved terms were offered. He thought it would be necessary to pay a higher rate of interest in India than in London. In this connection Mr. Purshotamdas mentioned that in the past money for railway requirements had been raised more cheaply in India than in England.

THIRTY-THIRD DAY.

(Bombay).

Wednesday, 2nd February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.
Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. H. P. W. MACNAGHTEN, Deputy-Chairman, Chamber of Commerce, Bombay, was recalled and further examined.

5228. On the question of the issue of fresh sterling capital in London, Mr. Purshotamdas Thakurdas quoted the following from Mr. Horace Bell's "Railway Policy in India":—

> "The contracts provided that the amount advanced by Government on account of the guarantee was to be eventually repaid from the future profits of the railways, and under the following arrangement . . . .
>
> "The result was that enormous arrears of interest due from the companies accumulated, and in the end were remitted on the drawing up of fresh contracts, under which the Government assumed a larger share of future surplus profits."

He asked whether Mr. Macnaghten thought that, notwithstanding that experience in the past, the Chamber of Commerce would still adhere to their opinion that it would be wise again to surrender the railways to private ownership.

5229. Mr. Macnaghten said that the point seemed to be that the railways did not earn enough at the start. The loss must be borne by somebody during the period that capital is unproductive. He thought that it would be most satisfactory if the Government of India were themselves prepared to raise capital for the railways in India; otherwise, they must go to the cheapest market, whether in India or in London. He did not think that his Chamber had any preference for raising money by new shares rather than by debentures or other means. He agreed with the Chairman that, if money could be raised in sufficient amounts either by State loans or by debentures, that would seem the best way to raise money, but that, sooner than go without the money which is urgently required, the Chamber would be prepared to increase the existing shareholders' capital and to allow the subscribers to have a proprietary interest in the railways. He did not consider that this would necessarily mean paying too much for the money, as in any case the market rate would have to be paid.

5230. Mr. Purshotamdas asked whether Mr. Macnaghten had any knowledge of cases in other parts of India in which the Secretary of State had entered into contracts with railway companies without consulting the Government of India; he instanced a case of that kind in the Madras Presidency in which the Government and the public of Madras had protested against the Secretary of State's action, but were told that the protest was too late. Mr. Macnaghten agreed that it was only reasonable that the Secretary of State should not enter into a contract with a railway company in England without first ascertaining the full views of the Government of India.

5231. Mr. Macnaghten thought that at the present moment it would be very difficult to raise much money in India for purposes of railway finance. The people of Bombay had, it was true, after great efforts, succeeded in raising Rs. 9 crores for the Bombay Development Loan at 6½ per cent. free of income tax; this was not very encouraging. He considered that a great many of the financiers of Bombay would like a somewhat higher return on their investment than they could get from railways. On the whole, he thought that London would be the cheapest market.

5232. In this connection, Mr. Purshotamdas observed that the Government of India had borrowed at 3½ per cent. in India but at 4 per cent. in London, which did not suggest that the latter would be the cheapest market. The Port Trust had also borrowed in India at 4 per cent., its paper standing at a premium. He believed that the Port Trust could borrow as much as they wanted at 4 per cent., but he could not say how much they had actually obtained. The Chairman observed that there was not much difference between 3½ per cent. at 96 and 4 per cent. at par. Possibly the Secretary of State had misjudged the market.

5233. Mr. Tuke observed that the Government of India had borrowed in London—

88	millions	at	3½ per cent.
65	,,	,,	3 per cent.
11	,,	,,	2½ per cent.

and that no India Government loan was quoted in the London Stock Exchange list carrying a higher rate of interest than 3½ per cent. He suggested that the borrowing at 4 per cent. to which Mr. Purshotamdas possibly referred might be debentures raised by the Indian Government through companies, bearing the guarantee of the Secretary of State. The Chairman said that it might be presumed that, if the Government of India had floated railway debentures in India, they would have had to pay at least as much as they had done for railway debentures raised in London.

5234. Mr. Macnaghten did not think that enough money had been raised on the Branch Line terms to give an indication of what might be got for a really big work. He had no great experience of branch lines.

5235. He said that the Bombay Chamber of Commerce was of opinion that the existing machinery for deciding disputes was satisfactory. Mr. Macnaghten did not know that there is widespread dissatisfaction generally among the Indian commercial community. He was not aware of any cases in which a Railway Commission under the Indian Railway Act was called for. He did not think it necessary to have any other easier and more practicable method of deciding disputes between the railway administration and the commercial community.

5236. Mr. Macnaghten realised the difficulties of arranging dual control between a Board in London and an Advisory Board in India; he thought, however, that these could be got over. He did not think that the position of the Railway Board was a complication in the matter.

5237. The Chairman asked for further particulars of the references mentioned by him on the previous day, when he said that the Bombay Chamber of Commerce had on more than one occasion represented to the Railway Board about the inadequacy of railway facilities. Mr. Macnaghten said that, on looking through papers, he found that this was not correct. He could not find that his Chamber had recently addressed the Railway Board.

KHAN BAHADUR ADARJI MANCHERJI DALAL, B.A., was called and examined upon a statement which he had furnished to the Committee.

5238. The Chairman drew attention to that part of the witness's evidence in which he spoke of railways in different countries passing into the ownership of the State, with the result that the latter or the public became the owners of the most valuable assets, the profits of which went to the State and the people. He asked what cases the witness had in mind. The witness mentioned particularly Italy and Germany. The Chairman pointed out to him that in the case of Italy, when the railways were in the hands of private companies they earned only about 1½ per cent. to pay the State on the State capital, and subsequently, when they passed under the control of the State, they only paid about ½ per cent. The witness agreed that in this case they could not be regarded as a very valuable asset. The Chairman added that in Germany only in the case of Prussia were the State railways a profitable asset. The witness agreed that it might be stated that the Government of India had made a good bargain in taking over the Companies' railways and the Government of Prussia did so also. The Chairman mentioned that in the case of Belgium the State railways had always been under the State, and had never made much profit.

5239. Turning to the witness's observation that the only disadvantage which can be apprehended from State management is inefficiency and wastefulness from want of experience and paucity of training and expert hands, the Chairman observed that the Companies' staff would no doubt be taken over with the railways by the State. The witness thought that the same men might be expected to work as well for the State as for a company. In reply to the suggestion that they might work harder for the companies, who generally are supposed to pay higher salaries, he agreed that the State also must pay suitable salaries.

5240. In connection with the question of block rates, the witness stated that he was aware that even under State management block rates were not unknown, for instance, in Germany, where they were quoted in order to induce traffic, which had a choice between Rotterdam and Hamburg, to go to the latter, a German port. The witness explained that a point he wished to make in this connection was that there is a tendency under the existing block rate system in India to drive traffic into the Indian Native States and ports which are in a position to manipulate their rates to attract it. The traffic thus goes to the Indian States to the detriment of British Government subjects.

5241. Regarding the block rates imposed on traffic to and from Broach port, the witness stated that after five years' fighting these had been got rid of. The traffic is now coming back slightly to the port. It had been prevented from doing so by the existence of abnormal war conditions, but he expected it would return to the port in due course. He observed that the block rates complained of in the case of Broach had been put on by the Bombay-Baroda and Central India Railway, which had a very wide range of action within the prescribed maxima and minima charges. The Bombay Baroda and Central India Railway watched the trend of traffic and introduced the block rates in order to check its flow to Broach. He considered this action quite improper. The Chairman observed that he had read the voluminous papers connected with the Broach block rate controversy. He observed that the Bombay-Baroda and Central India Railway had referred the matter to the Railway Board and that the Railway Board had approved of the action taken by the Bombay-Baroda and Central India Railway Company because most of the revenue of the lines goes to the State, and it was thus equally to the profit of the State as to that of the Company to increase the railway earnings. The witness agreed that both the Railway and the Railway Board were to blame. In reply to the Chairman's suggestion that this hardly showed that State management would be very good if the best to be hoped for was that sometimes the State might do right, after resisting pressure for five years, the witness agreed that the State was equally to blame with the Company at least in this particular instance.

5242. The Chairman then turned to the witness's summary of the advantages which would accrue to India if the railways were managed by the State. With regard to his observation that the profits from the railways would be used for the common good instead of going to private capitalists or shareholders, the witness accepted the Chairman's assurance that of all the countries in the world Prussia is the only one that made substantial profits from State worked railways. He observed, however, that profit was a matter of minor importance so long as the country is developed, while any profit that there is should go to the State.

5243. Regarding the point that appreciable reductions are made by the State management in rates and fares to give an impetus to trades, industries, etc., the Chairman observed that no country had so steadfastly refused to reduce its charges as the Government of Prussia, which had thus been able to secure its profits.

5244. Regarding the suggestion that if the State were the manager of the railways, these would be taken out of politics, the witness explained that his idea was that the State being the owners could frame their railway policy so as to be beyond political considerations. At present they have to consider other parties, whereas they need only consider the interests of the country. The Chairman mentioned that on the other hand in South Africa there are two or three official reports which suggest that the best way to get a railway made is to threaten to vote against Government if this is not done; while in Australia railways are constantly used in politics to secure votes.

5245. Turning, on the other hand, to some of the disadvantages of Company management in India as enumerated by the witness, the Chairman suggested that the "annual drain of crores of rupees" from India is not really so large as the witness believed, there being some 35 crores of rupees of Companies'

profit sharing capital, this would in any case have had to be borrowed as a loan if it had not been raised on profit-sharing terms. Assuming that 3½ per cent. would have had to be paid as interest in that case, and that the capital has actually cost 5½ per cent., there would remain 2 per cent. interest as representing the drain from India. This would not come even to one crore of rupees. The Chairman observed that as far as he could calculate only about one-half crore of rupees could really be looked upon as representing the drain. The witness agreed that this is not a very serious amount.

5246. The Chairman asked if the witness could give specific instances of what he referred to under the heading of "preferential rates and treatment of European merchants and manufacturers." The witness explained that he had in mind the lower rates charged for import and export traffic than for internal trade. He was not in a position to give precise statistics. The Chairman observed that in all countries lower rates are quoted for heavy long-distance traffic, which is usually to and from the ports, the general view of railways being that it is better to make small profits on a large volume of traffic (which thus tends to grow) than to seek high profits on a small volume of business. The witness agreed that it is a reasonable proposition that lower rates should be quoted for large quantities carried long distances. He did not object to this principle being applied to India as elsewhere, but he felt that some protection was necessary to ensure that the principle was not carried to an unreasonable length in the interests of import and export traffic to the detriment of internal trade and development. He promised that he would send precise examples to the Committee of cases in which he thought some such protection appeared to be necessary.

5247. The witness expressed the opinion that if the railways were managed by the State it might still be convenient to have in London a sort of consultative Board or committee of experts. This would be in touch with railway practice elsewhere, and would be able to furnish valuable advice to the Railway Board in India. The Chairman asked why a committee or board should be necessary for such a purpose. If advice was wanted, for example, about locomotives a locomotive expert only would be needed, whereas if it was a question of advice regarding bridge construction, a bridge engineer would be required. The witness thought it desirable to have a body which would know to what particular experts difficult technical questions should be referred. He would do away with the existing Home Boards of Directors and would have the consultative body in London appointed by the Secretary of State or the Government of India. He considered that the members of this Board should visit India to keep in touch with local conditions.

5248. Regarding the witness's recommendations connected with the Railway Board, he observed that it should comprise a full representation of commercial interests and public opinion. He agreed with the Chairman that in so far as the representatives would forward the interests of particular industries, for instance, cotton or jute, their function would be advisory. There should, however, be some one to carry out the measures approved by the representative body and to deal with the everyday executive business at headquarters. He agreed that this implied that the Railway Board must be organised in two compartments: one executive for daily work and employed whole time upon this; the other advisory, comprising the representatives of various interests, who need not necessarily meet very frequently.

5249. The witness thought that the members of the Railway Board might elect their own Chairman. He admitted in reply to the Chairman that there might possibly be some difficulty, though he was not apprehensive on this point. He did not consider that the Chairman of the Board should himself be Railway Minister. He attributed the frequent changes on the Railway Board to the ill-effects of which he had referred in his written evidence as due mainly to retirements. The Chairman observed that the Committee had been advised that some members of the Railway Board had left it before their time was up, and other eligible men had refused to accept appointments on the Board. The Committee had been told that the reason was that the appointments were not sufficiently attractive. The witness expressed some surprise at this, and thought the reasons for resignations from the Railway Board were rather that the members had aspirations to obtain more attractive appointments in England. The Chairman observed that he knew of men still working in India who did not wish to accept appointments on the Railway Board.

5250. With regard to the question of railway finance, the witness considered that it was very bad policy on the part of Government to take the railway surpluses as available for general purposes. He would like the railway finance to be completely separated from ordinary Government finance, and a separate railway budget to be introduced, though this might be placed before the Legislative Assembly by the Finance Minister.

5251. The Chairman observed that the Government of India having found most of the money hitherto invested in railways, the Finance Minister would naturally claim from the railways at least sufficient money to enable him to pay the annual interest on the debt. The witness said he would give him this, but nothing more.

5252. The witness was of opinion that railways had been starved, and that facilities had been inadequate for at least ten years past. The Chairman remarked that as long ago as 1907 the Mackay Committee had agreed that more money was wanted. The witness remarked that more money had always been wanted to improve the system. He was emphatic on the point that even if a railway only earns a small percentage return on its capital, it secures valuable indirect advantages to the State. In the case of Broach, for example, the Broach-Jambusar Railway, which was built some six or seven years ago, after nearly forty years of pressure for its construction, had resulted in a great improvement of land revenue, and trade had become much more prosperous in that part of the country through which it passed, while famine conditions were rarer. The witness promised that he would endeavour to supply to the Railway Committee precise instances showing the extent to which indirect advantages had been secured by the construction of this line in such ways as improved receipts from land revenue, excise, income-tax, etc.

5253. The witness was strongly of the opinion that the industrial development of India might be throttled for want of adequate railway facilities. He mentioned that in the case of Broach the cotton industry had suffered on account of railway congestion. There was great difficulty in getting coal and also in securing the transport of cotton from the presses and factories. In Broach there are gin houses and presses. There is also some spinning and weaving. For the most part cotton goes away pressed to Bombay and Ahmedabad. Nearly all the traffic to Bombay is by rail, and merchants experience the greatest difficulty, booking being frequently stopped for days together. Trade suffers all round as the unreliability of railway communication interferes with merchants' ability to make or fulfill contracts, and they are naturally reluctant to undertake liabilities in such a condition of uncertainty. It was a matter of common experience, happening almost every other year, that heavy losses are incurred through damage to cotton seed and cotton bales which deteriorate owing to their having to be left in the open in the rains for want of railway transport. The witness promised that he would supply to the Committee a number of specific instances in detail of losses caused in this manner. He mentioned that he had recently been asked to hold a public meeting, by the cotton merchants of Broach, with a view of representing their grievances

forcibly to Government. It was a matter of every-day occurrence that carts sent to the railway station had to take the goods back again because booking was stopped. Hundreds of complaints had been made to the railways. The companies say that they have not got wagons or that the wagons at their disposal are wanted by the Government for coal traffic. The merchants did not complain directly to Government, but they have recently been thinking of ventilating the matter fully. In reply to Sir Arthur Anderson, the witness said that delays of about a fortnight were common. The complaints were really serious. In his opinion the cure for the difficulty is the supply of more railway wagons.

5254. The existing state of affairs leads to payments of illegal gratifications to railway staff. This is now very common, having become worse since the shortage of wagons became acute. It is within the witness's own knowledge that every one has to pay for wagon supplies. He knew of many cases of large payments up to Rs. 200 per wagon. It is a matter of common talk amongst those interested. In one case he knew a man who got eight trucks at Rs. 200 each, and was present when the person concerned stated this to the Collector. Merchants find it pays them to make such payments in view of the profits that the supply of wagons enables them to make in their business. The witness agreed that the Government and the railway are both to blame for the state of affairs in which railway facilities are so inadequate. Asked by Sir George Godfrey whether he would not blame above all those who bribe the railway servants, he said that it was a matter of human nature that in such circumstances both merchants and railway staff should yield to temptation. He agreed with the Chairman that it is more important to find a remedy than to apportion the blame. The remedy indicated is that railway finance must be on an adequate scale and that railways must be properly equipped. It had always been the practice to pay small charges, of 8 annas or a rupee per wagon supplied; these used to be considered merely as perquisites given in consideration of some little trouble being given to the railway staff. But now far larger payments are habitual.

5255. The witness thought that big firms which suffer from the existing state of affairs should help to find money. He suggested that they should provide their own trucks. He was not aware that one firm—Tata Sons and Co.—had offered, but had not been allowed, to do this. He considered that these firms should subscribe to State loans for railway purposes, and believed they would do so. If he were himself interested in a trade he would subscribe to such loans on condition that his requirements would be met. He would regard 6 to 7 per cent. as a very fair return, especially having regard to the fact that his trade would secure a benefit. He did not think that each merchant would leave it to others to subscribe to railway loans. He believed that traders would see that it is to their own interests to make such loans a success.

5256. With regard to the construction of narrow gauge railways, the Chairman observed that a good deal had been done in Broach, Kathiawar and elsewhere. The witness explained that District Local Boards in Bombay are not allowed to raise loans to build railways. They have long been agitating for an amendment of the Local Boards Act to permit of this. The Hon. Mr. Sastri explained that this is allowed in Madras under the Madras District Boards Act. The witness observed that there is a demand for this authority in Broach particularly, as the cost of roads is extremely heavy owing to the nature of the local black cotton soil. It used to be practically as cheap to build a railway as to build a road. Those who would be liable to pay the railway cess are represented on the District Board, and are all in favour of this policy.

5257. The witness stated that the District Board would prefer to have its own railways rather than to have these provided by Government. It does not deal direct with the Railway Board, but only with the Government of Bombay, which represents requirements to the Government of India. In the case of the Broach Jambusar Railway, the District Board would itself have wished to construct the line, but realising that it would not be allowed to do so, had agreed to its being constructed by the Bombay-Baroda and Central India Railway Company as a State railway. This was only one of about five railways it was desired to construct. The witness saw no reason to anticipate any objection to the construction of these branch lines which serve as feeders to the main line, and thus be of benefit to it as well as to the country.

5258. With regard to the control of rates and fares, the witness explained that he would like easy rates which would encourage industries. They should not be so low as to make railways work at a loss, but the railways should look to future development as well as to the question of immediate profits. He agreed that much could not be expected by increasing the charges on luxuries, but there are some articles which might stand higher charges than at present levied. He agreed that railways must increase their rates in view of the enhanced working costs.

5259. The witness was in favour of the appointment of a Board of Arbitration or Conciliation for the settlement of claims. Merchants had great difficulty in settling such matters. Even when goods are carried at railway risk the railways frequently try to evade their responsibilities. He thought claims should be settled fairly and expeditiously. It was a common experience that when complaints are made, complainants are advised that the matter "would be considered in due course," and that subsequent reminders produce no effect. At the present time there are about 50 claims cases pending in the court at Broach against the Bombay Baroda and Central India Railway. At present complaints are settled only after great delay, and merchants are inclined to accept less than is due rather than continue to pursue matters. He agreed that on an Arbitration Board both railway and commerce should be represented. He was entirely in favour of the railways having adequate representation as well as the commercial interests.

5260. Sir Arthur Anderson drew the witness's attention to his recorded opinion that a disadvantage of the company management is that the manufacture of railway equipment and material is not attempted in India. Sir Arthur observed that it was in no case the policy of the railways to interfere with manufactures. The witness thought, however, that, if railways were managed by the State there would be a real attempt to get more of their requirements manufactured in India. He subsequently explained, in reply to Mr. Purshotamdas Thakurdas that, in speaking of the "drain of crores of rupees from India" under the existing system, he had in mind the payments made outside India for imported stores, as well as the payments made to the working companies.

5261. In reply to Mr. Purshotamdas Thakurdas, who made further enquiries regarding the Broach port block-rate case, the witness stated that he had taken a leading part in the protests against these rates. Killick Nixon's boats used to come to the port till 1907 or 1908. They carried both inwards and outwards traffic, largely that from and to Cambay, Ahmedabad and Karachi. The Government of Bombay protested against the policy adopted by the B.B. & C.I. and approved by the Railway Board. The witness agreed that the Governor of Bombay had well described the situation in urging that the railways had been made for India and not India for the railways.

5262. With regard to the existence of wagon shortage for many years past and especially since 1914, the witness agreed that it would be in the interests of trade and commerce to use alternative routes for the carriage of traffic. He thought that there would have been no difficulty in connection with the blocking of Broach port if the railway had had its own steamers. Government had done something in connection with the improving of the Broach port. There had been an expert survey of the river and the channel, but the report was adverse to the use of large steamers. Even small steamers could not use

the port unless expensive dredging was carried out. The witness thought that if this port existed in Europe it would undoubtedly have been developed. Asked why, nothwithstanding the failure of the State to secure the development of the port, he urged a preference for State management of the railways, the witness explained that State management in future would be a management directly responsible to the Legislative Assembly and therefore to the representatives of the people.

5263. In reply to an enquiry by Mr. Purshotamdas how the London Boards and Directors as now existing would differ from the Boards proposed by him, the witness explained that under his scheme the consultative committees in London would be subordinate to the Railway Board and only advisory. He agreed that, if the present system of railway control is continued, the Indian public would be less likely to subscribe for railway purposes than if the railways are brought under direct State management. Subject to this he thought that subscriptions would be freely made to a railway loan having regard to the substantial nature of the railway asset.

P.S.—The witness subsequently furnished the Committee with a number of original letters* from merchants and traders who were put to loss on account of continued scarcity of wagons on the B.B. and C.I. Railway, resulting in great preventable loss through falls in prices and deterioration from exposure. He made the following observations in this letter:—

> "This has been a general complaint since the War but it has been greatly aggravated and grown chronic since the last two years, and the regular course of trade and commerce has been so disorganised that there is no certainty of deliveries or expecting the consignments to reach destinations in good condition. From the enclosures it will be seen that some of the merchants have lost lakhs of rupees by wide fluctuations in prices and damage done to goods by rain.
>
> "The company have not only no wagons to provide, but when attempts were made to load consignments in open trucks at the risk of the owners, no protection was given to cover goods with tarpaulins in transit or in railway yards where cotton bales, grain, mowra flowers and seeds, &c., were awaiting to be booked for weeks in the open. Goods received in May had to wait till the break of the monsoon and were booked in June and July.
>
> "I beg to draw the attention of the Committee to the complaint of some of the merchants that several of their entire consignments have not been accounted for, such as coal wagons despatched which have not yet been received by the owners."

THIRTY-FOURTH DAY.

(Bombay).

Friday, 4th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. A. C. RUMBOLL, C.I.E., O.B.E., Agent, accompanied by Mr. W. ALEXANDER, C.I.E., General Traffic Manager, and Mr. C. A. HAWES, Chief Auditor and Accountant, Great Indian Peninsula Railway Company, was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 46, Vol. IV., P. 158.

5264. In reply to the Chairman, Mr. Rumboll stated, with regard to his remark that frontier railways should be managed by the State on military grounds, that he thought it was not fair to the railway account that it should be debited with any loss incurred on working railways maintained for military purposes.

5265. Referring to his view that it might be necessary for Government to widen and modify the existing method of financing railways, and that it might be necessary to rely more on share capital raised by companies, Mr. Rumboll agreed that as the stock of the Great Indian Peninsula Railway now stands at about 84, people are not likely to subscribe at par for new stock. He thought that it would be better to offer new stock below par, if possible, rather than to issue at par on different terms from the existing capital. Referring to the Chairman's observation that Indian opinion is strongly against increasing the interests of foreign shareholders in the Indian railway system, Mr. Rumboll thought that more money must be got, and if it could not be obtained in India, it would be necessary to go elsewhere for it. He agreed with the Chairman that, if the money could be got cheaper by loans than by means of share capital, this will be preferable, and that it should be raised in India if possible, but he thought that by also accepting additional share capital more could be secured.

5266. Mr. Rumboll desired to impress on the Committee his view that State management, where it has been tried in democratic countries, has not proved satisfactory. He quoted the following extract from

* Not reproduced.

a statement made some time before July, 1916, by the General Manager of the South African Railways:—

> "Over £681,000 per annum has been granted in increments alone to the staff since the Union, and generous pension, leave and sick fund privileges are allowed; but the clamour of the people who claim to represent the employees for further concessions and their concurrent hostility to the introduction of any system which secures efficiency continues unabated. To-day criticism is concentrated on conditions of employment with complete unconcern as to whether efficiency will be impaired or as to the expenditure involved; to-morrow adverse criticism is focussed on the increase in expenditure. Such methods do not facilitate the management of the railways on business principles, and the benevolence of yesterday must sooner or later be reconciled with the business needs of to-day."

5267. Mr. Rumboll mentioned that at the time the speech was made the railways of South Africa showed a deficit. He referred also to the example of Switzerland as not being favourable to State management. In answer to the Chairman, he stated that he believed that in countries where efforts had been made to interpose something of the nature of a "buffer" between the management and the State, with a view to the protection of the railways from undesirable political influences, there had been a tendency for this to be pushed aside. He thought that this was the case in Australia.

5268. In answer to Sir Henry Burt, he thought that the disadvantages of railway management being subject to political influence would prove as serious in India as elsewhere, in view of the growth of political feeling. The Chairman asked whether the Great Indian Peninsula Railway Company was really in a position to be an effective "buffer" in any case, having regard to the fact that it is a very junior partner and is subject to detailed regulation and constant interference by Government. Mr. Rumboll said that experience had shown that it is. The Chairman observed that other people might describe the "buffer" effect as being one of complete disregard on the part of the company of local needs and requirements. Mr. Rumboll thought that this could not fairly be said without an analysis of the causes for particular complaints. He was of opinion that the companies have been most useful in the matter indicated. He believed it to be the case that railway companies do resist unreasonable pressure, whereas State railways are more likely to give way.

5269. Mr. Rumboll did not attach great importance to the suggestion that company-worked railways are forced to follow the lead given by the State railways in conceding, for instance, unreasonable demands of the staff. He admitted however that in the long run the example could hardly be resisted. The interim delay at least was an advantage. He agreed that there might be such a thing as reasonable political pressure, but did not think that the distance of the London Board makes it less accessible to this.

5270. Asked why the London Board should be accessible to reasonable and not to unreasonable pressure, he emphasised the importance of the local Agents in India of the London companies. He observed however that the Boards of Directors have their own ideas and are not solely influenced by the Agents' views. He agreed that the value of personal advice is diminished according to the length of time the individual has been away from India. This is modified to some extent by the fact that the Boards of Directors have the advice of men who have been out more recently in the country. Some of the directors also visit India from time to time. The witness was reluctant to admit that it would follow from his views that the directors had better leave the London Board after they had been for, say, five or six years out of touch with Indian conditions. He thought that they could keep fairly in touch by sending out representatives. He did not consider that the directors should necessarily follow the advice of those who have more recently been, and above all of those who are still, on the spot in India. He thought that the views of these should carry considerable weight, but that the directors must be allowed the exercise of their own judgment after taking the views of the persons referred to. He did not consider that public interests had been prejudiced to any extent worth mentioning by the alleged delays on the part of Home Boards. He found that he gets replies as quickly from London as from Delhi. The Great Indian Peninsula Railway Board of Directors meets every week, and important cases referred to it by letter are dealt with by telegram in reply, so that no serious delay is caused.

5271. With regard to Mr. Rumboll's opinion that it would be difficult to get efficient Boards of Directors in India, he thought that the suitable men available in India are so much occupied with their own business that they would not have time to devote to railway work. He admitted that to some extent the same consideration applies at home, but it is largely a question of numbers. He thought that at least on the directorates of the London companies there are men of much greater leisure.

5272. With regard to his opinion that the appointment of a permanent Chairman, by Government, on a local Board in India would lead to the reverse of continuity, because the appointments would be claimed by and given to senior officers whose stay in India is likely to be short; Mr. Rumboll thought that the men in Bombay, for example, would have to go home at shorter intervals than five years. He did not in any case approve of a Government Chairman for a local Board. He thought that there might be a Government representative on the Board, and presumed that where this is already the practice, as in the case of branch line companies, he watches the interests of Government. He thought, however, that Mr. Hebblethwaite, who was to be examined in the afternoon, would give fuller information on this point.

5273. Referring to his opinion that the principle of control by a qualified body such as the Railway Board is sound if present defects are removed, he mentioned as one defect that the President of the Board has no power to act if in disagreement with his colleagues. Promotion to the Presidency of the Board should not be by seniority, but by suitability. The Chairman observed in this connection that the fact that promotion goes largely by seniority is a common objection to all Government Departments, and is not peculiar to the Railway Board or State railway administrations. Mr. Rumboll considered that the salary attaching to the members of the Railway Board should be such as to attract the best men. He thought that the reason why the Board had suffered in the past from not being able to get the best men was partly due to inadequacy of the salary, and also partly to the fact that the members are not in a position to exercise the authority which is attached to them in the public estimation. The best men are not willing to sacrifice their reputation by serving on the Railway Board. He thought that the Board had been discredited, and that the best railway men do not wish to go to it.

5274. In expressing the opinion that the Railway Board does not interfere too much in detail, Mr. Rumboll did not mean to suggest that they should not delegate wider powers to railway administrations. He drew attention to his opinion recorded elsewhere in his note that the Board's financial powers and powers of delegation to others should be greatly increased. He did not consider that the Board should be occupied with unimportant matters, relating for instance to the pay of subordinate establishments.

5275. He referred to the question of the introduction of the vacuum brake in India as an instance in which the Board had failed to initiate and guide the railway policy of the country, a failure which he thought was due to the Board not being sufficiently strong on the operation side. He mentioned that the Government of India had decided in 1889 that the vacuum brake should be adopted as a standard in Indian railways, and that the companies accepted

this after they had been consulted. Government, however, took no steps to say within what period the brakes should be provided, and had not done so up to the present time. Mr. Rumboll was speaking of goods stock. He hoped that the Great Indian Peninsula Railway stock would be completely braked or piped by the end of the current year, but in some of the railways the percentage of braked stock is as low as 60 or even 40 per cent. The result is that the vacuum brake equipment on stock going to foreign lines is frequently not used and deteriorates, for example, by the rubber fittings perishing. He considered that the Railway Board should specify a time limit and provide adequate funds to enable the stock to be completely equipped. He considered that, if the Board were to say that this must be done on the ground of public safety, there was no doubt of its being within their powers.

5276. In answer to the Chairman, Mr. Rumboll explained that the Railway Board has no inspecting staff other than the Government Inspectors who are Civil or Royal Engineers. He thought that it would be most advantageous if they had another class of operating inspectors. He considered that these should be provided in any re-organisation of the Railway Board. All that had been done was that occasionally special inspecting officers had been sent round, but they should be a permanent part of the Board's organisation. There should be similar inspectors employed in connection with rates and looking after the public convenience and the commercial side of railway working in general. At present, the Government inspectors, who have only civil engineering qualifications, are used for everything.

5277. In answer to Mr. Hiley, Mr. Rumboll said that he was satisfied that the Railway Board could insist on the vacuum brake equipment under the contracts as necessary for the purpose of safety. He believed that the railways would welcome a definite order provided the necessary funds were supplied. He agreed that the Railway Board has no adequate machinery at present for knowing what is required on the lines.

5278. Sir Arthur Anderson said that, speaking from memory, he believed that about 1907 the Railway Board had issued an order under the Railways Act specifying a time limit for the introduction of vacuum brake equipment, but that it had to be withdrawn because adequate funds were not forthcoming. Mr. Rumboll said that this did not alter his point, which was that the Railway Board did not deal properly with the case as if no funds were available; the Railway Board should have stopped the fitting of any more vehicles until such time as they were able to provide funds to complete the whole within a limited period. He agreed that the Chairman correctly summed up the position in saying that 31 years ago the then railway authorities said that the railways ought to adopt the vacuum brake, and that nearly 31 years later at least 20-30 per cent. of the stock is not fitted with it; and even where the stock is fitted the equipment is often not used, and the consequence is that money has been wasted on machinery of which full use is not made. Mr. Rumboll added that last June he again asked the Railway Board to fix a time limit but, failing to get their assent, he got a resolution passed by the Conference Association recommending a time limit within which the equipment of all goods vehicles should be completed. He promised that he would furnish the Committee with a copy of the Railway Board's letter refusing to act in accordance with his recommendation.

5279. With regard to the question of wagon couplings, Mr. Rumboll thought that this is the most urgent matter requiring attention on railways at the present time, and that, unless it is dealt with progress will be seriously hampered. At present broad gauge railways rely upon screw couplings. Side chains have been abolished as useless, and do not now exist on more than about 20 per cent. of the stock. The screw coupling, on which sole dependence is placed, does not give sufficient security. The Great Indian Peninsula Railway is specially interested in the matter because of the heavy gradients on its lines. It recommended to the Railway Board that a mechanical coupling should be adopted. This matter had been under the Railway Board's consideration for some years. He believed that they had sent representatives to Australia to report how the introduction of the mechanical coupler had been made in that country. Railways now await the orders of Government. Meanwhile there is a considerable number of breakaways on the Great Indian Peninsula Railway, and he feared that matters would be worse with the heavy engines now coming out. The existing screw couplings are still being replaced by others of the same type, though made of higher tensile steel. He thought, however, that this is merely replacing an inefficient coupling with a better, but still an inefficient, one. Unless the mechanical coupler is adopted it will be necessary to quadruple the lines as the heavier train loads now demanded could not be hauled. In answer to the Chairman he explained that in the use of bigger engines now being brought out the danger of parting is minimised by the practice of banking on the grades. On the level a train of 1,600 ton load could be hauled, and on heavy grades a banking engine could be put on the back, which could reduce the risk of parting.

5280. In answer to Mr. Hiley, Mr. Rumboll said that all the railway companies are waiting for the Railway Board's order, and that the proposal for the introduction of a mechanical coupler was welcomed at the Railway Conference. He did not know what the cost would be on the Great Indian Peninsula Railway. It was proposed in the first place to connect up the four-wheeler stock in pairs inseparably, and to use each pair as a single unit changing the rest of the couplings.

5281. In answer to Sir George Godfrey, who said that his impression was that the change had been opposed strongly by some of the railways, Mr. Rumboll said that he thought his information regarding the Conference's discussion was more recent than that of Sir George Godfrey. With regard to the power of the Railway Board to order such changes of equipment, Mr. Rumboll agreed that, even if the Railway Board could not enforce their wishes by order, on the grounds of safety, as he thought they could in the present case, they can practically do so by exerting pressure upon the companies. Sir George Godfrey thought that in a matter of this kind the cost might easily run into eight or ten millions, and he doubted whether the Railway Board could enforce their views if these were opposed by the companies.

5282. Mr. Rumboll was of opinion that the President of the Railway Board should himself be on the Viceroy's Executive Council, as he thought that railway matters could not be adequately represented by a member who has little or no direct knowledge of railway work and requirements.

5283. He was satisfied that sufficient funds had not been provided in the past for either new construction or the improvement and renewals of existing railways. Questioned with reference to what he meant by saying, at the same time, that maintenance had been sufficiently provided for in the past, he explained that what he had in mind was the ordinary day to day maintenance, and was not speaking of large renewal operations which are only treated as "programme" or "special" revenue works. He mentioned that the Great Indian Peninsula Railway had sent up a proposal to the Railway Board for maintaining a renewal reserve under which the cost of all special renewals over and above the extent of 8 per cent. on the gross earnings of the railways would be debited to capital in the first instance, and subsequently cleared by charge to revenue, when the cost fell below that figure. He promised that he would furnish the Committee with a copy of the Great Indian Peninsula Railway's proposal in that connection.

5284. Mr. Rumboll agreed with Mr. Hiley that even if the Railway Board had no power to interfere at present in the matter of efficiency, they should

have in future; or else it would be a strong argument in favour of State management. He added, however, that the railways are mindful of their own interests and realise that they cannot develop their lines unless up-to-date improvements are introduced.

5285. Sir Arthur Anderson said that it appeared to him that the object of the renewal reserve scheme referred to by Mr. Rumboll was rather to protect the Great Indian Peninsula Railway Company during the closing years of its contract from the effects of having to expend on renewals money which should have been spent, and which really only represented making good the omission of the past to incur similar expenditure.

5286. The Chairman observed that the practice of dealing with renewals in India differed from that adopted elsewhere. For example, in France it is the practice to renew the line piece by piece as necessary, and all the charges are treated as ordinary maintenance expenditure; whereas in India, apart from minor repairs, it is the practice to renew considerable stretches of line together and to treat each as a special item in the renewal programme. Mr. Rumboll explained that in regard to such special items the company has to obtain the sanction of the Railway Board as well as make provision for them in the revenue Budget (or in the case of work chargeable partly to capital, both in the Revenue and Capital Budgets). He agreed that in the past renewals on the Great Indian Peninsula Railway had been postponed owing to lack of funds and other reasons to such an extent that the position has now become serious and urgent. He thought that the Chairman summed up the position fairly in saying that the standard of maintenance has already deteriorated and is continuing to deteriorate, and that unless some improvement can be introduced, it must be expected to deteriorate still further.

5287. The Chairman referred to Mr. Rumboll's written statement that it was of little use constructing a net-work of railways, as was done some years ago in the Central Provinces, until the main line has been developed to carry the additional traffic, as it only adds to the traders' expenses if railways cannot move the traffic as it offers. Mr. Rumboll explained that in that case a net-work of feeder lines was constructed to serve the manganese ore mines. It brought down heavy traffic which only increased the congestion on the Great Indian Peninsula Railway. The Manganese traffic gravitates mainly towards Bombay and Marmagoa, though some also flows *vid* Calcutta. The Chairman asked Mr. Rumboll if he would try to obtain and furnish to the Committee statistics showing the figures of shipment of manganese from Bombay, and also the total shipments from India.

5288. Mr. Rumboll stated that there is a large amount of revenue expenditure in arrears on account of postponed renewals. As regards future programme expenditure, he stated that he had worked out a programme of works which will be required during the next ten years, all of which are urgently necessary. This programme, of which he gave a copy to the Committee (reproduced as Annexure C), shows that there ought to be an expenditure of about Rs. 40 crores for major capital and programme revenue works in the next ten years; in addition to which, Mr. Rumboll thought that minor capital works might be put down provisionally at about Rs. 1½ crores in the same period. In his programme Mr. Rumboll did not distinguish, for the purpose of his present estimate, between capital and revenue expenditure. He said he had not been asked by the Railway Board to prepare so complete a programme as this. The Railway Board is only furnished with the annual triennial programme, of which the provision suggested for the second and third years is usually not discussed at all in the absence of any idea as to how far it may be possible to finance it.

5289. With regard to the relative urgency of the works shown in his ten-year-programme, Mr. Rumboll explained that he would like to carry out all the works indicated in much less than ten years, and would do so at once within the limits of his capacity to spend the money if this were freely available. He would, however, be hampered to some extent by having to respect the movement of traffic on the line. He said it had never been worth while to work out a detailed and comprehensive programme extending over a considerable future period, in view of the known improbability of securing adequate funds.

5290. In reply to the Chairman's request for the quotation of specific instances in support of the general statement that money spent on railway development will return indirectly many times the dividend actually paid on it, Mr. Rumboll mentioned that, in the case of the Indian Midland Railway (now the northern portion of the Great Indian Peninsula Railway above Itarsi), the land revenue assessment had been revised in the districts served by that line within about five years after its opening, and the assessment had generally been raised. He thought that this indicated that the line had led to a general improvement of values in that part of the country. He thought the United Provinces Government might be in a position to give figures bearing this out.

5291. Questioned with reference to his proposal that main lines might work branch line companies for 55 per cent. of their gross earnings, Mr. Rumboll explained that he thought, in present circumstances, 55 per cent. would about correspond to the figure of 45 per cent. which had hitherto been adopted. He did not think that the alteration of his working percentage would justify asking the main line to give a larger rebate to the worked line.

5292. With reference to Mr. Rumboll's written statement that the Great Indian Peninsula Railway had proposed to the Railway Board that the maximum class rates for the carriage of goods traffic should be increased by amounts varying from 33 per cent. in classes 1, 2 and 3 to 25 per cent. in class 5 and "Special," he explained that the Railway Board had at first refused the suggestion; but, on a further representation, had said that the matter was under consideration, but very little hope had been held out to the Great Indian Peninsula Railway of its views being met. The railway has reached the maximum at present, and is anxious to increase its charges. Mr. Rumboll explained that, in the special case of cotton, the old Great Indian Peninsula Railway Company used to quote 80 pies per maund per mile. When the State took over the line, it was proposed to reduce this to the East Indian Railway second class rate, a low classification based on river competition. The Great Indian Peninsula Railway Company objected to the loss involved, and was allowed to retain this old rate as a special exception to the classification.

5293. Mr. Rumboll explained that the proposals which had been placed before the Railway Board for increasing the maximum charges really involved a reversion to the rates formerly charged by the old Great Indian Peninsula Railway Company. Personally he thought it would be wise to go higher than this, but he had to consider what was likely to meet with acceptance. He would put on a flat percentage of increase over the existing maximum if he had power to do this.

5294. Mr. Rumboll said that the Great Indian Peninsula Railway Company had increased its special rates as much as the traffic would bear so far as lay in their power. The Company was largely in the hands of other railways so far as special rates were concerned. It was in order to be able to increase correspondingly the normal or class rates that he asked for increased maxima. The Great Indian Peninsula Railway Company's operating ratio is nearing 80 per cent. at present. The pre-war ratio was about 60 per cent.; Mr. Rumboll did not think that the company could get back to this figure.

5295. With reference to Mr. Rumboll's statement that, personally, he would be in favour of increasing the maximum rates still further, Mr. Hiley asked whether he could calculate what the additional revenue would be if this were done. Mr. Rumboll

said that it would roughly amount to Rs. 69 lakhs calculated on an average increase of 25 per cent.

5296. Referring to Mr. Rumboll's written recommendation that railway finance should be separated from ordinary Government finance, the Chairman said he understood that he had in mind the examples of South Africa and elsewhere where railway finance is kept separate. Mr. Rumboll laid great stress on the point that the result of the existing budget system is that railways do not know until too late what money will be available for expenditure. With regard to the restriction of grant for the coming year, Mr. Rumboll said that he had accepted the position that the Railway Board could not give him an adequate allotment. He expressed regret that he had not contested the point, when told by the Chairman that, in other instances, Railway agents had held out for, and had secured, an increase in the amounts provisionally promised to them.

5297. Mr. Hawes explained that, at the present time, the company does not know what the allotment for the approaching official year is to be. They had not yet received the provisional allotment usually announced in December with reference to the following year. He said that this prevented the transmission of indents to London for compliance. He explained in this connection that an "indent" is an order placed by the authorities in India upon the Home board of directors for the supply or materials. It bears a certificate by the Chief Auditor and the Government Examiner that the necessary funds have been earmarked from the budget grant; and, on the authority of this document, the London board places the contract for supplies, and, in due course, draws money from the Secretary of State for payment.

5298. In his written statement Mr. Rumboll quoted the following communication received in December last from the Railway Board:—

> "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."

5299. Mr. Rumboll agreed with the Chairman that this meant that the company was to spend money on preliminaries and then stop work, which did not seem to be an ordinary businesslike suggestion. He explained that he wrote to the Railway Board that he could not proceed on these terms, and would not, therefore, start the work. He had since been told that Rs. 10 lakhs would be allotted next year also. This railway was estimated to cost Rs. 22½ lakhs, which meant that the work would not be finished until 1922-23, even if he could spend five lakhs this year, which is impossible, and ten lakhs next year, as there would remain a balance of some seven lakhs to be provided a year later; but he did not think that, in any case, this line could be built in less than two years, as there is a heavy piece of bridge work which will take a considerable time.

5300. The Chairman drew attention to the statistics given in Mr. Rumboll's written evidence regarding the Itarsi-Nagpur Railway, which has been under construction since 1908-09, and on which the percentage of interest on capital expended has already reached 28½. Mr. Hawes promised that he would complete the table on the assumption that the money necessary to get the works done is provided at the rate of 10 lakhs per annum, which appeared to be the present standard.

5301. In answer to Mr. Hiley, Mr. Rumboll explained that this line is opened as far as Parasia, where there is a colliery, and the receipts are about sufficient to cover the working expenses. Roughly speaking, the company had been able to spend whatever had been allotted for this construction over a period of years, but had only been allotted about half the amounts applied for. In the case of the Harbour Branch Extension, the figures reproduced in the Appendix to Mr. Rumboll's written statement show a somewhat similar position. Mr. Rumboll promised that he would furnish the Committee with an explanation of the striking difference between the budget grants and the modified grants as they stood at the end of the years 1913-14 and 1914-15, there having been a reduction of nearly 50 per cent. in the one case and 66 per cent. in the other. Mr. Rumboll explained that this might not be necessarily due to any fault on the part of the Government, as funds might have been surrendered by the railway company owing to its inability, for one reason or another, to spend the money.

5302. In reply to the Chairman, Mr. Rumboll explained that the Harbour Branch from Kurla was originally intended to serve the port trust warehouse and docks; subsequently it was extended as a passenger line to Victoria terminus serving the port area. It is now being constructed as an electric railway between Bombay and Kurla. The length of the extension is about nine miles.

5303. Under the system of accounting in force, the interest on capital is debited year by year to the revenue of the open lines, whereas he considered that it ought to be a charge against capital of the new line, and should only be debited against revenue when the line is opened for traffic.

5304. The Chairman drew attention to Mr. Rumboll's written statement that he considered the existing arrangements for regulating expenditure in England, with reference to the grants allotted, are satisfactory. Mr. Rumboll agreed that he would like a freer power of transfer between England and India.

5305. With reference to his statement that Government exercise adequate control over railway administrations in respect of rates and fares, Mr. Rumboll said, in answer to the Chairman, that Government exercise, in fact, no control within the maxima and minima. The Chairman pointed out that, if the minimum is a reasonable charge, it would be extortionate to charge the maximum, and asked what powers the Railway Board had to prevent this if a railway agent were so unreasonable. Mr. Rumboll agreed that the Government should have some control over rates and fares. He did not know of any country which had less control in this respect at the present time.

5306. Referring to the provision in the Indian Railways Act for the appointment of Railway Commissions to settle disputes, Mr. Rumboll stated that the existing machinery had never been put into use. With reference to his written observation that 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, Mr. Rumboll said he presumed that the Secretary of State would transfer this power to the Railway Board. He thought that the Railway Board would call for an explanation of the railway company before giving its decision. He had no objection to the constitution of a tribunal consisting of a railway man on one side and a commercial man on the other with a qualified chairman to settle disputes.

5307. The Chairman asked Mr. Rumboll to quote instances of new railways having been opened up before the main lines were sufficiently developed for the new traffic. Mr. Rumboll stated that he had in mind the feeder lines in the Central Provinces to which he had already referred. The Chairman asked if Mr. Rumboll would say that the harm to the traders on the existing line was greater than the benefit to the people on the new line. The witness agreed that this was the case; the result was that new capital was spent, to the disadvantage of the public, that could have been much better spent elsewhere.

5308. The Chairman referred to the complaints of third class passengers, such as the lack of roofs where passengers have to wait in the open, provision of water taps at road-side stations, and so forth; and asked what the Great Indian Peninsula Railway Company had done in these matters. Mr. Rumboll stated that they had provided all such things and that he thought they ought generally to be provided. He agreed that money could be found for these minor requirements. In reply to Sir Arthur Anderson, Mr. Rumboll admitted that the money for these usually comes from revenue.

5309. The Chairman asked what the witness had to say with regard to questions such as discourtesy to Indian passengers and discrimination between Indians and Europeans. The witness replied that there has of late been a good deal of complaint against the Great Indian Peninsula Railway that separate accommodation is provided for Anglo-Indians in the third class on through and long distance trains, though not on suburban traffic. Mr. Alexander said that this discrimination is made for the benefit of both races, because the conditions of travel were different in each case. One or two cases had recently gone to a court of law, which had decided that the Railway Company was justified in providing separate accommodation for Anglo-Indians.

5310. The Chairman invited Mr. Rumboll's attention to other complaints of unequal treatment, and asked if it were true that Europeans get wagons whereas Indians do not. The witness stated that this was not the case in recent years; it was a matter to which he had given a lot of attention. As a result of discussion between the Railway Company and the merchants a procedure had been introduced to ensure as far as possible that everybody got equal treatment. In this connection, Mr. Rumboll handed in copies of certain orders, for the information of the Committee. The Chamber of Commerce, Bombay, had approved of them and recommended that these orders should be adopted throughout India. The witness explained that the only weak point was that the congestion of traffic, and the consequent stoppage of acceptance of goods, made it possible for the subordinate staff to reap a harvest. Mr. Rumboll explained that a man might, with the connivance of the stationmaster, get an uncompleted consignment registered before another man who had completed his consignment, and also that he might enter a figure in the register which did not represent the goods actually on the premises, but which would be brought in the course of the day. He had endeavoured several times to get merchants to form a local association to protect their interests. He had failed to elicit any support from them, and this was the weak point of his system. He thought that this could only be remedied with the co-operation of the trade. He thought, however, that there was no preferential treatment as between Europeans and Indians in connection with the allocation of wagons.

5311. The Railway Company did its best to ensure despatch of consignments in order of receipt. He was afraid that there was a certain amount of bribery going on in the manner indicated, but if he were told that a man on his railway had been paid Rs. 200 each for eight wagons he could not say he would believe it. He had not heard of such a thing on his railway. He would not say that the results attained so far were due to the Company's unaided efforts. The Indian Merchants' Chamber in Bombay had helped them a good deal. As regards further improvements, the Railway Company had not yet gone to the Indian Merchants' Chamber, but was now endeavouring to seek the assistance of that body, and a letter had just been addressed to them on the subject.

The further examination of the witness was adjourned until 12 o'clock on Wednesday, the 9th instant.

ANNEXURE A. (Paragraph 5278 above.)

Copy of letter, No. 568-S., dated 12th July, 1920, from the Railway Board, Simla, to the Agent, G.I.P. Railway.

With reference to your letter, No. 5 V.-S./98, of 19th June, 1920, I am directed to inform you that the figures given in Appendix 19 of the Administration Report show an improvement from 68 per cent. in 1918-19, to 70 per cent. in 1919-20, for the number of standard gauge goods vehicles equipped with vacuum brake or piped.

In view of the delay in obtaining material and the congestion in repair shops, the Railway Board are of the opinion that very rapid improvement could hardly be expected for the period reviewed, but material progress should now be possible and they are reminding railways of the importance of the matter.

ANNEXURE B. (Paragraph 5287 above.)

Mr. Rumboll subsequently placed at the Committee's disposal a copy of the Accounts for the Sea-borne Trade and Navigation of British India for March, 1920, from which the following figures have been extracted:—

Manganese Ore, Exports from India during the year 1919–20 :—

—	Quantity (tons).	Value (rupees).
Bengal	127,894	25,11,234
Bombay	249,667	45,72,858
Madras	4,555	1,01,595
Total	382,116	71,85,687

ANNEXURE C. (Paragraph 5288 above.)

Programme of works which will be required during the next ten years.

(Figures in Thousands.)

	Rough Cost.		Rough Cost.
Staff quarters (10 years' programme) ...	3,00,00	Lengthening platforms along the line ...	3,00
Dadar-Matunga Estate...	44,00	Nasik—Removal of Locomotive and Carriage Shops	4,50,00
Bridge renewals, etc. (10 years' programme)	3,00,00	Relaying	8,08,00
Station remodelling (small) (10 years' programme)	1,00,00	REMODELLING SCHEMES.	
Station isolation, etc.	20,00	Mazgaon remodelling	54,00
Sungam Bridge	14,78	Poona ,, ...	38,00
Electrification	4,00,00	Dhond ,, ...	43,00
Crossing stations, S.E. Line	14,04		

	Rough Cost.
Lonavla remodelling	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 Tranship Yard	2,80
Nagpur remodelling	28,50
Victoria Terminus Station	29,50
,, ,, Station building ...	25,00
,, ,, Washing sidings ...	4,00
,, ,, Stabling sidings ...	3,00
Jhansi remodelling	4,50
Jhansi (station building)	1,70
Chalisgaon remodelling	6,15
Igatpuri ,, ...	33,87
Nasik Road ,, ...	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
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	1,52
,, 110¾—111½-0·08	
,, 111½—112¾-0·34	
,, 119 —120 -0·27	
,, 124¾—126½-0·30	
,, 143½—144½-0·18	

	Rough Cost.
Regrading between Bhusaval and Itarsi—	
Miles 337 —338 -3·02	17,15
,, 340 —341¼-4·03	
,, 364½—366 -6·06	
,, 381¼—382½-2·02	
,, 438½—439 -2·02	
Regrading between Itarsi and Jubbulpur—	
Miles 567—568 -3·02	8,07
,, 590—591½-5·05	
DRAINAGE.	
Bhusaval—Drainage scheme	3,00
Nagpur—Drainage scheme	42
Dhond—Drainage scheme	50
HOSPITALS	
Bina	2,50
Jhansi	2,50
Bhusaval	2,50
Amla	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 31*st March*, 1920.

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

See Written Statement No. 47, Vol. IV., P. 168.

Mr. H. P. HEBBLETHWAITE was called and examined on a statement furnished to the Committee by Messrs. Killick, Nixon and Co., Bombay.

5312. The witness said that he was a partner of Messrs. Killick, Nixon and Co., and spoke for his firm.

5313. The Chairman pointed out that while the firm had only recommended the addition of a local board to the existing system, the Mackay Committee had gone further and recommended the handing over of the railways which are at present managed by the State, to companies, and asked the witness what he had to say as to this. The witness said that he was in agreement with this proposal which he regarded as quite a practical one, except in the case of railways which are maintained for military reasons.

5314. The Chairman referred to the firm's observation that State management would remove competition, and asked whether at present there is any competition as understood in England or America. He instanced the monopoly which the Great Indian Peninsula Railway has of the traffic between Calcutta and Bombay, and asked whether the witness would propose to parallel this line. The witness replied that this would be uneconomical, his view was that competition, whatever its extent at present, should be maintained, but that no money should be spent to create it where it does not already exist, or at any rate till there is a demand for increased railway facilities. The Chairman pursued the question still further, and put it to the witness, whether he would rather construct a competing route, in case the traffic between Bombay and Calcutta grew very large, than improve the Great Indian Peninsula Railway to carry it all. The witness stated that he would not go so far as that.

5315. As regards arrears of renewals, the Chairman asked whether it would be sound finance to find funds for these, as proposed in the written evidence, by means of loans of 10, 15, or 20 years' duration, although the money necessary for them should have been placed to reserve instead of being paid away as dividends. The witness thought that, in the exceptional circumstances of the case, such a measure is necessary, and he did not think it bad finance to raise the money in this way. The Chairman emphasised that he was talking of revenue renewals, and asked whether these, which ought to have been done at the cost of revenue should not now be carried out, as far as possible, out of revenue during, say, five years to come. The witness did not think that the work could now be done quickly enough if financed from revenue. He, however, did not lay stress on the period of the loan being 15 or 20 years.

5316. The Chairman drew attention to the statement in the written evidence that London boards are "a necessity" if access is to be obtained to the world's money markets, and asked how, for instance, a London board could help to float a loan in New York. The witness admitted that a better word would be "helpful" or "useful." He admitted that the Government of India would have a better credit than, say, the Board of the Assam-Bengal Railway, in the English money market and elsewhere, and that a company's board could not be of any help in floating Government loans either in the English or the American market, though they might be so in raising money for a particular railway. In this connection, the witness agreed with the Chairman that the existing practice of raising money by debentures through a particular railway company, and then of spending it not on the railway that raises it, but elsewhere, appeared open to criticism. The witness considered that a Government loan would probably be cheaper than the issue of new share capital. He admitted that the discussion had exhausted all possible methods of employing a company to assist in raising capital, and that none was found very useful. He thought, however, that it would be found necessary to raise more share capital and urged the retention of the London Board for this purpose; if they were not wanted for it he agreed that their location in London was of no importance.

5317. As to the proposed local Boards, the witness said that the agent of each railway should be the chairman of its local Board. He should have greater powers delegated to him, and should have the right of veto on the proceedings of the local Board. He did not think that in practice there would be any great difference of opinion between the agent and the Board, but, if there was, the agent should have the final say. The ultimate authority would still be that of the London Board, which would retain power to revoke any delegation of its powers to the agent or the local Board in India. The witness realised that the Director of the London Board, who, it was proposed, should come to India to serve as a Director on the local Board, and was above the agent while at home, would be really subordinate to him in India. But he considered that under Messrs. Killick Nixon's Company's scheme, the object of which was to obviate delays in references to London, the Director would have to divest himself of his authority as a Director of the London Board. In his own experience such delays do occur, notwithstanding statements to the contrary made by some of the agents of the big companies. The local Board would also be useful in settling local disputes. In case of labour disputes, for instance, the agent would be the deciding authority, but the local Board, with their knowledge of local conditions, would assist him in arriving at a decision.

5318. Mr. Hebblethwaite considered that the members of the local Board should hold some shares in the company, though he thought they would be men of some importance, and would not be likely to be influenced in decision by their relatively trifling pecuniary interest in the railway. He did not think that the English shareholders would distrust the local Board, on which there would be one of their own representatives. Nor did he believe that they would be influenced solely by regard for their dividends.

5319. He admitted that the director from home would have no work except on the days when the local Board meets, but assumed that he would find other interests to occupy him. He explained that the whole object in recommending that a director should come out to India was that the home Board should be kept in touch with local conditions, and he thought that this object would be attained if the directors came out in rotation. He did not see any reason why this proposal should not work if it were made a condition of appointment to the home Board. He did not think that such a condition would deter the best men from taking up appointments as directors, though it would not appeal to himself. In reply to Sir Arthur Anderson the witness said that the home director need not necessarily serve for a full year in India, a period of six months might be enough.

5320. The witness said that he could not furnish the Committee with exact figures of arrears of renewals due to neglect during the war, even for his own lines, as these are worked by the main lines. His firm frequently inspects its lines, and employs the services of a Consulting Engineer.

5321. The Chairman asked, if, as was considered by the witness, it was necessary to borrow the money necessary for renewals, and then pay it off from revenue for 20 years, what objection he had to the alternative of raising the rates in order to secure within a few years enough money from revenue to enable the work to be done, assuming of course that the traffic would not be restricted by such a step. The witness emphasised the extreme importance of taking the renewals in hand immediately. They would not allow of being spread over a long period; but he agreed that, if they were so spread, he would not increase dividends till he had cleared them off. He doubted whether, as suggested by the Chairman, the method of meeting arrears renewal charges directly from increased revenues would be the better one.

5322. In reply to the Chairman the witness said that, apart from the question, which should be decided by experts, as to whether the expenditure is chargeable to capital or revenue, he would first like to see the existing lines put in order before building extensions. He considered that a programme should be drawn up, and, instead of the work waiting for the money, money should wait for the work; that is to say, money should be provided as fast as it could be got, though, of course, with reasonable regard to the speed at which the work could be carried out, and when once the money and the programme are sanctioned, there should be no delay in the expenditure of the money.

5323. In answer to the Chairman's question, what is the advantage of having small independent companies which justify paying more for the money and constructing lines through their agency, if Government could find sufficient money itself; the witness said that such companies would give the people of India the opportunity, which they are anxious to have, of inyesting their money in high class securities such as railways. The Chairman observed that, if Government loans were raised specifically as railway loans, and if railway finance was cut adrift from general finance, the people of India could very well subscribe in this way. The witness agreed that this would give them the opportunity they want; but, while admitting that he might be biased by his own firm's interest in Branch Line Company enterprise, he thought it could not be disputed that the promoters of branch line companies had done useful service to the country when money was not forthcoming, and he did not think that the small extra cost should be any reason for putting a stop to railway development through their agency. In answer to the Chairman's question whether the personal influence of the promoters, or the commercial attractiveness of the investment, or the development of the country, would weigh most with the Indian investors the witness thought that if Killick, Nixon & Co. issue a prospectus, their name is in itself enough to attract capital.

5324. He believed the Chairman was right in suggesting that these branch line propositions attract money from a class of investors who would be less disposed to subscribe to ordinary Government loans. Questioned as to whether the guarantee of 3½ per cent. would induce anyone now to put up money for branch line companies the witness replied that it was difficult to say. Branch line shares were not popular at the moment, having depreciated in value by about 30 per cent., though they had depreciated no more than in proportion to the enhanced value of money, and were still a good security. Prices have gone up so much all round that it is not possible at present to put an attractive prospectus on the market. Even the suggested raising of rates would not enable the promoters to show a sufficient return. Investors in branch line company shares always look to the possibility of a higher return than either the guarantee or rebate secured; but at the present time it would hardly be possible to float a branch line company unless the guarantee or rebate terms were such as alone would attract the capital irrespective of the chance of a share in earnings.

5325. As regards the short circuiting difficulty, which is inevitable if so many feeder lines are constructed as to form an appreciable proportion of the mileage contemplated by the Mackay Committee, the witness considered this a serious point and recognised that there were difficulites in it.

5326. The Chairman referred to Messrs. Killick Nixon's recommendation that Government should be prepared to encourage the grant of additional guarantees "by local Governments or other bodies," and asked if by "local bodies" "district boards" are not meant, and if so, whether there was any reason why they should not be allowed either themselves to construct or to contract with companies for construction of lines. The witness answered he saw no objection; he did not know why such a power which was advantageously exercised in Madras, had been refused to district boards in Bombay.

5327. The Chairman asked the witness what he had to say about the circumstances in which his firm's steamer service to Broach had been made unprofitable by a manipulation of railway rates, with the result that the service had to be discontinued; in view of the fact that the block rates had since been removed and that the original conditions had been restored. The witness said that his firm would certainly consider again running a service to Broach if there was an assurance that the block rates would not again be introduced if they did so. He could not, of course, say off hand if they would restore the steamer service. He did not think that the increased cost of working the steamers would make it unprofitable, but it would be very unprofitable to start the service and again have to withdraw it. In answer to Sir Arthur Anderson, he said that his firm did fear alterations of railway rates should they start again the service to Broach. The railway had, for instance, transferred sugar from the 1st to the 5th class, and thus effectively prevented their carrying sugar from Karachi. He thought that country craft still plied between Bombay and Broach, but his firm could meet their competition.

5328. The Witness said that there are Government directors on the Boards of some of the branch lines the contracts with which provide that there should be a Government representative. Their work could not be described as arduous. They do not regularly attend the Board meetings, doubtless because their other duties take them away. In fact, there is little for them to do on the Boards as the branches are worked by the main lines. They had only to watch and see that the managing agents do what they ought to do. The Chairman observed that the Government director is usually an engineer who is not specially familiar with rates in which the public is interested. The witness replied that the branch lines had very little control over rates.

5329. In answer to Sir Henry Burt, the witness said that he had no reason to suppose that a branch line would not get reasonable help and assistance from a company worked line, though it was probably easier to promote a feeder to a State worked railway than to a company line, as the Board in London sometimes raises difficulties. In a few cases the London Board's criticism is an advantage, too, as they would not approve of a branch line that would not pay.

5330. On the question of the proportion of holdings of Indians and Europeans in branch line companies, the witness put in the following statement:—

Company.	Total No. of Shares.	No. of Shares held by Europeans.
The Tapti Valley Railway Co., Ltd.	25,000	3,660
The Tapti Valley Railway Co., Ltd., Debentures	1,346	945
The Ahmedabad Prantej Railway Co., Ltd.	5,000	1,326
The Ahmedabad Prantej Railway Co., Ltd., Debentures ...	2,200	1,627
The Ahmedabad Dholka Railway Co., Ltd.	11,500	2,366
The Amritsar Patti Railway Co., Ltd.	32,000	13,055
The Amritsar Patti Railway Co., Ltd., Debentures	600	Nil
The Central Provinces Railways Co., Ltd.	84,000	35,622
The Guzerat Railways Co., Ltd.	34,500	9,951
The Guzerat Railways Co., Ltd., Debentures	1,800	60
The Sialkot Narowal Railway Co., Ltd.	30,000	13,180
The Mandra Bhon Railway Co., Ltd., ...	27,500	9,386

The witness observed that it would be evident from the statement that Indians hold a very large percentage of the capital, and that at least on the Bombay side it is not the case, as the Committee had been told elsewhere, that Indians have not readily taken up the shares.

5331. The witness agreed to the suggestion of Sir R. N. Mookerjee that, instead of the agent having the final say, if there were any difference of opinion between him and the proposed local Board, the matter should be reported to the home Board, whose decision should be final. Such cases would be rare, and delays would probably not be serious. It would get over the difficulty of the home director being under the agent. He did not like an advisory board because it has no definite powers.

5332. He admitted to Mr. Hiley that there would be great difficulty in dividing powers between the local Board and the London Board, and that the position of the director from home would be peculiar, though the chances of disagreement might be diminished. If, however, the proposal to have such a director on the Indian Board could be carried out it would be a good thing.

5333. Mr. Hiley pointed out the inconsistency between the statement in the written evidence that the existing control of railways was adequate and satisfactory, and the experience of the witness's firm in regard to the broach traffic. The witness did not think this had anything to do with the railway company. The question was not one of maximum and minimum, but one of change of classification which was authorised by the Government of India, the final authority, though the proposal emanated from the railway company.

5334. With regard to the proposal of raising short term loans of 10, 15 or 20 years' duration, the witness said, in reply to Mr. Tuke, that Government would have to guarantee such loans. A guarantee of about 6 to 6½ per cent. would be necessary at the present time. Mr. Tuke pointed out that if, as proposed, the loans were short-dated and paid off, both interest and capital, gradually out of revenue within the period, a sinking fund would have to be created, and that both interest charges and sinking fund appropriation would come to about 15 per cent per annum. The witness considered that such an amount could be found out of revenue. Mr. Tuke, however, thought that it would be considerably handicapping the company. Money should be borrowed in the cheapest market. Mr. Tuke observed that any debentures raised in England for Indian railways would probably have to pay at least 8 per cent. at present, so that it would be an expensive thing to borrow through companies. The witness agreed that a Government loan would be the most efficacious and cheapest way to borrow, if Government could get all the money. He very much doubted, however, if they would succeed in this.

5335. The witness said in reply to Mr. Purshotamdas Thakurdas that his firm are the managing agents of the Guzerat Railway, and in that capacity have a good deal to do with the B.B. and C.I. Railway. The Guzerat Railway has always been worked by the Guzerat Railway Company. The B.B. & C.I. Company could not see their way to agree to the terms proposed for working by their company, and the concession was therefore given to the Guzerat Railway Company both to construct and work the railways, the liability for rebate falling wholly on Government and not on the B.B. & C.I. Railway. This was in spite of the fact that the interest of the B.B. & C.I. Company's shareholders in the company's profits was only 5 per cent. and the rest that of the Government. The witness said there was doubtless more in the case than might appear, but he could not dilate on the subject in public. He agreed that, supposing the domicile of the Board of the Guzerat Railway Company were in London instead of in India, it would be very inconvenient to the managing agents here.

5336. At the request of Mr. Purshotamdas Thakurdas, the witness stated that the clause in the contract between the Secretary of State and the Amritsar Patti Kasur Railway Company governing through traffic was:

> "There shall be no obligation upon the said North Western State Railway to send through traffic from Amritsar *via* and from Kasur and *via* over the said railway, but if the said North Western State Railway do so send any such traffic, the said railway (*i.e.*, the Amritsar Kasur line) shall receive its mileage proportion of the receipts arising therefrom." He further stated that as a result of pressure by the Branch Line company for liberal treatment in respect of the routing of through traffic, the following agreement between the North Western Railway and the Branch Line Company had been tentatively agreed to by the Railway Board for three years:
>
> "The Branch Line Company shall receive their due mileage share of earnings derived from traffic booked between stations where the Amritsar Patti Kasur Railway, at the time when the traffic is carried, forms part of the shortest route between such stations, whether this traffic is actually carried over the Amritsar Patti Kasur Railway route or not. In return for this concession the North Western Railway shall have the right of free user over the Amritsar Patti Kasur Railway, that is, the right to book any traffic for which the Amritsar Patti Kasur Railway does not form the shortest route, over the Amritsar Patti Kasur Railway should it suit its convenience to do so free of any payment to the Amritsar Patti Kasur Railway."

At the end of three years this arrangement was withdrawn. No reasons were given for this action beyond the fact that it did not suit the State railway.

5337. In reply to Sir George Godfrey, the witness said that the period during which the agreement with the North Western Railway was in force was three years, and its operation had made a great difference to the receipts of the Branch Line Company as these had gone up by leaps and bounds, but had fallen off when the agreement was withdrawn. He could furnish figures.

5338. Mr. Purshotamdas Thakurdas asked the witness whether his firm had any difficulty in floating the Amritsar Patti Kasur Railway. The witness replied that it was very difficult at first to persuade people to subscribe, but subsequently it was managed.

5339. Sir Arthur Anderson asked the witness whether there was any restriction on the freights they could levy, both up and down, by steamer between Bombay and Broach. The witness stated there was none.

P.S.—Mr. Hebblethwaite subsequently furnished the Committee, in connection with the Amritsar-Patti-Kasur Railway cross traffic question, the following statement, showing (1) the tonnage carried, (2) gross earnings, (3) dividend, for the three years prior to the introduction of the cross traffic agreement, for the three years during which it was in force, and for the three years subsequent to its suspension.

For year ending 31st December.	1910.	1911.	1912.	1913.	1914.	1915.	1916.	1917.	1918.
Merchandise in tons	72,502	61,406	77,631	1,76,134	2,41,459	2,55,001	1,25,521	61,027	35,223
Gross Earnings in Rupees.	48,990	65,532	66,903	2,13,283	1,81,995	2,19,872	97,207	55,574	25,381
Rate of Dividend paid per annum.	6% free of Income Tax.	6% free of Income Tax.	6¼% free of Income Tax.	7½% free of Income Tax.	8% free of Income Tax.	8% free of Income Tax.	6¼% less Income Tax.	6¼% less Income Tax.	6¼% less Income Tax.

NOTE: 1. The figures in heavy type are those for the period when the "Through Traffic Agreement" was in force.

2. The apparent discrepancy in the figures of 1914 is due to the fact that during that year there was a very heavy Revenue Stores Traffic in connection with the re-laying of the line for which no revenue was obtained.

DEWAN BAHADUR K. R. GODBOLE was called and examined.

5340. The Dewan Bahadur stated that he was a partner in Messrs. Shapoorjee Godbole and Company, who were agents for the Dhond-Baramati and Pachora-Jamner Railway Companies. He said that though he had not submitted any written statement, he would like to express opinions on certain points raised in the questionnaire.

5341. Referring to the first question whether railways owned by the State should be managed directly by the State or by companies on a profit sharing basis, the witness said that the State-owned lines should be managed by companies in preference to direct management by the State, but under more rigid State control than at present in matters of rates, the number of trains and other details, his reason being that a State management would not pay sufficient attention to the revenue earning side and would be more likely to yield to popular clamour for additional comforts and conveniences on the lines, such as platforms and waiting rooms at road-side stations. These he considered as luxuries which should be provided only after the railway has earned a decent dividend, say, 7 per cent.

5342. In reply to the Chairman, the witness said that the present control by Government over rates is not sufficient, especially in the matter of securing the grant of special rates in the interests of industrial development. He believed that Government did not possess power in this direction at present, but held that they ought to have it.

5343. He considered that the Government in India should, as in France, have power to say to the railway company that they should run another train if there is any over-crowding. Recently he had seen on one of the lines managed by the G.I.P. Railway Company a number of passengers waiting for a train for a day or two, the passengers having to remain on the platforms as there was no accommodation in the trains. This state of affairs exists only since the war. The Chairman observed in this connection that the railways could not run additional trains owing to shortage of rolling stock, and that, if Government wanted more trains to be run, they should also find the money to enable the companies to produce the trains. To this the witness agreed.

5344. Asked whether it was necessary for Government to interfere in matters such as settling the pay of subordinate establishments, the witness said that ordinarily he would leave these to the companies. If, however, any company was found to be mismanaging the line, Government should have the right to intervene. Government should have power to interfere in all points whenever they think that the management of the company is defective, on the other hand, they should give the company a free hand as long as they are satisfied that it is using its powers wisely.

5345. Regarding the question of domicile, it is a great disadvantage that the main line companies at present have their Boards of Management in England. The witness strongly held that the companies should be domiciled in India. Seeing that the capital owned by companies is very small, being only one-tenth, or less, of the total, he would ask them to shift their Boards to India when their contracts expire. If they do not agree, efforts should be made in India to promote local companies to take over the management on the same lines on which the English companies are working at present. The new Indian companies should be asked to raise the money which would have to be paid to buy out the English companies and should take up the management of the business. He would not exclude any European, as such, from taking up shares in the Indian companies if he liked. If, on the other hand, the existing railway companies agreed to the transfer of their domicile, he would renew their contracts. In the case of those companies whose contracts have still many years to run and where there is no provision for their being bought up immediately, he would not have recourse to compulsory arbitration to buy them on compulsory terms; rather he would let them go on until the contracts expire in the normal course.

5346. His own experience, with reference to the branch lines which his company had promoted, has been that they had had to negotiate with the Home Board and the local management to the extent of something like four or five years. At least half of the time would have been saved if the Board of Directors of the Great Indian Peninsula Railway had been in India. He did not agree with the agents of the big companies who say that their Boards' location in London does not cause delays. The main reason on which he would urge the removal of the Boards to India was that, as the Indian taxpayer pays the guarantee and owns the majority of the railway capital, the management should be in India.

5347. In case there was any difficulty about forming an Indian company for taking up the management of these large concerns, he would go to the length of having administration boards for the management of each railway on the lines of the present Bombay Port Trust, with a Government nominee at the head of the trust to watch the Government interests, the other members being selected from the areas served by the railway. He would sooner do this than consent to a company with English domicile. The Bombay Port Trust have no shareholders, but they have debenture holders. As in the Bombay Port Trust, if there was any surplus revenue, the witness said that improvements should be effected and the property expanded and improved. He would have no shareholders in the trust.

5348. Regarding the constitution of competent boards in India to manage the undertakings, he said that there would be no difficulty at all as regards business men in places like Calcutta and Bombay, but there might be difficulties in getting expert technical advisers; these might, however, be got over by efficient staff being engaged on the lines. With the assistance of this staff and with financial directors to be found in places like Calcutta and Bombay, there ought to be no difficulty in constituting local boards.

5349. He did not think that Indian boards would employ Indians, because they were Indians, if they were inefficient. In big cities like Calcutta and Bombay he thought that people are getting over that clanish feeling to a very large extent. He admitted that the feeling did exist in times gone by. Now the people would be ready to pay the price for brains. For a long time to come European technical advisers would be necessary.

5350. Assuming that the companies removed their boards to India, the witness would allow them a larger share in the undertaking. He did not like the policy adopted by the Secretary of State in the past of refusing permission to the companies to raise more share capital. In his opinion, if the companies had more capital invested, they would take a greater interest in the well-being of the lines. He would even go to the length of saying that he would welcome the companies raising the whole capital if they could, making the railways really private concerns.

5351. Asked whether it was the shareholders who really manage the line, or the paid agent, the witness said that it was the directors who did so, but he admitted that the management depended a great deal upon the efficiency of the agent who does not get a commission on the profits. Occasionally there were directors on the boards who were experts in financial matters and whose advice in other directions was very helpful.

5352. The witness suggested that in the event of the railway companies being domiciled in India, the boards of directors should be constituted of local people. He added that, if a portion of the capital was held by Europeans, he would give them the right to put in a director of their own. This would, of course, depend upon the extent of the capital. The rest of the boards would be ordinary directors elected by the Indian shareholders. There would also be a Government director to watch over the Government interests. Thus, he wanted Government control at both ends, namely, Government should have authority to interfere whenever they liked on any subject, and

also the Government should have a director on the board to watch how things were being managed. He would not have any representative of the local government on the board as it would lead to too much interference. It would suffice if the board had a representative of the Government of India, under whose control all the railways in India would be.

5353. Referring to the branch line terms, the witness said that these were quite inadequate at present, and the sooner they were revised the better. In practice, the fixed guarantee has not been found useful; it has been accepted only in one case, the rebate terms being generally preferred. What he pleaded for was that these branch lines were doing a great amount of good in the country and were attracting money for investment from quarters which had not yet been tapped by the ordinary Government loans. In his opinion they were serving a very useful purpose in attracting capital from the smaller investors in large numbers, and politically this was doing a lot of good because these small investments meant an increase in the numbers of people who took interest in the orderly government of the country. Therefore he thought that the branch line terms should be made liberal and attractive so that the smaller investors who were not satisfied with Government loan terms might put in their money into these undertakings, which are second in importance only to the Government loans and are free from speculation. The traffic on these lines is constantly developing, and this affords a firm security, which appeals greatly to the smaller investors. He thought that the Indian Railway Committee would do well to recommend strongly to Government to keep these terms on a basis which would be more attractive than the ordinary Government loans. He would not attempt to say what rebate terms should be given. They should certainly be such as to ensure a better return than the ordinary Government loan terms. Questioned whether he would prefer either the chance of a handsome return, or a certainty of a fair return with a share in the profits, the witness said that the people prefer a fixed minimum with a chance of sharing in the surplus profits.

5354. In reply to the Chairman, the witness said that his company got, for their first line, most of the money from the big people in Bombay; while for the second, they got a number of applications from people in the mofussil who appreciated the security. If they had not put their money in this, much of it would assuredly have been spent on ornaments.

5355. The witness did not agree with the Chairman that there need always be disputes, if there were large numbers of small independent companies, on the question of short circuiting, diversion of traffic, etc. As these branch railways are short lines at right angles to the main lines, there is no chance of their interfering with each other's territory. The number of lines which a country can bear is also more or less fixed. They cannot be multiplied indefinitely. The witness agreed that they had not nearly finished building in India; on the contrary they wanted much more mileage. A definite sphere of influence should be assigned to each line. If Government consider a line necessary to serve a particular part, then the company, in whose sphere of influence it is, should be asked to construct it. No new company should be allowed to come in. The Government of India should retain to themselves the right of saying whether a line was wanted or not. The witness realised that there might be difficulties in the way, which, however, he did not think insuperable.

5356. If he were advising the Government of India and there was plenty of money available to make branch lines by Government themselves, he would certainly ask them to construct the lines, and not leave them to others. If, however, Government could not do it, for one reason or other, he would have them built by a local company. The witness thought that Government ought to extend its own railways.

5357. The witness wanted to bring to the notice of the Committee that a great deal of the railway plant and railway material is at present imported into this country. Each of the main railway systems has attached to it very big workshops, with trained establishment of a very high order. He wanted Government to keep in view the utilisation of these workshops in such a way that they would eventually be able to turn out all the railway requirements at present imported into the country. In Bombay, for instance, there are two large workshops, attached respectively to the Bombay Baroda and Central India and Great Indian Peninsula Railways, which do a lot of repair and renewal work. He wanted each workshop to specialise in a particular railway plant or material and to produce this for all the State lines. In his opinion, this was quite feasible. One of the workshops named above could manufacture engines, another carriage and wagon stock, and so on. Government must undertake to do this, as private enterprise is not likely to take it up. The Chairman pointed out that a good deal had been done in that direction, but the witness said that the progress being made is not fast enough.

5358. In reply to Mr. Purshotamdas the witness said that he would advocate the formation of an Indian company, if one of the existing companies refused to transfer its domicile to India. Failing this, he would adopt the expedient of forming a Managing Board like the Port Trust, that is, the railway should be administered through a body created for the purpose. He preferred company to State management, because the former conduces more to economy and efficiency; the tables given in the questionnaire showing the results attained by both prove this conclusively. Further, he said that he had experience of several industrial concerns started by Government which had come to grief, and which private management had brought to a successful isssue. Mr. Purshotamdas pointed out that railways were not on all fours with industrial concerns, and the witness admitted a certain amount of difference.

5359. The witness said that he was a member of the Pilgrim Committee for the Bombay Presidency. His experience in that connection was mostly with company-managed lines, and he had nothing special to mention about it.

5360. Referring to his previous remark that platforms and waiting rooms at wayside stations were luxuries, Mr. Purshotamdas said that in other parts of India, the Committee had been told that such conveniences were absolute necessities which the company managements refused to provide. The witness said that he disagreed with those who held such things to be necessities at unimportant stations. Mr. Purshotamdas asked whether he would not conclude agreements with the present companies and let them continue to run the lines. The witness said that the only change he wanted was that the companies should shift their Boards to India.

5361. The witness had not studied the question of block rates. If, however, any railway was seen to charge any higher rate than is fair and usual, Government should step in and say that they should not do so. Government control must be made much more efficient than it is to-day.

5362. Regarding Government Directors and their powers of interference, Mr. Purshotamdas observed that Government have a director on all of the boards in London who has powers to interfere: if the Government Director being on the board, satisfies himself or is satisfied, then there should be very few complaints. The witness said that the directors, being away from the country, do not realise local difficulties.

THIRTY-FIFTH DAY.

(Bombay).

Saturday, 5th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, KT., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

See Written Statement Nos. 48 & 49, Vol. IV., P. 169/174.

The under-noted representatives of the Indian Merchants' Chamber and Bureau, Bombay, and of the Indian Millowners' Association, were called and examined with reference to written statements which had been furnished by them to the Committee:—

Sir VITHALDAS D. THACKERSEY (representing both bodies).

Mr. LALJI NARANJI,
Mr. JEHANGIR BOMANJI PETIT,
Mr. B. F. MADAN,
Mr. J. K. MEHTA,
} representing the Indian Merchants' Chamber and Bureau.

5363. **Mr. Lalji Naranji** acted as spokesman on behalf of the Indian Merchants' Chamber and Bureau. He stated that this Chamber was created in 1907. Its membership is solely Indian and amounts to more than 500, the members being all residents of Bombay with very few exceptions. Almost all trades are represented in the Chamber and the members are mostly wholesale merchants.

5364. Mr. Lalji explained that the terms of the statement furnished for the consideration by the Committee of the Chamber had been decided upon in the course of several meetings specially held for the purpose. It had not been placed before the Chamber as a whole but it might be accepted as representing the Chamber's views.

5365. The Chairman observed that, in the written statement, the Chamber referred to a representation addressed to the Railway Board in December, 1916, of which a copy is appended to the written evidence. In addition to this, Mr. Lalji handed in copies of two other representations* dated 26th July and 12th August, 1910, addressed respectively to the Agent, Great Indian Peninsula Railway, and to the Secretary, Railway Board.

5366. The Chairman drew attention to the Chamber's argument, among others in favour of the transfer of Indian railways to State management, that there would be an annual saving of about a crore of rupees at present paid to the managing companies as their share of profits. The Chairman observed that he thought that the figure was overstated as, for a series of years, he believed the payments had only been about half a crore. The witness explained that he did not attach special importance to the precise figure; the point was that, whatever the amount, it was substantial and should be saved to India. The Chairman remarked that a crore of rupees, though a substantial sum in itself, would be relatively small as compared with the annual receipts of the Indian railways, and that any difference in results obtained between good and bad management would be likely to exceed this amount. The witness agreed that, as an abstract proposition, this might be the case. He, however, considered that the sum was large in relation to the Indian finances and that it should not be paid out of the country: the Chamber were satisfied that, provided the principle of self-government was thoroughly introduced in the Central Government, State management would not be less efficient than that of the companies.

5367. Questioned with regard to the submission of precise instances of "block rates" having been quoted by railways other than the Broach block rate case, which had already received the Committee's attention, Mr. Petit drew attention to the evidence taken by the Indian Industrial Commission (as recorded in paragraph 43 on page 293, Vol. IV, of the Bombay evidence), in which specific instances were given showing how rates had been adjusted. The Chairman said that the Committee would be glad to study those examples subsequently. He said he did not understand that anybody now defended the action taken by the railway company and the Railway Board in connection with the Broach case. Sir Vithaldas Thackersey remarked that, in that case, things had reached the breaking point, but there were many cases of a similar character which had not attracted so much attention, but in which the public suffered.

5368. With regard to the Chairman's suggestion that it would probably be admitted as reasonable that large consignments to or from a port should get better rates than smaller consignments of inland traffic, Mr. Petit said he was not sure that he would accept this as a general proposition. He would adjust the rates more in favour of the local traffic if failure to do so were detrimental to local industries. He agreed that he would in fact use the railway revenue to assist the development and protection of Indian industries as such. He thought, however, that in many cases the railways would lose nothing by carrying small consignments at the same rates as large ones. It seemed to him that, so long as a full wagon load is made up it is immaterial to the railway whether it is in several small lots or in one large consignment. In this connection, Sir Vithaldas Thackersey drew attention to the example of matches, in which Indian match factories suffered owing to the quotation of lower rates for the larger quantities handled of imported matches. He thought that (not speaking of quite trivial quantities) the same rates should be given to Indian manufacturers who send small consignments as are given for large imported quantities.

5369. Mr. Lalji cited as an example of undue preference the rates for cotton from Jalgaon, where he has a mill, to Bombay and Calcutta. He stated that the rates from Jalgaon to Calcutta, Cawnpore, and Delhi are very high as compared with the rates

* Not reproduced.

from Bombay. He said that the railways should be in a position to give such rates to Indian manufacturers and industries, whereas at present they look only to the interest of the railway earnings. He promised that he would furnish the Committee with details of the comparative rates and distances for the traffic in question.

5370. **Mr. Petit** said that there are instances in which, only because the traffic is from the ports, lower rates are charged than for shorter distances up country. He stated that the Chamber contends that the preferential rates are deliberately fixed to enable foreign to compete with indigenous industries. He agreed that the railway man might reasonably say that he would lose a certain amount if he did not adjust the rates preferentially in favour of the port traffic; but he considered that the railways existed for the country, and not the country for the railways. The railways have been apt to think too much of their own interests and too little of the interests of the public.

5371. The Chairman mentioned that the railway rate question is an extremely complicated one. He instanced a case in which, in America, the railway companies charged more for 1,000 miles from B to C than for 3,000 miles from A through B and C to D; and said that, after 15 years' discussion, the Inter-State Railway Commission had accepted the railway practice as reasonable. Mr. Petit emphasised that in that case there might be a complaint of undue preference between one American and another, but what is objected to in India is preferential rates being quoted in favour of non-Indians to the detriment of Indians.

5372. After some discussion of the suggestion that it might be advantageous to set up in India a tribunal consisting of an independent Chairman, who might be a lawyer versed in railway business, assisted by representatives on the one side of the commercial public and on the other of railway men, the witnesses stated that they would be quite in favour of such a tribunal being set up provided it were clearly understood that they did not regard this as in any way an alternative to State management of railways, on which they strongly insisted. They laid great stress on the importance of Indian railways being placed in charge of an Indian Minister. He would, of course, require technical assistance.

5373. **Mr. Lalji** dwelt upon the prejudicial attitude hitherto adopted by Government towards the employment of Indians in the higher appointments. He stated that Indians had never been given a chance of establishing their competence and had always been in a small minority. The railways should be managed so as to train Indians first as experts. It was not the fault of Indians if railway experts did not already exist in the country; it is the fault of the treatment to which they had been subjected.

5374. He cited, as an example of what might be done by Indians, the Bombay mill industry in which there is now only a trifling percentage of European staff employed, practically all the superior posts being held by Indians, who have proved themselves entirely competent. He saw no reason why Indians should not prove themselves equally efficient in railway business, and thought the difference between the two cases was very striking. The Chairman said that, of course, the Committee would not at present express either agreement or disagreement with the witness: he mentioned that Sir Rajendra Nath Mookerjee could say that steps have been taken in Bengal, at least, to provide better openings for Indians on the railways. It might, of course, be that this action should have been taken sooner.

5375. **Mr. Petit** mentioned that the Bombay, Baroda and Central India Railway offers lower pay to Indian apprentices than the pay offered to European apprentices where the same work is concerned. He had specially in mind the lower rates of pay offered to apprentices in the locomotive workshops. The Chairman said that he did not think that very much importance could in any case be attached to the remuneration of such posts as these. It was more important to know of any such discriminations between Indians and Europeans employed in the regular service. He said that he believed that in the case of officers the rates of pay for Indians and Europeans are the same and asked whether this is also true in regard to subordinate appointments.

5376. The Honourable **Mr. Sastri** explained that frequent differentiations are made between Indians and Europeans, for instance, in the case of guards and drivers. Sir George Godfrey thought that it depends to some extent upon the work on which the men are employed and that they are paid alike for equal work. For instance, guards or drivers on the mail trains are paid the same, whether Indians or Europeans. Mr. Petit said that he was not in possession of figures and was not in a position, therefore, to speak definitely on the point. He emphasised, however, that hitherto, it was only in the subordinate grades, with very few exceptions, that Indians had any chance of employment at all; though the salaries paid to Indians and Europeans for certain posts might be the same, such posts are withheld from Indians.

5377. The Chairman referred to the quotation in the Chamber's written evidence of a circular issued by the Railway Board in May, 1915, urging railways to give assistance in the development of indigenous industries by the quotation of favourable rates for the carriage both of raw materials and of the finished products. Mr. Lalji stated that this recommendation had not been acted upon by the railways. In this connection, Mr. Petit quoted an instance. The cost of transporting one maund of cotton seeds, according to the figures on pages 294-295 of the Industrial Commission's Report, from Amalner to Bhavnagar, a distance of 486 miles, is the same as that from Amalner to Navsari, a distance of 173 miles. This was the way in which effect had been given to the circular of the Railway Board.

5378. In reply to the Chairman's enquiry whether applications had been made for special rates to develop local industries, Mr. Lalji explained that he had aplied for special rates for the carriage of raw cotton from Adoni to his mill at Jalgaon, the rates at present quoted being almost double those from Adoni to Bombay, the difference in the distances being in the ratio of about 600 to 500 miles. Mr. Lalji said that he applied for this special quotation sometime in 1913 or 1914. This, as the Chairman observed, was before the issue of the Railway Board's circular letter. Mr. Lalji stated that all the satisfaction obtained was an assurance from the Great Indian Peninsula Railway Company, that the matter "would receive attention"—the usual reply in such cases. After two or three reminders, the matter was dropped, the railway company refusing to accede to the request.

5379. Mr. Lalji agreed that such a case as this might advantageously be referred to an impartial tribunal such as had been suggested. Mr. Petit laid stress upon the undesirability of such a tribunal being constituted of railway men. The Chairman mentioned that in the case, for instance, of the Bombay, Baroda and Central India Railway Company, the Government had power to take over the line only at the end of 1941. The witness agreed that if it were definitely accepted as the policy of Government that the company-worked lines should be taken over for State management at the earliest possible date in each case, he would have no objection to the institution of such a tribunal as had been suggested. In the case of the lines already managed by the State, he would welcome the institution of such a body at once.

5380. With reference to the suggestion of the Chamber that better use could be made of rolling stock if the railways were all under State management, the Chairman explained that even in Prussia, where the railway system is smaller than that of India, the State had found it necessary to divide the railway system into 21 different divisions, each with

its own wagons. He did not say there was no interchange of wagons, but it had been found impossible to make a general pool. Sir Vithaldas Thackersey asked why, then, wagon stock had been pooled in India during the war. The Chairman observed that railways are now reverting to the old practice, railway men believing that they can do better work if the wagon stocks are not pooled.

5381. With regard to the Chamber's opinion that the Railway Board should be reconstituted and should in future have four members and a chairman, at least three of the five being Indians and one of these a representative of the Indian commercial community, the Chairman said that he thought that the Chamber would agree that the functions of the Railway Board are really dual and that they might best be provided for by the appointment of the best men obtainable, whether Indians or Europeans on the technical side, giving their whole time to carry out the daily administrative and executive work of the department; on the other side, there being representatives of the needs of the country, this part of the organisation corresponding rather in nature to the Legislative Assembly, which does not sit all the year round. Mr. Petit did not think that representatives of different trades and different parts of the country would be necessary. He thought that Indian opinion would be sufficiently represented by a limited number of Indians who would urge more attention to Indian industrial interests, to the appointment of a larger proportion of Indians in the higher posts and who would see that, in time, railways are managed entirely by Indians. He considered that properly chosen Indian representatives would be strong enough to rise above parochial interests and would not exhibit preference in favour of particular interests or localities.

5382. In reply to the Chairman, who asked whether there was any Indian firm to-day in a position to manufacture and supply railway material which is not fully occupied in doing so, Sir Vithaldas admitted that at present the firms are full up with orders. The point which the Chamber wished to emphasise is that firms have not laid themselves out to manufacture and supply goods for Government service, because they have no assurance of receiving orders in future even when they are capable of complying with them. It was only under the exceptional stress of war, when it was difficult to import materials, that Indian firms had been given an opportunity of showing their capacity. There was no assurance of their receiving their proper share of custom in the future. Mr. Lalji urged the necessity of obtaining all requirements, whether Indian or imported stores, in the country. He said that no definite rule could be made as to the extent to which preference should be given to Indian manufacturers in case of their prices being higher than that of imported goods; but he would fix a percentage of preference with reference to the special circumstances of different cases. Indians might compete with foreign manufacturers on a level in some instances, whereas in others it might not be reasonable to give a special preference. Mr. Petit emphasised that the example of Japan shows what can be done by the adoption of a sound policy in the matter. Japan is now supplying its own requirements of every description as well as supplying foreign customers. It had created these conditions in 40 years, the British Government had done practically nothing on these lines in India during 150 years' rule. Mr. Lalji pointed out that it was unsatisfactory after 70 years of railways in India to find the present position. He added that looking to the fact that India is the country of the Indians he did not want unnecessary importation of men, materials and money from abroad.

5383. With regard to the control to be exercised over railway companies, the witnesses urged that whether or not adequate powers are possessed in theory by Government, they are certainly not exercised. Mr. Petit instanced a case in which the B.B. and C.I. Railway Company had refused to supply a weigh-bridge which was urgently required by the Baroda Millowners' Association, Baroda. He thought that such a Board as the Committee recommended would see that such matters as these are dealt with differently. He admitted that sometimes unreasonable applications would be made and must be refused, and that in really small matters he would not allow a right of appeal up to the Railway Board or the Railway Minister. He did not, however, consider the provision of a weigh-bridge, where this was wanted, a trifling matter. He did not think that the Railway Board would be swamped with references about such cases. He thought that after references had been made, and when these led to grievances being redressed, the railway staff would be more reasonable in dealing with future applications.

5384. Mr. Lalji mentioned that in 1907 the Bengal Chamber of Commerce had strongly urged the superior results secured by State management of railways, citing the better work of the Oudh and Rohilkhand Railway and North Western Railway. He believed that this view really represented the Chamber's convictions, although in recent evidence before the Committee they have supported company management. He thought that the reason for the latter expression of opinion was that the Chamber's standpoint was altered in view of the political development in India.

5385. Regarding the raising of money Mr. Lalji agreed that a great deal of money must be found for railway purposes, and that railway rates must be such as to provide sufficient net revenue to meet the interest charges on the new capital as well as on the old. With reference to the suggestion of the Chamber that the rates for the carriage of luxuries should be high and those for necessaries low, Mr. Madan explained that this was not put forward as a proposal for raising a very large sum of money, but that as a matter of principle the Chamber held that articles of luxury should be charged higher rates than others. He allowed that it might be the case, as the Chairman observed, that rates had been increased less in India since the war than in any other country. He considered, however, that the point was that even if freights were now cheap, there was no reason why they should be increased unless working expenses and interest charges necessitated this. The Chairman remarked that he thought everybody would agree with this view.

5386. The witnesses said that they were not in a position to furnish precise illustrations of the indirect advantages secured to the State in such ways as increase of land revenue due to railway construction. Sir Vithaldas Thackersey mentioned that the land settlement is revised every thirty years, and that it is a special instruction to the revenue authorities that they should take into consideration the improvement due to railway facilities. He said that Government would doubtless be able to give details as to the extent of the improvements secured in actual cases.

5387. Turning to the written statement furnished by Sir Vithaldas Thackersey on behalf of the Indian Millowners' Association, the Chairman asked what cases Sir Vithaldas referred to when saying that many instances could be quoted where the maintaining of vested interests has prevented large parts of the country from being developed. Sir Vithaldas said he had referred specially to the instances mentioned in his speech in the Legislative Council, of which a copy was attached to his written statement. He urged that if railway facilities are increased, as they should be, vested interests must necessarily be affected. He thought an advantage of State management was that the State would not be deterred from making developments for such reasons, as the benefit on the one hand would more than counterbalance the injury on the other.

5388. He agreed with the Chairman that if a large number of branch line companies were permitted to come into existence there would be a tendency for the claims of these companies for protection of their interests to interfere with development. He urged, however, that concessions to branch line companies would only last for 25 years, after which they could be purchased. He would be quite in favour of Government building all the branch lines from its own funds rather than entrusting them to separate companies, if he thought Government would be able to do so. He did not, however, believe that Government would be able to raise sufficient money.

5389. Speaking of the Broach block rates Sir Vithaldas admitted that the Railway was not wholly in fault, the Railway Board being also to blame for having supported the Railway's action. He claimed, however, that under the new dispensation effective popular control would be exercised over the Railway Board.

5390. Sir Vithaldas laid stress on the importance of purchasing in India stores required by railways. He thought that if the policy of buying stores in India were adopted this alone would enormously stimulate the development of the industries of the country as the railways are the biggest consumers of stores.

5391. The Chairman then referred to the proposed alternative of companies domiciled in India, if State management were considered impracticable, and observed that it would be no easy matter to persuade the railways to transfer their headquarters from London to India. He asked whether the example of the Bombay Tramways Company, where Indian investors bought out the English shareholders, did not suggest how the transfer of the domicile of, say, the Bombay Baroda and Central India Railway, might be effected. Sir Vithaldas thought the case was hardly a parallel, as in the Bombay Tramways case a large part of the shares had originally been allotted to Bombay, and the transfer to India was brought about largely by the demand for relief from the pressure of English Income Tax. No part of the Bombay Baroda and Central India Railway stock is held in India, and he did not see how the change of domicile could be effected except on the expiry of the company's contract. He said that he would not be disposed to use Indian revenues to pay a substantial amount to the company to induce them to abandon their interests in the railway for the next 20 years, though he would be ready to offer reasonably liberal terms if the financial position allowed of this.

5392. He agreed that, assuming that the Bombay Baroda and Central India Railway Company must exist for a number of years, it would be advantageous to appoint a local Advisory Board in Bombay. He thought this would be of great advantage both to local interests and to the company itself. There had been an Advisory Board in the case of the Bombay Tramways Company which had proved very useful even before it developed into a local board of direction when the company's domicile was transferred to India. Sir Vithaldas promised that he would try to obtain details, for the information of the Committee, with regard to the actual powers exercised by the advisory local Board of Tramways Company. He mentioned that it helped to raise capital in India even when the company was domiciled in the United Kingdom.

5393. Sir Vithaldas said that in his opinion money should be raised for railways preferably by borrowing, but he thought enough money would not be obtained in this way. He would then be willing to issue preference shares and only in the last resort to increase the ordinary share capital.

5394. He stated that he had no detailed information to enable him to quote more recent instances of the ill-effects of company management of railways than those mentioned in his Council speech of 1912, as he had not been in the way of receiving detailed information which would enable him to do so. The point he wished to emphasize was that Government should in future look at railways more from the Indian point of view than they had done in the past.

5395. In reply to Sir Arthur Anderson, Sir Vithaldas explained that he would not propose that branch line companies should be bought out by a lump sum after 25 years' operation. He thought a better arrangement to make would be that liberal terms should be given to assist branch line companies in their early stages, and that Government should obtain on the other hand convenient conditions to facilitate the purchase of the lines subsequently by means of terminable bonds.

5396. In answer to Sir Henry Ledgard, Sir Vithaldas said that he thought the amount which could be raised by borrowing would depend upon the circumstances at the time. India had got accustomed during the war to loans of greater magnitude than those which used to be regarded as normal. He did not however think that a loan of 30 or 40 crores could be floated. He thought perhaps about 10 crores might be obtained at 6½ per cent. Doubtless much more could be obtained at 7 per cent., but he deprecated the grant of a high rate of interest in view of the manner in which it would depreciate all other Government securities. He thought it best to obtain what could be got at 6 to 6½ per cent., and to obtain further moneys by means of liberalising the branch line terms.

P.S.—The Committee were subsequently furnished with a considerable volume (not reprinted) of supplementary information connected with the necessity for revising the railway risk note forms and conditions, and bearing on the question of undue preference being given to Europeans.

THIRTY-SIXTH DAY.

(Bombay).

Monday, 7th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. Goverdhandas I. Patel, B.A., Honorary Secretary of the Ahmedabad Millowners Association, was called and examined upon a statement which he had furnished to the Committee.

See Written Statement No. 50, Vol. IV., P. 176.

5397. Mr. Patel stated that he represented the Ahmedabad Millowners Association. He was the Honorary Secretary to that body and was himself a millowner. The Association had on its rolls some 75

members who were either millowners, factory owners or owners of such other concerns as were run by motive power; as, for example, iron factories, iron foundries, glass factories, and oil and flour mills. Mr. Patel agreed that the Association might well be called the Ahmedabad Manufacturers Association. It had been in existence for the last 30 years.

5398. Before Mr. Patel's examination proceeded, he handed to the Committee copies of a supplementary statement which had been prepared by the President of the Association and himself. This supplementary statement corrected some minor errors in the typing of the original statement which had been furnished for the Committee's consideration; these errors have been corrected, and the first written statement as reproduced in the volume of evidence stands as altered accordingly; but the supplementary statement contained additional matter also. In one important respect it modified the recommendation contained in the Association's first document. Mr. Patel explained that a rough sketch of the original document was prepared by a Sub-Committee of the Millowners Association, consisting of the President and himself, who had been authorised, at a general meeting, to formulate the detailed views of the Association and place them before the Indian Railway Committee. After this had been done the President was obliged suddenly to go to Bombay, and as the time for sending the statement of evidence to the Indian Railway Committee was short, the honorary secretary had to send the original draft to the Committee. The honorary secretary then went to Bombay and placed before the President the finished final copy of the statement which had been already sent to the Committee. The President and the honorary secretary discussed the whole sketch finally at Bombay and decided to submit the supplementary statement accordingly.

5399. Mr. Patel explained that the Association as a whole placed such confidence in the judgment of his President and of himself, who had been appointed to formulate their views, that, notwithstanding the important change made without further reference to the Association as a whole, the views finally placed before the Committee should be accepted as authoritative on behalf of the body. In the original statement it was represented that the Association considered direct State management of the railway system as an ideal provided the railway administration became a transferred subject in the hands of a Minister. In the second statement the Association recommended company management with a board of directors in India as an *interim* and immediate step towards that ultimate ideal. The final view, however, which was placed before the Committee on behalf of the Association, was that this *interim* step should be avoided if possible, and that an immediate demand should be made for direct State management as a transferred subject in charge of a Minister. Mr. Patel explained that the Association's recommendations regarding company management in India could not, however, be completely set aside as, in the event of its being impracticable to secure immediate State management under the conditions described, the Millowners Association would then prefer company management in India to company management in London, and their observations with reference to this scheme would in this event be apposite.

5400. Regarding the question of companies domiciled in India, the Chairman observed that at present the companies are domiciled in England. He asked how the English shareholders, who had put in their money under the control of boards of management in England, could be induced to transfer the control to India. The witness instanced the case of a concern, to which he and many others in India had subscribed over 95 per cent. of the capital, having its domicile in America. The Chairman pointed out that he had only given a case in which the company was domiciled in America and whose capital was held in India, but that he had not tried to show how the domicile should be shifted from one country to the other and on what terms. The witness thought that if there was no other alternative, Government should guarantee a higher rate of interest and thus afford some inducement to the shareholders to agree to the change; but the best way in his opinion would be to appeal to the sense of moral justice of the shareholders. They must be convinced that their interests would not suffer. If Government promised this, the shareholders might feel inclined to agree to the transfer of domicile. Sometimes, he said, a man might be induced to give away something without taking much advantage from the other party if he saw that there was justice in the transaction; the whole thing depended upon the temperament of those concerned. The Chairman enquired whether he would be prepared to give the shareholders a bigger share of the profits instead of increasing the guaranteed rate of interest. The witness said that if this were to be done it should be on a sliding scale and not simply based on a mathematical calculation; that is, if the profits ran to a certain figure, the shareholders would be entitled to so much per cent. and only beyond that to a higher share.

5401. Referring to the question of the renewal of contracts with companies, Mr. Patel said that he wanted the contracts to be ended as early as possible. He realised that the shareholders had made a bargain with the Secretary of State, and that they might desire to stick to it, but there was a limit to this. He said that no new share capital should be issued, as the English companies should be wound up as soon as possible.

5402. Asked what he meant by saying that the "question is very delicate in regard to the drawing of a line between partiality and active interest in the conscience of an individual," Mr. Patel said that a man might have a very large interest in one particular concern, but at the same time his conscience might be such that he would do justice in spite of his own interest. His contention was that, simply because a man was interested in an associated concern, he should not be debarred from having a seat on the Board of Management of a railway.

5403. Regarding the question of control by the Railway Board, Mr. Patel said that it was not satisfactory at present. There was no adequate representation of various national interests of the country. He had suggested a Board for a local company in his written statement, but now he did not want to press the case of a local company if it could be helped. He realised that the Railway Board had got to deal with technical questions like the vacuum brake, design of couplings, strength of bridges, etc. Technical matters would have to be dealt with by experts. The Board suggested by him would not be competent to deal with technical matters; on the contrary, they would be a useful body to represent public opinion. He would not want this Board to be all day and every day at Delhi, in fact, they would not be able to spare the time. There should be subordinate Boards, say, in Madras, Calcutta, Bombay, etc. There would be a higher or central Board like the Council of State in Delhi to which local Boards might refer questions. The result of this suggestion would be that the Railway Board would deal with technical questions as at present, and would consult the Board at Delhi, which should contain 12 members representing different interests from all over India, whenever any questions of policy or such things as the grievances of third-class passengers have to be decided. The local Boards need not contain more than six or seven members. Both the policy side and technical side must be represented in each Board. The opinion of these Boards would certainly carry great weight. It would be difficult for Railway Administrations to refuse to carry out the reasonable recommendations of such authoritative bodies.

5404. Regarding the question of finance, Mr. Patel admitted that the supply of funds for railway purposes previous to 1919-20 was far from satisfactory, but for the year 1919-20 he thought it was quite adequate. Ahmedabad did not get as good a service as it wanted. The merchants there were at a great

loss to get wagons and other commercial facilities. He did not admit that the whole trouble was due to the fact that the railway machine was not big enough to do its work; rather he considered the allocation of wagons was not wisely done. There were some 60 or 70 mills and factories in Ahmedabad. On account of coal shortage Government had appointed a coal transportation officer at Calcutta, who supplied the mills with coal under a special arrangement allotting a certain number of wagons every month for each mill. Under this system the mills were getting coal only very sparingly, just sufficient to run their machinery. Yet the railway company decided to take over the wagons already consigned to the mills for their own use and refused the mills their due. This was clearly the fault of the administration due to its high-handed policy.

5405. The Chairman pointed out that, if the railways did not get coal for their engines, they could not haul coal to the mills. The witness said that, if the railway authorities had approached the millowners, these would have been ready to say who had got a large stock and whose coal the railways could take. The railways did not do this, with the result that millowners had to purchase coal from the market at Rs. 30 per ton which they could have got at Rs. 7. The railways also might say that if they had their own coal they would not have to pay Rs. 7/8a. per ton, but only Rs. 3/8a., but the witness said that it was not their look out, and that the community should not be made to suffer.

5406. Referring to the recommendation made 13 years ago when the Mackay Committee reported, and said that railways ought to have £12,500,000 a year for capital purposes, Mr. Patel agreed that more could not be bought for £25,000,000 now than for £12,000,000 previous to the war. If £12,000,000 were too little before the war, the £17,000,000 provided in 1919-20 must be even less adequate. He agreed that more money was necessary. He would raise as much money as possible in India and then go elsewhere for the balance. The amount that could be raised in India would depend to a great extent upon the terms. The present time was not at all favourable to any large borrowing. After things had settled down, say, two years hence, he thought that about 30 crores could be raised in India on the terms of the present Bombay Development Loan. It would not be possible even then to raise this amount every year. He was in favour of raising money by preference and ordinary share capital and by debentures, but not by terminable bonds, because in the case of bonds it might or might not be convenient to pay up at any particular time. On the other hand, he admitted, there might also be the advantage of raising money cheaper later on, but on the whole he thought that it would not be wise to run the risk.

5407. In reply to the Chairman, Mr. Patel said that as a policy of the future foreigners should not be given a hold on the management of the railways. He would not deprive the English shareholders all of a sudden of the privileges which they now enjoy, but gradually he would. Government should take over the management of the G.I.P. Railway in 1925, when its contract will expire. In the case of the B.B. & C.I. Railway, whose contract has still 20 years to run, Mr. Patel said that its Board should be transferred to Bombay at once, as it would be difficult to find suitable members to represent Indians to sit in London. This, of course, would depend upon the pressure exercised by Government. He said that he wanted to be fair to the English shareholders. In the first place he would ask them to move the Board to India, and then add more Indian members, and gradually enlarge it. The result would be that a good many English members would resign. In their places Indians would be appointed. As an inducement to the shareholders of the Company he would be ready to give them better terms than at present for the remainder of their contract.

5408. With reference to his observation in the written statement that railway rates might be raised under pressing circumstances, Mr. Patel said that he was himself running a mill. Wages had gone up considerably, and the prices of materials also had gone up. Consequently, he had to charge more for what he sold. The case of mills was not on all fours with that of railways, as the latter did not make economies which they might by buying in the cheapest market. Assuming that the railways financed themselves as best they could, he agreed that, as prices had gone up the rates and fares should be increased. The railways have, as a fact, already increased the rates by about 20 per cent., which he did not consider as too small a figure. The Chairman pointed out that in America the rates had gone up by 80 per cent., and in the United Kingdom by 112 per cent. The witness admitted that in India rates had not been put up to such an extent as this.

5409. Referring to the question of block rates, the Chairman observed that the Committee had heard all about the Broach affair. Nobody defended what had been done, and it had been put a stop to; he asked Mr. Patel to give any other instance. Mr. Patel referred to the case mentioned in his written statement regarding the inequality of rates from Ahmedabad to Madras direct and Ahmedabad to Madras *via* transhipment at Dadar (Bombay). The explanation given by the B.B. & C.I. was that the local rate from Ahmedabad to Bombay was in competition with the sea, and eventually the through rate was reduced. The Chairman remarked that this sort of thing was not a special crime of Indian railways as it happened all over the world. The witness said that had such a thing occurred in America the railways would have been asked to pay a rebate for a certain number of years. At least, that was his experience with the Southern Pacific and Salt Lake lines.

5410. Mr. Patel did not admit that the railways had not at present got the necessary money for providing more siding accommodation for the small stations near the villages which have got large quantities of raw materials for despatch. All that was wanted was greater economy by the railways. The Chairman asked the witness to give the Committee some concrete instances where the railways managed extravagantly. He made a general statement that all posts above Rs. 300 should be paid on a lower scale than at present. In this connection Mr. Hiley asked whether it would be possible to reduce the salaries of employees. Mr. Patel said that he would not reduce, but that he would gradually replace them by others of the same capacity who would cost less. In reply to Mr. Hiley, Mr. Patel said that he would get rid of his own mill staff if cheaper men of the same capacity could be had.

5411. Mr. Patel agreed with the Chairman that the Advisory Board suggested by him would be very useful in discussing questions such as the terms and conditions of Risk Notes.

5412. With reference to his recommendation that at least 60 per cent. of the higher and subordinate posts over Rs.200 should be given to Indians, Mr. Patel said that, if there were two men, Indian and Anglo-Indian, with the same qualifications, he would prefer an Indian, but that, if the latter's qualifications were superior, he would certainly appoint the better man. In his opinion, the railways were paying higher salaries than other business concerns for corresponding work.

5413. Referring to the witness's observation in the supplementary statement in reply to the question about the impartiality of the local boards, "that it would be wise to remain silent over this in view of its all round applicability," Mr. Purshotamdas asked him to explain. Mr. Patel said that various classes and races are included in this; it applied as much to other people as to Indians. In this connection, the Chairman remarked that there was nothing in the questionnaire to suggest that this question referred only to Indians. On the contrary, the Committee had a question raised before it in Calcutta whether an English manager of a jute mill would be prejudiced in favour of his own mill if he were a director of the

Eastern Bengal Railway, and one witness agreed that it was not fair to say that the question suggested any reflection on Indians.

5414. Regarding the selection of members for the Boards in India, Mr. Patel said as regards representation of commerce and industries, that Government should first of all invite nominations from Chambers of Commerce and other influential bodies and the nominated persons should elect one or two representatives. Government should not have the right of final choice, but would only have the right of deciding what bodies should be consulted.

5415. As regards the representation of third-class passengers, the Social Service Leagues and the Servants of India Society might be asked to nominate, seeing that there was no other alternative; he believed that this would give general satisfaction to all.

5416. As regards the representative for the development of indigenous industries, the local Government should be asked to nominate certain members and a Committee of these persons might select one or two representatives.

5417. Mr. Patel said that there was no intermediate class accommodation on the B.B. & C.I. Railway. He did not agree that intermediate and second classes should altogether be abolished on Indian railways, although he believed that this had been done in America.

(*P.S.*—When returning the draft copy of the foregoing record to the Committee, Mr. Patel stated that it had been read and approved at a meeting of the Managing Committee of the Association on the 27th February, 1921.)

Mr. G. W. HATCH, I.C.S., Chairman of the Bombay Port Trust, and Mr. J. R. REYNOLDS, C.I.E., Manager of the Port Trust Railway, were called and examined upon statements which they had furnished to the Committee.

See Written Statements Nos. 51 & 52, Vol. IV., P. 179.

5418. Mr. Hatch stated that in the case of the Bombay Port Trust the Chairman is a whole-time paid officer appointed by the Government of Bombay. He has 16 colleagues who are appointed each for a term of two years. Of these nine are nominated by Government and, under the Port Trust Act, must include three Indians. Among the nine are usually included the Municipal Commissioner, the Collector of Customs, the Director of Royal Indian Marine, the General Officer Commanding, Bombay, and of recent years, the Agents of the B.B. & C.I. and G.I.P. Railway Companies. The other seven trustees are representatives of different interests, five being nominated by the Bombay Chamber of Commerce and two by Indian Associations decided upon by Government; the Indian Merchants' Chamber and Bureau and the Indian Grain Merchants' Association having last been selected for this purpose. Shipowners as such have no separate representation from that afforded to them through the nominees of the Chambers of Commerce.

5419. As regards railway working, Mr. Reynolds stated that the Port Trust railway does not make through rates with the other railways. It is, however, a railway under the Indian Railways Act of 1890, owns its own goods rolling stock, and is a member of the Indian Railway Conference Association. Mr. Hatch explained that the Port Trust does all the usual work of similar bodies in connection with harbour work, including pilotage. It does all the handling of goods in the dock premises except as regards the stevedoring between ships and the wharf and has fixed rates of wharfage charges according to the classes of goods. The Port Trust does not give special favourable rates to large over small consignments.

5420. Mr. Reynolds explained that, by agreement with the railways serving Bombay, these quote the same rates to the docks as to their own terminal stations in Bombay. There are no special import and export rates as such, the rates charged for up-country traffic to and from the docks being the same as those for similar traffic to and from Bombay for goods of local destination or origin. From the charges recovered by the railways a share is allowed to the Port Trust, so that in effect a railway company gets less for itself for carrying goods to the dock than to the town, but, on the other hand, in the case of goods coming to the docks, the terminal work and facilities are provided by the Port Trust. The Port Trust has hitherto made an extra terminal charge, but has been endeavouring to get the railways to agree to the abolition of this and to give the Port Trust, on the other hand, a larger share out of the rate charged by the railways whether this specifically includes a railway terminal or not. Mr. Reynolds stated that the average length of haul of goods over the Port Trust railway is about three miles.

5421. In reply to the Chairman, Mr. Hatch stated that there are no shareholders in the Port Trust. Charges levied are designed to cover only working expenses, debenture interest, and a reserve fund. The principal source of income of the Trust is the wharfage charges. The dock wharfage charges were revised in April, 1917, and the Bunder scale of charges in October, 1919; dock dues on vessels, which are, however, relatively trifling (about 5 per cent. of the total dock revenue), have also lately been modified. The effect of the last revision of the dock dues on goods was estimated to give an all-round increase of about 25 per cent. The charges on some classes of goods, however, were not increased. The Port Trustees are inclined to think that a somewhat higher charge should be made for dock dues on vessels. At present the dock dues on vessels amount to Rs. 5 lakhs and the wharfage charges over Rs. 50 lakhs per annum.

5422. The Chairman observed that the charges levied at the English ports had been increased as much as 100 per cent. or even 150 per cent. since the war started. Mr. Hatch stated that there was no need for any such increase in the case of Bombay. The main increase in expenses was due to higher cost of labour, which had gone up by at least 75 per cent., but there had been a great expansion of business, and this enabled the Trustees to avoid a great enhancement of charges. The Port Trust was fortunate in that the dock accommodation had been practically doubled when the Alexandra Dock was opened in 1914. Normally this would have not been fully utilised for some time, but, owing to the outbreak of war and the great increase of Government traffic, it had been fully utilised practically from the outset. Government receive certain concessions in the way of special rates, freedom from port dues, etc., but normally they pay full charges. Their operations were so large during the war, and the profits of the port were so high, that it was decided in 1917 to give Government a rebate of 25 per cent. on the charges levied.

5423. The Chairman drew attention to the statement in Mr. Hatch's written evidence that, from 1899 to 1920, the trustees had raised about Rs.11 crores on debentures, the rate of interest being 4 per cent. until 1916, when it was raised to 4½ per cent., and again to 6 per cent. in 1919. In 1920 the rate was increased to 6½ per cent. (free of income tax). In addition the Government had advanced to the Trustees Rs. 138 lakhs during 1916, 1917, 1919 and 1920. The written statement mentioned that it was practically impossible to borrow in India at a good rate in 1909 and 1910. Mr. Hatch explained, however, that this was hardly accurate, as though it was thought advisable to raise money in England in those years, it was found towards the end of each of those years that the Indian market offered better

facilities than had been anticipated, and a sum of money was also borrowed in India. Mr. Hatch promised to furnish the Committee with a memorandum showing in detail the conditions and success attaching to the various loans which had been raised. The Chairman said he would be glad to have this in view of the suggestion that in the case of railways at least it had been found that the Indian market in some cases was more favourable before the war than the English market, and that there had been cases of paying more in London for money raised contemporaneously.

5424. Mr. Hatch mentioned that the Bombay Development Loan which had recently been placed on the market was a loan issued by the Local Government of Bombay in which the requirements of local bodies were incorporated. Mr. Hatch had no doubt as to the wisdom in present abnormal conditions of borrowing in advance in this manner, and approved of the action taken by the Local Government. He was not prepared to say whether it would have been equally wise for Government in normal times, for instance, before the war, to have borrowed in advance at times of easy money. He thought this would savour of Government's undertaking banking business. Mr. Hatch said he was under the impression that the recent Development Loan was intended to tide over the requirements of at least two years, but he was not certain whether Government might not decide to issue a further loan in the current year.

5425. Of the amount raised by the Development Loan, the Port Trust had asked for nearly Rs.1 crore for which it would pay 6½ per cent., as well as be liable for income tax, that is, the Trust obtained the money on the same terms as those at which it had been borrowed by the Local Government. In the case of the money advanced to the Port Trust, this was repayable by them in 30 years. The Port Trust had a special sinking fund in connection with this and each of its other debenture loans. So that, theoretically, by the time the loans mature for payment, the Port would be a Government-owned asset free from debt, supposing there were no borrowings in the meantime.

5426. Mr. Hatch stated that the presence of the two railway agents on the Board of the Port Trust facilitated the maintenance of good relations and co-operation with the railway companies. The Port Trust had not specially considered the question whether it would be advantageous to introduce in India a unified control over the railway and port administrations, as the Chairman remarked had been done by the Ministry of Transport in the United Kingdom. Supposing, however, that there was a central control exercised, for instance, from Delhi, over both railways and the ports, he had no doubt that it would be advantageous that the same authority should co-ordinate the requirements of both. He admitted that the docks are really terminals of the railway communications at the water side. He was unwilling, however, to express a definite opinion as to the extent to which any central control would be desirable.

5427. Turning to Mr. Reynolds' statement, the Chairman asked whether the Port Trust Manager's work is mostly connected with the operating or the commercial aspect of the railway. Mr. Reynolds explained that it was commercial in the sense of their having constant dealings with the public in connection with the receipt and handling of goods, but not in the sense of dealing specially with railway rates quotation. The local rates which the Port Trust fix on wagon loads do not vary very much. He did not think that the question of dock rates and charges has much bearing on competition with other ports; there was little question of competition at all. He thought the traffic is consigned in accordance with the most convenient marts. In one case, that of traffic in manganese, he had been told by a company that unless the Bombay charges were reduced, the traffic would be diverted to Calcutta. It did not work out accordingly in practice.

5428. The Chairman asked whether Mr. Reynolds had any figures about the manganese traffic of Bombay port for last year. Mr. Reynolds said that he could not remember the exact figures. He, however, explained that until a year or 18 months ago, when the manganese came to Bombay, it used to be dumped on the ground and then taken by carts to the docks. Since the war stopped wagons became available and everybody rails manganese into the docks. He did not think that the railway charges are prohibitive. The wagon load rate charged by the Port Trust was Rs.12.

5429. With regard to the relative advantages of working under Boards in India and in England. Mr. Reynolds said that from his own experience he thought it would be much more convenient to work under a local Board. His experience of the Port Trust Board is that things can be settled quickly. Though he had not dealt directly with the Company's Board when on the Bombay Baroda and Central India Railway, he was well aware that references frequently took a long time to dispose of. He did not see much difference except in point of size between a railway and a port trust from the management point of view, and thought a Board on much the same lines as that of a Port Trust might very well be entrusted with the administration of a railway. Of course, so long as the company existed, it must manage its own business. He was speaking of a scheme for management of these railways under direct State control. The Chairman suggested that there appears to be a certain amount of difference between the case of a railway and a port, in that there is less scope in the case of the port for variations based upon the character of the services rendered. For the use of port facilities the rates are fixed and are not dependent on the volume of traffic offering, whereas the classification on railways differs for small from that for large consignments. Traders constantly ask for special rates, and a large part of the time of the Traffic Manager is devoted to the discussion of such matters, which hardly arise in the case of a Port Trust.

5430. Mr. Reynolds did not entirely agree that there is much difference between the two cases. As regards the amount of time devoted to discussing such things as the need for larger engines, improved facilities of one kind and another, he thought there is a good deal of this kind of thing in the case of a Port Trust as well as of a railway administration. He could not agree that the operation of a Port Trust is less complex than that of a railway. He agreed with the Chairman that if, as he had proposed, the Agent of one railway were placed on the Boards of other local railways, it would put an end to a certain amount of competition. He thought, however, that it would do good by the interchange of ideas and experience.

5431. Touching on the question of the attendance of heads of departments at Board meetings, Mr. Reynolds said it would be to the advantage of railways to employ competent experts on their staff and to call them to Board Meetings when their opinion is required. The Chairman suggested that it would hardly be acceptable to a railway agent, if, when he made his recommendation on a question of policy, the heads of departments were to press their own views upon the Board of Directors. Mr. Hatch explained that differences of opinion between, for instance, himself and the head of one of the Port Trust departments might be carried as far as committee meetings, but not before the Board of Trustees. The Chairman agreed that this seemed to be about as far as such differences could appropriately be carried.

5432. In answer to Sir Arthur Anderson, Mr. Hatch promised that he would endeavour to furnish figures for the years 1919 and 1920, showing month by month the traffic in manganese inwards to the port,

stocks at the port and shipments from it, distinguishing the firms concerned. The Chairman explained that somewhat conflicting information had been given to the Committee by others about the volume of the manganese traffic.

5433. In reply to Mr. Purshotamdas Thakurdas, Mr. Hatch stated that the Port Trust has to obtain the sanction of the Local Government to works whose cost exceeds a certain fixed limit. No difficulty had been experienced in dealing with the Local Government in such matters. There had been no interference on the part of the Local Government with the detailed control of the port, nor any attempt to exercise any undesirable political influence. Replies to references made to the Local Government are received without undue delay. With reference to the suggestion that under State management officers would be transferred and there would be no continuity, Mr. Hatch stated that as far as the Port Trust is concerned, only the Chairman is a Government servant, and the practice hitherto has been to leave one man in the post usually until retirement from the service.

5434. Mr. Hatch stated that so far as his experience went he had not seen any cases of undue partiality on the part of a Trustee, or cases of any Trustee voting more in accordance with his personal interests than those of the port administration. Matters of policy were settled at Board meetings and Trustees did not subsequently attempt to interfere.

5435. Mr. Hatch said that in the statement promised by him with reference to the Port Trust loans, information would be given as to the extent to which these had been floated at a premium and the extent to which they had been over-subscribed before the war.

5436. Regarding the question of the employment of Indians, this occasionally cropped up in connection with selections for particular appointments. The Port Trust employs a large number of Europeans, especially in posts such as those of pilots, berthing masters, dredger masters, and the like to which Indians had not hitherto taken kindly. The superior staff on shore were also mostly Europeans, though Indians are now to some extent replacing Europeans. Mr. Hatch stated that he believed that the Trustees would accept the policy that no sharp division should be made between Europeans and Indians, but that appointments must be determined solely on the ground of efficiency. There had been no such evidence of dissatisfaction on the part of the Indian members as to lead to divisions on such questions being put to the Board.

P.S.—Mr. Hatch subsequently furnished the following statements for the Committee's information:—

Statement of loans raised by the trustees under the Bombay Port Trust Act VI. of 1879.

Description of Loan.	Amount.	Rate of Interest.	Average Rate of Issue.
Debenture Loans (Unguaranteed)—	Rs.		Rs.
1892 (30 years)	61,61,000	4 per cent.	100- 4-2
1894 (30 years)	11,51,000	"	107- 5-0
1896 (30 years)	10,25,000	3½ per cent.	104- 6-6
1899 (30 years)	35,00,000	4 per cent.	97-10-8
1900 (30 years)	12,50,000	"	97- 5-4
1901 (30 years)	12,50,000	"	99- 5-0
1902 (30 years)	13,50,000	"	100- 9-0
1903 (30 years)	16,00,000	"	103- 8-3
1904 (60 years)	36,50,000	"	104- 8-6
1905 (60 years)	35,00,000	"	104-10-3
1906 (60 years)	15,00,000	"	102- 8-8
1906 (30 years)	6,00,000	"	102- 0-5
1907 (60 years)	44,00,000	"	98- 9-9
1908 (60 years)	75,00,000	"	96-15-10
1909 (30 years) *Sterling*	75,00,000 = £500,000	"	96- 9-0
1909 (60 years)	40,00,000	"	98- 2-0
1910 (30 years) *Sterling*	75,00,000 = £500,000	"	95-10-0
1910 (60 years)	56,00,000	"	101- 1-0
1911 (60 years)	75,00,000	"	102- 6-0
1912 (60 years)	1,10,00,000	"	102-11-5
1913 (47 years)	14,35,876	"	100- 0-0*
1913 (60 years)	80,00,000	"	102- 1-0
1914 (60 years)	88,25,000	"	100- 8-1
1914 (30 years)	38,75,000	"	99-14-3
1915 (45 years)	10,00,000	"	100- 0-0*
1915 (60 years)	55,00,000	"	100- 0-0*
1916 (20 years)	25,00,000	4½ per cent.	95- 5-1
1919 (10 years)	38,50,000	6 per cent.	101- 4-11

* Wholly taken up by Trustees for fund investments.

BOMBAY PORT TRUST.

Statement of Manganese Ore shipped from Bombay during the years 1919-20.

Months.	J. Finlay.	S. Syndicate.	M. B. Kaisha.	T. Morrison.	King, King & Co.	D. Narayan.	C. I. Mining.	Graham & Co.	K. M. Nathoo.	Total.
1919.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
January ...	11,450	4,500	—	1,500	—	—	2,300	1,000	—	20,750
February ...	11,150	1,250	—	5,233	—	—	—	—	—	17,633
March ...	9,368	6,618	1,000	8,767	5,000	—	—	1,000	—	31,753
April ...	10,132	5,682	—	—	—	—	5,000	—	—	20,814
May ...	2,800	500	—	—	3,500	—	500	—	—	7,300
June ...	5,700	1,000	1,000	—	1,040	—	—	—	—	8,740
July ...	13,750	1,400	—	1,300	293	—	750	—	750	18,243
August ...	10,750	1,200	1,500	—	9,500	2,500	1,500	1,735	—	28,685
September ...	10,800	4,350	—	1,900	2,850	—	—	—	—	19,900
October ...	9,450	2,500	1,300	4,500	2,000	—	500	—	—	20,250
November ...	7,750	3,108	2,600	1,750	4,100	—	—	—	—	19,308
December ...	7,158	10,763	3,700	9,100	1,000	2,040	—	—	—	33,761
Total ...	110,258	42,871	11,100	34,050	29,283	4,540	10,550	3,735	750	247,137
1920.										
January ...	14,284	2,000	—	4,000	8,413	3,460	—	—	—	32,157
February ...	5,385	2,500	—	—	4,552	750	2,750	—	—	15,937
March ...	8,450	2,750	—	3,100	1,750	—	14,250	1,000	—	31,300
April ...	8,550	1,000	—	4,329	8,525	2,000	4,950	1,800	1,000	32,154
May ...	7,000	1,000	1,800	3,840	5,000	—	1,500	—	500	20,640
June ...	2,300	4,000	4,000	5,160	1,400	1,700	6,050	657	—	25,267
July ...	500	4,340	1,250	2,800	—	—	1,050	—	—	9,940
August ...	5,546	5,720	—	3,100	4,892	2,500	—	—	2,488	24,246
September ...	7,887	7,710	—	6,500	567	—	2,500	—	—	25,164
October ...	11,100	4,880	400	9,100	5,650	500	7,500	—	—	39,130
November ...	12,765	4,099	3,895	7,400	3,541	4,250	1,000	—	—	36,950
December ...	18,996	8,320	2,893	23,407	15,800	2,900	4,500	600	1,000	78,416
Total ...	102,763	48,319	14,238	72,736	60,090	18,060	46,050	4,057	4,988	371,301

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A.—*Statement showing the approximate Manganese Ore stocked in Bombay by the different Companies during the year* 1919-20.

——	C.P.P. Syndicate.	Killick Nixon & Co.					Turner Morrison & Co.	King King & Co.	W. & A Graham & Co.	Mitsui Bussan Kaisha.	Total.
		Shivarajpur.	Bamankua.	Pani.	Central India Mining Co.	D. Laxmi Narayan.					
1919.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
January ...	38,500	2,400	2,200	2,450	18,500	4,600	10,956	15,000	797	3,636	99,039
February	32,000	850	3,300	5,200	18,500	4,600	6,312	10,000	1,071½	3,636	85,469½
March ...	29,400	850	2,100	3,900	18,500	4,600	3,649	12,649	66¾	2,636	78,350¾
April ...	16,000	3,000	500	3,400	14,200	4,600	4,815	9,630	174	2.985	59,304
May ...	19,850	6,000	2,550	4,800	14,600	4,600	6,541	9,983	680	3,787	73,391
June ...	21,000	6,800	4,500	3,800	15,800	4,600	6,541	8,348	1,140	3,490	76,019
July ...	16,850	8,000	5,000	3,500	15,700	4,600	6,479	10,000	1,335½	4,493	75,957½
August ...	18,700	8,800	5,000	3,500	17,300	4,600	7,705	8,884	624	6,304	81,417
September	29,600	5,900	5,000	1,500	25,000	4,600	6,919	14,115	1,264¾	10,651	104,549¾
October ...	34,800	5,900	5,000	2,950	28,000	4,600	6,191	15,448	1,918	11,423	116,230
November	45,800	2,800	3,800	6,200	28,000	4,600	8,774	12,170	3,125¾	9,309	124,578¾
December	36,700	1,000	1,300	2,300	28,100	4,600	1,646	10,650	3,224½	6,284	95,804½
Total ...	339,200	52,300	40,250	43,500	242,200	55,200	76,528	136,877	15,421½	68,634	1,070,110½
1920.											
January ...	26,500	5,000	2,500	240	27,200	1,900	2,484	10,928	3,224½	6,284	86,260½
February	20,800	2,600	2,200	2,850	25,700	2,400	6,817	3,384	3,398	6,536	76,685
March ...	14,700	1,750	2,200	3,000	11,400	2,400	8,002	4,052	2,452½	6,836	56,792½
April ...	7,750	4,600	1,600	3,000	7,800	2,300	6,541	1,791	657½	6,836	42,875½
May ...	1,250	6,000	600	5,600	6,300	2,000	4,058	Nil.	657½	5,036	31,501½
June ...	330	3,200	600	5,200	2,300	800	3,735	Nil.	Nil.	1,036	17,201
July ...	6,370	7,500	600	4,050	2,100	1,300	5,377	788	74	Nil.	28,159
August ...	22,400	4,900	600	5,000	6,900	5,200	12,453	7,651	256	2,294	67,654
September	21,500	4,300	100	4,450	6,700	3,500	15,129	7,628	439½	3,594	67,340½
October ...	28,600	6,600	100	4,800	6,600	5,600	21,206	8,100	798¾	5,691	88,095¾
November	35,600	8,800	100	5,250	12,300	7,900	25,150	9,770	1,108	1,751	107,729
December	37,500	4,600	100	6,650	9,700	3,900	10,593	4,452	1,450½	2,576	81,521½
Total ...	223,300	59,850	11,300	50,090	125,000	39,200	121,545	58,544	14,516	48,470	751,815

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B.—*Statement showing the quantity of Manganese Ore railed into Bombay by the various Manganese Ore Companies during each month of the years* 1919 *and* 1920.

—,	Turner Morrison & Co.	Mitsue Bussan Kaisha.	Killick Nixon & Co.					King King & Co.	James Finlay & Co.	W. & A. Graham & Co.	Total.
			Shivrajpur.	Bamankua.	Pani.	Central India Mining Co.	D. Laxmi-Narayan.				
1919.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.	Tons.
January ...	—	3,636	2,002	146	—	—	—	2,781	38,500	797	47,862
February ...	355	3,636	501	1,065	—	—	—	—	32,000	1,071½	38,628½
March ...	2,413	2,636	1,125	269	—	—	—	—	29,400	66¾	35,909¾
April ...	1,166	2,985	2,925	469	2,025	605	—	339	16,000	174	26,688
May ...	1,725	3,787	2,545	2,509	605	1,053	—	1,478	19,850	680	34,232
June ...	—	3,490	2,275	2,417	95	848	—	824	21,000	1,140	32,089
July ...	1,239	4,493	926	—	2,673	1,597	—	1,913	16,850	1,335½	31,026½
August ...	1,226	6,304	1,670	—	278	4,542	—	5,409	18,700	624	38,753
September ...	1,134	10,651	198	—	1,820	8,438	—	8,986	29,600	1,264¾	62,091¾
October ...	3,772	11,423	—	—	3,428	442	—	4,302	34,800	1,918	60,085
November ...	4,332	9,309	—	—	3,282	—	—	1,225	45,800	3,125¾	67,073¾
December ...	2,230	6,284	—	1,442	924	—	—	1,735	36,700	3,224¼	52,539¼
Total ...	19,592	68,634	14,167	8,317	15,130	17,525	—	28,992	339,200	15,421½	526,978½
1920.											
January ...	4,062	6,284	3,230	591	883	301	1,203	2,611	26,500	3,224¼	48,889¼
February ...	4,332	6,536	—	—	2,883	—	189	2,964	20,800	3,398	41,102
March ...	4,285	6,836	1,323	—	477	—	—	4,096	14,700	2,452½	34,169½
April ...	3,339	6,836	2,290	—	461	—	—	3,319	7,750	657¼	24,652¼
May ...	1,017	5,036	1,118	—	3,295	—	—	2,213	1,250	657¼	14,586¼
June ...	3,318	1,036	2,318	—	965	92	—	168	330	—	8,227
July ...	8,042	—	4,036	—	2,327	3,553	1,165	3,187	6,370	74	28,754
August ...	10,176	2,294	2,777	—	2,732	2,414	3,477	6,863	22,400	256	53,389
September ...	9,175	3,594	3,211	—	2,665	2,585	696	3,232	21,500	439½	47,097½
October ...	15,177	5,691	3,575	—	2,635	8,737	3,499	7,156	28,600	798¾	75,868¾
November ...	7,943	1,751	4,144	—	2,524	4,704	1,443	4,979	35,600	1,108	64,196
December ...	11,543	2,576	4,104	—	2,742	1,792	2,261	8,638	37,500	1,450½	72,606½
Total ...	82,409	48,470	32,126	591	24,589	24,178	13,933	49,426	223,300	14,516	513,538

THIRTY-SEVENTH DAY.

(Bombay).

Tuesday, 8th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.
Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Sir M. VISVESVARAYA, K.C.I.E., was called and examined upon a statement which he had furnished to the Committee.

See Written Statement No. 53, Vol. IV., P. 180.

5437. The witness stated that his last appointment was that of Dewan or Chief Minister of Mysore, in which capacity he had served for six years. Originally he was an Engineer by profession and a member of the Institute of Civil Engineers. He had served under the Bombay Government as Superintending Engineer, and, for four years as Sanitary Engineer to Government. He had also worked as Consulting Engineer for some time to the Hyderabad State. He had been Chief Engineer in Mysore and Secretary to Government in the Railway Department before becoming the Dewan of that State.

5438. The Chairman observed that, in his written statement, the witness laid stress upon the importance of the railway system of the country as its greatest asset, the outstanding railway borrowing amounting to nearly Rs. 366 crores or 65 per cent. of the total public debt. In this connection the Chairman

remarked that, if the position before the war was considered, the importance of the railway asset would seem even greater as a large part of the whole debt had been incurred for railway purposes.

5439. The main point on which the witness desired to lay stress was the necessity of provincialising the Railway administrative system in the manner summarised in his written statement. The Chairman briefly reviewed the position of other countries in this matter. He observed that, in the case of Germany, Prince Bismarck, shortly after the Franco-Prussian War, did his best to bring the German railways under a unified control. More than 25 years ago the railways of Hesse were amalgamated with those of Prussia, and about the time of the war the State of Baden came to terms and its railways also were about to be combined with the Prussian system. The first thing the Germans did after the war was to bring the railway system under a central control. The Chairman believed that this had been decided upon because it was realised that the local administration of railways was a mistake. The witness thought that Germany had not settled down to any regular system yet, that central control was no doubt a necessity during and immediately after the war, that the present temporary arrangements cannot be said to represent the permanent policy of the German Government, and that what was wanted in India was an arrangement similar to that which existed in Germany before the war. In South Africa, the Chairman remarked, when the South African Union was formed, the separate railway systems of Natal, the Orange River Free State, the Transvaal and Cape Colony were unified. In the case of the United States, he observed that recently, although all the railway companies have their charters from the separate States, the Central Government at Washington practically took over almost all powers of control. The witness urged that in this case certain powers still remained with the local Governments, and under the scheme proposed by him he thought the relative positions of the Government of India and the provincial Governments would be generally similar to that now existing in America.

5440. Again in Canada, the Chairman observed, those railways which belong to the State, are managed as one block though they extend from the Atlantic to the Pacific, and the whole control of the private railways is in the hands of one body, the Canadian Railway Commission. In France also, the railways are being brought under a more central control. The witness observed that before the war, over 90 per cent of the railway mileage in Germany and over 80 per cent. in Austria-Hungary and Italy were owned and worked by the State. The Chairman said that at the moment he was not considering the question of State as against private management, but rather the question whether State managed railways should be administered as a single concern or as a number of separate concerns. With reference to the witness's preference for the latter, he said that his personal view was frankly at variance with that of the witness as he held strongly (he could not, of course, say how far the other members of the Committee would agree with him), that a unified control of the railway system is a necessity. He observed that the railway system of India is a small one as compared with that of the United States, where there are 250,000 miles of railway. In the United States practically the only powers left to the individual States are of the nature of police powers, the local Governments have no control over policy and very little indeed over rates.

5441. The witness agreed that the tendency in the United States, as worked out in the Act of last year, was to reduce the powers of local Governments and to centralise more in the supreme Government. The local Governments were left rather with the relics of larger powers previously exercised. But this he thought was a part of the post-war policy, which cannot but be regarded as temporary. In none of the belligerent countries had railways yet settled down to a permanent working arrangement.

The Chairman thought it would be correct to say that the position was that the people of America were perfectly satisfied to have the railways controlled from Washington, though the local politicians were not so well satisfied. In the case of Prussia, the Chairman observed that there had been 21 local directorates, and day to day management was directed not from Berlin but from the headquarters of these directorates. In reply to the Chairman, the witness said that he thought on the whole that, although the boundaries of provinces in India are determined by political considerations, these would also be the best for the purpose of dividing the railways in accordance with his proposals. He did not see why railways should not be managed effectively under his scheme. Even the smallest Indian States had found it to their advantage to operate their own railways. The Chairman observed that the East Indian Railway, for instance, running from Calcutta to Umballa, passes through Bengal, Bihar, the United Provinces and the Punjab, and he inquired whether the witness thought it would be satisfactory to cut this line up into four lengths, each controlled by the province concerned. The witness explained that he would have the ownership of each length vested in the local Government concerned, and that it was not necessary to maintain centralised ownership to secure a co-ordinated management of the whole. He considered it necessary that the railways, which are the greatest asset of the country, should be in the hands of the Government and under the supervision of the people. He did not think there would be any real autonomy until the railways were brought under such control and used to promote trade and industry and local enterprise. This, in his opinion, implied that the railways should be owned and managed by the respective provinces.

5442. The Chairman observed that he could not see why the railway asset which had been provided by money raised on the credit of India as a whole should be vested in, for instance, Bihar or Madras. The witness replied that he had already met this objection in his written statement, where he had observed that with the asset would also be handed over the liability for the corresponding portion of the debt, and the whole responsibility would then fall upon the local Government.

5443. He emphasised that in his written statement he had admitted that the railways fulfil the purpose of transportation fairly well, but their effect on trade, industry and internal development has not been all that could be desired. He agreed that the Chairman correctly summarised his views in saying that the development of industry was too big and widespread a problem for the Government of India to be capable of taking charge of it from headquarters, and therefore that it was important that it should be handed over to the several provinces to ensure the best use of railways for the development of the country.

5444. The Chairman said that the question whether the control should be vested in the Central or the Provincial Government might be regarded as a political one not covered by the terms of reference to the Railway Committee. The witness, however, considered that the political and economic aspects of the question were inseparable. He was not concerned with such purely local aspects of the question, for instance, as whether railways should be a reserved or a transferred subject in the provinces.

5445. The Chairman asked whether it would not meet the witness's views if something on the lines of the Prussian system of railway councils were introduced. Under that system there was a central council at headquarters comprising representatives of all the principal interests—trade and others affected by the railways—this council meeting twice yearly to deal with large questions of railway policy; while at the provincial headquarters there were local councils similarly constituted to deal with matters of local concerns. The witness replied that these proposals would be tantamount to what he had put forth in his written statement provided the addition is made that

the railways should be owned by the provinces or States as they were in Germany before the war.

5446. In support of his proposal for provincialising railways, and his statement that beneficial effects had accrued from following such a policy in Germany, the witness at this stage read the following extracts from "Industrial Germany," by W. H. Dawson:—

(1) "One of the most important factors in the development of industry, the opening up of the home markets and even to some extent the promotion of foreign trade, has been the wise use made of the railways."

(2) "Nearly a generation has passed since all the great traffic lines were acquired by the State and worked for the State's advantage."

(3) "When the Constitution of the Empire was adopted in 1871, it was contemplated that the railways, though in the ownership of different States, would be administered on a uniform basis as part of a co-ordinated system, and that every State would subserve its own convenience to that of the new Imperial Federation."

(4) "The Federal Governments are required to administer the railways of the country as a uniform system in the interests of the general convenience, and in furtherance of this idea to construct new lines where necessary."

(5) "The Central Railway Office organises and controls the rolling stock and equipment of the railways and serves as the centre from which administrative and technical improvements are initiated, weighed, and when desirable, *pressed on the railway administrations of the various States.* There is also a continuous exchange of rolling stock between the various administrations, but the smaller States will not agree to hold even this part of the railway system in common."

(6) "Associated with the Central Railway Office are a series of district advisory councils or committees composed of representatives of all the great economic interests chiefly concerned in the transport system—industry, agriculture, commerce, shipping, etc."

(7) "For the rest each State manages its own lines, and, as far as possible, regulates its policy according to what it conceives to be the best interests of its own population and territory."

(8) "The State railways are also useful in another way, for they purchase the whole of their building material and rolling stock from private firms, and none of the work goes abroad, and little even from one Federal State to another. It is also an excellent feature of the system of contracting that, as far as possible, work is given out in such a way and at such times as may tend to equalise employment. It has been computed that the German State Railways afford as much employment to the iron, steel and engineering trades as shipbuilding does to English industry."

5447. In the course of the reading of these extracts the Chairman observed that some of them seemed to point towards the advantages of centralisation, whereas others were in favour of the witness's personal views. The witness agreed that the quotations furnished evidence in support of central control in some matters and decentralization in respect of others. On the whole they exactly described what he wanted for the Indian system, namely, independent ownership by States (or Provinces) and a unified or co-ordinated system of operation for the whole country.

5448. With regard to the experience of Germany, the Chairman pointed out that it was because of the jealousy of the Prussian and Hohenzollern influence that the German States resisted Prince Bismarck's efforts, which were directed towards the centralisation of railway control in the Imperial Government. But now that these interests no longer predominate the principle of centralisation of control had been adopted.

5449. The witness thought that the conditions in Germany were far from settled and the centralised control cannot be regarded as a permanent arrangement. He agreed that the degree of control to be exercised by the Central Government is really the question at issue. He considered that in such matters as fixing of rates and fares the provincial Government should have full powers so far as rates are matters of local concern. In regard to through rates and fares on the trunk lines they should have a voice, although the ultimate controlling authority would have to be vested in the Central Government. The witness agreed with the Chairman that, in the case of, for example, Kathiawar, where there are some six local lines each managed independently, there ought to be some co-ordinating authority.

5450. The Chairman said that it seemed to him that the witness's proposal for transferring the railway loan to the charge of the provincial Governments involved almost a revolution. Taking the case of one of the least advanced provinces he thought it would be a heavy burden to impose upon it the responsibility for the whole cost of the railways running through it. The witness did not see that there would be any question of undue burden, since the asset would vest in the provincial Government as well as the responsibility for the debt. The Chairman suggested that difficulties would arise if the Government of India were to hand over the property to others and still be responsible, as they must be, to those who had subscribed to their loans. He asked what would happen if one of the Governments did not meet its share of the obligations of the Central Government. The witness thought that this case could be provided for by legislation reserving to the Central Government the right to resume the property in the event of any such failure.

5451. The Chairman drew attention to the statement in the witness's written evidence that the Government of India Act of 1919 has already empowered provincial Governments to raise loans for such purposes as promoting new railway projects and construction. He thought this was hardly accurate in view of the fact that the control of railway administration is still a central subject under the Imperial Government. The witness admitted that in the recent orders and pronouncements regarding provincial borrowing, railways had not been specifically mentioned but provincial borrowing for irrigation had been expressly provided for. The principle being the same in both cases, it only needed extension to railways by an executive order of Government.

5452. The witness was in favour of the abolition of the Railway Board, and the substitution in its place of a Minister or Member of the Central Government who should be responsible for railway administration together with that of ports, harbours and shipping, much on the lines of the responsiblity of the Minister of Transport in Great Britain. He would have a central advisory council more or less as under the Prussian system, and similarly in each province there should be an advisory board. The Chairman observed that the real difference between himself and the witness appeared to hinge on the question of the ownership of the lines by the provinces. The witness stated that the railways in the several countries mentioned by the President were owned by companies. In Germany before the war, the individual States owned their own railways. In India the railway property and railway debt might be similarly distributed by provinces. Unified administration can be maintained in India without centralised ownership. On the continent of Europe, through trains were run through independent countries from Ostend to Brindisi and from Paris to Constantinople. He thought a co-ordinated system

of working could be maintained much more easily in India where the provinces are under the political control of the Central Government.

5453. Turning to the suggestions made by the witness for the utilisation of railways as an aid to the internal development of the country (and waiving the question of whether the control should be central or provincial), the Chairman said he thought that the demand for the purchase of rails, locomotives, etc., in India was only natural. He suggested, however, and the witness agreed that it would not be wise to start the manufacture, for instance, of locomotives in Lahore far from the iron and coal centres. The witness said that he would not have everything manufactured in every province. Each should manufacture the articles for the production of which it was best suited. The point he wished to urge was that the railways should do all they could to promote industrial development. It was done in Germany, as was explained in the extracts which he had read to the Committee. The witness did not anticipate there would be any jealousy between the different provinces in respect to the allotment of manufactures as proposed by him.

5454. The witness laid stress upon his opinion that local universities should be equipped to provide the highest training needed for the various departments of the railways. He did not accept the statement which had been made by some witness to the Committee that Indians do not take as kindly to mechanical as to civil engineering. They had not taken to it solely because they had not been given the necessary facilities and encouragement. Mechanical engineering was a subject, instruction in which had only recently been introduced in India, and even now there is a lack of facilities for satisfactory instruction in that subject. He did not believe that Indians have any inherent lack of capacity for that kind of work or that it would not appeal to them as much as any other. He had had personal experience which indicated the contrary. It was necessary that facilities should be provided both for instruction and for practical training and also that there should be adequate scope for employment. The witness said that in the case of the Mysore gold mines Indians are not employed in mechanical engineering work. He had personally tried to start a training school when he was Dewan of that State, but failed to get support from the mining interests concerned. On the general question of the pay of European as compared with that of Indian officers the witness said he did not want to make any remarks. The point which he wished to emphasise was that Indians have been given no proper opportunities of employment in the higher posts. He realised that at the present time the standard of salary is set by the European staff in view of the preponderating number of them employed. He thought that in the fulness of time, if Indians are properly trained, the standard of pay might be reduced naturally owing to the greater supply of trained Indian engineers.

5455. He considered that railway schools are necessary to train also subordinates, foremen, mechanics, accountants, etc., and that workshops should be thrown open to all eligible young men without charging heavy fees and without distinction of race or creed. He mentioned that the instructional facilities available in the Universities and engineering colleges of Calcutta, Bombay, Madras and Roorkee were very limited. One of the advantages of obtaining railway materials in the country is that the workshops producing them would be available for the purpose of practical instruction. He was insistent that more rapid progress in such matters in future than there has been in the past must be secured. He thought that these were considerations with which the Railway Board had not hitherto concerned itself. In the case of Mysore the Government had some of their staff trained through the good offices of the Madras and Southern Mahratta and South Indian Railways. In Mysore there were very few Europeans among the subordinate staff of the railway. Both European and Indian staff had been employed there on an equal footing on construction as well as on open line work.

5456. The witness considered that the Railway Board had overcentralised all authority and paralysed local initiative and effort. He thought it absurd that they should be required to deal with such trivial matters as the grant of special leave to a railway employee outside the provisions of the ordinary leave rules. The Board should be relieved of all unimportant work and should be set free to attend to important matters of railway policy such as standardisation and the equipment of trunk lines. He thought the Board is at present autocratic in its methods, perhaps because it has no time to go into details of questions as it should do.

5457. Asked what action he would recommend in connection with companies whose contracts have still many years to run, the witness said he would offer the shareholders favourable terms to surrender their interests in the railways. He was not, however, against companies working in the provinces under the provincial control desired by him. In the case of such a line as the Bombay, Baroda and Central India Railway, which runs through three provinces, he would not object to a joint administration provided the ownership of the line was divided as suggested. Provincialisation of ownership and control was absolutely necessary. He thought that, until such time as the railways could be grouped in the manner desired by him, some temporary arrangement might be made to give some powers of control to provincial Governments. The Chairman remarked that he thought it would be extremely difficult to devise a satisfactory scheme; he would prefer that the witness rather than himself undertook the responsibility.

5458. The Chairman drew attention to the specific instances quoted by the witness in his written statement of the refusal of the Government to permit the construction of certain short circuiting lines which were required in the public interests because of the desire to protect the revenues of existing railways. He thought it wrong policy to recognise spheres of influence, and considered that the central authority should have power to overrule objections to new construction based on such grounds. He thought that a reasonable amount of compensation might be allowed in some cases, but, broadly speaking, he considered that respect for spheres of influence should not be allowed to restrict railway development in a country like India, which could profitably construct and use a vastly larger railway system, and where the bulk of the railway capital belonged to the State. He observed, quoting from the same work which has already been cited, that even parallel lines were allowed in Germany:

> "Every existing railway is also required, in the interest of through traffic, to allow new lines to join on to it—of course, at their own expense—and no new right to object to the construction of parallel or competing lines is recognised."

5459. Sir Arthur Anderson asked with reference to the three specific instances mentioned by the witness, namely, the non-construction of a link of 110 miles between Nanjangud and Mettupalaiyam, of 300 miles linking up Shimoga on the Madras and Southern Mahratta Railway with Mangalore on the South Indian Railway, and the short distance of 24 miles between Bangalore and Hosur, whether it was not a fact that these projects had been shown to be very expensive and unprofitable. Sir Arthur laid stress on the difficulty of finance and on the fact that other more promising projects had to wait. The witness expressed dissent and urged in this connection that the Mysore Durbar had itself offered to finance the whole cost of such portions of these lines as would lie within its own State, and in the case of the Nanjangud-Mettupalaiyam link part of the cost, and in that of the Hosur-Bangalore link the whole of the cost of the work in British territory also. Sir Arthur urged that it was unfair to say that there had been any refusal on the part of the Railway Board to discuss these projects; they had been discussed inside out. The witness agreed that they had been much discussed, but never in a satisfactory manner as far as the Railway Board's attitude was concerned; the correspondence had pursued a very unsatisfactory course.

5460. In this connection, the witness mentioned that he as Dewan of Mysore had had occasion in July, 1915, to complain to the Railway Board specifically with regard to the delays and difficulties in railway construction and working and railway development generally within the State; the need of more effective supervision of State interests in the railway lines at present worked by the Madras and Southern Mahratta Railway Company; and of developing the incomplete railway system of Mysore by providing the much needed natural outlets towards the south and west which had been long contemplated by the Durbar. These matters which were supported by definite evidence were discussed in a meeting at Simla between the witness, the President of the Railway Board and the Resident in Mysore. The witness urged that the Mysore Durbar was an important State which lies at one point within as little as 15 miles from the sea board to which it still has no access. To go west or south of the State, one has to travel over a long circuitous route towards the eastern portion of Southern India.

5461. The witness stated that in the matter of financing local railways, the Mysore Durbar had used the railway cess as a security for the loans raised for railway purposes. He thought that a considerable sum of money might be obtained for provincial railways by the development of that method of finance, though he did not consider it suitable for the construction of trunk lines. He emphasised that he saw no objection to the existence of a number of companies working their own lines within the provincial boundaries. He thought that a railway loan designed to produce the money needed for the trunk lines could be satisfactorily floated. He believed that people interested in industries would readily subscribe to it within reasonable limits. He mentioned that in the case of Mysore only a few months ago a loan to the extent of nearly a crore of rupees had been raised. The witness thought that his views with regard to the possibility of raising money for railway purposes were equally applicable in the case of Bombay as that of Mysore.

5462. The witness was decidedly in favour of separating the railway finances from those of the Government of India. He considered, however, that the Finance Minister might reasonably claim something more than the amount necessary to meet the interest charges on the railway loan. He considered that in the present state of the Indian finances, it would be necessary to count on some revenue contribution from the railway system. He thought that this might be obtained by means of a sur-tax or a percentage charge upon the gross receipts of railways rather than in the form of a share of the railway net revenues.

5463. Questioned further with regard to the control of rates and fares if the railways were provincialised as desired by him, the witness explained that in the case of through rates and fares the Central Government would pass orders in consultation with the local Governments concerned.

5464. The witness thought that the bad treatment of the lower class railway passengers of which numerous complaints had been made to the Committee could be stopped only by exercising stricter control over the railway staff. He considered the railway administrations and the Railway Board very lax in such matters. He instanced the occurrence of constant thefts at the Bangalore City Station. The Mysore authorities had made every effort to secure an improvement but had failed and the malpractices still continue. Greater energy should be shewn by the Railway Board in this matter. He thought that local advisory councils would help by ensuring closer attention to such things.

5465. In reply to Sir Arthur Anderson, he admitted that corruption, of which there were complaints on the main line railways, was also not unknown on the Mysore State Railway. It was a kind of thing which might happen in any country and could only be checked by constant vigilance on the part of the superior railway staff. He did not wish to dwell upon such matters, but alluded to the belief which prevails that some of the higher railway officials share in the profits made by their subordinates.

5466. The witness considered that the existing railway mileage is most inadequate and that considerable extension will be necessary. He laid stress in this connection on the far higher mileage per head of the population which exists in other countries than India. He was not prepared to say that he would construct no more railways until the existing lines are brought up to an adequate standard of capacity. He thought that in many places it would be better to have imperfect railways rather than have none.

5467. In answer to Sir George Godfrey who suggested that difficulties might arise in the quotation of through rates of particular commodities; for instance, in the case of coal, if the Government of the Central Provinces were to press for the quotation of a high rate on the line running through these provinces, it would have the effect of increasing the price of coal in Bombay. The witness emphasised that all such matters would have to be settled in consultation with the Central Government who would be the final authority to deal with them. He did not believe that the local Governments would be permitted to manipulate railway rates so as to ensure the routing of traffic in their own interests for example by the imposition of block rates in some cases.

5468. He thought that there should be special officers employed on railways to ensure more attention on the part of railway officials to the travelling public. He observed that, generally speaking, passengers were treated better on the Continental, English and American railways than in India. He admitted that he usually travelled as a first or second class passenger in those countries. Sir George Godfrey, speaking from his experience as travelling in the second and third classes, said that it seemed to him that it depended very much on what one paid for, and that he had suffered considerably when travelling in the lower class on the continent. The witness said that he believed that the Indian and European railway subordinates are equal sinners in the matter of inconsiderate treatment of the lower class passengers. The trouble was that nobody could be found to listen to complaints, the Railway Board dealing with them in a negligent and autocratic manner.

5469. In answer to Sir Rajendra Nath Mookerjee, the witness said that the reduction of rates of pay in the case of engineers to which he had referred in answer to the Chairman, must be a natural course, being simply a fall in the market rate owing to the greater supply. He realised that for some time to come a large percentage of European engineers must be employed in the country. He thought it not unreasonable that they should be given something in the nature of overseas allowance for a limited time.

5470. In answer to Mr. Hiley, the witness stated that he would give the Central Government authority to enforce its wishes with regard to such matters as standard of equipment on railways, through rates, etc., in connection with which otherwise there might be a difficulty. So long as they were exercised in the interests of the country as a whole, he did not think that the Provincial Governments would object to the exercise of such powers by the Central Government.

Mr. D. B. TILAK, M.A., was called and examined upon a statement which he had furnished to the Committee.

5471. Mr. Tilak stated that he was a student of railway economics, and had been studying Government reports in connection with railways and other matters for some ten years past. By profession he was a merchant engaged in export and import business. He had closed his business to visit Europe,

and had recently travelled in Holland, Belgium, France, Italy and Spain. He had just returned to India.

5472. The Chairman remarked that some of the expressions used by Mr. Tilak in the memorandum furnished by him to the Committee were couched in somewhat more emphatic language than is customary in such documents. Mr. Tilak expressed regret if he had used too forcible language. He said that he was at a disadvantage in that he had not previously had occasion to prepare documents of this kind.

5473. Questioned with reference to his observation that the British Boards of Directors have made purchases in the London market, patronising and encouraging British industries, in spite of the fact that many of the orders could have been advantageously placed in Germany and America without regard to the costs which the taxpayer has during the last 70 years ungrudgingly paid, Mr. Tilak explained that this statement was not based on his own personal knowledge, but that he had been told that rolling stock, for example, had been bought at a higher cost in England than it might have been obtained for on the Continent. He admitted that somebody else had told him this, but he believed that that person himself had the information at first hand. The Chairman suggested that it might sometimes be wise, notwithstanding a small extra cost being involved, to place a repeat order with suppliers who have previously been dealt with and who have given satisfaction, or who were in a special position to understand the kind of goods required. For example, an order for ten additional engines of a type of which a large number had previously been furnished might wisely be placed with the same manufacturers even at some extra cost. Mr. Tilak agreed that in certain cases it might be prudent not to go to the cheapest source of supply. He thought it would depend very much on the extent of the difference in the quotations and would be a matter more or less of individual judgment. The Chairman suggested that it was hardly fair to say that the Railway Companies judged dishonestly if in such circumstances they gave the benefit of their orders to British manufacturers. Mr. Tilak explained that he did not wish to ascribe dishonesty. He admitted that it was a mistake to make so specific a charge against the Companies when he is not in a position to substantiate it by actual examples.

5474. With regard to his opinion that English market conditions for the supply of capital are worse than those of the Indian Money Market, Mr. Tilak mentioned that, except in the last two months, the Bank rate in England was higher than the Bank rate in India, and that the rate of British Treasury bills was higher than the rate of Indian Treasury bills by about ½ to 1 per cent. The flotations of Preference shares in England were made even at a higher figure than 8 per cent., while in Bombay there had scarcely been any at the rate above 8 per cent. He admitted that there are Preference shares and Preference shares. The Chairman observed that the Bombay Government had recently paid 6½ per cent. free of Income Tax for the Bombay Development Loan, whereas big corporations in England had been borrowing recently at 6 per cent. *not* free of Income Tax. He said he did not think this bore out Mr. Tilak's opinion. Mr. Tilak explained that in his appreciation the Indian market is easier than the English; he thought the American market is better. In that connection the Chairman mentioned that the Pennsylvania Railway, which is the biggest railroad in the world, had paid last year as much as 7½ for borrowed capital, with the security behind it of a railway property larger in extent than the entire Indian railway system.

5475. Examined with reference to his statement that Indians are eager to subscribe capital for railway purposes, Mr. Tilak explained that this was based on conversation with friends of his, people of financial standing. He placed before the Committee a statement showing the extent to which he thought capital could be raised in India to buy out the existing companies' interests. The Chairman observed that it was clear from this that, roughly, some Rs. 2 crores a year might be required. He did not regard this as a very large sum. Quoting again Mr. Tilak's statement that "I can affirm with authority that with judicious handling these means can provide in India capital to the extent of at least Rs. 200 crores," Mr. Tilak laid stress upon the experience gained during the war, when it was shown that India was able to subscribe much larger capital sums than had previously been thought possible. It transpired in the course of his examination that this estimate was based on a prospect of the money being subscribed within a period of 10 or 15 years. The Chairman explained that he had understood that to be a question of something like Rs. 200 crores being raised offhand. Mr. Tilak said that he did not mean to convey that impression.

5476. The Chairman mentioned in this connection that Sir Vithaldas Thackersey had expressed the opinion that about Rs. 10 crores could be got now, and other evidence had indicated some such figure as representing the probable amount that might be secured by an annual loan in India. The Chairman observed that, in another part of his written evidence, Mr. Tilak had indicated that Rs. 200 crores was not the total amount he had in view. Rs. 200 crores represented debenture capital, there being also Rs. 50 crores share capital, and Rs. 10 to 15 crores native State capital. Mr. Tilak agreed that his estimate was of the nature of a prophecy, but urged that one can only make arrangements for the future on an appreciation of the present. He admitted that circumstances might conceivably alter greatly during the 10 or 15 years which he had in mind, but he thought that a start might very well be made at once to raise the necessary capital, and that, in his estimate, allowance has been made for such changes.

5477. Questioned with regard to the basis of his observations regarding the partiality shown to Europeans in the supply of coal wagons, Mr. Tilak referred to the evidence already placed before the Railway Committee by other witnesses. He was not in a position to give independently precise instances to substantiate the accusation. The Chairman observed in this connection that, since evidence bearing on this subject had been tendered to the Railway Committee in Calcutta, a letter had been received from the mining engineer to the Railway Board giving figures showing that, whereas Indian firms control 15 per cent. of the total coal output, they have received orders for some 30 per cent. of the total quantity of coal supplied to Indian railways. He suggested that this did not bear out the accusation of unfair treatment of Indians. He asked Mr. Tilak whether he really thought it justifiable to make statements involving questions of discrimination between the two races without being in a position to furnish concrete evidence in support of them. Mr. Tilak admitted that he should have been able to substantiate his charges, or else should not have produced them.

5478. Referring to the increase of rates and fares in India, the Chairman stated that the evidence received by the Committee had shown that these had gone up at most by about 30 per cent. since before the war. He mentioned that in England passenger fares had been increased by 75 per cent., and the best estimate that could be made with regard to goods rates indicated that these had been increased by 112 per cent. (the figures quoted by Mr. Tilak being now out of date). In the United States, the Chairman said, passenger fares had been increased by 75 per cent. and goods rates by an estimated average of 81 per cent. Mr. Tilak thought that the increase of 30 per cent. in India would represent as much as 95 per cent. if the effect of exchange were taken into account. The Chairman said that he could not discuss the exchange question in detail, but he did not understand its bearing on the point at issue. The Chairman said that at most it would only affect railways in respect of that portion of their expenditure which represents payments made in

England for materials. Mr. Tilak still held to his view, stating if the rates were reduced to rates in gold currency the rise is apparent as not less than 95 per cent.

5479. Mr. Tilak explained that, in recommending the handing over of Indian railways to Indian companies, he knew he was advocating a measure which is contrary to the general Indian opinion in favour of direct State management. He stated that, in addition to the reasons furnished in his written memorandum in favour of this view, he thought it would be a sound experiment if the authors of any new scheme tried to apportion interest to capital, to labour, and to the Government. In an upheaval of this kind, if there were clashing interests all representing their own case, that would be a sort of check and caution against any one-sided view.

5480. In answer to the Chairman, Mr. Tilak said that he agreed with the view to which expression had often been given that it is well to have company management as a buffer between the railway administration and the State. He said that he held the buffer argument to be of value, provided an Indian company is used and not a foreign one.

5481. Mr. Tilak explained that he had, in his written evidence, suggested that an Indian company should raise money to buy out the English companies' interest in the State railway property. He said he had not suggested outright buying of the Government interest, but only a working arrangement. He thought that the Indian company should have the power of re-investing profits as further capital to the extent of at least three-fourths of the total Government holding. He thought that a working company owning rolling stock and the State owning the railway would be useful as a buffer.

5482. With reference to Mr. Tilak's willingness "to allow" British capitalists to subscribe to railway loans, provided the management was wholly Indian, the Chairman observed that it did not seem much of a privilege to accept money from anybody willing to offer it when money was badly required. Mr. Tilak observed that a good deal would depend on the circumstances of the borrower. He believed that the position of the Indian railway system, and particularly its scope for development, is such that it has a unique position as compared with other railways. By "unique position" he meant that the earning capacity of the Indian railways (both latent and the existing) is far greater than in European countries. The Chairman asked whether the average Indian would prefer to pay 6½ per cent. for borrowed money to an English lender than, say, 7½ per cent. to an Indian. Mr. Tilak agreed that it is a question of the cheapest market, but thought there are other considerations which must be taken into account besides the rate of interest paid. He would not offer even to Indian subscribers any better terms than are necessary to attract a sufficient subscription of Indian capital.

5483. In connection with his recommendation that the companies should be completely controlled by Indians, notwithstanding his readiness to accept the subscription of English capital, the Chairman suggested that permission to contribute was not likely to be worth much if the subscribers were precluded from having any share in the control. Mr. Tilak explained that he did not mean to suggest such complete exclusion of persons who subscribe a substantial part of the capital.

5484. Turning to Appendix No. 4 attached to the memorandum of evidence, the Chairman observed that Mr. Tilak had made a comparison between various railway systems on the basis of capital expenditure and density of traffic. He observed, and Mr. Tilak admitted, that if one railway has a mountainous route on which only small train loads can be worked, it cannot fairly be compared with another running through a flat country on which heavy train loads can be hauled. In such cases, it would only be natural to expect the latter line to earn better profits. Mr. Tilak observed that any statistical comparison of the results of two railways is extremely difficult to make, but that as this had been attempted in the questionnaire he had to carry the comparison further. He admitted that he had to leave out certain factors bearing on the matter.

5485. The Chairman observed that another factor which had been omitted was the important one of rates charged for the service rendered; obviously if there are two railways charging different rates, other things being equal, the one which charges a higher rate would give the greater profit. Mr. Tilak agreed that it was practically impossible to make effective comparisons of the kind, but said he had made different comparisons on such data as he considered best, and that comparisons have to be instituted on similarities and not differences; if differences were to be considered only, no comparison would be ever possible.

THIRTY-EIGHTH DAY.

(Bombay).

Wednesday, 9th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.
Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

MR. RAMJI BHARMAL, c/o Messrs. BHARMAL SHRIPAL AND CO., Bombay, was examined upon a written statement which had been furnished by the Grain Merchants' Association, Bombay.

See Written Statement No. 54, Vol. IV., Page 182.

5486. Mr. Ramji Bharmal said he was a member of the Managing Committee as well as of the General Committee of the Grain Merchants' Association, as whose representative he was giving evidence. The Association is confined to Bombay and has about 300 members. It has been in existence for the last twenty

years. The Managing Committee comprises about 33 members.

5487. The witness explained that the written statement which had been submitted on behalf of the Association, had been drawn up by a special Sub-Committee which had been formed for the purpose, and had then been approved by the full Committee of the Association.

5488. The Chairman observed that the Grain Merchants' Association are of the opinion that railways owned by the State should be managed directly by the State. Referring to one of the arguments adduced in support of this view he enquired what was meant exactly by the reference to rules being framed under company management which are detrimental to the interests of the merchants. The witness explained that this referred to the practice of the railway companies disclaiming responsiility for loss of, or damage to, goods, on the ground that, under the rules, they are not accountable until the goods have been booked and a railway receipt has been granted. He stated that goods brought to the railway station lie there sometimes for months before receipts can be obtained, as the railway companies would not issue receipts until wagons are available for the despatch of the goods. Sir George Godfrey enquired whether it is not the case that merchants are allowed for their own convenience to bring the goods to the companies' premises and leave them there at their own risk. The witness said it was for the convenience both of the merchants and the Railway Company. It suited the Company by helping them to know what quantity is available for despatch, and also whose goods should be booked first; it thus saved detention of wagons and unfair allotments.

5489. The Chairman said that he could see that the remedy for such a complaint might lie in the supply of additional rolling stock, but he did not understand how responsibility for the existing state of affairs could be ascribed to railway companies any more than to railways under State management. The witness stated that, in his opinion, if the railways were managed by the State, better use would be made of wagons belonging to other companies upon the line. He stated that, for instance, wagons coming with coal to Bombay are not adequately used, but are returned empty, notwithstanding the fact that they might be used for the carriage of goods locally awaiting despatch. He agreed that, if the Great Indian Peninsula Railway could be handed over at once to State management, this would not imply a supply of additional rolling stock at once, but he thought it would use more efficiently wagons belonging to other railway administrations. He drew the Chairman's attention to a legal decision which he held showed that merchants are entitled to claim damages from railways for goods lost or injured under the conditions alluded to. The Chairman asked him why, if such a decision existed, they did not take claims cases into Court sufficiently frequently to make companies realise that it is useless for them to repudiate liability. The witness agreed that, even under State management, complaints of merchants could not be met in every case.

5490. As an instance of the undue attention and prominence given to foreign trade at the expense of indigenous trade, the witness quoted the rates for carriage of grain from Cawnpore to Bombay.* which are only slightly higher than those from Jalgaon to Bombay,† although the distance in the first case is about double that in the second. The Chairman stated that similar cases frequently occur on State managed railways and in other countries besides India. He thought probably the railway administrations might be able to give reasons justifying such quotations. He asked in what way such grievances would be redressed under State management. The witness explained that merchants could bring pressure to bear on railway administrations through the Legislative Council. If this could not be effectively done through the Legislative Council in Bombay he would suggest reference to the Imperial Legislative Assembly. He thought that Government would look more to the general development of industries in the country than private companies could be expected to do.

* Rs.0 9-8 per maund. † Rs.0 8-3 per maund.

5491. The Chairman observed that, under the Reform Scheme the administration of railways remains a central subject under the Imperial Government, and that, even in the case of the North-Western Railway which is under State management, the Government of the Punjab has no more control over it than the Government of Bombay has over the Great Indian Peninsula Railway. The witness was satisfied that matters would be better under State management. He was convinced that railways might do better with the rolling stock available than they do at present. He admitted, however, that railway men, even those employed by companies, who had devoted their lives to railway working might understand it better than himself.

5492. As regards the accident mentioned in the written evidence, in which several deaths and cases of injury were occasioned by passengers having to travel on the footboards of the train owing to the carriages being overcrowded, the witness stated that this had happened about six months ago on a train from Thana to Bombay. He agreed that it was due to the fact that the railway was not using sufficient carriages on the suburban trains. The Chairman asked how any railway, whether State or company managed, could supply enough carriages if it did not possess them. The witness, however, thought that there are enough carriages available at present. Under company management they are used for such things as special trains for the Poona races instead of for the benefit of the ordinary travelling public.

5493. Questioned regarding the Association's statement that there would be a large saving to the State under State management of the share of the profits which at present is paid to the railway companies, the witness thought the amount involved might be about 2 crores of rupees annually. The Chairman assured him that, over a series of years, the Companies' annual share of profits had only been about half a crore of rupees, although in the last year or two it had been considerably higher. The witness agreed that the figure might be smaller than he had thought, but he considered even half a crore of rupees a substantial sum.

5494. The witness urged that representatives of Indian opinion should have a voice in the control of railway management. He would like to see a representative body at the seat of the Central Government to deal with matters of all-India concern and large questions of railway policy, with smaller bodies at the provincial headquarters to deal with matters of more local interest. He agreed that representatives of public opinion and of different commercial and local interests would not be of much use in dealing with technical questions, such as locomotive design, signal systems, and the like, and agreed that, instead of abolishing the Railway Board, what is really wanted is that some such body as the Board should be entrusted with the executive control of the railway system, but should be controlled and guided as to policy by a representative council.

5495. Touching upon the recommendation of the Association that there should be committees of Indian commercial people to act as arbitrators in disputes regarding rates and fares, the witness agreed that it would be unreasonable that such committees should comprise commercial representatives only. He thought it would be fair if they comprised an equal number of representatives of commerce and of railways under an impartial president.

5496. The Association had recommended that, in future, railways should be placed in charge of an Indian Member of Council. The witness did not agree that this would be impracticable at present, even if the questions dealt with are largely technical. He thought that even now Indians possessing sufficient training and experience could be found for such an appointment.

5497. The Association considered that the past policy of the Government had been shortsighted in refusing to pay more than 3½ to 4 per cent. for money required for railway development, which had thus been strangled, notwithstanding the fact that, on the whole, the railways were earning 6 per cent. or frequently more.

5498. The Association were opposed to a general increase of railway rates, but considered that articles of luxury should be charged higher than articles of necessity, such as foodstuffs, coal, etc. In this connection, the witness said he thought that such things for instance as imported packed provisions, motor-cars, machinery, and manganese ore, might pay higher charges than at present levied. Sir George Godfrey observed that the Association's statement was inaccurate in implying that coal is not at present charged at a much lower rate than other commodities.

5499. The Chairman drew attention to the fact that, whereas the increase in Railway rates in India has only been about 30 per cent. on the average since before the war, it has been no less than 112 per cent. in England, and about 80 per cent. in America in the same time. He suggested that India should consider herself lucky in having had to face only so small an increase. The witness urged that conditions are different here from those of the countries mentioned, to which the Chairman agreed observing that the difference was in fact reflected in the figures quoted.

5500. In answer to Sir Henry Burt the witness said that the practice of railways of accepting goods before the issue of railway receipts and allowing them to be stored at the risk of the owners, on the railway premises was not solely for the convenience of the owners of goods. He considered it also a convenience to the railway administration. Unless goods were brought to the railway premises the allotment of wagons could not be decided.

5501. Mr. Purshotamdas Thakurdas said that, as time was short, he would not ask any questions, but proposed to ask the witness to furnish for the Committee's information specific instances in respect of various statements made throughout the written evidence of the Grain Merchants' Association.

5502. Sir George Godfrey drew attention to observations made in the course of the Association's evidence to the effect that railway rates are altered without consulting the trading interests concerned, the cases of coal and grain having been mentioned as cases in point. He asked whether the witness was aware that the Railway Board had consulted the coal trade before recently altering the coal rates. The witness said that he did not know of this: his Association had not been addressed when there were alterations in the grain rates. Sir George emphasised that those concerned in the coal trade had been duly consulted by the Railway Board. The witness could hardly expect a reference to be made regarding coal rates to the Grain Merchants' Association which is not particularly affected by alterations in the rates for coal.

Mr. A. C. RUMBOLL, C.I.E., O.B.E., Agent, G.I.P. Railway accompanied by Mr. C. A. HAWES, Chief Auditor and Mr. A. M. BELL, Carriage and Wagon Superintendent, was recalled and further examined.

5503. Mr. Rumboll stated that he had been to some extent mistaken, as had been believed by Sir George Godfrey, when last speaking to the Committee on the subject of the introduction of mechanical couplers on the Indian railways. He explained the case which was briefly that in 1918 the Loco. and Carriage Committee of the Railway Conference Association passed a resolution to the effect that a nickel chrome steel coupling or a high tensile steel coupling capable of withstanding a breaking strain of one hundred tons be adopted. The resolution was passed by the Conference with the remark that it was open to doubt if the limit of breaking strength of 100 tons allowed sufficient margin for the future development of broad gauge railways in the matter of train loads. When this recommendation went to the Railway Board they asked the Locomotive and Carriage Superintendents' Committee certain questions. The replies, which were confirmed by the subsequent Conference, recommended that, if the mechanical coupler were to be adopted, investigation should be made in other countries as to how the change had been made. That investigation had already been carried out and the report had been submitted to the Railway Board who, in a letter dated the 21st December, 1920, to railway agents, said that "the correspondence tends apparently rather to emphasise the necessity for the introduction of a central automatic buffer coupling. This question has been under consideration for some time, but has been delayed by difficulties in getting the papers printed for circulation. The Railway Board hope, however, to be able to address the railway administrations further on the subject of central coupling." Mr. Rumboll said that he wished to explain to the Committee that he had not been quite accurate in what he said with regard to the general acceptance by railways of the introduction of the automatic coupling. The Chairman summed the matter up by saying that although the Conference did not use the phrase "automatic coupler" in Mr. Rumboll's judgment their statement of essential conditions implied that the coupler must be automatic, and the Railway Board agreed with him in that interpretation.

5504. As an illustration of the practical power of the Railway Board to order the introduction of improved appliances on the railways, even if they have not, strictly speaking, legal powers under the contracts, Mr. Rumboll mentioned the correspondence connected with the provision of the stronger coupling which they are now putting on their stock, in which case the Board had given definite orders to the Agents of the three State Railways and had forwarded copies to the Company Railways with the request that similar appliances should be adopted for new rolling stock. Personally, Mr. Rumboll thought that the Railway Board should have gone further and made the request, which he regarded and treated as practically tantamount to an order, apply to old stock as well as to new. In this connection Mr. Rumboll explained that Mr. Bell, the G.I.P. Railway Carriage and Wagon Superintendent, had attended the meeting in order to furnish the Committee with further information connected with the question of the introduction of automatic coupling. Mr. Bell showed some photographs illustrating how the substitution of the automatic coupling had been effected in Australia. He had made a rough estimate of the cost of equipping the broad gauge rolling stock in India with the improved coupler, and believed that it would cost about Rs.3 crores if the mechanical coupler were introduced, a figure which would be diminished by the credit on account of the scrap value of the buffers and couplings replaced. It would cost about Rs. 4 crores to introduce the latest standard tensile steel draw-gears and couplings. Not only would the former measure be cheaper but it would have the result that for all time the railways would be in possession of a better and stronger coupling device. He thought that it would take about three years to carry out the substitution on the G.I.P. Railway. This would only be possible if the company were allowed to work to a settled programme. The G.I.P. Railway's share of the total cost would perhaps be about Rs.25 lakhs.

5505. In reply to Sir Henry Burt, Mr. Rumboll explained that the extent to which full advantage could be secured from the use of the automatic coupler would be controlled by the engine power available. The G.I.P. Railway would not need to reduce the load of its trains on the gradients, but would simply attach more engine power to haul them over such sections. Mr. Rumboll stated that between Itarsi and Bombay at present trains of from 37 to 40 wagon loads are hauled. This will be considerably increased. Mr. Bell explained that the programme of substitution of the automatic coupler would be carried out in three years, the first of which would be devoted to the preparation of the wagons and the accumulation of material; in the second and third year progress would be made with the actual attachment of the new couplings and strengthening of such wagon under-frames, perhaps some 25 per cent. of the total, as would need this. The expense could be reduced by the expedient of permanently close coupling two four-wheeled wagons as twins, a proposal of which Mr. Rumboll felt disposed to approve.

5506. Mr. Rumboll handed in for the information of the Committee, papers relating to the Itarsi-Nagpur and Harbour Branch extension capital grants, to which allusion had been made during his examination on the 4th February (see Annexure A.).

5507. Mr. Rumboll also handed in a statement prepared by the Chief Auditor of the Company relating to the finances of the G.I.P. Railway undertaking. This is reproduced as Annexure B. hereto. Subsequent informal discussion between Mr. Hawes and the Secretary to the Committee showed that there was some doubt as to whether the figure of £24,736,310, shown in the Statement as the amount of annuities paid off to the end of March, 1920, represented the actual redemption of capital by the State. The information at Mr. Hawes' disposal did not permit of this being solved, and he advised that it should be referred to the Government of India, Finance Department, for settlement.

5508. In reply to Sir Henry Ledgard, Mr. Rumboll stated that owing to the insufficient railway facilities and also to the development of trade, it was not possible to carry goods as expeditiously as formerly, say, ten years ago. A sum of Rs.40 crores in the next ten years would be required to bring his line to a state of efficiency. He did not think that he could spend the money much quicker. Mr. Rumboll stated that in recommending a capital expenditure programme of Rs.4 crores per annum for ten years he had to consider the difficulty of carrying out work without interfering with traffic moving on the railway. He considered that the amount mentioned would be wanted to provide for works necessitated both by arrears of the past and developments in future.

5509. In reply to Sir Arthur Anderson, Mr. Rumboll stated that in the case of a local Board being set up in India to assist in the management of a railway controlled by a London Board, he thought that it might be entrusted with powers to deal with establishment questions up to a certain limit, and also might have some power to sanction works. He did not think that the powers of sanction of the local Boards should be increased in the event of Indian subscribed capital being enhanced.

5510. In answer to Sir Henry Burt, Mr. Rumboll stated that he would have no objection to the institution on the G.I.P. Railway of an Advisory Board to which the Agent would be required to refer matters of certain kinds instead of being free to refer them or not at his discretion. He said that he would welcome any means of getting into better touch with public opinion. In this connection the Chairman remarked that from the papers received from the Eastern Bengal Railway Administration it seemed clear that all the information which should be placed before them. Advisory Committee was actually placed before them. They thus had it in their power to investigate matters of general interest if they so desired.

5511. Mr. Rumboll agreed that the Central Railway administrative machinery might be so constituted as to provide a Consultative Council for dealing with questions of railway policy on which there should be representatives of Indian and European opinion as well as of Government, with an executive branch to control the ordinary routine of administration and management. Mr. Rumboll laid stress on the necessity of avoiding the evils attaching to political control as experienced in other democratic countries. He was satisfied that the Railway Board does require to be brought more into touch with public opinion than it is at present. He said that he would prefer Indian representatives on any Board of Control to be elected by such bodies as Chambers of Commerce rather than by the Legislative Councils.

5512. Asked how he would secure suitable representation of the travelling public, and particularly of the third-class passengers, Mr. Rumboll agreed that these would have to be represented on any Central Council which might be set up. He thought the suggestion which had been made to the Committee of asking for nominations from such bodies as the Servants of India Society, for which he had a high regard, was a good one. He did not attach much importance to the existing passengers' associations which are not really representative bodies, some of them existing only to look after the interests of suburban passengers, and others representing practically only individual effort.

5513. Sir Henry Burt enquired what the practice of the G.I.P. Railway Company is in respect of the quotation of special rates to assist Indian industries. Mr. Rumboll stated that he had prepared for the information of the Railway Board a detailed statement showing what had been done in this direction. Generally speaking, he said that the G.I.P. Railway Company gives reasonable facilities in such matters. He instanced the grant of special rates for local industries from Cawnpore, Ahmedabad and Katni; for cement and lime traffic there were special schedule rates, as also for cotton piece goods from mills in the Central Provinces. He considered that Indian industries got all reasonable assistance from the administration. He confirmed the information given to the Committee by the Chairman of the Bombay Port Trust that in India there are no such things as special export and import rates as distinguished from the rates to and from the port towns for merchandise for local consumption; for example, Bombay City received raw cotton at exactly the same railway rates from up-country as those at which cotton was carried to Bombay docks for export.

5514. In reply to Sir R. N. Mookerjee, who drew attention to the evidence given by the representative of the Grain Merchants' Association during the morning complaining that for grain from Jalgaon to Bombay a rate of 8a. 3p. a maund is charged as against only 9a. 8p. a maund for similar traffic from Cawnpore (Generalganj) to Bombay, about double the distance, Mr. Rumboll explained that the Cawnpore railway rate is determined by the East Indian Railway quotation for similar traffic to Calcutta. The answer to the complaint, if it were to be met, would be not a lowering of the Jalgaon rate, but an increase of the Cawnpore rates. The low rate from Cawnpore has to be quoted in order to secure the traffic; if a higher rate were charged this would mean that the traffic would be lost altogether to the G.I.P. Railway Company. It pays the railway better to secure the traffic at the relatively low rate of 9a. 8p. than not to get it at all, and the profit on it helps to enable the railway to quote only 8a. 3p. from Jalgaon to Bombay. As regards the quotations for matches, to which Sir R. N. Mookerjee drew attention in connection with complaints made to the Committee that imported matches are carried cheaply as compared with Indian manufactured matches, Mr. Rumboll thought that it would be necessary to go into other considerations affecting the manufacture of matches in India before it could be stated that their failure to compete with imported matches is attributable to

the railway rate policy. He thought that the wood from which they are made necessitates their being relatively expensive. He said that he believed there are some, but not many, special rates quoted for matches from the ports.

5515. Mr. Rumboll agreed that the difference between owner's risk and railway risk rates is in general too great, and there might be something in the complaints made in this connection. When special rates were asked for the owner's risk condition was sometimes attached. Lower railway risk rates were not given because they were not asked for, and would probably not be used if granted.

5516. Mr. Rumboll said that the railway would be equally willing to quote a little higher rate than the ordinary owner's risk rates in order to meet the requirements of persons who wished to consign their goods at the company's risk, and referred to the cotton rates where this had been done. He admitted that the existing system practically forced people to book at owner's risk though he urged that, if approached, the railway is not unreasonable in such matters. He thought that, if the railways were adequately represented on the tribunal, there would be no objection to the adoption in India of a similar system to that proposed in the United Kingdom, and which the Chairman said was meeting with the general acceptance both of railways and of the commercial community, under which a tribunal would settle the conditions applicable respectively to the owner's risk and railway risk notes, and also fix the difference between the two rates, corresponding roughly to the value of the insurance which is furnished under the railway risk conditions.

5517. Sir Henry Burt asked whether it is not the case that without increasing the maximum charges for the traffic, against which there is a certain amount of public feeling, a considerable extra revenue could be obtained merely by putting up the special rates for traffic to and from the port towns. Mr. Rumboll stated that this had already been done to a considerable extent though he was of opinion that still more could be done in some directions though not in respect of all classes of goods. He said that, for example, the rates from Nagpur are determined by the B.N. Railway competition, and if that railway would agree to put up their rates to Calcutta, the G.I.P. Railway would do so for the Bombay rates. In the case of the Cawnpore area, where the G.I.P. Railway competes for traffic with the East Indian Railway, the existence of river competition for traffic to Calcutta could not be overlooked. Mr. Rumboll said that, in in the case of traffic from Nagpur, the cotton trade gets the benefit of low rates secured by competition between the railways.

5518. Mr. Rumboll considered that, if there were no dearth of funds, it would be best if the branch lines could be built by the main line companies. He did not think that there was any validity in the suggestion which had been made by some witnesses to the Railway Committee that branch lines, when constructed by the main line companies, are often built to too high a standard. He knew that such an impression prevails but he did not think that it was well founded.

5519. In answer to Sir R. N. Mookerjee who enquired with regard to the admission of Indians to the higher posts in the Locomotive and Carriage and Wagon Workshops, Mr. Rumboll stated that the only reason why Indian officers are not employed in the workshops is that they do not offer for such employment. Excepting the Parsee community he considered that the Indian is not inclined towards mechanical work. The railway allowed the use of their workshops for the practical training of students from the Technical Institute in Bombay. There are plenty of apprentices for the lower grades, but educated men do not come forward for practical training to fit them for employment in the upper grades in the workshops. Mr. Rumboll defended the practice of giving Indian apprentices lower rates of pay than Anglo-Indians or Europeans, on the grounds that the pay given to apprentices is merely of the nature of a subsistence allowance during their period of training and that the standard of living of the Indian apprentice is less expensive than that of the Anglo-Indian or European. He stated that once they are trained, Indians and Europeans would receive the same rates of pay for work of the same kind.

5520. In answer to Mr. Hiley, Mr. Rumboll expressed the opinion that the Indian public would have a full say on railway matters through the medium of the Legislative Assembly particularly in connection with the discussion upon the railway budget. He was anxious to avoid the introduction of politicians on the Railway Boards of control.

5521. Mr. Rumboll stated that in his programme of works he regarded the Bombay suburban electrification scheme as one of great importance in view of the manner in which it would increase the capacity of the railway and would give better service to the suburban passengers. The scheme had been approved and detailed estimates are now being prepared. An application had been made for a grant of Rs. 15 lakhs for expenditure next year, but the administration had been told that they should expect nothing and should incur no liabilities except so far as necessary to pay the engineers who are engaged on planning the details of the work. He regarded the electrification together with the extension of the suburban quadrupling, as the remedy for the existing congestion in local traffic and overcrowding of suburban passengers. Mr. Rumboll urged that the fact that the railway proposed to spend up to 80 per cent. of the gross revenue during the coming year on working expenses, renewals and maintenance, shows that they are making an ample provision to carry out arrears of renewals. In this connection he produced a diagram illustrating the state of affairs connected with renewals on the G.I.P. Railway. In reply to the Chairman he stated that the increase of the operating ratio from about 65 to 80 per cent. is partly due to the increase in cost of labour and stores but very largely to the provision for making up arrears of renewals.

5522. On behalf of the Honourable Mr. Sastri, who was detained in Delhi as a Member of the Council of State, Mr. Purshotamdas asked whether there were any special posts reserved for Anglo-Indians and Europeans on the G.I.P. Railway, and, if there were no posts reserved for them, how Mr. Rumboll would explain an advertisement which appeared in The "Times" of India on the 2nd February, calling for applications for certain posts only from Anglo-Indians and Europeans. Mr. Sastri had been informed that there were many qualified Indians who would be ready to apply if given a chance. Mr. Rumboll explained that he had not seen the advertisement and could not therefore say what the conditions were under which it was issued. There were no posts reserved for Anglo-Indians or Europeans as such, but in some grades the Railway had fixed a proportion beyond which it considered it undesirable at the present time to employ Indians in such posts as those in question; he thought that the advertisement must have been issued because the approved percentage for Europeans and Anglo-Indians was not worked up to. The fixed percentage would be increased according as the capacity of the Indians to undertake such work is improved. He admitted that the effect of the policy of the administration is that, even if more qualified Indians are at present available for the posts in question, they could not be employed, that is, that the efficiency of the Indians is taken anyhow for the present as being fixed at a certain point.

5523. Regarding his view 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, Mr. Rumboll said that he would not have quite the same objection if railways were to be managed on the lines on which the Bombay Post Trust is administered at present; but he doubted whether it would be possible to manage railways on similar lines, seeing that

the financial questions involved are very much bigger. Government is ill-fitted to carry on a business undertaking directly. The Department of Posts and Telegraphs was not a business undertaking, being merely an executive department of a very different kind from a railway which is a commercial concern and has to deal with business propositions. Though the Postal Department had to pay its way and make a certain profit, it is not on a par with railways. It does not quote special rates, alter its time-table, negotiate with individuals and public bodies for new facilities, and so on. The railways could not be administered, like the Port Trust, by persons interested in them, namely, by the commercial community and the public.

5524. Asked to explain what he meant by the statement that "a Department of Government is compelled to act on political opinions which may be transient and shared only by a minority," Mr Rumboll cited the following as an illustration. The introduction of an Intermediate Class was imposed on the G.I.P. Railway by Government against their strong opposition. The result was, that in the Poona Mail, for instance, it could no longer accommodate the third class passengers who were formerly carried at 3 pies per mile, in addition to the Intermediate which had to be added, and therefore the passenger who desired to travel by that train had to pay at the rate of 4½ pies. He considered this a fair example of the way in which Government might be persuaded by a small body to the detriment of the whole. Mr. Mr. Purshotamdas pointed out that in the present case, it was at worst only an error of judgment on the part of Government and that Boards of Directors of certain companies might similarly make an error of judgment. Mr. Rumboll thought that Boards are less liable to this than Government.

ANNEXURE A. (Paragraph 5506 above.)

Copy of letter dated 9th February, 1921, from the Chief Auditor and Accountant, G.I.P. Railway, to the Agent:—

No. General L./3/33.

Victoria Terminus Annexe, Bombay,
9th February, 1921.

The Agent, G.I.P. Railway.

Dear Sir,

Indian Railway Committee, 1920.

You will recollect, when giving evidence before the Committee, you referred to the tabulated statement at page 5 of the statistics, copy of which was handed by you to the Chairman to be put in with your evidence. The Chairman, when scrutinising this statement, asked that we might furnish him with further remarks regarding the difference between the grants asked for and those actually sanctioned for the Harbour Branch Extension for the financial years 1912-13 and 1913-14, and, secondly, that this tabulated statement should be completed on the assumption that Rs. 10,00,000 a year would be sanctioned for the Itarsi-Nagpur and Harbour Branch Railways, respectively, for the future years, until the works were completed, based on the latest construction estimates.

2. With regard to the first point, I have to state that the Railway Board did not give any reasons for cutting down the amount asked for in the July Preliminary Forecast for 1912–13. . . . As regards the reduction in 1913-14, I find from your office files of correspondence . . . . that the Rs. 14 lakhs reduction was sanctioned by the Agent for the December Schedule of Demands on the representation of the Chief Engineer, who required the amount to be transferred to the Capital Works of the main line for the quadrupling between Thana and Kalyan. . . .

3. As regards the second point, I attach hereto copy of the statement as given at page 5 of the statistics, but which I have completed, based on the construction estimates as shown in the latest financial review for 31st September, 1920.

4. You will notice that, in completing the statement, I have assumed that we will get Rs. 10,00,000 a year, and will spend Rs. 10,00,000 a year on each of the constructions. On this assumption the Itarsi-Nagpur Railway will be completed in 1925–26, and the Harbour Branch in 1922–23.

5. You will also see from the foot-notes that interest for the period from 1st April, 1920, is calculated at 6½ per cent., *i.e.*, the rate which is applicable for interest on overdrawn capital at the present time. The interest paid to Government in the case of the Itarsi-Nagpur Railway will then have amounted to Rs. 1,51,11,136, and in the case of the Harbour Branch, Rs. 14,92,103.

GREAT INDIAN PENINSULA RAILWAY.
(Incorporated in England.)

ITARSI-NAGPUR AND HARBOUR BRANCH EXTENSION RAILWAYS' CONSTRUCTIONS.

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 to 31*st March*, 1920, *and the further estimated grants and expenditure from* 1*st April*, 1920, *to the probable date of completion of the Railways assuming that Rs.* 10,00,000 *a year for each construction is sanctioned and expended and also the total amount of interest that will have been paid to Government and charged to the general net Revenue account of the G.I.P. Railway undertaking.*

Years.	Harbour Branch Railway Extension.						
	Grants asked for.	Grants actually sanctioned.	Modified grants as stood at the end of the year.	Expenditure.		Interest paid to Government and charged to the G.I.P. Ry. undertaking.
				For the year.	To the end of the year.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1908–09 ...	—	—	—	—	—	—
1909–10 ...	—	—	—	—	—	—
1910–11 ...	—	—	—	—	—	—
1911–12 ...	—	—	—	7,48,097	7,48,097	8,037
1912–13 ...	15,00,000	6,00,000	6,00,000	7,02,276	14,50,373	43,123
1913–14 ...	27,02,000	13,02,000	7,49,000	3,73,901	18,24,274	61,915
1914–15 ...	11,58,000	11,00,000	3,86,000	18,80,859	37,05,133	95,067
1915–16 ...	30,00,000	19,00,000	19,00,000	35,420	37,40,553	1,51,077
1916–17 ...	16,00,000	7,00,000	1,64,000	(c) – 29,176	37,11,377	1,48,913
1917–18 ...	2,00,000	2,00,000	30,000	(c) – 59,139	36,52,238	1,47,903
1918–19 ...	2,00,000	2,00,000	– 1,00,000	(c) – 72,917	35,79,321	1,43,908
1919–20 ...	50,000	—	– 69,000	10,00,000	45,79,321	1,52,877
1920–21 ...	10,00,000	10,00,000	10,00,000	10,00,000	55,79,321	2,38,849
1921–22 ...	10,00,000	10,00,000	(*d*)	8,94,940	(*e*) 64,74,261	3,00,434
1922–23 ...	—	—	8,94,940	—	—	—
1923–24 ...	—	—	—	—	—	—
1924–25 ...	—	—	—	—	—	—
1925–26 ...	—	—	—	—	—	14,92,103

Note :—Interest calculated at 3½ per cent. per annum on the Capital drawn up to 31st March, 1915, at 4½ per cent. per annum from 1st April, 1915, to the Railway Board sanctioned a grant of Rs. 50,00,000.
from 1st April, 1918, and at 5½ per cent. from 1st April, 1920, onwards.
(*a*) In April, 1915, the Railway Board sanctioned a grant of Rs. 50,00,000.
(*b*) Credits due to heavy return of stores, *i.e.*, from Itarsi-Nagpur to Nagpur Remodelling.
(*c*) Due to rents collected and sale proceeds of demolished buildings of Musjid properties of Harbour Branch Extension.
(*d*) This is assuming we shall get Rs. 10,00,000 a year from 1921–22 and that we shall spend the full amount
(*e*) Amount of construction Estimates as shewn in the latest Financial Review for 30th October, 1920

Note regarding the Harbour Branch Railway Construction.
1913–14.—Lapse in grant due to late receipt of material.
1914–15.—Lapse in grant due to anticipated land debits not being raised in 1914–15 for which money had been asked.

Years.	Itarsi-Nagpur Railway construction.					
	Grants asked for.	Grants actually sanctioned.	Modified grants as stood at the end of the year.	Expenditure.		Interest paid to Government and charged to the G.I.P. Ry. undertaking.
				For the year.	To the end of the year.	
	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	10,00,000	10,00,000	2,82,19,344	10,49,541
1921–22 ...	10,00,000	10,00,000	(*d*)	10,00,000	2,92,19,344	11,32,655
1922–23 ...	10,00,000	10,00,000	(*d*)	10,00,000	3,02,19,344	11,97,655
1923–24 ...	10,00,000	10,00,000	(*d*)	10,00,000	3,12,19,344	12,62,655
1924–25 ...	10,00,000	10,00,000	(*d*)	10,00,000	3,22,19,344	13,27,655
1925–26 ...	10,00,000	10,00,000	5,19,436	5,19,436	3,27,38,780 (*e*)	13,77,036
						1,51,11,136

ANNEXURE B.

(Paragraph 5507 above.)

Secretary of State's interest in the G.I.P. Railway proper as on 31st March, 1920.

	£
Purchase cost arrived at according to the mean market value in London of such shares of stock during three years immediately preceding the expiration of the period of twenty-five years or the period of fifty years as the case may be, *vide* Purchase Act	34,859,218
The Debentures and Debenture stock taken over from the old Company, *vide* Purchase Act	5,922,350
Total	40,781,568
Less—Amount paid to end of March, 1920, by annuities	24,736,310
Balance of purchase cost	£16,045,258

The London "Times" of 19th January, 1921, shows the following quotations :—
Annuity Class A (1948) 9⅞
Class B (1948) ... ... 13 1/16, ⅛, ¼
3½ % Debentures ... ... 53¾, ½, ¾, and
The "Daily Telegraph" of 19th January, 1921, shows that the
3 % Guaranteed stock was quoted 86–89

CLASS A consists of those annuitants who elected to receive their annuities in full.
CLASS B consists of those who elected to receive their annuities less a sum to be deducted for providing a sinking fund.

Position prior to amalgamation (*on* 30*th June*, 1900).

	Capital raised. G.I.P. £	Capital raised. I.M.R. £		Capital expenditure. G.I.P. Rs.	Capital expenditure. I.M.R. Rs.	Total. Rs.
Capital created by shares ...	20,000,000	3,000,000	Capital expenditure	28,31,88,026	10,06,92,219*	38,38,80,245
Capital created by debentures ... £ 5,672,350			*Add*—Other Govt. lines—			
Khandesh Extension 250,000			Dhond Manmad Rly.	1,15,84,316		
	5,922,350	4,935,681	Wardha Coal Rly.	49,96,326		
	25,922,350	7,935,681	Khamgaon Rly.	5,22,150		
			Amraoti Rly. ...	4,49,915		
						1,75,52,707

Position after amalgamation (*from* 1*st July*, 1900, *to* 31*st March*, 1920).

Advances by the Secretary of State	2,200,000	300,000	Capital expenditure 26,40,55,902	2,35,26,606† 28,75,82,508
Debentures raised by the Company	3,500,000	—		Total Rs. 68,90,15,460
	5,700,000	300,000		
	£6,000,000			

Indian overdrawn capital ... Rs. 19,45,28,399.

* This was I.M. Expenditure up to the date of the amalgamation.
† This was I.M. Expenditure from the date of the amalgamation to 31st December, 1910. After 31st December, 1910, the I.M. Railway accounts were not kept separate.

M. HAWES,
Chief Auditor and Accountant.

Bombay, 8th February, 1921.

Rai Sahib CHANDRIKA PRASADA was called and examined upon a personal statement furnished by him to the Committee, as well as with reference to the written evidence of the Indian Economic Society, which had nominated him as its representative.

See Written Statements Nos. 55 & 56 Vol. IV., P. 185/195.

5525. The Rai Sahib stated that he also had been requested by the All-India Hindu Sabha, the All-India Railwaymen's Conference and the United Provinces Zamindars' Association to represent their views to the Committee, and that he was in a position to do this in a general manner.

5526. Referring to the Rai Sahib's statement that, as a matter of fact, companies often draw their officers from the Government service by offering them tempting emoluments, the Chairman asked why they do this. The witness did not think it was done for the normal reason that induces people to pay higher salaries to certain employees, that is, on consideration of merit. He thought that in the case of railway companies they are more ready to pay higher salaries as the money does not come out of their own pocket. Asked why, in these circumstances, they did not also pay extravagant salaries to all classes of railway servants, he explained that this might be because it did not suit them, as it would involve paying away too much. The Chairman said he could not understand why this consideration should operate in the case of an engine driver if it is not applicable in the case of a railway Agent. He mentioned that in England and America the salaries of the chief officers on the large railway systems amount frequently to double or treble the sums paid in India. The witness pointed out that the economic conditions in India were quite different to those obtaining in England and America.

5527. The witness drew attention to the disparity between the rates of pay of the highest and the lowest railway officials. In this connection, the Chairman drew attention to the statistics of salaries furnished in the witness's evidence, and asked where the figures had been obtained from, as he felt very doubtful as to their accuracy. The witness explained that he had drawn the information from reliable official sources. He was unable to say for what exact appointment the Belgian railways pay the equivalent of Rs. 469 per mensem; but he said it was the highest railway official in that country. In support of the statement that

the minimum pay per month on the Indian State railways is still as low as Rs. 7, he mentioned that he had recently been advised that, on the Jodhpur-Bikaner Railway, which is a railway owned and managed by an Indian State, there are employees who get as low salaries even as Rs. 6 per mensem. The Chairman suggested that this was hardly a strong argument in favour of State management. The witness observed that he was not satisfied with State management as it at present exists in India.

5528. The witness furnished seven tabular statements giving the financial history of Indian railways from 1848-49 to 1918-19 in support of the figures quoted by him that at the end of the year 1918-19 there was an outstanding debit of Rs. 297·97 crores against the railways, while the loss on account of the late Guaranteed companies alone amounted to Rs. 332·75 crores, the difference of Rs. 34·78 crores having been made up by the net profits of the State railways. He stated that he obtained the figures from the report of the Select Committee of 1884, and had completed them by the addition of figures compiled by himself for subsequent years from authoritative records. The Chairman expressed surprise that there had been a net profit in the case of the State railways, partly counterbalancing the loss on the company-managed lines. He said he had been under the impression that the State railways had been less profitable than the guaranteed lines.

5529. The witness considered that India had made a bad bargain in its railway business, and that the railways had been developed too rapidly. The Chairman observed that in Canada, with a population of only 8,000,000, there are more miles of railway than in India, with a population of 300,000,000; and that the Canadians think it good business to pay a large sum annually in taxation in exchange for the benefits of an adequate railway system. He suggested that the average ryot is far better off to-day than he was twenty years ago, and that this must be ascribed in part at least to the benefits of the railway system. The witness stated that, on the contrary, ryots are much worse off to-day than they used to be. The Chairman observed that this only showed the unreliability of books which he had used as his source of information.

5530. Referring to the witness's opinion that the goods tariff would be greatly simplified if all the railways were managed by the State, the Chairman observed that Germany was generally regarded as affording the most successful instance of State management. He remembered reading an article by a German specialist, who alluded to the fact that the Austrian goods tariff is contained in seven folio volumes of many thousands of pages, and that there was no such compilation in Germany, because it would want not a book but a library if it were undertaken. The Chairman observed that he had never known a country in which the goods tariffs were simple, and did not believe that a simple tariff is in fact attainable. The witness adhered, however, to his opinion that under State management there would be a great simplification of the tariffs, observing that at the present day every one of the large railway administrations in India had six or more large volumes of tariffs, which made up a library by themselves. With one State management, separate tariffs would be unnecessary.

5531. The Chairman questioned the witness with regard to his recommendation that provincial governments should be entrusted with the working and management of existing lines and the regulation of rates and fares for passengers, goods and other traffic. He asked how simplification of tariffs could be attained if a number of different Governments controlled rates and fares. The witness explained that the Central Government would have a uniform tariff and that local governments would deal only with matters of domestic concern. He did not agree that there would be any difficulty in quoting suitable rates for local requirements, while rates for through traffic or for inter-provincial traffic might be arranged by the Central Board acting in consultation with the Provincial Boards. He considered that specially low rates should be quoted for nascent industries, and thought that any loss which might be caused by the quotation of such favourable rates should be borne by the railways and be compensated for by railway profits accruing in other cases. The witness recognised that the provincial revenues would have to be liable for their share of the interest on the railway debt before the provinces could make the surplus profits which he had alluded to as improving the provincial finances. He did not consider that there would be any difficulty in devising a suitable scheme to regulate the financial interest of the provincial governments in the railway system and the division of profits of the railways. He added that this might be arranged between the Central Government and the provincial governments, by mutual agreement on an equitable basis, as the case may demand. As an example, he cited the case of the division of the land revenue between the two Governments.

5532. The Chairman observed that, so far as he was aware, the witness was alone in practically recommending a reversal of policy and the reintroduction of the system of Government control of railways through consulting engineers which was in force prior to the creation of the Railway Board. The witness was of opinion that all the powers of the Railway Board should be vested in a Select Committee of the Legislative Assembly *minus* such powers as may be transferred to the provincial governments. The witness explained that he did not contemplate that technical matters would be dealt with by the Select Committee; these would be entrusted to experts employed under its control. He saw no reason to anticipate difficulty in the settlement of questions of policy and matters relating to rates and fares by a Committee chosen from the Legislative Assembly. He thought the Committee would comprise selected persons who might or might not include railway experts, and that they should be capable of dealing with such matters.

5533. With reference to his statement that the powers reserved in the contracts of some of the companies working Indian railways do not make as much provision for the exercise of Government control as used to be exercised by the Board of Trade in England, the Chairman asked for further particulars. It transpired that the witness was under a misapprehension with regard to the control of rates and fares by the Board of Trade. The Chairman explained that that Board had never exercised such control. The witness said he understood from the English Railway and Canal Traffic Act of 1888 that important changes in goods rates on the railways in England could not be made without the sanction of the Board of Trade or Parliament, and he thought a similar procedure was necessary for India, so that it might not be possible, without the sanction of the Legislature, for the railway administration materially to change their rates and fares or for the Railway Board to authorise a change in the maxima fares, as they did in 1917. The witness further mentioned a case in which the Railway Board had altered the maximum passenger fares in India without ascertaining public opinion. He agreed that in this respect his complaint was really against the Government, who had exercised their control, in his opinion, unwisely. He was aware that the alteration of fares was made to reduce traffic, under war conditions, but observed that it still remains in force.

5534. With regard to the increase in rates and fares which the Chairman said the Committee had been advised did not exceed 30 per cent. on an average, the witness said that in some cases the increase was far higher than that. As an example, he instanced the abolition of intermediate class accommodation by mail trains on the East Indian Railway in 1917, thereby forcing passengers, who wished to travel, into the second class with a consequent large increase in the fares paid by them. The witness maintained that this was a fair example of an effective increase in charges. He said that, on the Oudh and Rohilkhand Railway, the third class fares had been increased as much as 75 per cent. in some cases in 1917, an observation which the Chairman suggested did not seem to show the advantage of State railway management. To this the witness repeated that he was criticising State railway management as at present conducted as well as company management, and desired that it should be remodelled.

5535. The witness approved of the suggestion that, to ensure that the Railway Minister should know what the people of the country require, there should be a Council representing different commercial and other interests. He thought that a representative of the third class passenger traffic might easily be obtained on the nomination of the Legislative Assembly.

5536. In his written statement the witness laid stress upon the policy which had been laid down, that the extension of railways in India should not involve additional taxation. Asked whether in fact they had done so, he said that he considered that they had involved at least indirect taxation. He referred in this connection to the levy of Income Tax, and to the occurrence of deficits in the general Budget. He quoted a Budget speech made in 1901 or 1902 by the late Mr. Gokhale, which showed that some 20 items of new taxation had been imposed between the years 1880 and 1900 or thereabouts, and thought that these taxes might not have been imposed if railway expenditure had not been increased so largely. He maintained that if railway expenditure had been less rapid in the past, Government would not be faced by its present difficulties in financing railways and securing their improvements. The Chairman observed that very few Indian witnesses had given evidence in this sense; on the contrary, they had urged the improvement and extension of the railway system.

5537. The Chairman said that he did not think it necessary to go into the question of owner's and railway risk rates, as he believed that the railway companies generally were ready to agree practically to what the witness had recommended.

5538. Regarding the special quotation of port rates, the Chairman mentioned that evidence given to the Committee showed that there are no such things as special port rates in India, that is to say, that there are no preferential rates for traffic to the ports in India for shipment, over the rates applicable to traffic in goods for local consumption at the port towns themselves, though such discriminations were common in other countries. The witness admitted that by ports in his written statement he meant port towns.

Mr. A. C. RUMBOLL, Agent, Great Indian Peninsula Railway Company, accompanied by Mr. C. A. HAWES, Chief Auditor, was recalled and further examined.

5539. Referring to the case in which the Railway Board had required the Great Indian Peninsula Railway Company to re-introduce the intermediate class, which had been mentioned by Mr. Rumboll in the morning's evidence, Mr. Purshotamdas Thakurdas suggested that it is proper that the decision in such matters should rest with the Government of India. Mr. Rumboll expressed the opinion that railways are really in better touch with the requirements of the public in such matters and with the capacity of the railways to meet them than the Government authorities at a distance. He admitted, however, that Government should be in a position to enforce its views in matters affecting the public convenience. The point which he wished to make, however, was that the controlling machinery should be such that Government is not liable to be influenced by a minority, so as to enforce the adoption of measures which are contrary to the interests of the greater number of the people. He wished to emphasize that the particular decision to which he referred was the result of the agitation of a section, and that compliance with it had inflicted hardship on others. He admitted that the Government of India ought to be in a position to express its views with authority to the railway administrations, but considered that the Railway Board can do so even under the existing system. Mr. Purshotamdas suggested that there were cases in which the Railway Board had made recommendations which the railway companies had, however, been able to resist. Mr. Rumboll stated that he was not aware of any such cases.

5540. He said that if there were a local representative body in Bombay charged with the duty of looking after railway matters he would be much more inclined to attach respect to its judgment than to that of a distant body at Delhi. He anticipated that he would normally be able to secure an agreement between his own views and such a body as this. He did not think that the time had come for the establishment of subsidiary boards with definite powers of action in India, notwithstanding that he recognised that there is a strong public feeling in favour of local management on the part of Indians. He said he would give no specific powers to such a Board unless it represented some share of the capital invested in the railway system. He was prepared to meet the requirements of the case by utilising an Advisory Committee.

5541. He considered that an advantage of the Home Boards being situated outside India is that they are less liable to the pressure of undue local influences. He thought that, apart from the financial advantage, the principal administrative advantage of the retention of the companies' boards is that they serve as a buffer between the State and the railway administration. He thought that the railways are more likely than other departments to be subjected to the attack of political pressure of a kind which he regarded as undesirable. He did not think, for example, that the post office, which is a State-managed concern is so liable to this. Mr. Purshotamdas suggested that if Mr. Rumboll's views were correct, it would really be necessary for the State to be protected on all sides by a ring of "buffer" companies. Mr. Rumboll stated that he thought that, in the case of railways in a country such as India will probably become in a few years' time, it is very desirable that they should be safeguarded against the bad influences of democratic Government. He quoted as examples the cases of Switzerland, France and South Africa, which had democratic Governments, and said that in these countries the financial side of the railways had been jeopardised. Mr. Purshotamdas asked why, if such a buffer was not required between the Government of Bombay and the Port Trust or between any other department and the central Government, it was required in the case of the railways in India. Mr. Rumboll said that he did not say it was absolutely necessary, but he considered it useful. He was afraid that the Indian public had not made a sufficient study of this question and were not able to appreciate what was going on in other countries where the experiment had been tried.

5542. Mr. Purshotamdas observed that an objection raised by Mr. Rumboll to the establishment of railway companies' Boards in India is the frequent changes of the European representatives upon them. He suggested that, if it is a choice, as appeared, between management by Boards in London, on which there can be no Indian representation at all, and management in India by Boards on which there will be European representation, though this may be liable to frequent changes, clearly the latter is the lesser evil of the two. Mr. Rumboll, however, expressed the opinion that, taking all things into consideration, the balance of advantage is in favour of the retention of the Boards in London, notwithstanding the disadvantage, which he admitted, of the lack of Indian representation upon them. He maintained this view notwithstanding the widespread dissatisfaction in India with the existing state of affairs and the prevailing sentiment of the

Indian public, whether well or ill-founded, to which Mr. Purshotamdas drew attention, on the subject of the "drain" from India. He considered that the London Boards must be maintained so long as money is raised in the United Kingdom. Mr. Purshotamdas observed that the Committee had the authority of so eminent an authority as Sir Marshall Reid for the view that no importance need be attached to the London Boards from the financial point of view.

5543. Referring to the fact that some 95 per cent. of the total capital invested in Indian railways is that of the Indian taxpayer, Mr. Purshotamdas suggested that it is unreasonable that Indians should not be represented on the Boards to which the management is entrusted. Mr. Rumboll asked whether the people of India are prepared to send representatives to sit on the London Boards. Mr. Purshotamdas remarked that they rather want the Boards located in the same country as the railways which they manage.

5544. Regarding the suggested increases in railway rates, Mr. Rumboll stated that his present recommendation was that the maximum rates should practically be what they were before the Great Indian Peninsula Railway Company was taken over by Government. The Great Indian Peninsula Railway Company had lowered their maxima at the instance of the Government at that time.

5545. With regard to the machinery for adjusting disputes between the public and the railways, Mr. Rumboll agreed that the existing provisions of the Railways Act are too complicated. Referring to his suggestion that there should be a provision in the companies' contract leaving the decision on question of undue preference to the Secretary of State for India, he assumed that this power would be delegated to some authority, probably the Railway Board, in India. He had no objection to the introduction of a tribunal on which both railway and commercial interests would be represented under an impartial Chairman.

5546. Mr. Rumboll stated that reserved accommodation exists on the Great Indian Peninsula Railway Company in the third class for Anglo-Indians and Europeans, but not in the suburban service trains. Mr. Purshotamdas enquired, with reference to information given to the Committee elsewhere, whether within Mr. Rumboll's experience any charitable Hindus had offered to provide a waiting room or similar convenience for the travelling public on the railway premises. Mr. Rumboll said that he had no experience of such a thing, though he had known of wells being provided, and of dharamsalas outside station limits being put up at the cost of charitably-disposed persons.

5547. With regard to railway refreshment rooms, he stated that small rents are recovered from the refreshment room contractors, who cater for the upper class passengers. In the case of the caterers, only a licence fee is charged, but no rent for accommodation.

5548. Mr. Purshotamdas enquired whether, seeing that the Government of India, that is to say, the Indian taxpayer, owns so large a percentage of the railway capital, it is not contrary to their interests that there should exist competition for traffic between two railway systems. Mr. Rumboll thought that to some extent the taxpayer gains by means of this competition, and that the emulation which it entails leads to better facilities for carriage and public convenience. He emphasised that in speaking of competitive rates it must not be forgotten that these are often based on river or road competition. The Great Indian Peninsula Railway rates from the competitive area in the United Provinces is governed largely by the fact that there is river competition with the East Indian Railway Company. He considered that it would be disadvantageous from the public point of view if the Great Indian Peninsula Railway ceased to carry to Bombay any of the traffic for which it competes with the East Indian, as it would mean that additional facilities would have to be provided on the latter line. He said he would be sorry to think that such competition would cease even if the State managed all the lines. He said that, if it were necessary, Government could provide for the prevention of what Mr. Purshotamdas described as "cut throat competition" by a suitable provision in the railway contracts, though he did not personally think that it made any mistake in omitting to do this.

5549. He expressed the opinion that, notwithstanding their relatively small stake in the railway systems, the companies do put forth their best efforts in the interests of the economical and efficient administration of the railways. They would no doubt welcome an increase in their interest, but he had never noticed any lack of attention on the part of his home Boards to the interests of the railway system.

5550. Questioned by Sir Rajendra Nath Mookerjee whether the directors often come out to inspect their line, Mr. Rumboll stated that the chairman came last year, the managing director had come out this year, three years ago another director was out, and they expect another next year.

5551. In answer to Sir Henry Burt, Mr. Rumboll handed in for the information of the Committee copies of the following correspondence connected with the refusal of the Government of India to accept the Tata Industrial Bank's proposal for the financing of certain railway projects. In this connection Mr. Rumboll explained that there was no official letter from the Government of India, as the decision communicated by the agent of the railway to the bank had been arrived at in a personal interview with the Railway Board.

Copy of letter dated 23rd January, 1920, from the Tata Industrial Bank to the Agent, G.I.P. Railway Company:—

We understand that the railway will shortly require large sums of money for the electrification scheme which has been decided upon and also for the renewals of their wagons and locomotives. We write to say that we should be pleased to assist in the financing of these or any similar projects. The actual terms and details of the loan or loans could be arranged later but we may say that we suggest that the railway should issue bonds carrying a fixed rate of interest and free of Income Tax for periods from 5 to 20 years.

Copy of letter dated 14th February, 1920, from the Agent, G.I.P Railway, to the Tata Industrial Bank:—

In acknowledging with thanks the receipt of your letter dated the 23rd ultimo, offering financial assistance in the event of this administration being in need for prospective railway projects, I beg to inform you that the matter was discussed with the Railway Board at Delhi, on the 27th idem, but the Government of India are not in favour of railway companies raising money outside the budget.

THIRTY-NINTH DAY.

(Bombay).

Thursday, 10th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILBY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Major-General Sir H. F. E. FREELAND, K.C.I.E., C.B., D.S.O., M.V.O., Agent of the Bombay-Baroda and Central India Railway Company accompanied by Mr. W. P. PECHEY, General Traffic Manager, and Mr. W. C. MORLEY, Chief Auditor, was called and examined upon two statements which he had submitted to the Committee. (P.S.—General FREELAND also subsequently furnished the Committee with a further Note which has been recorded with the written statements referred to above, and upon which he was not orally examined.)

5552. General Freeland explained that he would be at Ajmere during the greater part of March, and, if so desired by the Committee, could re-appear before them at Delhi without any inconvenience. He subsequently added that the General Traffic Manager also could conveniently accompany him to Delhi on a later occasion if the Committee wished him to do so.

5553. The Chairman explained that he did not propose to examine General Freeland at length upon the paper furnished by him relating to the provision of funds for railways. He proposed to send this to the Railway Board with the request that the Board would advise the Committee whether it might be accepted as an accurate presentment of the case, and could be used for subsequent reference as an authoritative document. General Freeland stated he had no objection to this action, and he thought that the paper would be found to be accurate.

(*P.S.*—The result of the reference to the Railway Board was to show that the memorandum may be taken as generally correct, though possibly open to discussion as regards some minor details.)

5554. Turning to his other paper, regarding proposals for the construction and management of railways, General Freeland agreed with the Chairman that his scheme followed the lines of the Indian political development, in proposing an immediate advance, with the idea of making further progress later on.

5555. With reference to the suggestion that the Government of India might argue that railways alone would not form a big enough charge for a special Member of Council, General Freeland said that the gross railway earnings are roughly equal to all the other Indian revenues, while the net railway receipts are equal to the land revenue. He thought that though it would seem that one-half of the revenue is entitled to at least one-seventh of the management, the argument had been used, and that this was the reason why he added Ports, Shipping, and Posts and Telegraphs to establish an unquestionable title to the whole time of a Minister. He considered that Posts and Telegraphs are after all a small concern as compared to railways. In his opinion the charge of railways should be detached from the Commerce and Industry Department.

5556. He understood that there is some idea at present of re-distributing the portfolios amongst the Viceroy's Executive Council with the result that one of the Members might be entrusted with a number of the separate functions at present exercised by the Commerce Department, together with the Board of Industries, which is temporarily under a separate Member of Council, and that railways should be added to these charges. He considered that railways alone are important enough to be in charge of a single Member. He had no objection to the same Member being also in charge of shipping, and saw in this advantages from the point of view of co-ordination. He thought the case for such co-ordination was much stronger than that for bringing Posts and Telegraphs or other communications under the same Member of Council. Sir Rajendra Nath Mookerjee mentioned that he understood the idea of the Government of India was to transfer at an early date some of the subjects now in charge of the Commerce Department to the Department of Revenue and Agriculture, dealing with the others as indicated by General Freeland.

5557. General Freeland considered that the Minister in charge of Railways or Communications should have the support of a strong council representing official and commercial opinion of all parts of India.

5558. He thought that the control of the Finance Department should cease once an allotment of funds had been made for railway purposes, and that the Railway Department should control its own expenditure. The Chairman asked whether General Freeland was of opinion that the Finance Member should still have a voice in the question whether funds should be devoted to renewals which in ordinary practice would be recognised as necessary beyond question and as having the first claim to attention. General Freeland explained that he wished a regular programme of work to be drawn up and funds to be provided to carry it into effect, and that thereafter there should be no more control by the Finance Department. He took it that a programme of that sort would be discussed in Council and that decisions would be arrived at on the basis of general experience to start with. He thought it was a good idea wholly to separate Railway and General Finance. The Finance Department should provide capital and receive interest as debenture-holders without interfering as to how it is spent and how profits are earned. He considered, however, that the Finance Minister's opinions should have great weight, and that Government must discuss the programme and say how much money should be spent on railways. The Chairman emphasised that a commercial firm

does not even discuss the question whether money should be spent in replacing worn out plant, but that this is taken as a matter of course. General Freeland agreed that if this is not done, and if revenue is increased by postponing renewals which ought to be carried out, it means that Government is living on its capital just as a private land-owner would be doing who allowed his property to fall into disrepair, or who cut down and sold his timber to secure an income.

5559. Sir George Godfrey suggested that the Finance Department do not prohibit any particular renewals being carried out. They only say that railways must cut their coat according to a prescribed amount of cloth. The Chairman thought that, as in practice, standing charges, like wages, must obviously be met, the Finance Department do in fact prohibit the execution of renewals when they grant less money than is necessary to enable all railway requirements to be met. The witness held the opinion that the Finance Minister should interfere neither with the expenditure on revenue account nor with that on account of capital once he had agreed that a certain grant should be allotted. He laid emphasis on the association of capital and revenue expenditure in the case of most large open line works, the cost of which is usually divided between the two heads, but agreed that once the basis of allocation of expenditure had been established, it is a matter for accountants to determine the actual division between capital and revenue in any particular case.

5560. The Chairman referred to the unusual distinction maintained in India between "special" and "ordinary" revenue expenditure. Sir George Godfrey agreed that the distinction is hardly a genuine one, the only difference being that what is known as "special programme" revenue renewals could be deferred for some time, whereas ordinary day to day repairs could not. He agreed that the one in the long run is as essential as the other, and could not ultimately be avoided. In reply to Sir Arthur Anderson, General Freeland stated that the Finance Department did not interfere with the provision of funds for ordinary maintenance purposes.

5561. He said, however, that that Department frequently adopts different figures for the estimates of gross earnings and expenses from those prepared by the railways. The Finance Member discusses the estimates with the Railway Board, and not infrequently adopts a higher figure especially in respect of earnings. He admitted that they might have some reasons on their side as they had often made a better guess than the Railway Board, having doubtless a wider outlook in some way. He thought, however, that the railways are on the whole likely to be better judges of the probable amount of the working expenditure necessary. The Finance Department had on occasions adopted also a higher figure for working expenses than that put forward by the Railway Board, in order to accord with their higher estimate of earnings, but this is not always done. Mr. Morley mentioned that in the current year difficulty is being experienced owing to the refusal of Government to grant the extra sum of Rs. 154 lakhs which had been asked for over and above the budget grant. An addition of 127 lakhs had, however, been sanctioned. He would be unable to meet current expenses in March unless he gets additional funds, and had applied urgently for the necessary balance. Sir George Godfrey observed that he believed other railways are in the same case this year. The same sort of thing had happened before, but should be regarded as on the whole exceptional.

5562. The Chairman drew attention to the diagrams submitted by General Freeland illustrating his recommendations for the reorganisation of the central control of the railways. It was decided to consider the statement headed Stage I. Dealing with the portions of that diagram which refers specially to the railway organisation, and disregarding the suggestions connected with Posts and Telegraphs and Inland Waterways, etc., the Chairman observed it was proposed that there should be a Minister in charge. General Freeland said that he had assumed it to be unlikely that a railway man of adequate experience and capacity could be found in India who would be acceptable in all respects to Government for this post. He would prefer to have a technical railway man if he could be obtained and attracted by a suitable salary, and in that case the Minister would be the President of the Executive Council or the Railway Board under the proposed scheme. There would be a Vice-President to act during the Minister's absence. There would be two distinct organisations under the Minister, namely, the Executive Board charged with the day to day administration and executive work of the railways at headquarters; and on the other side a consultative body or a Council including representatives of the various interests served by railways.

5563. General Freeland admitted some difficulty in the selection of a suitable person to represent the travelling public or the 'man in the street' who is not adequately represented by any of the existing special organisations. He agreed that there should be such a representative on the proposed council. He was inclined to think that on the whole it would probably be best to obtain such a representative from the Legislative Assembly. With reference to the suggestion that this member might be undesirably influenced by political interests, he thought that this apprehension need not be entertained as, even if it were so, his voice would be only that of one amongst several. He thought that on the whole it would be better to obtain this representative from the Legislative Assembly than through the nomination of such a body as the Servants of India Society, as had been suggested by another witness to the Railway Committee.

5564. With regard to the Railway Administration Report which the Chairman observed contains an immense quantity of figures, but very little of the ultimate comparisons for which the figures are required, General Freeland said that though he could not speak as to the personal use made of the report by the Members of the Railway Board, he was inclined to think that the report is really not made much use of by them. The Chairman said that he had had to work out for himself any generalisations which he thought necessary. General Freeland observed that comparisons between the statistics of different lines are always apt to be fallacious, unless made with full knowledge of special local conditions.

5565. Turning to the Executive Railway Board proposed under General Freeland's scheme, the Chairman observed that it is proposed that the representative of Finance and Accounts should not be a member of the Board, but only an adviser. General Freeland stated that he thought there were advantages in the existing arrangement by which the Finance Department is represented by an adviser who is not a full member of the Railway Board. He agreed, however, that, if the control of the Finance Department were considerably reduced, it would be better that the Finance expert should be an ordinary member of the Executive Board.

5566. He agreed also with the Chairman that at the Government of India headquarters the commercial side of railway working had hitherto been rather in the background, and that it might be advisable, under the proposed organisation, to have two traffic members instead of one, one dealing specially with transportation questions and the other with the commercial side of railway business.

5567. General Freeland said he did not think there had been an undue amount of interference in general on the part of the Railway Board with the railway administrations except on the financial side, and that railways had exercised very considerable freedom. He admitted, however, that restrictions in establishment matters were too numerous. He said the limit of Rs. 250, above which all new appointments required the sanction of the Government of India and of the home Boards, is under consideration, and is likely to be raised.

5568. He agreed that, theoretically at least, the power at present enjoyed by railway administrations to charge, for instance, one man three pies and another eight pies for the same service, which follows from the wide range between the prescribed maximum and the minimum, is strikingly noticeable, but he did not think that in practice it was a matter of much importance, as no railway could possibly use the power in such a manner as suggested without being immediately pilloried.

5569. Asked who, on the proposed Executive Board, is to put his mind specially to the development of the Indian railway system as a whole, for instance, who would consider the steps necessary to secure the very large expansion of railways in India which had been recommended by the Mackay Committee, General Freeland thought that this would be a matter for the engineering and traffic members jointly. He said that he believed that the Railway Board has no expansion programme or policy, but emphasised that, in the absence of a reasonable expectation of the necessary funds being provided, it is useless to endeavour to frame one. On reconsideration he agreed with the Chairman that there should probably be a special member of the Board in charge of development questions. He thought that, with a Board such as he had proposed, the constant exchange of views and meetings between the members would result in the formulation of a definite policy of expansion.

5570. He considered that continued service on the Board, which was, in his view, necessary, would best be provided by abolishing the existing five years' limit to the appointments on the Railway Board, which he regarded as entirely arbitrary. He thought that, having regard to the climate of Simla in summer, and of Delhi in winter, there is no reason why an official should retire at the age of 55, and considered that, subject to the right of the Crown to remove any unsuitable member at any time, appointments to the Board should imply tenure of office up to the age of 60.

5571. He thought the right men could be obtained for appointments on the Board if salaries were suitably increased, and if Government went into the open market for them. He would prefer to appoint men who knew India and were conversant with local conditions, but to get a really good man he would readily go out of India on occasion. He agreed with the Chairman that Indian knowledge would probably be less necessary in the case of persons dealing with financial and accounts matters than in the case of operation specialists.

5572. The Advisory Council should meet periodically. He thought in practice it would be best for it to meet twice yearly, about the beginning and the end of the cold weather. He did not think that the members of the Council, who would generally be senior persons who had made their mark, could be expected to travel to Simla or Delhi during the hot weather.

5573. He considered that the members of the Advisory Council might either be nominated by local bodies such as the Chambers of Commerce or by the Legislative Assembly. He would not restrict the choice rigidly to one or the other. He would prefer, in the case of members selected by local bodies, that they should be nominated for the consideration of Government rather than that Government should be required to appoint any person selected.

5574. He thought the Advisory Council should not consist of more than, roughly speaking, about a dozen. He recognized that the objections to a large council would be somewhat less in the case of an advisory board than in the case of one having executive authority. He did not lay great stress upon it, but thought that a very large council tends to become too much of a debating society.

5575. He expected that the members of the Legislative Assembly, knowing that matters had been discussed by the Advisory Railway Council, would generally be disposed to accept the views of that Council as having been framed after full consideration of public interests.

5576. He thought that the members of the Advisory Council would not expect to be paid salaries. The posts should be ones of dignity, and he thought the members would readily accept them and would only expect to be paid their expenses, and perhaps to be allowed a free pass over the railways.

5577. If some important questions in connection with a port came up for consideration, General Freeland would ask the Port representative and also the Agent of the Railway concerned to come up and meet the Advisory Committee. The members of the Executive Board might also be present to give expert advice on any points that might arise. If there were nothing touching engineering, the engineering member of the Board need not attend, and similarly in other cases.

5578. The Chairman drew attention to the difference shown in General Freeland's proposed organisation between the nature of the control exercised over the Agents of company-managed and State-managed railways, the former being shown in dependence both on the Executive Railway Board and on the Company's Home Board of Directors, while the latter would be directly responsible to the Executive Railway Board only. General Freeland, to explain his views, mentioned that he was opposed to State railway management as at present exercised, and thought that, except in the case of frontier lines, which should remain directly under State management for military reasons and because the expenditure on them is determined by non-commercial considerations, the State railways should be placed under company management. He thus would prefer to hand over the Qudh and Rohilkhand Railway and the Eastern Bengal Railway to companies. Considering that company management is on the whole best, he said that if he were organising the Indian railway system *de novo* he would not think it necessary to interpolate anybody corresponding to a board of directors between the Agent of the State Railway and the Executive Railway Board. He explained that, equally in the case of the agents of State railways as of the company agents, their powers of sanction in matters of subordinate establishment and works should be increased, and that in both cases the agents should have the assistance of local advisory committees comprising representatives of commerce, industry, banking, etc. Such committees should be formed at up-country centres as well as at the railway headquarters. General Freeland agreed that it would be best to have a local board of directors exercising powers if this were practicable, but he did not pursue the matter because he did not consider it to be so. He understood that some of the witnesses who had appeared before the Committee had expressed themselves as being in favour of local boards of direction. With reference to his suggestion regarding the organisation of the main line companies' boards of directors, General Freeland said that he was not in a position to say how far the appointment of Government director was useful. The Chairman observed that this official had a general power of veto which had never been exercised. The witness agreed that, from the suggestion that there should be two directors sufficiently young and physically fit for the purpose of touring in India and who, on return to London, would be able to keep the board in London up-to-date in regard to local conditions, it might be fairly inferred that he does not regard the other directors as being up-to-date. He agreed that the opinion of a man who had just returned to London from India should carry great weight with the other directors, and that the opinion of the man who is on the spot should carry greater weight still. The Chairman said that it appeared to follow from General Freeland's views that the most desirable state of affairs would be one in which the recommendations of the agent in India would be approved, that the next best would be that in which the views of the directors who had most lately been in India should be adopted; and the last would be that under which the majority of the board should be left to decide matters. General Freeland mentioned, as an example of the difficulty

experienced by him, the case regarding the siting of the locomotive workshops for the B.B. & C.I. Railway. It was necessary to make proposals for establishing workshops elsewhere than at Parel where they are unduly crowded, and he had great difficulty in finding conclusive arguments in favour of any one of the two or three places which appeared suitable. He had to put up a letter of a somewhat indefinite nature, and considered it most desirable that there should be upon his board of directors someone at least who had had recent local experience in India to assist them in coming to a decision. He agreed that the opinion of directors who had no Indian knowledge would not be of much use in deciding such matters as this.

5579. The witness expressed himself as unwilling to give an opinion on the question whether it is advantageous or disadvantageous as had been variously represented to the Committee by others, that the Boards of Directors of the English companies have direct access to the Secretary of State in London.

5580. With reference to the question of the grant of assistance by the B.B. and C.I. Railway to indigenous industries, regarding which complaints had been made to the Committee, Mr. Pechey said that it had always been the policy of the company to give assistance in such matters, and when the Railway Board had circularised railways on the subject they had been able to put up a statement of assistance given to various cases. He handed in for the Committee's information a list of concessions (numbering in all 43) made to local industries. These were instances in which concession rates below the ordinary class rates had been allowed for such commodities as bones for bone mills, cement, lime, sulphuric acid for a chemical company, and the like. An instance specifically quoted was that of the grant of a special rate of Rs.—/4/5 per maund for bones carried to certain bone mills at Agra, for which the class rate is Rs.—/14/5. Mr. Pechey stated that such concession rates are quoted both in the interests of the industry and of the railway. Questioned specially with regard to the case of the Ahmedabad Match Factory, in connection with which it had been represented to the Committee that Japanese matches can be sold cheaper in Delhi than matches manufactured at Ahmedabad, Mr. Pechey explained that the railway had quoted a special rate from Bombay to the principal up-country statons at a rate below that of the second class, matches being listed in the fourth class. The rates from Bombay would be applicable either to imported matches or to matches of local (Bombay) origin, as there are no special import and export rates as distinct from rates to and from the port towns. He thought that the rate from Bombay which was Rs. 2-11-11 per maund was a fair one; the complaint of the Ahmedabad Match Factory was that the same actual charge (not the same mileage rate) was levied for matches from Ahmedabad for the much shorter distance to Delhi. The railway, on the other hand, saw no reason for quoting the same mileage rate for the internal traffic. Actually the matches of Indian origin were sold cheaper than the Japanese matches. The reason why they did not find a market was, in his opinion, that they were bad matches and not that they were prejudiced on account of the railway rates. Mr. Purshotamdas urged that the point of the complainants was that they had no advantage from the fact of their geographical position being more favourable. Mr. Pechey stated that in 1917 a special concession rate of Rs. 2-2-11 from Ahmedabad had been quoted, and incidentally he remarked that it did not appear to have altered the selling price at Delhi. Recently the railway had cancelled most of the special rates from Bombay, including among others the special match rate quoted above, which had now become Rs. 3-7-2, so that at the present time matches from Bombay to Delhi are charged Rs. 3-7-2 per maund as against the special Ahmedabad rate of Rs. 2-2-11. Sir Rajendra Nath Mookerjee observed that the story told to the Committee by others omitted all mention of the reduction of the Ahmedabad rate made in 1917 and also of the subsequent increase of the rate from Bombay.

5581. Speaking of owners and railway risk rates, General Freeland thought that the difference between the charges under the two conditions is too great. He thought that it would be fair to have a difference corresponding roughly to the value to the consignor of the risk undertaken by the railways. It was difficult to decide what the actual difference should be. In practice a large volume of traffic does not travel at railway risk where there is the option of sending at the owners' risk.

5582. General Freeland said that he was not aware of the High Court ruling which had been referred to by a witness on the 9th of February to the effect that railways were liable for goods brought to the railway station but not booked, and for which no receipt had been given. He thought that if there were such a decision as this, the remedy of the merchants who considered themselves aggrieved was evident. The Chairman explained that in the case of the ruling to which reference had been made, the forwarding note had been stamped by the railway although the usual railway receipt had not been issued. Mr. Pechey stated that in such a case the railway would not repudiate liability for the goods. He thought that what the witness wanted was that the railway should give a receipt to the consignee. He thought that if the complaint was against the high-handedness of the company in refusing to be bound by a High Court decision, it should be easy for the complainants to secure redress.

5583. Reverting to the question of special reduction in rates for bones which had already been mentioned, Mr. Pechey agreed that when a special concession rate is quoted it is for the mutual benefit of the railways and the consignor. He considered that the B.B. & C.I. Railway sometimes carries traffic at a loss for the benefit of industries, citing as an example, the carriage of coal. When questioned further, however, he admitted that the railways would rather carry coal at the present rate than not carry it at all, even if those requiring it could obtain it by other means of transport. He urged, however, that the railway company does not look always to its own immediate profits when asked to allow concession rates, and recognises that it is sometimes wise to reduce rates to a non-paying level with a view to the future development of traffic. He did not think that there would be any difference between the attitude of State and company-managed railways in this respect, and stated that when asked to quote special rates he does not look at the matter exclusively from the company's point of view.

5584. In reply to Sir Henry Burt who drew attention to a complaint made that, in the case of the Guzerat Light Railways Company the B.B. & C.I. Railway Company refused to construct and work the line, General Freeland explained that the B.B. & C.I. Railway Company's Board and Messrs. Killick, Nixon & Co., came to a general understanding in 1913 that the former should work the branch lines when they were opened on the basis of actual expenses and also that it should be responsible for a rebate up to 5 per cent. of the capital of the line, the surplus earnings, if any, being paid half to B.B. & C.I. Railway and half to Messrs. Killick, Nixon & Co. On reconsidering the matter, however, the latter asked that the B.B. & C.I. Railway should agree to include the administration expenses of the branch line company and the payment of the 5 per cent. commission for raising capital before division. The railway objected to the latter proposal but agreed to the inclusion of the administration expenses in the net earnings before division. Thus, they split on the question of the 5 per cent. promotion money and the consequence was that they had themselves to construct the line and work it on a 5 per cent. guaranteed basis. The 5 per cent. promotion money referred to above, though usually allowed, was not a part of the branch line

terms, being a matter of negotiation between the two parties. The result of the working of the branch line was:—

	Deficit in thousands. Rs.
1915-16	113
1916-17	77
1917-18	107
1918-19	66
1919-20	54

5585. General Freeland agreed that ordinarily against these deficits there would have to be credited the earnings of the main line due to the interchanged traffic between the two lines. Mr. Pechey thought that these would have paid the dividend. Mr. Purshotamdas asked in the circumstances whether the main line company was justified in taking up the attitude they did, and whether a State line would have taken up a similar attitude, as this was one of the instances where the B.B. & C.I. Railway Company would not agree to what the Government of India wanted them to agree to. General Freeland said that the branch line project was considered by his Board, but they decided that it was not a project which was likely to be successful. Mr. Purshotamdas observed that he did not question the right of the railway to refuse to work the branch line, but only doubted whether the system which gave it the right should be maintained if it could be helped.

5586. General Freeland did not think that there were any other lines which the company had refused to work. At the present moment a great many new schemes are under consideration but they have all been practically abandoned because there is no money available. The Chairman observed that the branch line companies might undertake to finance the schemes. General Freeland thought that it was no use building additional branch lines when the main line was not able to carry its present traffic, as this would only make confusion worse confounded.

5587. With reference to the suggestion that the Indian railway system might be regrouped with advantage, General Freeland said that in his private opinion there was no doubt that it would be of considerable advantage from several points of view if the B.B. & C.I. could be grouped with the G.I.P. under one direction. The mileage of both the lines would come to about 7,000. He however did not mean that the two systems could be managed by one Agent unless there was to be a considerable change in the duties performed by him at present, but he thought that it was quite possible for one Board of Direction to do it. These two systems, if grouped, would go right through Central India, from the port of Bombay, and for a width of nearly 450 miles through the heart of India to the United Provinces. At present, both the lines run parallel to each other. It would be to the advantage of India as a whole if the two systems could be brought under one Board of Direction, as there would not then be so much difficulty in deciding differences due to spheres of influence. Moreover, this would lead to standardisation of equipment and interchange of facilities in several respects, and he could not help feeling that it was worth considering whether it would be feasible to amalgamate the G.I.P., when its contract expires in 1925, with the B.B. & C.I. Railway. He did not know much about Madras, but if similar conditions obtained there, regrouping might be attempted. On the whole, he thought that a good deal could be done with advantage to everybody by regrouping the existing Indian railway systems.

5588. In this connection, the Chairman remarked that the effect of having a large number of branch line companies would be that each line would claim a sphere of influence, and if successful in its contention would shut up an area against development from another direction. He asked General Freeland whether he would be in favour of increasing the number of small companies. General Freeland agreed that the larger the number of separate companies the more conflicting claims of spheres of influence there must be, and that this was an argument in favour of restricting the number of separate administrations in the country.

5589. Regarding the statement made to the Committee by Mr. Hebblethwaite that Messrs. Killick, Nixon & Co. would consider the question of restoring their Broach-Bombay steamer service if they were assured that the B.B. & C.I. Railway would not, as they had before, go to the length of putting on block rates, Mr. Pechey said that it had been said that his railway, by putting on block rates, drove the steamer company away from Broach. He did not think that this was a fact. The position briefly was this: When the railway saw that the steamer company were taking a large amount of traffic from the railway by sea, by quoting low rates and depriving them of a large revenue, they approached the Railway Board and asked for permission to have an exceptional classification in order to protect themselves. On the whole there were ten commodities affected, and only in four cases the railway put on block rates. Even had they not put on these high rates, he did not believe that all the traffic in the four commodities would have gone by sea. Assuming it did, it would have only meant 10,000 tons, or Rs.40,000 to Rs.50,000 earnings per annum to the steamer company. Mr. Pechey did not for a moment believe that because Messrs. Killick, Nixon & Co. did not get that amount of money they left Broach. In this connection, the Chairman remarked, and the witness agreed, that, having regard to the greatly increased cost of working steamers, less is heard of steamer competition to-day.

5590. Referring to the letter of the Railway Board defending their action in which they say "the contention that you should not do this is altogether opposed to the universally accepted policy which recognises that the unfettered freedom enjoyed by sea transport agencies in the quotation of rates entitles Railway Administrations to greater freedom when competing with water transport than is legitimate when competing amongst themselves," the Chairman asked whether there was any other instance, either in India or anywhere else, except that of Broach, where the protective measure adopted by the railway has not taken the form, not of reducing the railway rates to the level or nearly to the level of the water rates for the whole journey, but of putting on what is aptly called a block rate against the portion of the journey which has to be done over the railway to reach the steamer, which is, after all, the essential point of the Broach case. Mr. Pechey said that he had not heard of any similar case, but he thought that, looking at it purely from the business point of view, if the railway had power to deal with the case in this particular manner, so as to keep the traffic which was its own and which the competitor was trying to take away, instead of losing a large amount of revenue by putting on a special low rate, it would only be within its rights. The Chairman pointed out that theoretically the idea underlying all railways in England as also in India is that railways are a public high road and asked whether it was conceivably consistent with any view of a public highway that one user of the road should be charged tolls four times as high as another making precisely the same use of the road, because of what he intended to do with his wares at the end of the journey. Mr. Pechey said that they only put the case before the Railway Board and asked whether it was justifiable. He thought that, if the railway had charged as low as the water rate, Broach would not have got the traffic; the Chairman remarked that the public might, however, have got cheaper cotton.

P.S.(1).—General Freeland afterwards sent the following letter to the Committee:—

Letter dated 22nd March, 1921.

When I gave evidence before the Committee on morning of 10th February, 1921, I was questioned by one of the members as to the terms of working the Guzerat railways. I replied that the B.B. and C.I. Railway Company, though agreeing to all the other terms proposed by Messrs. Killick Nixon and Company, demurred at the proposed Commission for raising capital on the grounds that no attempt had been made to show the necessity of such Commission, and that with a five per cent. return on capital definitely assured by the terms which had been accepted, a further charge for raising funds could not be justified.

The negotiations, therefore, fell through and these railways have been worked by Messrs. Killick Nixon and Company ever since.

On further consideration, I am inclined to think that the question was put to me in order to show that the B.B. and C.I. Railway Company had thus shown their attitude towards the development of the country, and that if company management of railways were the best system for India the company would have encouraged these Guzerat railways by accepting any terms proposed for operation even though they entailed a potential loss to the operating agency.

I have had no further opportunity of reopening this question in cross-examination, but I desire to remove what may be a false impression in regard to the attitude of the B.B. and C.I. Railway Company towards new lines.

There are two special points to remember, namely, that it is for the general good of India to open up the country by railways, and that under the existing system of finance any loss in operation falls directly on the Railway Budget.

If then the investor is to be persuaded to come forward to provide money for railways at a reasonable rate of interest, it is very desirable to show that the results of working existing lines are favourable. Under these circumstances, however desirable it may be to open up the country with feeder railways, it is not sound to do so under the existing system of finance if the new lines can be shown to be in the nature of "suckers" instead of feeders to the main lines.

The payments made by Government as a rebate to the Guzerat Railway Company since 1914 have been:—

1915-16	Rs. 1,13,364
1916-17	Rs. 77,114
1917-18	Rs. 1,06,875
1918-19	Rs. 65,714
1919-20	Rs. 54,197

In my opinion, with a separate Railway Budget, the fairest and most acceptable means of encouraging feeder railway construction involve the acceptance by Government against the general revenues of the country of the responsibility for rebate up to a given percentage (say five) on the capital cost for a definite period of years (say five) and that the main line company should always operate such railways and undertake full responsibility for rebate or guarantee after the first five years have elapsed.

My reasons for making this suggestion are that, although new feeder lines can often be shown as a direct prospective loss to the main line company in the earlier stages of operation, the indirect benefits to the State (apart from railways) will undoubtedly accrue from the first moment of opening, and therefore any loss in working can fairly be debited against general revenues.

P.S.(2)—General Freeland also subsequently furnished the Committee with the following statement relating to the capital demands and budget grants of the B.B. and C.I. Railway.

B.B. and C.I. RAILWAY.

(Incorporated in England by Special Act of Parliament.)

—	1911 12.	1912-13.	1913-14.	1914-15.	1915-16.	1916-17.	1917-18.	1918 19.	1919-20.	1920-21.
(*a*) Amount asked for (July Forecast) Capital Expenditure	Rs. 1,61,50,000	Rs. 1,15,80,000	Rs. 1,96,64,000	Rs. 1,83,08,000	Rs. 2,21,61,000	Rs. 1,81,70,000	Rs. 33,30,000	Rs. 54,00,000	Rs. 1,13,06,000	Rs. 2,34,09,000
(*b*) Amount finally allotted	1,33,30,000	1,10,35,000	2,00,29,000	1,35,50,000	1,18,00,000	34,27,000	28,30,000	43,70,000	1,68,67,000	1,88,92,000
(*c*) Amount actually spent	53,66,342	1,10,35,801	1,24,71,180	1,17,62,433	60,51,984	20,33,676	24,90,509	63,99,567	1,07,67,845	—
(*d*) Amount lapsed (*b*)—(*c*)	−79,63,658	+801	−75,57,820	−17,87,567	−57,48,016	−13,93,324	−3,39,491	+20,29,567*	−61,59,155	—

* The excess is due partly to the payment of Rs.10,68,510 to the Eastern Bengal Railway for 125 wagons supplied in March, 1919 under the orders of the Railway Board communicated in their telegram No. 260 A Budget dated the 24th April 1919, partly to the adjustment of 4,06,290 rupees, being the cost of land at Grant Road handed over to the company as late as the 30th March, 1919, partly to larger payments for foreign lines freight on coal than were anticipated and partly to less issues of stores for Revenue purposes.

Sir H. A. LAWLESS HEPPER, Director of Development, Bombay, was called and examined upon a written statement which he had furnished to the Committee.

5591. Sir Lawless Hepper explained that he had recently been appointed Director of Development under the Government of Bombay. He had formerly been Agent of the Great Indian Peninsula Railway Company, which post he had only vacated in November, 1920.

5592. He said that the Development Department is not a board, but consists of himself as Director, with a staff. The appointment was established by special legislation, and the Director reports direct to the Government through the Member of Council in charge of the Department. His activities extend over the Bombay Island and the suburban area.

5593. The Development Department had recently raised large sums of money by borrowing, partly for works undertaken directly by the Department and partly to meet the requirements of the Port Trust and other local bodies. In the past, these bodies had raised the amounts required by them by means of separate loans; but it had been decided that in future their requirements should be grouped together and provided for by the Director of Development.

5594. Sir Lawless explained that a sum of Rs.419 lakhs had been earmarked for expenditure in the current year by the Improvement Trust, the Municipality and the Port Trust. The Development Department might finance any works necessary for the development of Bombay, by whatever local body undertaken. It was contemplated that the Department would borrow additional sums, and that it was in this expectation that, although the loan recently issued is repayable at par after 15 years, money had been lent to the Port Trust on conditions providing for repayment within 30 years. The question of issuing a loan for 1921-22 is under consideration.

5595. The witness explained that the Development Department had only looked ahead to the requirements of the following year, so far as relates to finance. It is difficult for local bodies to forecast their later requirements, and any information they could give would probably not be of much value.

5596. Sir Lawless explained that in railway management he did not desire competition in rates, and he agreed with the Chairman that there could not be much competition in facilities between railways in India. In speaking of competition in his written memorandum, he used it rather in the sense of "emulation" than of competition as understood in Great Britain. He considered that under State management there would be a tendency towards a dead level of mediocrity and less spirit of enterprise in the adoption of modern methods and equipment. He thought that there is a greater tendency to rivalry under railway company management and greater continuity of policy. With regard to the latter point, he agreed that the practice of transferring officers from one State railway to another is not of the essence of State railway management, as Government could alter it by a rule. He thought that it was prompted by the existence of different rates of pay on different lines. He did not think it possible to fix salaries directly with relation to efficiency on the State railways, and he believed that the practice of making promotions by seniority rather than by merit is one which it would be impossible to escape from in Government service.

5597. In this connection, the Chairman referred the witness to the recommendation made in the Sankey Commission's report that the coal mines in Great Britain should be handed over to State management. Sir John Sankey, who was the Chairman of the Commission, had stated that it would be impossible to do this, if Civil Service rules were to remain in existence, and that all Treasury control, ideas of promotion by seniority, and things of that kind should be got rid of. Sir Lawless Hepper did not regard this as a practical policy in India, and was convinced that, if the State took over the control of railways, they would fall to a lower level of efficiency.

5598. With reference to his opinion that Boards in London are necessary for the purpose of raising capital, Sir Lawless stated that he was aware that the Boards had not been used for this purpose for many years past. He agreed that they are not necessary to raise debentures on the guarantee of the Secretary of State for India. He did not, however, see why the companies should not be used to raise additional share capital. He realised that this would be very unpopular having regard to the prevailing Indian sentiment; but he thought that capital must be raised wherever it can be got. He did not think that there would be much opposition to money being obtained from England, if at the same time capital for railway purposes was borrowed in India. He considered that the facility existing for the exchange of views between the companies' Boards in London by means of periodical meetings of their representatives has been useful in a good many cases, for instance, in settling matters relating to scales of pay, in regard to which it was desirable that there should be some uniformity. He did not consider that agents in India are in as good a position to get into touch with each other.

5599. He considered that the Home Boards should send out one of their members fairly frequently to India, and said this had been done to some extent in the past, a director coming out every two or three years. In the case of the Great Indian Peninsula Railway Company, the Chairman or the Managing Director had usually come out. He agreed that the other directors would generally be wise if they were to follow the advice of the director who had thus acquired recent knowledge in India. He thought, however, that the other Directors would not be useless, as the Chairman suggested might be inferred from this opinion, as there are other special matters in which they can be useful. For instance, he thought that the Finance Member of the Great Indian Peninsula Railway Company's Board (who had formerly been Finance Minister in India) must frequently be in a position to give very useful advice; although not dealing with large financial questions, his advice should be valuable in connection with such things as the works programme, etc. He thought it preferable that the Members of the Boards of Directors with railway experience should visit India, from time to time, and did not attach the same importance to it in the case of the non-technical directors.

5600. The Chairman drew attention to Sir Lawless' reply to Question No. 8 (whether in the case of companies domiciled in India 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). The Chairman mentioned that that question had apparently given rise to misapprehension in some quarters as though it implied some distrust of Indian shareholders, whereas the question in no way suggested that Indians would be any more likely than Europeans to display undue partiality. Sir Lawless thought that the question would have to be carefully considered. The Chairman observed that in most cases Directors of Companies' Boards must be entrusted with something bearing on the work of the companies and might be suspected of liability to prejudice. In his own experience in England, there had not been cause for any suspicion of bias; he had in mind a case in which more than one member of a railway Board was a partner in firms doing large business with the railway every year, where there was no suggestion ever made of improper influence. Sir Lawless agreed that there was no reason why greater difficulty should be apprehended in India than in England; he considered that when making appointments of Directors, trustworthy people could be found who would be qualified to be Directors.

5601. He stated that he was not opposed to the idea of subsidiary Boards in India as these might strengthen the hands of the local administration and

keep the public in touch with the working of the railway. Except perhaps as regards establishment matters, the functions of such a Board should be advisory only to begin with. He thought that these Boards would help the Agent, particularly in dealing with matters relating to the control of labour. It was difficult to explain the local conditions to the Directors of the London Board. The Chairman suggested that this implied that, whereas the Agent is in touch with local conditions, the London Boards cannot be so. Sir Lawless stated that he had not gone in detail into the question of the limits of the powers which should be given to the local Boards in establishment matters. He thought they would be useful in dealing with certain questions of appointments.

5602. In his opinion, the head of the Indian Railway Administration should be 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. He should have the qualifications of an administrator rather than of a technical man, and he should be assisted by technical officers for traffic (operative and commercial) for the locomotive carriage and wagon department and for civil engineering and for finance. He considered that these technical experts should be assisted by a staff of inspectors who would be free to go out and investigate particular problems and to report to the headquarters administration. He considered that the organisation should be a central one, belonging to India as a whole, and not attached to the headquarters of the provincial Governments. He considered that engineering inspectors from headquarters could fill the functions at present assigned to the Government inspectors in the various circles. He did not think that these Government inspectors are at present fully worked. As agent of the Great Indian Peninsula Railway, he had known of a Government inspector whom he had not seen for months together.

5603. Sir Lawless expressed the opinion that the functions exercised by the Railway Board do not extend to unnecessary detail; but he agreed that the limits within which railway administrations are allowed to create new appointments and to sanction works should be considerably increased. With regard to works, the Great Indian Peninsula Railway Company's Board already has powers to sanction up to Rs. 1 lakh in each case, and if the agent's powers were lower than that, it was due to the retention of the authority by the Board of Directors.

5604. Sir Lawless stated that he considered the renewals question on the Great Indian Peninsula Railway as very important. It was more important on the Great Indian Peninsula Railway than on the East Indian Railway, owing to the fact that the former has found it very difficult to obtain funds to meet "programme revenue" expenditure. Allotments had not been given in the past according to requirements. He was inclined to ascribe the difficulty in obtaining sufficient funds to the higher operating ratio on the Great Indian Peninsula Railway than on the East Indian. He considered that actually the grants are made abitrarily by the Railway Board. The Finance Department had in the past insisted on economies being effected by postponing essential renewals. He did not consider that the Railway Board could be blamed for having failed to secure an adequate provision for railway requirements, as the Board had not been accorded a proper status, or direct representation in the Viceroy's Council. Matters had now come to such a pass that he considered that it would be necessary to borrow capital sums to make up the arrears of renewals.

5605. Sir Lawless considered that it did not seem good business to pay off money borrowed at 3½ per cent. by fresh capital borrowed at 6 per cent., as the Government of India are doing at present. He did not think that these payments should be debited to the working expenses of companies.

In speaking, in his written statement, of maintenance having generally been provided for, because it was naturally a first charge on the revenue Budget, he explained that he meant "ordinary" maintenance as distinct from "programme" or "special" revenue maintenance. He admitted that the distinction between the two is really arbitrary.

5606. The Chairman drew attention to figures (not reproduced) given in an appendix to Sir Lawless' note, which showed that, on the 31st March, 1916, it was expected that there would be overdue for renewal:—

140 engines,
463 four-wheel coaching vehicles, and
2,634 goods wagons

on the Great Indian Peninsula Railway alone. It was agreed that the Railway Committee should ask the agent of the Great Indian Peninsula Railway Company to bring these figures up to date for the Committee's information. (P.S.—The figures subsequently obtained showed that the arrears on the 31st March, 1920, were:—

266 engines,
727 coaching vehicles,
3,098 goods vehicles.)

The witness agreed that the finance policy pursued by Government implied that these arrears had not been, as they should have been, charged against working expenses as they accrued; in other words, that money had been improperly applied as dividends, and that of these dividends the Budget had received almost the whole.

5607. In reply to Sir George Godfrey, Sir Lawless stated that, so long as he had been on the Great Indian Peninsula Railway, he had always pressed on the Railway Board the importance of providing adequately for renewals, and he believed that in no year had Government allowed the amount proposed by him in the Budget. He did not bring forward the whole arrears required to be made up, in any one year, as it would have completely wiped out the railway dividend, had so much been provided for at one time. He urged that the company had constantly been protesting against the inadequacy of the funds allotted, though he had never put the matter before the Railway Board precisely in the form of the observation that the net revenue of the railway was not in effect being honestly earned, having regard to the neglect to provide adequately for renewals.

5608. With regard to engine renewals, Sir Lawless agreed that boiler renewals had been attended to and that the engines might be in good working order notwithstanding that their normal life had been exceeded. In reply to the Chairman, however, he said that as a practical railway man, he would scrap these engines at the first opportunity and replace them by modern engines capable of drawing reasonable train loads.

5609. Sir Rajendra Nath Mookerjee emphasised that both Government and the company had been sharing the undue profits of the railway attributable to their failure to spend money on renewals in the past, and suggested that the proper thing would be to stop distributing all dividends now until the arrears are made up. Sir Lawless did not, however, consider this a practical proposition. He stated that he had been the author of the proposal referred to in Mr. Rumboll's evidence before the Committee for charging against capital any expenditure on renewals in excess of 8 per cent. of the gross earnings of the railway. He was aware that on the Bengal and North-Western and the Bengal Dooars Railways, which were the property of independently financed companies, renewal funds had been created during the war.

5610. With regard to the construction of branch lines, Sir Lawless stated that, if adequate funds could be made available, he would prefer these to be built by the parent lines.

5611. He said that in suggesting, in answer to Question No. 23, that the companies ought to be empowered to raise short term loans for dealing with accumulated arrears of renewals, he did not mean that the companies alone should do this. He thought it would be equally applicable to the Government of India.

5612. He considered that the most important renewals requiring attention were those of bridges and track, because on certain sections of the Great Indian Peninsula Railway it would be impossible to use a modern engine, and have corresponding train loads, until these matters are attended to. The railway company has a programme of these renewals which ought to be carried out. He did not attach so much importance to this matter in respect of the branches, but thought it important that the main lines should be got up to a better standard. He stated that this had already been done on the line from Itarsi to Bombay and from Bhusaval to Nagpur and on most parts of the line from Kalyan to Raichur. The effect of improving the standard of the line as proposed would be to increase train loads from 700 to 1,000 tons, though loads up to 1,600 tons might be hauled.

5613. In his calculations Sir Lawless assumed that the track also would be strengthened. The present capacity of the Itarsi-Jubbulpore section is about 700 tons, and if bridges and track are strengthened 1,220 tons could be carried, as the capacity of the present heavy engine is 1,220 tons. The heavier classes of engine that are being obtained are intended for use between Bhusaval and Bombay and would not be sent to the Itarsi-Jubbulpore section.

5614. In reply to Sir Arthur Anderson he said that it would be fairly accurate to say that about two-thirds of the main line had been regirdered, but agreed with the Chairman that, because of the failure to complete the remaining third, full advantage could not be taken of the portion already completed.

5615. As regards the apathy of Government in the matter of the maintenance of the vacuum brake, Sir Lawless said that the Government Inspector of Railways has to certify every six months that the administrations have maintained the stock in a proper state, and he does this though the brake may be out of order. This was the reason why he suggested that the Railway Board should ask the Government Inspector specially to refer in his certificate to the condition of the vacuum brake. He did not consider that the position in regard to the vacuum brake equipment has arisen as a direct result of the war when material could not be obtained.

5616. He was strongly of opinion that the running branches of the Traffic and Locomotive Departments should be amalgamated into one operative department. He did not know whether this had been done on any other railway, but it is being introduced on the Great Indian Peninsula Railway. One of this railway's officers was placed on special duty to make enquiries in England, and Sir Lawless understood that this amalgamation is being carried out on many English railways. He described the way in which responsibility was shifted from the traffic to the locomotive and *vice versa* on the Great Indian Peninsula Railway in the matter of the number of wagons worked out of Bhusaval every day during the month. In fact he very often found it extraordinarily difficult to find out what the real reason of bad working was. The position of the loco superintendent should be considered as that of the veterinary surgeon whose business it is to look after the horses of the regiment but who is not responsible for the use made of them.

5617. In reply to Sir Arthur Anderson, Sir Lawless explained that the subsidiary Board referred to in answer to question No. 9 would be subsidiary to the English Railway Company, probably bear the name of the company to which it is attached, with capital raised in India. He considered that such an arrangement of two boards would be feasible if the Board in England were prepared to give up a considerable amount of control. He thought, however, that the local Board would in any case have to rely greatly on the Agent, to whom considerably increased authority would have to be delegated. He did not think that the subsidiary board scheme would be successful unless the Income Tax difficulty could be got over. The Board would be very useful in keeping the railway in touch with local commercial interests and in strengthening the hands of the Agent as well as in dealing with establishment questions.

5618. In reply to the Chairman, who drew attention to Sir Lawless' statement in reply to Question No. 27, that he was "inclined to doubt" whether the results of working the railways in 1919-20 and 1920-21 would be as good as those recently secured, Sir Lawless admitted that he had really no doubt on the subject as the results were certain to be less satisfactory.

5619. In reply to Sir Henry Ledgard, Sir Lawless stated that, though he had not recommended the appointment of an advisory board to assist the Railway Minister, and was personally opposed to such a body, he considered that, if it were brought into existence, it should advise the Railway Minister directly. He stated that he was in favour of the continuance of the company system of control, but would increase the powers of the local board in India according as the Indian subscription of the capital became greater.

5620. He was in favour of the separation of the railway finances from the general Budget. He said that he would not object to the appointment of a suitable body of financial advisers to assist the railway administration in dealing with the larger questions of railway finance, though he saw no reason why the expert staff, the creation of which he recommended, should not itself be made as strong as necessary on the financial side. He agreed that, by the appointment of an advisory financial council, the advantage would be secured of allowing local Indian opinion to feel that it had a constitutional way of influencing the Railway Board.

5621. With reference to his observations on the subject of pooling wagons, Sir Lawless said that there is no doubt that the partial pooling of wagons has resulted in a general deterioration of stock which could not be altogether accounted for by the difficulty of obtaining materials. The Chairman observed that in America, where pooling had been tried during the war, it was now being abandoned. Sir Lawless was, however, inclined to favour the pooling system and thought it should be given a trial. He considered that the difficulties might be surmounted by having a central controlling authority and making the staff connected with wagon inspection responsible to it.

5622. In answer to Mr. Hiley, who asked how, if the Railway Board is deficient in local knowledge, it discriminates between works in the allotment of funds, Sir Lawless explained that the Railway Board discusses the programmes of the railways with their Agents, and then decides. He admitted that the personality of an Agent was no doubt a great factor, and, in fact, sanction depended more on it than the Railway Board's particular knowledge of the works.

5623. In reply to Mr. Tuke he said that he had no objection to the suggested subsidiary companies which he thought would be useful if they could be introduced. He realised, however, that there were several difficulties, including that of Income Tax, for which he was not in a position to suggest a remedy.

5624. In reply to Mr. Purshotamdas Thakurdas, Sir Lawless stated that he was not aware of any other State Department in which Government found a "buffer" necessary for protection against political influences, nor was he aware of one in any other part of the world. Mr. Purshotamdas suggested that the buffer would only be useful in case Government was not itself strong enough to resist undesirable pressure. Sir Lawless considered, however, that the existence of the buffer would be useful even if Government were not so weak. The Chairman observed that he thought in every part of the British Empire, where railways are in the hands of the State, there really is something of the nature of a buffer between the political government and the railways, whether in the form of Commissioners, as in Australia and South Africa, or a company, as in Canada. Mr. Purshotamdas agreed that this might be the case, but observed that in these cases the "buffer" commissioners or companies are on the spot, and are available to people for consideration of local difficulties, which is not the case so far as the British Indian railway companies are concerned.

[The evidence of Messrs. A. V. Bilimoria and B. J. Padshah, representatives of Messrs. Tata Sons, Ltd., Bombay, was taken and will be found under Numbers 5625-5635 in the volume of confidential evidence.]

FORTIETH DAY.

(Bombay.)

Friday, 11th February, 1921.

PRESENT:

Sir WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The following members of the Executive Council of His Excellency the Governor of Bombay met the Committee for the purpose of giving expression to the views held by them:—

The Hon. Sir George Curtis, Kt., C.S.I., I.C.S.
" " Sir Ibrahim Rahimtoola, Kt., C.I.E.
" " Mr. M. H. W. Hayward, I.C.S.
" " Sir Chimanlal Setalvad.

Mr. E. M. Proes, Secretary to the Government of Bombay, Public Works Department, also was present.

5636. Before the proceedings commenced, Mr. Purshotamdas said that in Madras the Committee had had a discussion with the Government of that province including the Governor, the members of Council, and the Ministers. In Bombay, he understood that the Ministers were coming by themselves in the afternoon. He asked whether the views to be expressed to the Committee by the various hon. members would be their personal opinions or the opinion of the Government of Bombay; it was clearly for the Government of Bombay to take their own course. Sir George Curtis explained that the Government of Bombay had not yet been able to formulate their collective view as a Government, and it was only proposed at this stage to express personal opinions. He observed that railways are a reserved subject in charge of the Central Government except as regards certain feeder or branch lines which are controlled by provincial legislation, and that, as regards the latter matter, the Ministers would be coming to speak separately. They might also discuss other questions of railway policy. The Chairman said that the Committee had read the clause in the Rules under the Government of India Act which dealt with the powers of local Governments in respect of railways and that these are quite small; so that clearly the views of the Executive councillors or of the Ministers would be of the nature of advice only. The Committee could not express any opinions at present. The Chairman then asked Sir George Curtis to give the Committee the benefit of his personal views. Thereupon, Sir George read the following note:

" I set down below my personal views on the various questions raised by the Terms of Reference to the Railway Committee. My reasons for recording my personal opinion are that I have perhaps had greater opportunities of studying the matter than the ordinary official. In the early years of my service, I was at Ahmedabad, where the question of constructing feeder railways was first taken up by Sir Evan James. Later I was Postmaster-General, Madras, and therefore closely in touch with railway administration. Lastly, as Commissioner and member of Government, for the last ten years, I have been fairly closely in touch with questions affecting railway administration in and round Bombay, specially in so far as they affect the development of that city.

" (2) As regards question 1, I may say that I have no wish to alter the existing system of State management as applied to the North Western Railway. I merely note in passing that it seems to me anomalous that the management of the railway serving the big port of Karachi should be in the hands of officials resident in Lahore, 800 miles away, but my personal knowledge of local conditions is too small to enable me to offer any useful criticism.

" (3) As regards the Bombay presidency, we have to deal with three lines—the Bombay Baroda and Central India Railway, the Great Indian Peninsula Railway, and the Madras and Southern Mahratta Railway; the Indian offices of the two former are in Bombay, whilst that of the third, which is a very important one, is situated in Madras, 800 miles away. The managing offices are situated in London, and they are represented in India merely by agents. As I noted in 1917, while it is a fact that the members of the Directorate are generally gentlemen of long experience of India and in some cases of railway administration, yet it cannot be said, I venture to think, that they are in touch with the conditions of life in Bombay at the present moment. Bombay has changed enormously in the last ten years; it is changing much more rapidly than any other city of the same size in the world and it is impossible that gentlemen who left India perhaps 20 years ago and who have not been back for more than a month or so can be in touch with the various changes which are taking place in Indian at the present time. To illustrate what I mean, I will touch on the question of feeder lines. In my minute of 1917, I mentioned that the Bombay, Baroda and Central India Railway, through Sir William Bisset, had opposed the extension of feeder lines over their railways. Considerable exception was taken to these remarks by the Home Board. I was, however, merely stating what is a fact. Sir William Bisset undoubtedly contended that the construction of feeder lines by local companies was an extravagant proceeding. The companies, he contended, had to pay a higher rate of interest for the money which they raised, and consequently the lines cost more than they would if they were constructed by the parent company. It is on this account that he opposed the construction of the Broach Jambusar Railway through a local company and induced the Secretary of State to give notice to the Ahmedabad Dholka Railway of his intention to purchase that line. It was due to his insistence that the Inchcape Commission of 1908 laid down that the best course was for the parent line to construct feeder lines. I have no doubt that from a financial point of view this is right, but from a political point of view it is wrong. In my humble opinion it is important to endeavour to induce the public of India to invest their money in railways. Even if that procedure be more costly than that of raising the money in England, I still think that on political grounds it is a sound course to follow. In other respects also, I am unable to believe that the treatment of the administrative questions by a Board domiciled in London can ever be satisfactory. Matters such as the settlement of strikes which involve concessions to large bodies of workmen can never, it seems to me, be satisfactorily treated by telegraph by a Board in England. Until quite recently the period required to get an answer by telegraph from England was a fortnight. It is not too much to assume that the further time required to ascertain the views of six or eight gentlemen living in various parts of England, would be at least a week. Therefore in urgent questions the time required in getting orders would be three weeks. It seems to me that this is incompatible with the efficiency of modern administration. Generally speaking, it seems essential that the Directorate of a railway company serving a big centre of commerce such as Bombay must be in touch with the commercial and industrial life of the city. For these reasons, I have long felt that the existing system cannot be supported.

" (4) The alternative system usually recommended is what is called State management. I could have dealt with this far more satisfactorily if I had been able to understand what exactly State management means. But this I am unable to do. What I gather however is that State management connotes a huge central office situated presumably at Delhi. The existing railway adminstrations will remain more or less as they are with their Indian offices situated as they are at present. Orders will be issued direct on various points of railway management to agents at headquarters of each administration. Funds for repairs, renewals and extensions will be provided from grants made directly from the State Budget every year. Popular control will be exercised by the representatives of the various areas in the Legislative Assembly to whom the member of commerce or industry or perhaps in course of time, Minister of Transport, will be responsible. The personnel in the upper ranks will be recruited for all India and be moved about from Province to Province as the exigencies of the service required.

" (5) It seems to me that this prospect is one which in Bombay must be looked upon with dismay and apprehension. It means that the whole of the control of the approaches to this big port would be in the hands of an organisation situated permanently in Northern India, and that questions affecting Bombay will be disposed of by an Assembly in which the representation from Bombay will be very much smaller than that of other Presidencies of larger population but of less wealth and commercial importance. What makes matters worse is that it is contended, I think, by my honourable friend, Sir Ibrahim Rahimtoola, at any rate, by other supporters of State management, that the question whether a railway is or is not financially prosperous is a matter of relative unimportance. Railways, it is said, are public utilities like municipal water works; no one considers whether municipal water works pay their way; similarly, no one ought to consider whether a railway pays its way. It seems to me that from a Bombay point of view this is a proposition which it would be very dangerous to accept. If State money is not to be granted for expenditure on lines which pay best, we in Bombay shall come off very badly. There will be a general scramble for funds with the coming of each financial year, and it will depend on the " pull " which representatives from each Presidency can exercise in the Assembly how much money will be devoted to railways in various parts of India. I have very little doubt, having regard to the solidarity of Provinces in Northern parts of India, that in this scramble Bombay would come off very badly indeed. Further, as I have noted, I was for some years in the Post Office at Madras. The Post Office is an all-India department, and a very large department indeed. I know we always felt that owing to our remoteness from headquarters we had far less chance of being heard than the Provinces which were close by, and we came off very badly in consequence.

" (6) As regards personnel, that matter also requires consideration. In the Post Office you will see Government management at its best, and even there I do not think the efficiency in management is as great as if the business were conducted by a private firm. There is, to my mind, no doubt that a Government servant is out of place in the management of a large business concern. He lacks personal interest and other qualities which make the employee of a private firm so much more keen in giving satisfaction to the public. Finally, the proposal to adopt State management implies, as I said, the establishment of a central office at Delhi entrusted with the management of all lines in this huge Continent. There is no parallel for a single office controlling the means of transport in such a huge area as India.

" (7) Advocates of State management often refer to Germany. No one disputes the efficiency of the management of German railways; but it is often forgotten that in Germany all important States have their own railways. Regulations that control the general working are devised in Prussia and applied elsewhere, but outside Prussia the other Provinces of the German Empire, such as Saxony, Bavaria, Baden, Wurttemberg, have their own Provincial railways. There is, it is true, a central body at Berlin which co-ordinates the regulations controlling the railways in Germany, but the finances are Provincial and the management is conducted by Provincial organisations also. There is nothing in the existing German system which can furnish an argument for the centralised system of management covering a Continent as big as India. For these reasons, it seems to me that the disadvantages inseparable from a system of State management, as I conceive it, are very serious indeed.

" (8) It remains to be seen whether there is any alternative. I think there is. I can see no reason why it should not be possible to draw up a system of management combining control by two Boards, one domiciled in England and one domiciled in India. The former Board would deal with financial matters, more especially the borrowing of funds on the London market. The latter would deal with the actual management of the line.

" (9) As regards the formation of the Indian Board, the President would be a railway expert appointed by Government, and there will also be representatives of the Home Board, who would

have to be paid adequate salary. The other directors would have to be appointed in the same way as the Trustees of the Port Trust, except that it would not be necessary to represent naval or military interests. It would be necessary to arrange in the event of the Indian Board borrowing money on the Indian market for the representation of Indian shareholders. I do not see why an arrangement of this sort should not answer. So far as the directors of Indian nationality are concerned, there would be no fear of want of continuity. On the contrary, the danger would be the other way. An Indian who was appointed to the Board of Directors would cling to the post till he was dead. As regards European directors, it might be admitted that changes might be frequent, but this is the case with other large companies, such as the Imperial Bank, the Bombay Electric Supply and Tramways Company, and so forth. In these companies attempts are made to minimise the evil by replacing a director absent from India on leave by another member of the same firm.

" (10) As regards questions 10 to 16, I have not personally had much experience of the Railway Board. Assuming that the system of company management is to continue, it is obvious that there must be some central control which should have a statutory basis, and proposals of the Minister of Transport in England which are now under consideration will furnish a useful model for adoption in this country.

" (11) As regards questions 17 to 33, I gather that experts are unanimous in thinking that the funds hitherto provided for maintenance and improvements have been inadequate, and that if lines are to be brought back to a reasonable state of efficiency the sum of 30 crores of rupees annually will have to be provided. The Inchcape Commission of 1908 estimated that a sum of 12 crores of rupees would be an adequate provision, so that there is a large increase. In order to provide this sum, I would urge that money should be borrowed both in London and in India. In view of the present disinclination of the public to invest in long term notes, it will probably be necessary to issue short term notes. Arrangements should be made, if necessary, where companies borrow, to earmark certain loans for certain purposes; for instance, at the present moment there is an immense amount of improvement waiting to be carried out on railways immediately adjoining Bombay. It is probable that if a local loan were issued, to be used only on improvement to lines near Bombay, the Bombay public would readily subscribe to it. It might, further, be possible to arrange for repayment in this case by the imposition of a terminal tax on suburban passengers. A similar surcharge might be imposed in cases where a costly public improvement has to be carried out, for instance, the new Poona station.

" (12) As regards fares and rates, I consider that third-class fares should be raised. The rate of wage has risen enormously, and there is no doubt that a 50 per cent. increase would be paid without difficulty. As regards branch line terms, it is clear that those at present offered are inadequate. It will probably be necessary to raise the guarantee to at least 7 per cent. Arrangements should be made by which provincial governments or local bodies such as the District Local Boards should be able to make up any deficiency in guaranteed interest. Now that expenditure on famine relief is provincial, it would pay the local government in certain cases, such as a line running through a famine-stricken tract, *e.g.*, East Ahmednagar, to make good the deficiency from provincial funds. The same remark applies to a line constructed to serve a tract irrigated from a new canal. In both these cases the provincial expenditure would be more than repaid in other ways."

5637. Sir Ibrahim Rahimtoola said that his views on the subjects which are now before the Committee were, he believed, well known to the Committee. He had raised this question in the Imperial Legislative Council by means of a resolution asking for State management instead of company management, and in the speech which he delivered on the occasion, and the reply he gave on the debate, he had elaborated the reasons why he desired the change. He held that railways, being the property of Government, should be managed only by the State. There was no country in the world where Government owning railways handed them over for management to private companies. If the whole world followed that policy, there was no reason why a different policy should be imposed upon India. It had to be remembered that all those countries which owned and managed railways were self-governing countries. They knew what was good for them. The Canadian example, of which he came to know through the kindness of the Chairman, was a typical case which strongly supported the view that company management must be given up and State management substituted for it. Recently an inquiry had been held in Canada, and railway experts were invited to give their opinions. As a result, two out of the three trunk lines comprising 20,000 miles of railway were purchased by the Canadian Government. They were now managed by a Committee appointed by the State so that it was State management pure and simple; the responsibility was with the State. In his opinion that was one of the strongest arguments in favour of State management. No one in India wished to prescribe any particular line for the management by the State. If State management were accepted, no one would object to the appointment of one or more advisory committees to help in the management, consisting of representatives of such interests as were necessary to be represented. As a result of experience gained of company-owned and company-managed railways and as a further result of expert advice, the change had been made in Canada, and there was no reason to his mind why the same thing should not be done in India. There was even a stronger reason here than in other parts of the world; wherever State-owned railways were managed, they were managed as one concern. There was no such thing as 25,000 miles of railway owned by the State being divided among half-a-dozen companies, each going its own way, each having a separate interest and each taking a share of the profits. The people of India who had raised nearly 90 per cent. of the capital did not come in at all under these circumstances.

5638. The Chairman pointed out that he was one of the two who recommended that the Canadian State should take over the railways. The position there was this. Those two railways which were purchased by the State were deeply indebted to Government, and they were getting deeper and deeper into the debt of Government every year. There was no reasonable prospect of extricating themselves from this position. So, as the property was so deeply mortgaged to Government, it was recommended that they should take possession of the railways. Sir Ibrahim said that, in his opinion, this only went further to support the view that he took, namely, that company-owned and company-managed lines were a failure and that the State had to support them financially to make them a success and ultimately to take them over. The point that he was making was that, wherever the State had taken over the company-managed lines and made them its own property, it was always the State that managed them. The Chairman pointed out that the Canadian Pacific Railway which was exceedingly prosperous, exceedingly well managed, and giving a very good service, remained private. Sir Ibrahim said that at the time when the Government of India decided to nationalise the railways it would have been open to them to say that they would take possession of certain lines only, leaving others to remain as private lines. The Government had rightly or wrongly, in his opinion rightly, decided to acquire all trunk lines, and all of them now belonged to the State. Therefore the analogy of the State-owned railways applied to all the trunk lines in India. As the management of the lines taken over by the Canadian Government was now with the State, all the trunk lines acquired by Government in this country ought to be also managed by them.

5639. Asked whether he would object to a form of State management such as exists in Canada where the management was in the hands of what is called a Board of Directors who were appointed by Government, but who were chosen and acted exactly as those on the Board of the London and North Western Railway, with full power to manage their concern, Sir Ibrahim said that he did not understand State management in that sense. Once the State was responsible to the people for the administration of railways belonging to the State, the machinery that might be brought into existence by them for the management of those lines was immaterial in his consideration, provided the responsibility remained with Government. If the new Board were to be constituted in the same manner as the present Board of Directors of the Great Indian Peninsula or the Bombay Baroda and Central India Railway, partly independent and partly subordinate, he would have none of it. But if the new body was a part of a machinery wholly responsible to the State he was indifferent to the constitution of that Board. The Chairman pointed out that in Canada the Board was appointed under the ordinary company system, the one shareholder being the Canadian Government, who could turn them out if they liked. Sir Ibrahim said that that would not be carrying out the real spirit of State management. To his mind, it was purely theoretical to start a company and to speak of the shareholders which were not really in existence. There were no shareholders, no share certificates, and no transfer of shares. In actual practice, as he understood it, it was an ownership which was permanent, and not a shifting ownership, as was contemplated by the transfer of shares. The power of the owner to establish one form of machinery for administration was there. The owner had also the power of altering, amending, and changing that machinery from time to time to suit the circumstances. Therefore, the whole responsibility was with the owner. If the responsibility remained with the owner, and the machinery was subordinate to the owner, ready to carry out the orders of the owner, then he would accept it. He did not want any misunderstanding to arise. He wished to lay great emphasis on the point that, both in theory and in practice, it should be State management, and that the machinery for the efficient administration of the railways should be determined by, and be responsible to, the State.

5640. The Chairman asked whether he would accept the Canadian system of working through a nominal company as a form of State management, seeing that the State of Canada owns the railways in question, or at least owns all the shares, and seeing that it had the power to turn out any director it did not like. Sir Ibrahim said that he would not bring in a nominal company at all. The State in Canada purchased all the shares, and is now the sole shareholder of the company. These conditions did not apply to India. In India the State owned the railways, and as owners the State should manage them. He would have no objection whatsoever to any machinery they might establish provided it was a machinery of Government responsible to Government and amenable to public opinion.

5641. Some time back, when he moved a resolution in the Legislative Council, this subject was referred to the Government of Bombay. His Excellency the Governor (Lord Willingdon) and the then Indian Member were in favour of State management, while Sir George Carmichael was in favour of company management, and Sir George Curtis was not in favour of either. Sir George Curtis here interpolated that he was in favour of company management, but by a Board domiciled in India, and that he did not want the whole thing centralised in Delhi. Sir Ibrahim, continuing, said that, supposing the alternatives were only State management and company management, the Bombay Government would be almost unanimous in favour of the former. As regards the details of State management, he said, he had sufficiently explained that, so long as the responsibility vested in the State, the machinery to be evolved for the purpose of carrying on the administration might be considered from different aspects of the case. He was at one with Sir George Curtis in thinking that the interests of the country as a whole, and those of important parts of it, should be safeguarded, but in point of fact the railways could not be managed in the spirit of provincial jealousies. Each had its own interests, and there should be means to fight constitutionally. Each province was entitled to have justice done to it; but in a country like India, where inter-communication took place throughout the land it was not possible to divide the interest of a particular port to the detriment of any other. This constant competition as between different ports had led to many grievances, and the only solution, to his mind, was that there should be a central authority, with local advisory boards, if necessary. He did not want to go into the details as to how the thing was to be worked. The main principle remained that the evil of several companies working in one country was exceptional so far as India was concerned. It did not apply to any other part of the world. He did not see any reason why India should be singled out for such a system of administration in connection with its State-owned railways, which were, after all, not an unimportant factor so far as the development of trade and industries was concerned.

5642. The Chairman crystallised the views of both Sir George Curtis and Sir Ibrahim Rahimtoola as being that whereas the former wanted local domiciled companies owning the lines and working them subject to central control, the latter wished to have State ownership and management subject to local advice, and both gentlemen accepted this summary as correct.

5643. In reply to the Chairman, Sir George Curtis said that, if Government took over the Great Indian Peninsula Railway, on the expiry of its contract in 1925, he would hand it to a local company which would be asked to subscribe the £2,500,000 or thereabouts, representing the capital subscribed by the present shareholders. They would be entrusted with the management of the railway as at present. In the case of the Bombay-Baroda and Central India Railway, whose contract has still many years to run, he would leave it as it is. Sir George noticed that the Great Indian Peninsula stock is now at discount, this, however, was due to war conditions, which might disappear in course of time. Assuming that shareholders could not be found in Bombay to offer to constitute a new company except on terms that appeared unreasonably expensive to the State, he would borrow a certain amount and issue debentures in London, maintaining the local company in Bombay. Till such time as the company is formed, he would borrow a certain amount and leave the rest for the State to provide. Sir George Curtis was prepared to pay terms as high as the present shareholders in London are getting. He would not entrust the management of the Great Indian Peninsula Railway to a company with a capital of less than £2,500,000.

5644. Sir Ibrahim said that he was opposed to this. The only thing he wished to add was that the net profits which the managing companies were making at present were a dead loss to the State and he would stop them.

5645. In reply to Mr. Hiley, Sir George Curtis said that the London board might be necessary in order to put the debentures on the market at the most favourable time. He did not know much about the other borrowings made in London without the help of such a board. He would not press for a board in London if it was possible to raise money without its assistance. He would not allow the London domi-

ciled company to issue any fresh share capital which should only be issued in India. One of his objections to State management was that it would be entirely centralised in Delhi. He had considered the expedient of managing railways by a board constituted on the lines of the Port Trust, but had not been able to formulate a scheme that he would care to put forward. He would prefer that Bombay Government should own its railways. The Bombay Presidency, excluding the North Western Railway, would have about 1,500 miles of railway with a capital of Rs. 32 crores. Recently the Government of Bombay has undertaken responsibility for about Rs. 10-12 crores in connection with irrigation works. If the principle of provincial autonomy were to be pursued to its logical conclusion, the local governments should be allowed to own railways. Irrigation is at present a subject reserved to the central government, but the provincial governments are entrusted by the central government with responsibility for all irrigation works. In the same way, the central authority might delegate its control over railways to provinces.

5646. In reply to Mr. Hiley, Sir George Curtis admitted that, so far as all-India interests were concerned, control at Delhi by a central authority was necessary.

5647. Answering Mr. Purshotamdas Thakurdas he said that, if railways were provincialised, he would prefer to have a new company started in order to run them and new men trained. Even though the Secretary of State paid to the London shareholder a premium of 20 per cent. or more, he would still issue shares at par.

5648. The Hon'ble Sir Chimanlal Setalvad said that he generally agreed with what Sir Ibrahim Rahimtoola had stated to the Committee. He had nothing to add to it.

5649. The Hon'ble Mr. Hayward said that he did not pretend to be an expert on railway matters. If he had the choice between the alternatives of State management, as advocated by Sir Ibrahim, and of company management, as insisted on by Sir George Curtis, he should certainly be disposed to agree with the latter, who was in favour of the present arrangement. The Chairman pointed out that Sir George laid stress, not merely on a company, but on a local domiciled company. Mr. Hayward said that that was also his view.

5650. In reply to Mr. Hiley, Sir Ibrahim said that his view was that railways ought to be worked primarily in the interests of the trade, commerce and industrial development of India, and of the general prosperity of the country rather than purely and solely for profit-earning purposes. In the case of appointments, he would take the most efficient railway man, whether he be an Indian or a European; though, other things being equal, he would certainly prefer an Indian. Asked whether he did not consider that the most efficient man was always the least expensive, Sir Ibrahim said that he would constitute an establishment for training men; and when such trained men became available he would naturally take in the lower paid men if they were equally efficient.

5651. In answer to Sir Rajendra Nath Mookerjee, Sir Ibrahim explained that what he had stated was that profit-earning ought not to be the solo aim of railways. He stated that under contracts with the working companies a right vests in the State to terminate contracts at a given time, say, after seven years. In the case, for example, of the Tata iron and steel industry, the coal industry, the cotton and other industries it might be necessary to subsidise them in the beginning by way of special rates for a certain time in order to ensure success. So far as such subsidies were concerned, railways managed by companies on a profit-sharing basis could not be expected to agree. Under State management he thought that the State would take into consideration, not only the direct income earned on the railways themselves, but the indirect revenues secured to the State (through Income Tax, land revenue, etc.) and the increased prosperity of the country. A company whose contract of management may be liable to terminate say in about seven years would naturally look solely to its share in the immediate profits. He agreed with the Chairman that money earned and required to pay interest on borrowed capital cannot be regarded as profit. Sir Rajendra Nath pointed out that a very small portion of the profit goes to the company, the major portion going to the State. Sir Ibrahim explained that the advocates of company management defended the present system by arguing that, as the major portion of the profits goes to the State, company working on a commercial and profit-sharing basis is to the advantage of the State. He did not agree with this view as the State loses by narrowing the scope of indirect revenues, lack of industrial development, and the prosperity of the country. It must be remembered that a very heavy sum went to the companies as profit under the present system. When he moved his resolution in the Imperial Legislative Council such share of profits amounted to one crore. In view of the growth of railway revenue since that time, the present share of companies' profit would probably be about two crores. This is a direct loss to the country. He held the view that railway profits are indirect taxation. The result of the present system, therefore, is that India must be indirectly taxed to the extent of nearly two crores of rupees per annum in order to pay them to private companies to manage its railways.

5652. With regard to companies which had still long terms to run, Sir Ibrahim suggested two alternatives. One was that the companies should be taken over by the State on the dates when their present contracts expire. The other alternative was to legislate and take over all the lines under State management at once. The second alternative amounted to compulsory expropriation by terminating the contracts at once and giving compensation. As to which of these alternatives should be adopted he had not sufficient data to make any recommendation. The Chairman suggested that there was a third alternative, which had commended itself to the Madras Government, and that was to induce the existing shareholders to agree to being converted into debenture holders by the offer of a favourable rate of fixed interest for the rest of their term. Sir Ibrahim said that he did not wish to express any opinion on this suggestion as he had not considered it.

5653. In answer to Sir George Godfrey, who asked whether Sir Ibrahim attached any importance to the amount of profits in the shape of dividends earned, whether a company was working for excessive profits or not, he explained that he considered the profits which the Railways make as an indirect tax upon the people, and that, in the larger interests of the prosperity of the country, it was desirable that these indirect taxes should be as low as possible. He had mentioned the case of the Tatas' industries as a general instance of what the State ought to do. He had not mentioned it as a specific instance in the interests of a particular industry. He had referred to it amongst other industries for showing that the State if it managed the railway could be expected to lay down a definite policy for the encouragement and development of industries in the general interests of the country. One could not expect it from company managed lines. In his opinion, the State which manages its own railways would bear in mind the fact that it draws revenue not only directly from such railways, but also indirectly from the growth of the prosperity of the country; to secure these, the State would, if necessary, sacrifice for a few years the actual railway revenue in particular directions to establish the industries of the country on a firm footing, so that in course of time the State will not only recoup the immediate loss which it may have incurred, but also make an enormous increase in its revenues.

5654. Referring to the question of finance, Sir George Curtis stated that the Bombay Government would be prepared from the moneys received as subscriptions to the Development Loan to supply funds for railway purposes within the Presidency regardless of the methods of management, but subject to fair treatment. His point was that money should be specially earmarked for local purposes which the Government considered urgent. A sum of about Rs.4 crores had been recommended for the electrification schemes of the Bombay, Baroda and Central India Railway and the Great Indian Peninsula Railway.

5655. After some discussion he explained that his idea would be to advance such moneys under an assurance that they would be devoted to the purpose approved by the local Government; that interest at an agreed rate would be paid to the local Government as long as the loan was outstanding and that the repayment of the capital sum would be provided for by means of a sinking fund in which would accumulate the proceeds of a special tax levied upon those utilizing the work or service to which the outlay had been devoted.

5656. The Chairman mentioned that, in Madras, district boards had power to levy a cess for railway purposes and might either build feeder lines directly from the proceeds or use these as security in some form or other. The Madras Government also used to lend money to district boards on the security of the cess. Sir George Curtis stated that under the Government of India Act provincial loans are admissible for such purposes, including famine expenditure. The Chairman referred to a statement that had been made to the Committee by Khan Bahadur Dalal who gave evidence before it that the Government of Bombay would not allow the district local board of Broach to raise a cess for railway purposes. Sir George Curtis said that Government had no power to do this. This matter had been under discussion for some time, but nothing could be done as the legislature had not taken the necessary powers. He had no objection in principle to this being done.

5657. The Chairman asked what the poorer provinces would do, if each province was to take care of itself in the matter of raising funds for railway purposes. Sir George Curtis thought that Bombay should look after its own interests first. The Chairman pointed out that Bombay is one of the richest centres in India and other provinces might reasonably look to it for help. Sir George was of opinion that India might borrow in the London Market for the requirements of the more backward parts of the country.

5658. Sir Ibrahim Rahimtoola considered on the contrary that it was not possible to limit provincial interests to provincial areas. So far as railway loans were concerned, he thought that they should be dealt with as an all-India matter, and not from the point of view of particular provinces. Under the new constitution, each province will be adequately represented in the new Councils. His views on borrowing were entirely different from those of Sir George Curtis. He did not think that provincial patriotism had the same amount of effect as Sir George believed. In his opinion the question of borrowing was mainly one of terms. He instanced the housing problem in Bombay, which was a very urgent local need, where there was scope for provincial patriotism to show itself; and as a matter of fact, provincial patriotism had done so. But the Bombay Government still had to pay ½ per cent. more than the Government of India rate. The Government of India rate was 6 per cent. free of Income Tax. He believed that no provincial loan would be successful unless it was floated at a rate ¼ per cent. or ½ per cent. higher than that of the Government of India loans. He did not agree with the present tendency, which practically amounted to putting the Government of India into competition with provincial Governments in the same market, because Bombay and Calcutta are the two principal money markets in India. He thought that this policy, if pursued, would have very serious ill consequences. The success of a local loan, he admitted, would depend on two factors, local patriotism and higher rate of interest; the former without the latter would not be successful. He would further say, that the higher rate was the more important of the two factors.

5659. Sir Ibrahim made the suggestion that the Government of India should consider whether they would not start a new system of borrowing specially for railways instead of borrowing as part of the general loan for Imperial and provincial requirements. In this connection, the Chairman explained that almost every witness who had tendered evidence to the Committee had urged the entire separation of railway finance from the public finances of the country. Sir Ibrahim said that he had not this in mind; he asked whether it was not worth considering if, instead of paying a higher rate for railway loans as has been done till now, it would not be better to start a new form of borrowing, say, on Government premium bonds, the proceeds of which should be earmarked for railways. In answer to Mr. Tuke, Sir Ibrahim said that he thought that this form of borrowing would be successful.

5660. The Honourable Members agreed that there would be no objection to the record of their meeting with the Railway Committee being incorporated in the records of the Committee's proceedings and being published therewith in due course.

P.S.—A communication was subsequently received by the Committee stating that the views of the Government of Bombay, except in so far as relates to transferred subjects, are the views expressed by Sir George Curtis and Mr. Hayward, who, being concurred with by His Excellency, form a majority of His Excellency the Governor's Executive Council.

[The evidence of Mr. Dadiba Merwanjee Dalal, C.I.E., was taken, and will be found under Nos. 5661–5678 in the volume of confidential evidence.]

The following Ministers of His Excellency the Governor of Bombay met the Committee for the purpose of giving expression to the views held by them:—

The Honourable Mr. Chunilal V. Mehta.
The Honourable Mr. Hidayatullah Ghulam Hussein.
The Honourable Mr. R. P. Paranjype.

5679. The Honourable Mr. Mehta said that they represented only one view—that held by the Government of Bombay Transferred Departments. They had discussed the railway question among themselves and with the members of the Executive Council, and they were of opinion that State management was necessary for various reasons, namely, for the development of industries in this country, for the promotion of technical knowledge amongst Indians and for training Indians in matters of administration. There was no reason in theory why a company should not give the same facilities as the State, but they expected in practice to get a better chance of education from State-managed than from company-managed railways. Even granting that a company would do all this, they would still argue for State management, as the railways are the property of the public, and the public ought to manage them. The public would be able to influence the management better in the case of State railways.

5680. The Chairman pointed out that it had been represented to the Committee that the company

served as a useful buffer between the reasonable financial and economic interests of the railways and unreasonable public demands. Mr. Mehta said that this was quite a new aspect of the case that had not hitherto been put before them. However, it did not seem to them necessary. In fact, if they were used in that way for not training Indian technical men, it would be a decidedly bad arrangement. The Chairman said that there was no opposition to the claim that more efforts should be made than in the past to train Indians in railway work. He gave as an instance the case of Australia, where the railways are entrusted to a Commissioner, who is not directly responsible to Parliament and who can to a very great extent manage them as he thought proper. If this was meant by "buffer," Mr. Mehta said that there would be no objection to having a body on lines similar to those of the Port Trust or the Improvement Trust. He did not think it necessary that railways should be managed directly by a Minister at headquarters.

5681. In reply to the Chairman, Mr. Mehta said that in the case of companies whose contracts have still many years to run, if the public finances permitted, he would buy them out on reasonable arbitration terms. At the present moment, money was very badly wanted by railways. If he could only raise as much money as would be necessary to pay off the shareholders of the English companies, he would first utilise that money on improving the existing lines. In the case of companies whose contracts are likely to expire shortly, as the G.I.P. Railway, he would terminate and not renew their contracts. To manage these railways, he would like to set up at Delhi a Board constituted on the lines of the Port Trust, representing various presidencies and also big industries. There would also be Government nominees on the Board. They need not be officials, but only representative people chosen by Government. The Board could not meet very often. It would be assisted by a permanent body of paid technical experts at Delhi in dealing with technical matters such as standardisation of wagons, design of locomotives, etc. Local Advisory Boards would deal with rates on feeder lines, passengers' complaints, accommodation in trains, etc., but the question of rates and fares applicable to through main lines would be settled by the Central Board. In certain things the local Boards should be given a free hand.

5682. The Chairman suggested that it would not be easy to draw up a scheme saying what belonged to each department. Mr. Paranjype said that at present the agents of various railways had certain definite powers given to them, and they acted on those powers taking decisions of their own within reasonable limits. The Chairman pointed out that the real distinctions between the agent of a company and the proposed local Boards were, in the first place, that an agent could be easily removed at the will of the Board, and in the second that the agent's powers might be curtailed at any moment, whereas the local Boards could hardly be treated in the same way. Mr. Paranjypo said that that was being done even now. Sometimes provincial Governments got sanction for certain expenditure, but they were prevented at very short notice by the Government of India from incurring that expenditure. Mr. Mehta admitted that it was not quite easy, but thought that a division of authority could be worked out in practice.

5683. Mr. Mehta said that ordinarily the local Board ought to be able to order the Agent to do certain things, unless they were countermanded by the Central Board. He agreed that it was difficult to draw a line between the local and Central Boards. The same difficulties existed at present between Provincial and Central Governments. Recently an attempt had been made to make the distinction sharper, but it would need good temper on both sides to work the system satisfactorily.

5684. Mr. Mehta explained that another advantage of having one central management would be that the huge purchases made by different railways could be done with advantage by one agency. The advantage of centralised purchasing would be the elimination of competitive purchasing between railways. The Chairman pointed out that this advantage could be secured under present conditions, if the Government of India impressed upon the companies the advantage of a joint purchase scheme, as he believed the Railway Board have power to order them to do, and as was actually done during the war. Mr. Mehta said that, though this was done under the special circumstances of war, the general experience had been otherwise.

5685. Mr. Mehta further said that one of the arguments in favour of State management was that money could be more easily raised than by companies. The Chairman remarked that the Government of India had actually refused to allow the companies to raise the money, as they were anxious to do.

5686. Another point Mr. Mehta urged in favour of State management was that the interests of trade and industries would be better attended to, as pressure of public opinion would be brought to bear through the Legislative Assembly. The State railway administrations would not look at things merely from the point of view of dividends. Sir R. N. Mookerjee asked whether any instance could be cited in support of this statement. He thought that company-managed lines would develop industries for their own sake in order to get traffic in several directions. Mr. Mehta cited the Ahmedabad Match Factory case. Sir R. N. Mookerjee mentioned that this question had been threshed out before the Committee. The rate from Bombay to Delhi has been the same as that from Ahmedabad to Delhi; the attention of the railway company was called to it, and not only was the rate from Ahmedabad to Delhi reduced largely, but the rate from Bombay was subsequently enhanced by something like 50 per cent. The rates were not now unfair to Ahmedabad, at any rate. Seeing that there was no special grievance involved, it did not seem fair to railways to say that they did not tend to develop industries.

5687. Mr. Purshotamdas explained that this point was brought to the notice of the Committee by the Indian Merchants Chamber. The Ahmedabad Match Factory had repeatedly brought this matter to the notice of the railway authorities before any redress could be secured, and it had taken nearly ten years to get the rate reduced in the way referred to by Sir Rajendra Nath, who was quoting from information given by a B.B. & C.I. Railway witness. During that time what happened was that the special advantage which the Ahmedabad Match Factory possessed because of its geographical position was discounted by the specially low rate quoted by the B.B. & C.I. Railway for matches from Bombay.

5688. Mr. Mehta agreed that even under State management there would be mistakes, but there would not be the suspicion in the minds of the public that Indian industries were being throttled in the interest of foreign competitors. He said that there was some truth in the observation of the Chairman, that, having once made up their minds against company management, if the public saw any incivility on a company line they at once concluded that it was so because the railway belonged to the company.

5689. Mr. Mehta said that he wanted to mention a case in which the Bombay Government was directly interested. Some four or five years ago, the Baroda State desired to extend their Bilimora-Kala Ambi railway to Manmad, on the G.I.P. Railway, about 35 miles. They were prepared to find all the money, and it would have been of considerable help to the Government of Bombay, as it would have enabled them to bring out their timber. When the Baroda State approached the Bombay Government, the latter wished to have the line made, but had to refer the matter to the G.I.P. Railway, which would not approve of it. He did not know whether this was due to short-circuiting objections, but the ground assigned was that the extension would connect the two main lines, namely, the B.B. & C.I. and G.I.P. Railways. In his opinion, if the G.I.P. Railway had been a State line, it would not have objected. Mr. Mehta said that he was in charge of the Forest Department. Most of the money for the construction of the line would have come from Baroda. The Chairman asked, when the company objected to the construction of that line, whether the Railway Board supported the company's objection. Mr. Mehta did not think that it had gone as far as that. The Baroda State had asked for permission to survey. The G.I.P. Railway said that this line ought not to be made, but the Bombay Government said that they would give permission to survey, but that it must not be taken as any commitment on their part to approving the construction of the line. The Government of Bombay as such have not yet expressed any final opinion. He did not know whether the Railway Board's permission was necessary before a survey could be undertaken. He promised to furnish the Committee with copies of correspondence relating to the case.

5690. In reply to Mr. Hiley, Mr. Mehta said that he was in favour of State management pure and simple. He would not be more lenient to an Indian company than to an English company. He did not believe in setting up Indian domiciled companies.

5691. The Honourable Mr. Paranjype stated that railway companies had always quoted competing rates in order to kill sea traffic, for example, in Gujerat, the Bombay, Baroda, and Central India Railway Company always quote very low rates in order to kill sea transport. Sir Henry Burt pointed out that, though this was always put down as due to company management, the Government did exactly the same thing. Mr. Paranjype explained that under the new Councils the public would have greater opportunities for exercising their influence. The Legislative Assembly would have to pass resolutions and to vote the budget. In any case, he thought the Legislative Assembly would be more representative of the people.

5692. With reference to agreements made for handing over railways to company management for a certain number of years, Mr. Mehta stated that it has been found in practice that in the last two or three years of their contracts, the railways are neglected, because the companies are not certain of their contracts being renewed. The Chairman did not agree with this, and cited the case of the Great Indian Pensinula Railway Company as an example to the contrary. This company has only four years of its contract left, but he knew that it was trying its best to obtain money to be expended on the railway. The Chairman said that the companies are afraid rather of not being able to carry on at at all for want of funds.

5693. In reply to Mr. Purshotamdas Thakurdas, Mr. Mehta explained that the ministers are all elected members of the Legislative Council. Mr. Mehta was the representative of the Indian Merchants' Chamber: Mr. Ghulam Hussein represented Sind generally, and Mr. Paranjype represented the University. He thought that their opinions would be shared by the majority of the members of the Bombay Legislative Council. They had discussed the subject in a general meeting of the executive members and ministers and had heard the arguments on both sides. They believed that the views put forward by them would be the views of the council.

5694. In answer to Mr. Hiley, Mr. Mehta said that under State management he had no objection to control being exercised from Delhi on railway subjects.

5695. Sir George Godfrey asked how far the witness would carry State management in regard to Indian independent States, such for example as the Kotah State on the Bombay, Baroda and Central India Railway line. Mr. Mehta explained that these States are now trying mostly to work their own lines. He thought that such States as Gwalior, Bikaneer, &c., would be pleased to let the British Government work their railways.

5696. Sir George Godfrey explained that there were several small lines of railways in the Kathiawar States and asked whether it was true that these railways had become a public scandal. Mr. Mehta stated that he did not know the facts, but that it seemed to him that there was a great deal of jealousy between the various States. He did not know the conditions in other parts of India.

5697. The Honourable Ministers stated that they would not object to a record of these discussions being incorporated in the volume of evidence taken by the Committee for publication in due course.

P.S.—With reference to paragraph 5689 above, the correspondence connected with the proposed Bilimora-Sara-Kalamba Railway was subsequently furnished to the Committee. The following extract, from a letter dated the 11th August, 1915, from the Government of Bombay to the Resident at Baroda, sums up the objections raised by the G.I.P. Railway administration:—

> ". . . . I am to say that the proposal was referred to the Agent, G.I.P. Railway, who objects to it on the ground that the proposed extension would have the effect of short-circuiting the G.I.P., B.B. and C.I., and Tapti Valley Railways. He adds that enquiries made into the prospects of certain proposed feeder lines in the districts to the north of Manmad have not been encouraging, and that it is doubtful if the line would be a paying concern."

Rao Bahadur Himatlal Dhirajram of Ahmedabad, was called and examined upon a written statement which he had presented to the Committee.

5698. Rao Bahadur Himatlal Dhirajram explained that he is a retired civil engineer of the Public Works Department and is director of several branch line companies floated by Messrs. Killick Nixon and Company. He was on the Bombay City Improvement Trust for about three years after he retired. He is a partner in the firm of Messrs. Ambalal Himatlal and Company, Ahmedabad, the managing agents of the Khulna-Baghirhaut Railway, which is worked by the Eastern Bengal Railway; and is an *ex officio* director on the board of the company. His firm is not responsible for the actual working of the line.

5699. The witness stated that he believed in State management. He did not think there was any need to get the assistance of companies, but if company management was favoured, he thought these should be domiciled in India. In that case, they should hold a fair share of the capital with a right to a proportionate share of the net earnings.

5700. The Chairman asked how a company domiciled in England could be converted into a company domiciled in India. The witness thought this would have to be done by giving the company some inducement. He could not express any opinion as to what this inducement should be.

5701. He thought that the Board in India should have a permanent Chairman nominated by Government. He agreed that if the Chairman were appointed by Government, it almost amounted to the same thing as Government management, as a company would have little real independence in such conditions. He was not in favour of the suggestion that the systems of management by companies domiciled in England and by companies domiciled in India might be combined, and was not prepared to discuss details of such a scheme.

5702. The witness thought that there should be a Director-General of Railways in place of the present Railway Board and considered that he should be a Member of Council. He was of opinion that the railways do not get proper attention from the Government of India.

5705. He thought it most desirable that railways should have sufficient rolling stock to meet the requirements of the growing traffic. He considered that the existing lines should be fully equipped before undertaking new ones; money should be found for this purpose.

5704. With regard to his opinion that capital funds should be raised in India, the Chairman asked where the money was to come from. The witness thought that if sufficient interest were paid, investors would come forward. He thought that very few people would be willing to lend money at 6 per cent. He saw no objection to Government offering whatever return is necessary to get the money

5705. The witness did not consider that there would be any difficulty in obtaining funds for branch lines at 8 per cent. Some of this could be obtained from people in the locality; some would come from other parts of India. There are certain classes of people who prefer to invest in railway shares. He thought that very little would be forthcoming from commercial people. If, for example, Rs. 50 lakhs has to be raised for a branch line in a given district, the witness thought that ten to twenty per cent. of it could be got from the people in the locality.

5706. In speaking, in his written statement, of raising capital by means of ordinary shares of working companies, he had Indian companies in view. He preferred that Government should raise loans directly. There was no reason why Government should not raise money for branch lines also. He could not suggest any new methods of raising money.

5707. The witness was of opinion that railway rates ought to be increased so as to give proper security for the new capital raised. There was bound to be opposition to this, but something had got to be done to ensure that investors should get a fair return on their money.

5708. Referring to the witness's statement that he considered the results secured by the State-owned railways satisfactory both to Government and the public in a variety of ways through the development of the areas served by the railways, etc., the Chairman asked for specific instances. The witness explained that in 1863 when he first joined Government service in Panchmahal, that territory was thinly populated and had no roads; but as communication increased and roads were made, traffic increased and the value of land considerably increased also.

5709. He was of opinion that passengers should be charged the same mileage rates. He agreed that this meant that railways should be managed centrally and not locally. He had no objection to disputes being settled by an arbitration tribunal.

Mr. S. V. DORAISWAMI, who had been nominated by the Indian Passengers' and Traffic Relief Association, Bombay, was called and examined upon a statement which he presented to the Committee just before the examination commenced.

See Written Statement No. 61, Vol. IV., P. 213.

5710. The witness explained that he had been specialising on economic and other questions for some time past. He had studied railway economics in particular in India. His written statement did not contain anything which specially concerns passengers, except a few remarks as to the treatment accorded to third class passengers.

5711. Mr. Doraiswami urged that the arguments in favour of private enterprise do not apply to the company worked lines in this country, because they do not represent out and out private enterprise. From the very beginning Indian railway companies have shown no enterprise at all, and have worked under guarantees and various restrictions. He considered that the company railways ought to have been taken over and managed directly by the State.

5712. The witness said that there are certain railways which have been working at a loss. He instanced the case of the Assam Bengal Railway. Assam is a province which does not lend itself to railway construction on any large scale. The company is now pressing that a sort of territorial allowance of Eastern Bengal be handed to it for the purpose of railway extension. The witness did not consider this a proper policy, particularly because it is a hilly and sparsely populated province and has ample facilities for navigation on the Brahmaputra. The Chairman pointed out that the State could not take the Assam Bengal Railway over at any time. The witness thought that it was too small a line to be given a separate establishment, and it would have been more profitably worked as a part of the Eastern Bengal Railway.

5713. The witness said that, when the present contracts with the East Indian Railway and the Great Indian Peninsula Railway Companies expire in about four years' time, these lines should be taken over by the State. In other cases, for instance, that of the Bombay, Baroda and Central India Railway, which has still 20 years of its contract to run, he did not want any compulsion to be applied. He thought that reasonable negotiations might be carried on later, as Government would be in a better position to consider their future policy. In the interests of working the whole of the broad gauge system practically as one system, negotiations might be entered into with several companies for the surrender of their interests by paying suitable compensation, etc. He would, however, leave this for decision until the East Indian Railway and Great Indian Peninsula Railway Companies had been taken over.

5714. The witness observed that by allowing companies to raise capital the Government have not obtained capital on better terms than they could have done by borrowing directly. Sir Henry Burt pointed out that companies had not been allowed to raise capital in the past. The witness invited the Committee's attention to evidence which had been tendered to the Mackay Committee that the amount of capital which companies could raise was very limited compared with the proportion that the Secretary of State would have been able to raise. The point was not, however, pursued.

5715. The witness stated that railway workshops should be expanded so that they might be capable of undertaking the construction and manufacture of all kinds of railway equipment.

5716. The Chairman drew attention to the witness's statement in his written evidence that companies' Home Boards often exert pressure on the Secretary of State in London. The witness said that he could cite many instances to prove that this pernicious influence is strong enough to make the Secretary of State over-rule or pay scant attention to the views of the Government of India. He said that the Government of India have been asking for greater freedom, and he thought that things should not be decided by the Secretary of State without reference to the Government of India or against their considered advice. He did not think that the public would take the view that the Government of India may have gone wrong and the Secretary of State put them right. As an instance of the pressure exerted on the Secretary of State by the Home Boards, the witness quoted the East Indian Railway purchase which in his opinion was done on a wrong basis. Such transactions are carried through against the interests of the country, because they are beneficial to the shareholders.

5717. The witness was of opinion that the Railway Department should be presided over by an Indian Member of Council. He need not be an expert in railway matters. There should be from eight to twelve directors in charge of separate departments, some of which are not properly controlled at present.

5718. Referring to the witness's statement that the Government Director of the India Office can exercise an absolute veto on everything, the Chairman pointed out that the Government Director sitting on the Boards of the London companies had never exercised his veto. The witness contended that he nevertheless is in a position to do so. The Chairman suggested that the fact that the power has not been exercised for a long series of years is proof that it is not a very useful sort of power. The witness did not agree, but thought that even if it is not useful, other measures could be taken to put matters right.

5719. The witness did not consider that funds on a large scale are required for Indian railways. He did not think that the supply has been inadequate. Improvement of open lines should receive the foremost attention. The Chairman observed that almost every witness had urged the importance of securing more money for Indian railways. The witness said that he was not aware of this, but thought that many of the wants could be met by improved management. In his opinion the necessity for a larger supply of funds than has been allotted does not exist. The Chairman quoted the need for developing the railway facilities near Jamshedpur as an instance to show that the supply of funds has been wholly inadequate. The witness said that this was only on the Bengal-Nagpur Railway; he quoted figures to show that during the current year (1920-21) the allotments for this railway were as follows:—

Rs. 4½ crores for rolling stock, and
Rs. 78 lakhs for open line improvement.

Sir George Godfrey observed that this was an exceptional allotment which could not be taken as a standard.

5720. The witness said that a great deal of congestion on the Bengal-Nagpur Railway and the East Indian Railway arose in connection with coal traffic. He thought that investigation has not been sufficiently made to solve the question of the addition of rolling stock. In his opinion a considerable portion of the demand for rolling stock would abate if the railway tracks were doubled. In reply to the Chairman, he admitted, however, that he has no personal knowledge of the situation on the Bengal-Nagpur Railway to enable him to express a positive opinion on the coal situation. The Chairman observed that other witnesses who were experts in daily touch with the situation did not agree with what the witness had stated. The witness considered that the matter required further investigation. The Chairman asked why the witness insisted on this, in spite of the fact that experts on the subject had agreed that double tracking alone could not settle the question, when he himself had no personal knowledge of it. The witness did not press the point further.

5721. The witness agreed that a council having on it representatives of public opinion would be a suitable body to enquire into the grievances of third-class passengers; but he thought that there should be some inside machinery in the Railway Department itself to make periodical investigations, whose sole business should be to travel on the railways and attend to third-class passenger traffic. The Chairman observed that various railway companies already have officers actually at present employed in this way. The witness wanted Government officers to do it and thought that there should be a proper machinery at headquarters; it was for this reason that he suggested in his written statement that there should be a Director of Traffic (Passengers) at the Government of India headquarters.

5722. In reply to Sir Henry Ledgard, the witness stated that the Indian Passengers' and Traffic Relief Association has been in existence for the last eight years. It comprises 2,000 members, all of whom are subscribers. The minimum subscription was Rs. 1. Subscriptions had all been paid up-to-date.

FORTY-FIRST DAY.

(Lucknow.)

Wednesday, 16th February, 1921.

PRESENT:

Sir WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. F. J. HARVEY, Agent, O. and R. Railway, was called, and examined upon a written statement furnished by him to the Committee.

See Written Statement No. 62, Vol. IV., P. 215.

5723. Mr. Harvey said that the O. and R. Railway is almost wholly a broad-gauge line, only 80 miles of metre-gauge being comprised in the total mileage of 1,624.

5724. He said that his experience before he became Agent of the O. and R. Railway had been that of an engineer on State Railways, mostly on the North Western Railway, which line he left in 1917 on appointment as Chief Engineer of the O. and R. Railway. In the latter appointment he had remained until re-transferred to the North Western Railway in 1918, finally returning to the O. and R. Railway as Agent in 1919. He had had no experience in the Traffic Department.

5725. Questioned regarding the comparison in his written statement of the salaries of State railway and railway companies' officers, Mr. Harvey explained that it was by chance that he had taken the case of the Madras and Southern Mahratta Railway to illustrate his point, namely that generally somewhat higher salaries are paid by the companies: he said that the salaries on other company-managed lines are much the same as those on the Madras and Southern Mahratta Railway.

5726. With reference to the comparative rates of pay of chief engineers, Mr. Harvey explained that the engineers on the State lines are borne upon a "scale" as in the case of the Public Works Department, and that the Chief Engineer of the O. and R. Railway might be in any grade on the scale from the lowest rank of "Superintending Engineer" to the highest of "Chief Engineer." He did not therefore attach importance to the fact, brought out in his written evidence, that on the O. and R. Railway the

present pay of the Chief Engineer is only Rs. 1750-2150 as compared with Rs.2300-2750 for the Madras and Southern Mahratta Railway. The rates of pay on the State railways had recently been revised, the Agent of the O. and R. getting Rs. 3,000 whereas the Agents of the North Western Railway and Eastern Bengal Railway each receive Rs. 3,500 per mensem. The difference between the State Railway and companies rates of pay for such posts as those of Traffic Manager, Loco Carriage and Wagon Superintendents and other heads of Departments was not very great. He considered that the Chief Engineer should be paid more than anybody else except the Agent.

5727. Asked whether the Chief Engineer or the Traffic Manager was the more important of the two, he said he did not think that there was really much difference between the two on open lines, but thought that the Chief Engineer, having constructed the line and possessing higher technical qualifications, should be the better paid. He admitted however that, in making a railway a success from the receipts point of view, the Traffic Manager is doubtless the more important office.

5728. Mr. Harvey mentioned that the State Railway engineers, and the agents when, as is usual, drawn from the engineer service, are pensionable officials; the officers of the other departments, such as Traffic, Loco., etc., are usually non-pensionable and the conditions of service are more precisely comparable with those of companies staff, both receiving Provident Fund benefits; on condition of subscribing to the Fund at one-twelfth of salary, receiving from the Fund an equivalent bonus *plus* interest.

5729. Sir Arthur Anderson observed that in any case the pensions and Provident Fund bonus benefits are generally regarded as about of equal value.

5730. Mr. Harvey regarded the transfer of officers from one railway to another as a disadvantage of State management, because when an officer of one railway is transferred to another it takes him some little time to familiarise himself with conditions on the new line. He also regarded the practice of making promotion so largely by seniority as detrimental to efficiency.

5731. Mr. Harvey explained that, when he advocated the continuance of the existing administrative system, he only wanted that such of the railways as are at present managed by companies should continue to be managed by them, and, in the same way, that railways now controlled by the State should remain under its control. He saw no reason for any change.

5732. He considered the system of control by means of a Railway Board satisfactory, provided the Board has a sufficient number of experts to refer to. He did not think that they have enough now. They have no locomotive expert and no separate traffic expert. The Railway Board should, as at present, consist of three members, and should have a sufficient staff. The experts, the locomotive expert for instance, should not be members of the Board, but should be engaged in an advisory capacity when necessary, and need not necessarily be whole time officers. Mr. Harvey did not think that the appointment of an expert from any one railway would be unfair to his colleagues on others, assuming that probably the choice would fall on the best or on one as good as the others. He did not think that it would be a disadvantage that the rest of the expert's time should be spent on one railway. The chief engineer proposed by him in addition to the engineer of the Board would be a whole time officer holding a position of importance. He did not consider that it would be necessary for the Railway Board to employ on its staff a traffic officer of the same status and importance.

5733. As regards the delegation of increased powers to agents, Mr. Harvey considered that the Railway Board should sanction appointments above Rs. 500 a month, and have the final say on the promotion and dismissal of those who draw more than that figure. In reply to the Chairman, who asked how the Board could know the qualifications of those above Rs. 500 and not of those below it, Mr. Harvey said that officers often go up to Simla or Delhi, where they see the members of the Railway Board. Further, the latter are generally men from the State railways, and have had opportunities of getting to know the staff. In these and other ways the Railway Board would come to know the merits of the higher-paid staff.

5734. Referring to his recorded opinion that funds have been provided for construction of lines "unnecessarily," Mr. Harvey said that the money might better have been spent in increasing facilities rather than in constructing lines of doubtful necessity. The Chairman remarked that when Mr. Harvey used the word "unnecessarily" he probably meant rather "out of the proper order," in that it would be better if the new lines had been placed lower in the order of urgency. He asked Mr. Harvey if there are any non-paying lines on the O. and R. system. The witness replied that it was difficult to say, as there was only a single account for the whole of the system. There had been no new construction on the O. and R. Railway in recent years. He thought there are several non-paying branches on the North Western Railway, quite apart from the military portions of the railway. He cited, for instance, the Mandra Bhon Railway, a line promoted by a branch line company, the interest on the capital of which is guaranteed.

5735. With reference to the cutting down of funds for renewals, Mr. Harvey said that the upkeep of the North Western Railway is not what it should be. The renewals that were due were not done. The replacement of rails depends rather upon increases in axle-loads than on the wear of the rails. On the main line 75 lb. rails are replaced by 90 lb. rails, the 75 lb. rails going into a less important branch; those released on the Branch being in turn used for sidings. As a result of the delay in the renewal of old light rails heavy engines could not be used on the line.

5736. Mr. Harvey stated that the O. and R. Railway uses all sorts of sleepers, of cast iron, steel, hard and soft woods, etc. The sleepers were in need of replacement as in the early part of the war they could not be renewed owing to reduction of funds, and of late years there has been difficulty in getting a sufficient supply of sleepers.

5737. In the programme of permanent way renewals the O. and R. Railway is in a better position than the North Western Railway which he had left only in 1919. Except as regards two or three bridges the O. and R. Railway has none with permanent restrictions of speed. He could not say whether any period of life is fixed for locomotives or rails, but believed that the O. and R. Railway was fairly up-to-date in the matter of renewals of rolling stock and locomotives. (Mr. Harvey subsequently advised the Committee that there was a misunderstanding on this point—the locomotive renewals were in fact considerably in arrears, the programme having been cut down because of the known scarcity of money and the impossibility of getting locomotives from England during the war.)

5738. He could not say whether the State Railways are, as described by other witnesses, the "favourite children" of the Railway Board in regard to allotment of funds.

5739. Funds are, generally speaking, insufficient to put the existing lines in a position to deal with the traffic, though the O. and R. Railway is relatively in a better position than others. Increased traffic facilities, such as yards, are badly required. In reply to Mr. Hiley, Mr. Harvey said they wanted to spend money first of all on completely remodelling the yard of Lucknow, and then on improving railway facilities generally at Bareilly and Saharanpur. As far as Lucknow was concerned, recently a scheme had been sanctioned for shifting the locomotive yard so as to make room for a much larger traffic yard, but money was not provided to carry out the work.

5740. In regard to Saharanpur, Mr. Harvey said that he wanted the yard which was there already brought into use. At present there is a sorting yard which was constructed by the O. and R. Railway, but the N.W. Railway would not use it. The Railway Board, which is the master of both the administrations, had never been approached with a view of settling the disagreement. If the two railways concerned could not come to any agreement, the case would ultimately have to be referred to the board. He had been trying to come to terms with the N.W. Railway for the last eighteen months, since he was in Lucknow as Agent, and so far as he knew the case had not been reported to the Railway Board. Traffic has to go past the unused yard at present, into the N.W. Railway yard in which there is insufficient accommodation. He promised to furnish the Committee with a copy of a précis of this case which he had prepared in his office. [P.S. This was subsequently received and is appended hereto.]

5741. In reply to the Chairman, Mr. Harvey said that the O. and R. Railway offered a parallel route to the E.I.R. The line is used nearly up to its capacity but three more trains could be run each way. Whenever there was a block on the East Indian Railway, the practice of that line was simply to telegraph to the O. and R. Railway and say, "We are giving you so many more trains to-day." It might be for a particular place or it might be a particular kind of traffic. The period also varied considerably; it might be anything from a day to ten days. The traffic was moved by the engines of the O. and R. Railway. The shed at Moghal Sarai had usually a certain number of spare engines, but sometimes engines had specially to be sent down. Asked how the wagons came back, Mr. Harvey said that the O. and R. Railway were supposed to return the same number of empties as they got full, that is if they received two trains, they would have to give back two trains at Moghal Sarai. The wagons could be loaded back and credit for the mileage back secured.

5742. Mr. Harvey said that as regards the locomotive coal required by the North-Western Railway, practically the whole traffic routed *via* Saharanpur passes over the O. and R. Railway. Sir Henry Burt explained that the East Indian Railway had no option in this matter, as the North-Western Railway had power to require the East Indian to route the locomotive coal required by it through the nearest junction. This, however, they could not do as regards public coal.

5743. Referring to his observation in the written statement that coal is deficient, Mr. Harvey said that his railway was very short of coal. A few days ago stocks were as low as six days' supply on the whole line and three days supply in Lucknow. The position was much the same now, though there were some indications of deliveries getting better. Last Christmas they had to cancel something like 20 passenger trains over the whole system. It was bad at that time, and now the position is much worse. They have cut down more trains than in December last. This had nothing whatever to do with the strike now on the railway. According to the restricted time table, he would require 20,000 tons of coal every month. For the month of January he got only 13,000 tons; he did not know what the figure would be for February. He promised to furnish the Committee with a diagram showing the details of coal supplies since the end of December. Ordinarily, he should have a reserve of at least three months' supply of coal. He could not say that he was being less favourably treated than other railways.

5744. The Chairman observed that there were three possible reasons for the present shortage of coal: it might be that there was not enough output; or that there were not enough wagons; or it might be that the roads were blocked. He asked Mr. Harvey what in his view the actual reason was. Mr. Harvey said that the coal supply was dependent on junction facilities. In his opinion the railways kept on getting more wagons till they had the lines congested. The East Indian route from Asansol to Moghal Sarai is a direct one, and the O. and R. Railway could move the coal as fast as the East Indian could give it. The block, he was inclined to say was somewhere down near the collieries. What was wanted was complete trains properly marshalled. If coal were intended for the North Western Railway, the train should be composed entirely of wagons for that railway and none for the Oudh and Rohilkhand Railway, and should comprise no ordinary goods wagons.

5745. Mr. Harvey said that the Oudh and Rohilkhand Railway carries its own loco. coal, the North Western Railway loco. coal and also the Oudh and Rohilkhand public coal. He did not know the exact amount of public coal carried, but thought that it was relatively very small. The North Western Railway loco. coal came to two to three trains or about 2,000 tons a day.

5746. In reply to Sir Arthur Anderson, Mr. Harvey said that it takes nearly five days on an average for coal to reach Lucknow from the fields. Of these five days only one was spent on his line.

5747. With reference to his remark in the written statement that a sum of Rs. 60-70 lakhs per year could be economically spent over the next ten years on improving the line, the Chairman asked Mr. Harvey on what works he would wish to spend that amount. Mr. Harvey said that the line from Lakhsar to Saharanpur would require to be doubled and then probably the line from Lucknow to Bareilly. He had not been asked to alter the Oudh and Rohilkhand terminal at Cawnpore in connection with the improvement scheme, and he did not think that this would concern the Oudh and Rohilkhand Railway very much. The railways had not yet seriously put their heads together to work out this scheme. They had had meetings at intervals to consider questions of level crossings, etc., but not with regard to the Central Station, and he had not been asked to agree to anything definite yet.

5748. Referring to his observation in the written statement that capital funds should be divorced from the general finances, the Chairman asked whether he meant that the revenue funds should still be retained as at present in the general budget. Mr. Harvey said that he had not considered that point, but he agreed that the word "capital" might be expunged.

5749. With reference to Mr. Harvey's remark that capital funds must be utilised before the end of the financial year, the Chairman pointed out that the revenue grants lapse in the same way as capital. Though they might be re-granted as a matter of course, the accounts were closed peremptorily at the end of the year.

5750. Alluding to Mr. Harvey's remark that "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," the Chairman asked whether that was something peculiar to the climate of Northern India. Mr. Harvey said that in Bombay the railways can do a lot of work during June, July and August, but that in Northern India not much could be done in those months because of the heat and the rains. Works had to be rushed through in the last three months of the financial year, as it was only by the end of December that it could be seen clearly how much would otherwise be likely to lapse to Government.

5751. Referring to his remark that railway rates and fares should be raised from 25 to 33 per cent., Mr. Harvey said that he had investigated the matter, and he promised to give the figures later. In view of enhanced costs of labour and stores, he considered that it would undoubtedly be necessary considerably to increase gross earnings, and that rates and fares must be raised for this purpose, as nothing more than a normal increase in traffic could be anticipated;

the difficulty was to say how much of the increase should be levied on passengers and how much on goods. On his line he thought half should go on passengers and half on goods. If passenger fares were to be increased it would be easy to calculate the amount, as the number of passenger miles would be fairly well known. He did not think that an increase in passenger fares would result in any loss of traffic even for a time. The Chairman observed that experience in England had been often otherwise. Mr. Harvey explained that the passenger traffic on the Oudh and Rohilkhand Railway is largely *mela* traffic, that is to say, people go in large numbers to the religious festivals at Benares, Allahabad, Hardwar, Ajodhya and many other places. He thought they would travel whether the fares be raised or not. When the railway had been unable to run special trains, people went even by bullock cart. Probably an increase in fares might affect the Punjab, which is not so rich. There was no fear of other lines getting the traffic. As an instance, he said that recently the Oudh and Rohilkhand Railway had had to clear some 50,000 passengers from Allahabad who were left behind because the ordinary trains had not been able to carry them. These might have been brought there by the East Indian or the Bengal and North Western Railway. As regards goods, Mr. Harvey said that rates could not be increased on an all-round percentage basis, as some of the traffic would not stand it.

5752. Asked to explain what he meant by saying that the carrying capacity of the Northern Railways is inadequate to the requirements of the public, Mr. Harvey said that the carrying capacity of the East Indian, the Oudh and Rohilkhand and North Western Railways was inadequate owing to want of facilities for dealing with stock in handling, sorting yards, and things of that kind; and that, as a result of these inadequate facilities, traffic could not be worked efficiently.

5753. In reply to the Chairman, Mr. Harvey said that Lakhsar to Saharanpur was the heaviest section on the Oudh and Rohilkhand Railway, over which 14 trains each way, both goods and passengers, are run. He regarded this section as crowded, as it had very nearly reached its limit, 17 trains each way being the maximum.

5754. In reply to Sir Henry Burt, Mr. Harvey said that he had applied for a capital grant of Rs. 90 lakhs for the year 1920-21, but got only Rs. 40 lakhs; for the coming year he had asked for a grant of Rs. 96 lakhs, the tentative allotment being only Rs. 37 lakhs, of which roughly about Rs. 28 lakhs would have to go to meet commitments already existing. He promised to let the Committee have the exact figures later, and subsequently furnished the following figures:—

The exact figures capital grant are:—

	Applied for.	Preliminary grant.	Final figures.
1920-21	90 ...	40 ...	82
1921-22	96 ...	37 ...	—
			Lakhs.
Thrown forward to 1920-21			28
,, ,, ,, 1921-22			48*

5755. In answer to Mr. Hiley, Mr. Harvey said that a scheme had been sanctioned for Rs. 16 lakhs for the Lucknow yard, but that the money had not been provided. The scheme relating to it was only sent up for sanction this year. By effective train control, which would prevent unnecessary blocks and stops, two more trains could be run.

5756. Referring to Mr. Harvey's remark in the written statement that in some cases the upkeep of the line is not as it should be, Sir Arthur Anderson inquired whether he was right in understanding Mr. Harvey to say in answer to the Chairman that renewals of all kinds were up to date. Mr. Harvey said that his answer to the Chairman had reference only to the O. & R. Railway, whereas the remark in his written statement had reference more to the North-Western Railway. In his opinion the O. & R. Railway were not so badly off. In this connection the Chairman asked the witness to explain how this came about. He mentioned that the Committee had been told by some of the company men that the Government railways are favoured by the Railway Board, and asked whether Mr. Harvey could suggest any other explanation; he thought that it might perhaps be the case that the traffic on this line was fairly steady, so that it had not exceeded the original facilities as badly as on other lines. Mr. Harvey said that he thought there was a good deal in this.

5757. In reply to the Chairman, Mr. Harvey said that he had serving under him several Indian Assistant Traffic Superintendents and one or two District Traffic Superintendents. There were no Indians in the Locomotive Department. His general experience of Indian officers on the whole was that they were less efficient that Europeans. The salaries of superior officers had not been increased in India to the same extent as in other countries. He agreed with the Chairman that nobody would come to India for the same salary as he could get by stopping out of it. He thought that the supply of qualified Europeans for employment in India was running short.

P.S.—Mr. Harvey subsequently furnished the following information to the Committee:—

Statement showing the Financial Position of the Oudh and Rohilkhand Railway (excluding the Hardwar-Dehra Railway).

Year.	Gross capital outlay.	Gross revenue.	Working expenses.	Nett revenue.	Percentage of working expenses (on gross revenue).	Percentage of nett Rev on gross capital outlay.	Interest and other charges against nett. Rev. earnings.	Clear profits to Government.	Percentage of nett Profit on capital.
	Rs.	Rs.	Rs.	Rs.			Rs.	Rs.	
1917-18	22,48,02,181	2,85,32,134	1,08,77,865	1,76,54,269	38·12	7·85	91,95,208	84,59,061	3·76
1918-19	22,54,79,867	3,29,56,941	1,35,71,164	1,93,85,777	41·18	8·60	91,93,741	1,01,92,036	4·52
1919-20	22,90,64,511	3,16,06,119	1,78,45,423	1,37,60,696	54·62	6·00	93,11,992	44,48,704	1·94
A	23,00,00,000	3,20,00,000	2,28,00,000	92,00,000	71·25	4·00	94,00,000	—2,00,000	
B	23,00,00,000	4,12,00,000	2,28,00,000	1,84,00,000	55·34	8·00	94,00,000	90,00,000	3·91

Note.—Figures in "A" represent present working expenses as they are and the gross receipts as anticipated this year. Unless the gross receipts increase considerably, there will be a dead loss to Government. The figures in "B" show that if we can increase the gross receipts to Rs. 4,12,00,000, we can show,

* Latest revised figures.

with same working expenses, a nett profit of 4 per cent. This means an increase of 33 per cent. in our gross earnings, which may be divided equally between fares and rates. The gross receipts from third-class passengers were Rs. 122 lakhs in 1919–20; if we raise all passenger fares 33 per cent. we get 40 lakhs from third class and 48 lakhs from all classes, leaving 44 lakhs to be obtained from goods traffic. The goods rates cannot be uniformly raised 33 per cent., as certain classes cannot stand it.

Statement showing number of Oudh and Rohilkhand Railway trains reduced since November owing to shortage of Coal.

Period.	No. of trains worked.	Daily train mileage.
1st November to 1st December, 1920 ...	88	9,485
1st December to 19th December, 1920 ...	86	9,298
20th December, 1920, to 14th January, 1921	55	6,893
15th January, 1921, to 16th February, 1921	43	6,459

Note.—Extract from Agent's letter forwarding the above:—

"I also add for the information of the Committee that at Moghalsarai we can take on the average five trains per day, as follows:—

"2½ trains, North Western Railway, loco. coal.
"½ train, Oudh & Rohilkhand Railway, loco. coal.
"2 trains, public goods of all sorts, including coal.

"We can increase this by two more if we can get more engines."

(*Memorandum referred to in paragraph* 5740.)

KHANALAMPURA JOINT GOODS YARD, NEAR SAHARANPUR.

The yard was opened in August, 1914.

All goods trains were being dealt with at Khanalampura except North Western Railway up and down van goods trains, which continued to be dealt with at Saharanpur.

In the absence of an agreement for interchange of stock, the following procedure was adopted as a purely temporary arrangement by the District Traffic Superintendents, Moradabad and Saharanpur:—

(1) Saharanpur Junction was the point of interchange for all coaching stock.
(2) Khanalampura was the point of interchange for all goods stock.

A wagon was considered as made over from North Western Railway to Oudh and Rohilkhand Railway at the time of its entry in the number-taker's book on arrival at Khanalampura from Saharanpur or Tapri. A wagon was considered as made over from the Oudh and Rohilkhand Railway to North Western Railway at the time of its entry in the number-taker's book on arrival at Khanalampura from Moradabad.

In September, 1915, the Agent, North Western Railway *inter alia* stated that, in view of the small amount of traffic then being dealt with at Khanalampura yard, he did not think it necessary to keep the yard open. He considered that the maintaining of the yard was not necessary, and he proposed to close it down and revert to the old system of dealing with all goods trains for both railways in Saharanpur yard as long as traffic did not justify keeping the yard open.

(3) We replied that it would be a bad policy to close down the yard, but suggested that the Traffic Managers of the two railways should go into the matter jointly on the spot and come to an agreement on the different points at issue and opening and working of the new yard.

(4) A meeting between the Traffic Managers of the two railways was held in January, 1916. Of the two alternatives discussed, namely:—

(*a*) To complete the Khanalampura yard so that all interchange and transhipment work could be carried out there; and
(*b*) To close down Khanalampura except as a yard for the stabling of stock (in case such could not be accommodated in Saharanpur yard), and do all the marshalling and interchange work of goods trains in Saharanpur yard.

The Oudh and Rohilkhand Railway favoured (*b*).

The Agent, North Western Railway, also accepted the alternative (*b*), as also payment of the North Western Railway share on a wagon basis from 1st August, 1914, and enquired whether the Oudh and Rohilkhand Railway agreed with him, so that necessary steps could be taken to close down Khanalampura yard except for the stabling of stock.

A further meeting was held between the Agents and Traffic Managers of the two railways in December, 1916, to discuss proposals in connection with the closing of the Khanalampura yard.

The Oudh and Rohilkhand Railway agreed to the following:—

(i) Khanalampura joint yard to be opened and worked when the traffic through the Saharanpur station was heavy, and in the opinion of the Traffic Manager, North Western Railway, the opening of Khanalampura was considered essential, provided the North Western Railway guaranteed that the traffic to and from the Oudh and Rohilkhand Railway interchanged at Saharanpur was freely moved without causing any block on the Oudh and Rohilkhand Railway. The Oudh and Rohilkhand Railway to give timely warning to the North Western Railway in the event of any abnormal rise in goods or mela traffic being expected.
(ii) When traffic fell and the Traffic Manager, North Western Railway, decided to close the yard, it would be closed as a joint yard.
(iii) When the above conditions did not apply, the yard would be used as a stabling yard, and whilst used for stabling, no interchange of wagons would take place at Khanalampura.
(iv) When the North Western Railway did not require the use of the yard it would be optional with the Oudh and Rohilkhand Railway to keep the yard open for its own traffic, no interchange of wagons would take place at Khanalampura. The yard would be disconnected at Tapri, and the North Western Railway would bear no share in the working expenses.
(v) The joint station expenses to be apportioned on a wagon basis, and should be divided rateably between the two railways according to the total number of vehicles brought into and taken out of the yard by each railway, plus half the number of vehicles interchanged.

The following was also agreed to after discussion:—

(i) In the event of Khanalampura yard being temporarily opened by the North Western Railway for Oudh and Rohilkhand Railway (such a contingency arising due to accident outside the limits of the joint yard), the railway concerned will bear the working expenses for the time being.

(ii) If either railway uses Khanalampura for the purpose of stabling stock, such railway will be responsible for the working expenses of the staff, &c., employed during the period for which it is used for stabling, but no other charges will be levied.

(iii) The double line section between Saharanpur and Khanalampura will not be charged as joint, but to Oudh and Rohilkhand Railway.

The Agent, North Western Railway, in forwarding to Agent, Oudh and Rohilkhand Railway, a copy of the Minutes of this Meeting thought that the simplest and best plan would be for each railway to bear half the interest charges on the whole yard and all works connected therewith, and that two separate sets of conditions should be drawn up:—

(1) For working this joint yard when open to traffic.
(2) For working the yard when closed.

The yard was, with the sanction of the Railway Board, closed in December, 1916.

The agreements are under preparation, and will be sent to the Agent, North Western Railway, for acceptance, when the question of re-opening the yard *permanently*, recently suggested to him by this railway, has been finally decided. This suggestion has been made in consequence of the Saharanpur yard having now been found too cramped to deal efficiently with all the goods traffic of both railways.

FORTY-SECOND DAY.

(Lucknow).

Thursday, 17th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Lieutenant-Colonel W. R. IZAT, R.E., D.S.O., Agent, Bengal and North-Western Railway Company, accompanied by Mr. J. WESTWOOD, Traffic Manager, and Mr. E. M. SLANE, Chief Auditor, was called and examined upon a written statement which he had furnished to the Committee.

5758. Colonel Izat stated that he had 20 years' experience on State railways, practically during the whole of which he had been employed as an engineer. He went to a company's line for the first time as manager of the Bengal Dooars Railway Company. He joined the Bengal and North-Western Railway Company as chief engineer in 1919, and was promoted to be Agent about a year ago. He had no experience in the traffic department before his appointment as Agent.

5759. He stated that the mileage of the Bengal and North-Western Railway system is about 2,060, some 1,220 miles being the company's own line, of which the capital is £6,400,000, the capital for the State Railway worked by the company having been found by the Government of India. Colonel Izat stated that the Bengal and North-Western Railway Company had received no assistance from the State except in regard to the supply of land free of cost. It was not until the Tirhut Railway was taken over for management that the company were much concerned with the State. Since that time Government has exercised practically the same kind and degree of control in questions of management as in the case of the Guaranteed Railway Companies.

5760. Colonel Izat explained that the purchase price of the company's lines, in the event of Government exercising its option of purchase in 1932, will be based upon the earnings of the years 1908 to 1912, inclusive. Under existing special contractual arrangements additional capital will be raised by the company with the sanction of the Secretary of State for both the company's and the State lines by means of joint debenture stock, which will be apportioned between the company's and the State lines in accordance with their requirements, so much as may be allocated to the company being a burden on the revenues of the Bengal and North-Western Railway Company, the State being liable for the rest.

5761. Colonel Izat stated that, in mentioning in his written evidence that the State had obtained a closer supervision and control over the working of the company's line as a result of taking over the Tirhut Railway, he had in mind especially the exercise of closer control over financial matters.

5762. Some discussion followed with regard to the extent of the Government control over the quotation of rates and fares by the Bengal and North-Western Railway Company, as a result of which it appears that the present position is as follows: As regards the company's lines, rates and fares must be approved by the Government, who may require the charge for salt, coal and food grains carried not less than 100 miles in full-wagon loads to be reduced to any rate not below 1-5th pie per maund per mile and for passengers not below 2 pies per mile. As regards the open system for the carriage of through passengers and goods over the company's railways, of all through and local passengers and goods over the Tirhut Railway undertaking, and of all passengers and goods from and to the undertaking or any connected railway carried over the company's railway, or any foreign railway connected therewith, the Government have the power to fix and vary the classification for passengers and goods and the maxima and minima rates and fares for the several classes respectively. Until otherwise fixed, no rate for goods is to be higher than 1 pie or lower than 1-10th pie per maund per mile. Colonel Izat admitted that this practically meant that the company is no more free in these matters than any other railway administration.

5763. Colonel Izat expressed the opinion that at Gorakhpur, the headquarters of his railway, it would not be possible to obtain members possessing the necessary qualifications to serve on a board of direction or advisory committee. Asked what machinery he has for getting into touch with the third-class passengers and for attending to their requirements, he thought that the case is met by the efforts which the agent and his staff make to get personal information on such matters. He observed that the Local Governments of the United Provinces and of Bihar and Orissa also refer to the company matters affecting the public interests. He agreed, however, that if some machinery could be devised to help the lower class passengers to approach the railway administration, it would be a useful thing.

5764. In answer to Mr. Purshotamdas Thakurdas, who asked in what local newspapers public opinion in such matters might find expression, Colonel Izat referred to the "Bihari" and several other papers published in Patna and the "Leader" published in Allahabad. He said that he receives cuttings from the various newspapers from the Senior Government Inspector.

5765. In reply to Sir Henry Ledgard, he said that he thought it would be difficult to get suitable members for an Advisory Committee from places such as Cawnpore, Lucknow and other important centres in the United Provinces, and Bihar. He thought it would be inconvenient for such persons to visit Gorakhpur, and observed that the railway has no stations at Lucknow and Cawnpore. He referred in this connection to the Board of Communications in the United Provinces. He said that he was not in possession of details as to the constitution of this Board, but understood that it was set up by the Local Government. He himself had applied to be, and had been, placed upon it. This Board meets under the Chairmanship of a Commissioner, and comprises several Deputy Commissioners, representatives of Chambers of Commerce, and of District Boards, as well as of the Forest and Public Works Departments. He had himself attended two meetings of the Board of Communications, which assembles about once in three months. He was not aware whether any similar Board exists in Bihar. Sir Henry Ledgard observed that he thought that the discussions of the corresponding Board in Bihar refer chiefly to roads and communications. The Chairman remarked that it would be desirable to obtain further information in this connection from the Local Government.

5766. Colonel Izat stated that he thought that the Bengal and North-Western Railway Company's facilities are, generally speaking, adequate for the traffic offering. He would like to have a little more rolling stock, but thought that the line is better off in this respect than most of the Indian Railways. Normally, there is more Bengal and North-Western Railway stock on other lines than foreign line stock on the Bengal and North-Western Railway.

5767. Referring to the statement appended to his written evidence indicating the nature of restrictions imposed on traffic by other lines from the Bengal and North-Western Railway, Colonel Izat explained that the terms 'restriction of booking,' 'reduction of allotment,' and 'limitation of traffic' were used in the same sense. With regard to the junctions specified in that statement, he explained that normally the Bengal and North-Western Railway would be prepared to offer about 600 tons, daily, of traffic to the Oudh and Rohilkhand Railway *viâ* Bara Banki, and to work up to a maximum of about 250 tons *viâ* Benares. At Mokameh Ghat, as much as 400 metre gauge wagons or 4,000 tons had been passed in both directions on occasion, he thought that probably about 200 wagon loads or 2,000 tons could be offered *viâ* that route. At Bhagalpur, the congestion is not serious, but *viâ* Allahabad city, about 120 tons could be given daily. He thought that the restriction of traffic indicated in his statement was typical of the post-war situation. Before the war, congestion had occurred only at busy seasons of the year, though it had been sufficiently serious to lead to a strong representation from the Bengal and North-Western Railway to the India Office in October, 1912, against the difficulties experienced by the railway and the need for extensions. In the year 1920, the restrictions of traffic continued serious until about the beginning of July. The Company had complained on the subject to the Secretary of State in June, but Colonel Izat was not prepared to say that the withdrawal of restrictions in the following month was due directly to this reference, the busy season of the year being February, March and April some slackening of pressure would in any event have been expected about June or July.

5768. In connection with this matter, Mr. Westwood gave further particulars of restrictions existing in 1920 of which the principal items are summarised in the last statement accompanying Colonel Izat's written evidence. He observed that only at Mokameh Ghat has any serious restriction remained after the 21st July, 1920. In the current year, matters had been better so far, and traffic had been freely accepted by other lines at the junction stations, except in the case of the Oudh and Rohilkhand Railway for reasons connected with the present strike. Mr. Westwood however feared that restrictions at the junction stations might again be imposed during the approaching busy season. He explained that when bookings are restricted in this manner, the railways still accept goods at the stations but they do not give receipts for them and merchants withhold the presentation of goods to some extent for fear of damage and loss while awaiting transport. Colonel Izat stated that he had heard of payments being made for wagon supplies, but did not think that this was serious on the Bengal and North-Western Railway. He had not had specific complaints on the subject.

5769. In reply to Mr. Hiley, who drew attention to the figures given in Colonel Izat's last statement, of the quantity of traffic awaiting despatch, because of restrictions imposed by the East Indian and the Oudh and Rohilkhand Railway administrations, Colonel Izat observed that the figures must be to some extent misleading as they would not include the quantity of goods which merchants retain in their godowns until such time as bookings are reopened. The Chairman drew attention to the apparent inconsistency between the reason assigned in the statement just quoted for the restrictions, namely shortage of broad gauge wagons, and that given in the body of Colonel Izat's statement ascribing it to congestion at the Howrah sheds.

5770. Questioned with regard to his written statement that though the administration had not previously suffered much from the existing annual Budget system, it had recently experienced difficulty in obtaining funds to cover commitments owing to money which was set aside from revenue for this purpose, having apparently been utilised by Government for other purposes and not now being available, Colonel Izat explained that as regards the Tirhut line the usual Budget system has to be conformed to, although this is not in all respects the case in regard to the company's own lines. As regards revenue receipts and expenditure, these for the whole line are paid into and drawn from the Government treasuries for the whole system. In the case of such work as rail renewals, if on the Bengal and North-Western Railway proper the capital portion of the charge could be incurred without reference to Government, but Government sanction would be necessary, as in the case of a guaranteed railway, to the execution of the work and to the provision of the revenue portion of the funds. Colonel Izat agreed that in practice the

only difference relates to the source of supply of the capital funds in such cases.

5771. With regard to the creation of a Renewal Reserve Fund, Mr. Slane explained that reserve funds had been created during the war. In the case of permanent way, the fund established related only to the company's portion of the line, but in regard to rolling stock, which is used jointly, the company had applied for permission to put aside a certain amount from revenue, and this was agreed to, the case of both the company's and State's rolling stock being provided for. Since the war some difficulty was experienced in obtaining from the Government a grant from the renewal fund thus created to meet the Tirhut State Railway's share of the rolling stock renewals. So far as the company's share is concerned the money was available. Colonel Izat stated that permanent way renewals are not very much behindhand.

5772. Sir Henry Burt explained that, in the case of the rolling stock renewal fund, the revenue of the line had been debited with the amounts which were intended to be set apart as a reserve. Colonel Izat could not say whether there would be any record anywhere in the books of either the Railway Department or the Finance Department showing this allocation to the reserve for the Tirhut Railway rolling stock. He did not think that the reserve was shown separately in the Imperial Budget.

5773. Colonel Izat expressed the opinion that it is desirable that the head of the Railway Administration, at present the President of the Railway Board, should be given a higher status and position, and should have the right at least to attend and take part in all meetings of the Viceroy's Executive Council when railway questions are debated. He thought he should also be the supreme head of the Railway Board.

5774. He believed that the Railway Board is overburdened with a mass of detailed work relating to salaries and leave allowances and other relatively unimportant matters, leaving the members little or no time for the consideration of larger questions of railway policy.

5775. Colonel Izat stated that he visits Simla annually to discuss the railway programme of works, which is prepared in the same way as regards the Tirhut State Railway, as is done by the agents of guaranteed railways for their undertakings. In the case of Revenue Budget proposals, figures for the whole system are shown, but are subdivided into the State's and company's portions. Asked how the case of the joint rolling stock is provided for in the Tirhut Railway capital programme, Colonel Izat explained that it is the practice to work out the amounts separately of the company's and State railway shares, having regard to the provisions of the working agreement bearing on the distribution of the cost of such expenditure, and to the extent to which these provisions have been actually carried into effect in the case of previous purchases of additional rolling stock. The proportion also depends upon the use made of the wagons, as indicated by the varying earnings on the lines both of the State and the company. The amount thus arrived at as representing the State's share is included in the Tirhut Railway Capital Budget. Colonel Izat agreed that the Chairman correctly summed the case up in stating that there is a process of calculation for the purpose of ascertaining who shall pay and in what proportion for the stock added at a given time. As regards distribution whoever pays gets the engines or rolling stock.

5776. In reply to Sir Arthur Anderson, Colonel Izat stated that the practice of the company is not to defer renewals until the rails are worn out, but to lift the line at an earlier stage to release rails and materials for use on extensions and branch lines.

5777. Colonel Izat explained further with reference to the difficulty experienced in obtaining an allotment of funds against reserves specifically set aside by the railway and written off to working expenses that there had been some disagreement with regard to the credits on account of rolling stock sent to Mesopotamia during the war. An agreement had been reached between the chairman of the railway and the Railway Board at Delhi last year, and the company had placed orders for stock required for renewals on the assumption that the necessary funds would be forthcoming. Subsequently, however, there was some difficulty in the matter of supply of funds.

5778. In reply to Sir Henry Ledgard, Colonel Izat stated that there are at present one Indian assistant traffic superintendent and one Indian probationer in the Audit Department, no Indians being employed in the Locomotive Department or other branches. There is no special system for training Indians for the officers' grade on the Bengal and North-Western Railway, nor has this been contemplated by the company.

5779. Questioned by Mr. Hiley, Colonel Izat said that when he wrote to the London Board in general regarding restrictions on traffic he did not write to the Railway Board as well. There were complaints from merchants which the Railway Board forwarded to him, and he replied to them that he was prepared to carry traffic if the restrictions were removed. He did not apply to the Railway Board for relief. The railway has no definite scheme for outlets of its own nor has it any in contemplation. The construction of the Mokameh Bridge was now out of the question, the estimated cost being very high.

5780. Colonel Izat considered that members of the Chamber of Commerce, for instance in Cawnpore, would be satisfactory representatives on the Board of Communications so far as Cawnpore arrangements are concerned. Civil officials in the different districts are closely in touch with the public of their own districts; therefore from that point of view they would be good representatives of the public on the Board.

5781. In reply to Mr. Purshotamdas, Colonel Izat said that it was his impression that the third-class passengers are satisfied with the facilities that they have got at present. He agreed to furnish the Committee with a list of the improvements that were made on the lines of the recommendations made by a conference summoned by the Oudh and Rohilkhand Railway in 1903 of representatives from various districts served by it. Colonel Izat admitted that third-class passengers probably would still desire to have more accommodation during the rushes at *melas*. He had not heard of any particular complaints, and would expect to hear of them, either directly or through his officers, if there were any grievances requiring redress. He stated that he would not regard as a nuisance the creation of any sort of committee associated with the railway administration for the purpose of representing the public; his only objection was that he did not think that suitable members could be obtained who would be willing to visit Gorakhpur periodically.

5782. Colonel Izat stated that in the superior grades of the railway there are 50 Europeans and only two Indians. These had been appointed only a year ago. Formerly no Indians had been appointed on the railway. The company had no idea of forming a training school for the education of Indian railway officers. If such officers were appointed, he would prefer to have men from the districts served by the railway, though he would not regard Indians from other parts of India as disqualified for employment on the line. In answer to Sir Henry Burt, he explained that his view was that it would be better to employ Indians of local origin than those from distant parts of the country. In answer to the Chairman he said he was not prepared to say whether the company would have been wiser to have made an earlier beginning in the employment of Indian officers on the railway.

P.S.—The witness forwarded subsequently, as promised, a statement showing the action taken by the Bengal and North Western Railway on the recommendations made at the Conference held in December, 1903, to consider the comfort and convenience of third-class passengers. The action taken since 1904 may be summarised as follows:—

Increased accommodation.

There is an annual programme for building 30 additional bogie passenger vehicles and rebuilding 30 old vehicles. The result of which is to reduce the use of goods vehicles for the conveyance of passengers during melas.

Passenger waiting sheds.

A number have been added, and more are contemplated when funds are available.

Arrangements for water.

Improved arrangements have been made at some of the more important stations, and more are under consideration or in process of building. Additional watermen are posted in the hot weather.

Refreshments.

Vendors' shops have been built at many of the important stations, and more are in course of construction.

Female compartments.

The railway is at present trying to arrange for separate female intermediate compartments on all trains; they exist now on all except unimportant branches.

Mr. E. C. MUMME, Acting Agent and Chief Engineer of the Rohilkund and Kumaon Railway Company, accompanied by Mr. G. D. LAURIE, Auditor, and Mr. H. C. STRACHAN, Traffic Manager, was called and examined upon a statement which he had furnished to the Committee.

5783. Mr. Mumme stated that he had been employed wholly in the Engineering Department prior to his appointment as officiating agent in May, 1920. His experience had been gained mostly on the B. & N.W. Railway on which he had been Assistant and District Engineer until he was transferred to the charge of the Rohilkund and Kumaon Railway. He had no State railway experience.

5784. The Company has now some 15 contracts with Government, and manages 575 miles of railway, of which 317 miles belong to the State and 258 to the Company. Mr. Mumme stated that the R. & K. Railway Company came into existence in 1882 and took over the Lucknow-Bareilly State Railway on lease in 1891. The latter railway runs from Lucknow to Bareilly *via* Sitapur and Pilibhit with two branches, one from Mailani and the other from Pilibhit. Mr. Mumme explained that the arrangement between the R. & K. Railway Company and Government in connection with the working of the Lucknow-Bareilly State Railway is very similar to that existing between the B. & N.W. Railway Company and the State in respect of the Tirhut State Railway. The original capital of the Lucknow-Bareilly Railway was provided by the State, but new capital is advanced by the R. & K. Railway Company and interest is charged upon it. Government have the option of purchase of the Company's line in 1932 and, in the event of exercising that option, the purchase price will be based upon the earnings of the five years ending with 1912, as in the case of the B. & N. W. Railway Company's line.

5785. With regard to the question of extensions of the system, Mr. Mumme explained that the extension to Kasganj already exists and brings the line into contact there with the B.B. & C.I. narrow gauge, thus giving a through metre gauge route to the Rajputana-Malwa and Jodhpore-Bikaneer railways. The Company desired to extend their line from Kasganj to Agra and also to Delhi to afford convenient communications with those important trade centres. Objection had been taken by the Government of India on the ground that the 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. As an instance of the inconvenience caused to trade by the maintenance of this policy, Mr. Mumme mentioned the important timber trade with Delhi and Agra. He said it was very inconvenient to have to tranship closely packed metre gauge vehicles into broad gauge vehicles *en route*. Mr. Mumme estimated the cost of transhipping from metre gauge to broad gauge wagons at about Rs. 1/- per ton, the freight on timber being 7 pies per ton per mile. It followed that the cost of transhipment equals roughly about 26 miles freight. He urged that the convenience to through traffic would justify the carriage of timber by a route of a greater excess length than this, as an alternative to carrying it by a shorter route involving a break of gauge.

5786. The Chairman said that he did not propose to question Mr. Mumme with regard to his views on the general question of State versus company management, as the points made in his written statement were generally similar to those which had already been brought forward by, and discussed with, others.

5787. Mr. Mumme stated that he could not express any opinion as to whether there is a material difference between the outlook of a company such as the R. & K. Railway Company, which has a large stake in the concern (owning as it does roughly one half of the whole system administered by it) and that of a company which has only a comparatively small interest, such as 1/20th or so, as in the case of most of the guaranteed railway companies.

5788. Mr. Mumme stated that there are five Directors of the R. & K. Railway Company. The war had prevented their making frequent visits to India during recent years, but they had had frequent visits from the Chairman of the line and within recent years two visits from other Directors also.

5789. The R. & K. Railway system lies wholly in the United Provinces, and Mr. Mumme stated that he was constantly in touch with the public, the local Government and the officers in charge of Civil Districts. He was also a member of the Upper India Chamber of Commerce and the Board of Communications in the United Provinces. He explained that the latter body is a recent creation of the local Government. It comprises Government officials, railway members and traders. The District Boards are represented by the Collectors who are also Chairmen of the District Boards in these provinces. The Board has a Secretary and when any questions arise with regard to extra communications in the province being required, these are discussed and recommendations are made to Government. The Board is merely an advisory one and any member can bring forward any matter of interest to it. Mr. Mumme stated that he had attended three meetings of the Board, these taking place about once a quarter. He thought it a useful body whose recommendations receive consideration. The Board could recommend the con-

struction of a road for which the Provincial Government finds the money. In the case of extensions to the R. & K. Railway they were recommended by the Board of Communications to the local Government who put the case before the Railway Board. The local Government did not make any suggestion as to how these should be financed. Probably they expected the R. & K. Railway to find the money. Mr. Mumme stated that his Board of Directors has the question of provision of funds for extensions under consideration.

5790. Mr. Mumme stated that he had not yet attended a meeting of the Upper India Chamber of Commerce, as he is not on the Committee and had only held his present appointment for nine months. Sir Henry Ledgard explained that the Chamber meets only once annually, the work being done by a Committee which meets frequently.

5791. With reference to Mr. Mumme's recorded opinion that the present Government control over rates and fares by means of fixing maxima and minima rates is satisfactory, the Chairman suggested that the company's powers of altering rates and fares within the maxima and minima might be regarded by merchants as too liberal. Without imputing any desire to do this he suggested that the railway administration might conceivably charge unreasonable rates for particular services or to particular places or even individuals. Mr. Strachan repudiated the suggestion that the administration would act unreasonably in such matters, but he admitted that there is at least theoretical scope for injustice. Subsequently, however, he drew the attention of the Committee to the provision of the company's contract which precludes it from showing undue preference or prejudice, and he thought that under the operation of the contract, the Secretary of State would have remedy, if the company were to act in the manner suggested.

5792. With regard to Mr. Mumme's opinion that it is not likely that the R. & K. Railway will have to ask for an increase of the sanctioned maxima rates, and that the company will be able, when necessary, to cover the enhanced cost of working without exceeding the existing prescribed limits, Mr. Strachan explained that an all round terminal charge of six pies per maund had recently been placed on all traffic not handled in wagon loads. The Chairman observed that such a terminal corresponding roughly to a shilling per ton, is quite a substantial charge. Mr. Strachan explained that this charge was levied irrespective of distance. He did not think that it had the effect of driving any traffic from the railway to the roads. In reply to Mr. Purshotamdas he explained that the railways are at liberty to charge reasonable terminals, in addition to the rates within the prescribed maxima and minima, without the special sanction of the Railway Board. The administration is subject to no direct check in this matter but is liable to be required to justify its action if challenged. Mr. Strachan said that traders and people interested in proposed increases of rates are usually sounded before the administration decides on altering its charges. He presumed that his predecessor had done this in the present case before preposing the six pie terminal.

5793. With regard to the principal commodities handled by the R. & K. Railway Mr. Mumme mentioned that these are grains and seeds, jaggree (molasses), san (hemp) and sawn timber. He explained that the export traffic goes mostly towards Bombay and Karachi and not towards Calcutta.

5794. With regard to the imposition of restrictions by other railways on the receipt of traffic from the R. & K. Railway, Mr. Mumme promised that he would send in statements for the information of the Committee on similar lines to those given in Colonel Izat's written evidence in respect of the B. & N.W. Railway. Mr. Strachan stated that at the present moment traffic is restricted on the Kasganj route to Karachi. Up to the day before his coming to give evidence it had been possible to clear the traffic within the "allotment" of 100 wagons per day, but on that day the allotment had been reduced to 35 wagons.

5795. With regard to wagons he stated that there is usually a heavy balance of R. & K. Railway wagons on foreign railways, which had sometimes been as high as 50 per cent. of their stock. He stated that if the railway presses foreign lines for the return of its stock, restrictions are immediately placed on the receipt of traffic by those lines from the R. & K. Railway. He did not think this unreasonable from the point of view of the railways concerned as it meant that they had to return stock in a hurry which would lead to uneconomical working.

5796. With regard to the congestion at the points where the R. & K. Railway meets the broad gauge, Mr. Strachan stated that an improvement took place last year as the result of a meeting convened at the instance of the Forest Department. The position had been better during the earlier months of last year than on previous occasions of heavy traffic. Traffic in sawn timber, chiefly to Delhi and stations in that neighbourhood is routed *via* Bareilly Junction or *via* Moradabad, and has in the past been very heavily restricted on account of shortage of broad gauge stock at the point of transhipment. There had been an improvement in this matter of late.

5797. With reference to Mr. Mumme's statement that the administration had not suffered from the existing budget system, as funds for capital works both on the State and on the company's sections are provided from the joint debenture stock raised by the company, Mr. Mumme explained that interest is paid by Government on the portions of the stock allocated to the Government line and by the company on the part apportioned to its requirements. Mr. Laurie, in reply to the Chairman, explained that the joint debenture stock is not a guaranteed stock in the same sense as the ordinary Indian railway companies debentures. Mr. Tuke confirmed this, and agreed with the Chairman that this case is specially interesting as one in which the State obtains money by means of debentures which it does not itself guarantee.

5798. With regard to the payment made for rolling stock requisitioned by Government for military purposes during the war, Mr. Mumme stated that whatever money was received by the company on this account was carried to reserve to replace the stock. Depreciation of the rest of the stock was written off out of revenue. The State's share of the money received for requisitioned rolling stock was not carried to reserve but was absorbed in the finances of the Government. In addition to such monies as were placed to reserve in this way by the company certain sums were also reserved from revenue to meet the cost of renewing worn out stock which could not be replaced during the war. He was not aware of the manner in which Government had disposed of the portion of such reserve funds which relates to the State line. He mentioned that on the 1st of September, 1920, the company's reserve fund for rolling stock amounted to Rs. 8,68,000. He could not say how much of this had been spent in the interim, but stock was now being replaced at the cost of this fund. With regard to permanent way renewals, Mr. Mumme stated that progress was not being delayed for want of money, but by the difficulty of getting the rails from the manufacturers. The company's contract was with Tatas.

5799. With regard to the statement in Mr. Mumme's written evidence that when the Lucknow-Bareilly Railway was taken over for management in 1890, Government took very full powers of control over the joint undertaking, Mr. Mumme explained that he could not say to what extent the control of Government differs in the case of the R. & K. Railway Company from that exercised in the case of ordinary guaranteed companies. It appeared, however, from the answers given by him that there is not any material difference.

5800. Mr. Mumme stated that he was of opinion that suitable members for an advisory committee to

work in conjunction with the agent could not be obtained at his headquarters.

5801. In reply to Mr. Purshotamdas Mr. Mumme stated that he had not heard of any complaints being made in connection with the R. & K. Railway in the local Legislative Council since he was acting as agent. There had not been many accidents on his line owing to want of fencing, but one occurred last week between Bareilly and Kathgodam. In this case the buffalo, which was the cause, came through a gate. He could not say whether representations had been made to the local Government about fencing.

5802. With regard to this matter, the Chairman referred to Mr. Green, the Senior Government Inspector of Railways, who was present during Mr. Mumme's examination, and ascertained that recommendations had been made by the Senior Government Inspector in respect of this matter on the R. & K. Railway. Mr. Green explained that the ordinary practice was for the Senior Government Inspector to send his report to the Railway Board and a copy to the company concerned, the company being free to act or not on specific recommendations at its discretion, unless the Railway Board issues definite orders, except in the case of special items indicated by the Government Inspectors as being required in the interests of public safety. It appeared from an examination of his predecessor's report to which Mr. Green referred that there were two or three references in it to fencing on the R. & K. Railway. It was stated that the fencing, where it existed, was in good order, and the recommendation was made that, in cases where villages are close to the line and on the same level, of which some instances were given, fences should be erected not only for the protection of cattle but also as warning to the public. In these cases, the railway company's comment against the recommendation consisted of the word 'noted.' In one case, the Senior Government Inspector had specially indicated the extension of the existing fencing near the village as being necessary in the interests of public safety, and the work was carried out by the railway company in this case without question. The Chairman remarked that at the end of the report the attention of the administration and of the Railway Board was specially called to certain paragraphs of the report, none of which dealt specially with the question of fencing and, in the memorandum of works necessary in the interests of public safety, only that item which had since been attended to, as indicated above, was mentioned.

5803. Mr. Purshotamdas drew attention to Mr. Mumme's recorded statement that men of ripe experience who have served for many years in India and understand the needs and interests of the country (such as exist on the Boards of Direction of the Indian railway companies) are not available in India as reasons of health demand that they leave the plains of India at the age limit. He suggested in the case of a difference of opinion between such men as described, and the people of India themselves or competent representatives of the people, actually living in the country, it seemed only reasonable that the views of the latter should prevail, and that it must be a handicap if the representatives of the people have no means of placing their views directly before the London Boards of Directors. Mr. Mumme however thought it sufficient for the Boards of Directors to obtain the views of the people through the railway officials.

5804. Sir Henry Ledgard informed Mr. Purshotamdas, with reference to a question addressed to the witness, that the Upper India Chamber of Commerce, of which the R. & K. Railway Company is a member, is a body open to Indians as well as to Europeans. The United Provinces Chamber of Commerce, he believed, consists wholly of Indians.

5805. Mr. Mumme stated that there are no Indians employed in the superior posts on the R. & K. Railway Company. He observed in this connection that the railway is small and its staff correspondingly few, there being only three officers in the Traffic, two in the Audit, three in the Locomotive and eight in the Engineering Departments. In the last-named, which was the largest department, the youngest officer has ten years' service.

5806. In reply to Sir Arthur Anderson, Mr. Mumme stated that the renewals are carried out not because rails are worn out but because of the need for providing a stronger rail to carry heavier engines and rolling stock. There was no definite programme of railway renewals.

P.S.—Mr. Mumme subsequently furnished the following statement to the Committee:—

RESTRICTIONS IMPOSED BY FOREIGN LINES ON TRAFFIC FROM THE R. & K. RAILWAY DURING JANUARY AND FEBRUARY, 1920.

Imposed by B.B. & C.I. Railway.	*Via* Kasganj Junction.	Percentage of R. & K. Ry. Stock on B. B. and C. I. Railway.
		Per cent.
From 14-12-1919 ...	1,000 tons daily, but not more than 100 tons for large stations and 50 tons for small stations.	36
„ 2-1-1920 ...	750 tons daily	37
„ 6-1-1920 ...	All goods booking prohibited	31
„ 10-1-1920 ...	250 tons daily	24
„ 17-1-1920 ...	250 tons daily, but booking to broad gauge section prohibited	26
„ 20-1-1920 ...	500 tons daily, but booking to broad gauge section prohibited	24
„ 21-1-1920 ...	750 tons daily, including 100 tons for broad gauge section ...	24½
„ 30-1-1920 ...	1,200 tons daily, including not more than 750 tons for South of Phulera Junction and not more than 150 tons for broad gauge section.	24
„ 5-2-1920 ...	Booking to stations south of Baroda prohibited	22
„ 10-2-1920 ...	Booking to broad gauge section prohibited	38½
„ 15-2-1920 ...	Booking to broad gauge section reopened, but limited to 250 tons daily.	32
„ 16-2-1920 ...	All bookings via Kasganj Junction limited to 500 tons daily...	32½

NOTE.—Throughout the above period approximately 1,500 tons could have been loaded daily for *via* Kasganj Junction in the absence of restrictions.

Imposed by O. & R. Railway.	*Via* Lucknow Junction.	Approximate quantity of traffic offering.
		Tons.
From 9-6-1919 ...	Goods booking restricted to 250 tons daily	150
„ 10-1-1920 ...	Goods booking restricted to 75 tons daily	100
„ 21-2-1920 ...	Restricted to 50 tons daily	100

NOTE.—This restriction continued up to 29th May, 1920, when increased booking up to 100 tons daily was authorised.

Via Bareilly.

From 14-6-1919	Goods booking restricted to 400 tons daily
10-1-1920	Restricted to 100 tons daily
21-2-1920	Restricted to 50 tons daily

NOTE.—This restriction continued up to 23rd May, 1920, when increased booking up to 100 tons was authorised.

The situation became acute in April and May, when a considerable quantity of traffic was held up.

—	*Via* Moradabad.	Approximate quantity of traffic offering.
		Tons.
From 14-6-1919 ...	Booking restricted to 200 tons daily	300
„ 10-1-1920 ...	Booking restricted to 75 tons daily	350
„ 21-2-1920 ...	Booking restricted to 50 tons daily, exclusive of Forest Produce.	400

NOTE.—Prior to 21st February, 1920, forest produce had accumulated in very large quantities at Ramnagar, but was subsequently accepted under agreement between the Forest Department and the O. & R. Railway.

FORTY-THIRD DAY.

(Cawnpore.)

Friday, 18th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Sir THOMAS SMITH, M.L.C., V.D., President of the Upper India Chamber of Commerce, Cawnpore, and Mr. A. B. SHAKESPEAR, C.I.E., a Member of the Chamber, were called, and examined upon a written statement which had been furnished by the Committee of the Chamber.

See Written Statement No. 65, Vol. IV., P. 224.

5807. The Chairman opened the proceedings by thanking the representatives of the Chamber of Commerce for the arrangements which had kindly been made for the Committee's accommodation during its visit to Cawnpore and for the use of the Chamber's hall.

5808. Sir Thomas Smith stated that the Upper India Chamber of Commerce is some 31 years old. It comprises 75 members, of whom about two-thirds are European firms and one-third Indian firms, both of which are represented upon the Committee of the Chamber.

5809. Turning to the written statement, the Chairman observed that the Chamber supports the management of railways in India on behalf of the State by companies having a share in the profits, making an exception, however, in the case of railways constructed for strategic purposes. Sir Thomas Smith agreed that it was obvious that several railways on the North-West Frontier would not have been built were it not for military requirements. He thought it would be better, if practicable, that these should be separated from the commercial parts of the North-West Railway, and that it would be desirable in any case for the accounts relating to the non-commercial portions of the line to be kept separate.

5810. Sir Thomas explained that, in urging that there is more elasticity in commercial than in State management, and that the history of State-managed railways—for instance, in Great Britain during and since the war—is not much to their credit, his idea was that the railways in the United Kingdom have been working at a loss since the Ministry of Transport took charge of them. The Chairman explained that there is really no State management in the United Kingdom as ordinarily understood. Although the State exercises a certain measure of control, in return for guaranteeing the companies' dividends, it does not give directions as to the management of the line in any sense, the companies alone being responsible for this; the State's share in the business extended, unfortunately, only to paying the bill. He noticed that the Chamber's

statement shows that they have always held the same opinion with regard to railway management. Sir Thomas Smith said that if the Chamber could have its way it would hand over the Oudh and Rohilkhand Railway to the East Indian Railway Company for working, in accordance with the ideas of the Mackay Committee, which recommended that the existing State-managed lines should be entrusted to companies. Mr. Shakespear observed, however, that the Chamber had looked on the Oudh and Rohilkhand Railway as a route competing with the East Indian Railway, and thus affording Cawnpore certain advantages. The witnesses agreed that, if they had to choose between merging the Oudh and Rohilkhand Railway in the East Indian Railway system as one combined State-managed line, and having it separately worked as a company's line, they would advise the adoption of the latter course.

5811. Mr. Shakespear stated that he would be disposed to recommend that the metre gauge section of the Eastern Bengal Railway might be made over to the Bengal and North-Western Railway Company, the broad gauge section being worked by a small independent railway company. In the case of the North-Western Railway, also, if practicable, they would like to see it managed by a company, being quite clear in their views in favour of company management as better than management by State.

5812. The Chairman drew attention to the fact that the bulk of Indian opinion, so far as it had been expressed to the Committee, is decidedly against anything in the nature of company management and in favour of direct State management. Sir Thomas Smith emphasised that under the Chamber's scheme Indians would be associated in the management of the railways. The Chamber disagreed, however, with the Indian opinion with regard to its preference for State management.

5813. The Chamber desired that the London Boards should eventually be transferred to India, and considered that there would be no difficulty in constituting boards of directors of sufficient strength in this country. With regard to this point, Sir Thomas said that he was not aware whether it would be practicable, for instance, to constitute two efficient boards of direction in such a place as Madras. He knew more about conditions in Calcutta and Bombay, and did not think that there would be difficulties in finding suitable boards in such places as these. The advantage of a local board would be that it would be composed of men on the spot and in touch with constantly changing conditions, who could move about on the railways and be cognisant at first hand of defects and able immediately to remedy them to the advantage of the public. A London board, on the other hand, must be greatly limited in their knowledge to what is disclosed in official reports, a system which at best must be unsatisfactory.

5814. The Chairman drew attention to the fact that, in the case of many of the guaranteed companies, the contracts have still long periods to run before they can be terminated. He observed that the Chamber of Commerce was in favour of a dual board system being introduced at once as an interim measure. He mentioned in this connection that the bulk of the capital of the Indian railway companies had been found by the Secretary of State, the companies' interests only being represented by the relatively small share capital of about £20,000,000, in addition to which there are about £40,000,000 debentures. He explained that the debentures are raised under the instructions of the Secretary of State, and though they bear the name of a particular railway company, they do not constitute a charge upon the railway system, nor is the money necessarily spent on the line whose name is used. Sir Thomas said that he understood that the companies had subscribed their share capital at the early stages of their existence, and had not since been allowed to increase it. The Chairman observed that this was correct, the companies' capital consisting in fact of two kinds—debentures over which the companies have no control, and share capital which has not been allowed to be increased. Sir Thomas agreed that it looked in the circumstances as though the companies in London could not be of much use in raising capital for the railways.

5815. On the other hand, the Chairman observed, they have a certain amount of capital already invested and are working under contracts which give them considerable independent powers of control and certain rights. He asked what inducement could be offered to such companies to hand over their powers for exercise by a separate board in India. Mr. Shakespear observed that he had known of a similar case of a big electric company domiciled in the United Kingdom; efforts had been made to have its domicile transferred to India and it was recognised that it would be necessary to give certain inducements to the shareholders and directors. The negotiations had not proved successful. One suggestion as to the form the inducement should take related to a bonus issue of shares. Taking the case of a railway company whose contract has many years to run, he agreed that it would be necessary to offer a substantial inducement to the existing shareholders to transfer the domicile of the company to India. He would be prepared to pay a reasonable price for this in view of the advantages upon which the Chamber of Commerce laid stress, and considered that it would be a question of striking a bargain with the shareholders. He thought that there is something to be said for the suggestion which had been made elsewhere to the Committee that the existing shareholders might be induced to accept the position of debenture-holders with a substantial return secured to them.

5816. The Chairman mentioned the case of the Bombay Electric Tramway Company, which was originally domiciled in the United Kingdom; in this case the Indian shareholders held from the outset a considerable part of the capital, and they subsequently bought up the bulk of the English shareholders' interests; the domicile of the company was then transferred to India by the wish of the majority of the shareholders. Mr. Shakespear explained that the case instanced by him was different, in that there were practically no Indian holdings in the stock of the company to which he referred.

5817. In reply to the Chairman, Mr. Shakespear stated that he thought that people in India who have money to invest would be attracted by Indian railway securities. He agreed that the English investors would not be willing to give up the whole of the administrative and executive functions and of the control of management to an Indian board as suggested in the Chamber's written statement, unless it were made clearly worth their while to do so.

5818. Asked what was meant by the suggestion of the Chamber of Commerce that the London boards should retain, in addition to their advisory function, the right of decision in matters of policy, Sir Thomas Smith explained that he thought that the London board would lay down the broad lines of policy for the guidance of the Indian board in addition to retaining definite authority to settle particular questions of importance. Mr. Shakespear agreed that in the event of a serious difference of opinion between the two boards on any question of policy, the only remedy would seem to be for the London board to dismiss the members of the Indian board. He agreed that really it came to this, that ultimately the London board must either manage the concern or not manage it. He thought they might delegate some of their powers, but clearly would have to retain the right to revoke these if they considered it necessary. He explained that, in putting forward their recommendations, the Chamber of Commerce had not really contemplated the case in which such dual control would last for a considerable period of years. They were thinking rather of a short interim period before the railways could be transferred to management by companies domiciled in India, and admitted that they did not think that the dual control system could work for a considerable period.

5819. In reply to Sir Arthur Anderson, who enquired what the Chamber's views were with regard to the possibility of the board in India attracting local capital, Mr. Shakespear said that he thought that it would be easier to obtain a transfer of the English capital to India. The Chairman remarked that he understood that, during the short transition period mentioned above, Indian capitalists would be gradually acquiring control.

5820. The Chairman enquired what importance should be attached to the statement which had been made to the Committee that if a board, for instance of the East Indian Railway Company, were located in Calcutta, the directors would be unwilling to travel long distances during the hot weather to attend Board meetings. Mr. Shakespear thought that the directors of railway companies would probably be enabled to travel with a certain amount of comfort, but admitted that there might be some difficulty. He thought, however, that this would be great only during, perhaps, the two hottest months of the year, May and June, and that the difficulty might be got over by circulating papers at such times rather than by calling meetings of the boards of directors.

5821. The Chairman asked what the witnesses' views would be with regard to the system of State management with the assistance of advisory boards at various important centres which might keep the management of the lines in touch with local opinion and requirements through their own officials. He was unwilling to contemplate such a scheme as suggested, as the Chamber is strongly in favour of management by companies and not by the State.

5822. With regard to the Railway Board, the Chamber had expressed the opinion that control by means of a Board is necessary; they would have a Board substantially as at present but much stronger. They considered that its status should be improved by making the Chairman a Member of the Executive Council of the Government of India. The railway management should also be relieved of detailed control by the Finance Department. The witnesses thought that there is much to be said in favour of the establishment of an Advisory Council at the Government of India's headquarters to assist the Minister to keep in touch with public requirements. Such a council would consist of representatives of various interests served by the railways and would advise the Minister in matters of policy. On the other side, the Minister would be assisted by a Board of expert railway officials to whom would be entrusted the day-to-day management and supervision of the railway system. The witnesses made it clear that they would approve of the institution of such an Advisory Council, which should have on it an adequate representation of commercial interests by means of nominees of the Chambers of Commerce or otherwise.

5823. With regard to railway finance, the Chairman observed that the opinions expressed by the Chamber of Commerce were generally in line with what had been stated elsewhere to the Committee. He observed that the Chamber is not satisfied with the present arrangement. Sir Thomas Smith agreed that the fundamental difficulty in the railway position is lack of money and believed that, if one part of the railway system is improved, it must in the present circumstances be at the cost of some other part. The Chamber was unwilling to express an opinion as to the best means by which the necessary money might be raised, but Sir Thomas Smith said that his personal view was that money could be obtained most cheaply by direct Government borrowing, and Mr. Shakespear agreed in this opinion. The Chairman mentioned that Lord Inchcape had stated that, as a man of business, he would raise money at any reasonable cost to improve the equipment of the existing lines, but would not in present market conditions borrow money for the construction of additional railways.

5824. Sir Thomas Smith emphasized the importance of bringing up the open lines to an adequate standard. He said that, in present financial conditions, he would advise that money should be raised only on short-term loans. Assuming this to be done, he thought that it would be necessary for Government to pay higher rates than they had hitherto done for money. Seeing that the Government of Bombay are paying 6½ per cent. free of income tax, for money contributed to the Bombay Development Loan, he thought it clear that the Government of India would have to raise their rates. He thought that men of business in India might be expected to subscribe to loans for railway purposes and would be prepared to put up the necessary money in consideration of the benefit to their businesses which would be ensured by the prospect of adequate railway facilities.

5825. With regard to subscriptions by Indians for railway purposes, Sir Thomas Smith referred to the depreciation of Government loans which had been contributed to whenever the rate of interest was raised for fresh borrowing. He observed that when Government issues a new loan giving a higher yield it must inevitably depreciate the market price of existing securities. He agreed, however, that there must in any case be a tendency for the price, say, of the 3½ per cent. paper, to drop even if Government were to issue no new loan, owing to the fact that money can secure a better return in other directions. He did not himself attach importance to the question of depreciation of Government loans, and agreed that there is really no question of breach of faith as appears to be thought by some of the less educated subscribers. The fall in the value of securities has been the same all over the world.

5826. Mr. Shakespear observed that the Marwari community were not likely to be attracted much by a railway loan as they generally prefer investments of a more speculative character. He mentioned that the Indian princes might be expected to contribute to a considerable extent, and thought that the investing habit is steadily growing on the part of the mass of the people. He referred to the large growth in the bank deposits. Sir Thomas Smith observed however, in this connection that people might be more reluctant to invest their money in a railway loan, as they would not be sure of getting back their money in full as they are in the case of deposits in banks.

5827. The Chamber were of opinion that, in view of the increased rates of interest which must be paid to attract new capital, it would be necessary to raise railway rates generally so as to prevent the railways from being a burden on the general tax-payer. Sir Thomas Smith said in this connection that he believed that the commercial public would be willing to pay substantially increased rates provided they were sure of prompt and certain delivery of their goods.

5828. Referring to the Chamber's opinion that trade has been fairly dealt with in the matter of rates by the railway administrations and its wish not to recommend any change in the existing system of control, Sir Thomas Smith said that he thought that the smaller people, equally with those represented by the Chamber of Commerce, would be satisfied that railways attend to them. He observed that the smaller men could secure representation of their interests through the Director of Industries in each province, the Director of Industries of the United Provinces being an affiliated member of the Chamber of Commerce.

5829. With regard to complaints of delays in the transport of goods, the Chairman referred to papers which had been placed at his disposal by a Member of the Chamber, which indicated that there had been serious complaints from 1919. Sir Thomas Smith mentioned that, although there had been occasional complaints at earlier dates, matters had only become serious in 1919. The Chamber of Commerce made a reference to Government on the subject in June, 1919, but it produced little effect. They wrote again in June, 1920, and got an answer in October of that year. On the 26th November, 1920, the Chamber had a conference with the Honourable Sir George Barnes and the Railway Board, since when there had been a most marked improvement in the time

taken in the transport of goods. This fact, Sir Thomas suggested, indicated that the delays were not wholly due to difficulties of finance, but might also be ascribed to the need for greater energy on the part of some of the railway staff. He admitted, however, in reply to Sir Arthur Anderson, that it might simply mean that some other community was suffering in consequence of the improved facilities given to the trade of Cawnpore. He had no definite information one way or the other on this point.

5830. Sir Thomas stated that, before the war, Cawnpore had quite a good railway service, receiving its goods normally from Calcutta in 8-9 days, and from Bombay in 11-12 days. In January, 1920, the average time taken in transport had risen to 14-15 days in the case of Calcutta, and about 24 days in that of Bombay. Since the conference with Sir George Barnes, the average times in transport had again been reduced to about 7-8 and 11-12 days respectively, practically half the time taken in 1920.

5831. He was disposed to agree that, from the point of view of traders, regularity of service was most important, and that the actual time occupied in transit is of less importance provided the delivery is regular. Sir Henry Ledgard observed that this could hardly be said of all commodities, as the time taken in transport affects the rapidity with which a trader can turn over his capital: for example, in the case of trade in piece-goods. He agreed that it was a matter of relatively less importance in the case of raw materials where the time taken in transport might, in any case, relatively be only a small fraction of the time occupied in manufacture.

5832. Sir Thomas Smith read figures indicating the wide fluctuations in the time taken in transport from the ports of Bombay and Calcutta to Cawnpore before and since the war, indicating that formerly there had been great variations on both sides of the average figure. These variations have now become smaller. Sir Thomas observed, in connection with delays in transport of goods, that he believed a good deal of the difficulty was due to disorganisation at the Calcutta port for which the railways were not responsible. He placed before the Committee figures relating to the time taken in transport of a large number of consignments to the Victoria Mills from Calcutta and Bombay respectively, which showed that, in the case of Calcutta consignments there had been noticeable delays, and also great variations in the periods taken during the journey, these contrasting unfavourably with the corresponding figures for traffic from Bombay in which there had been much less irregularity. He reviewed the reasons assigned by the railways in several instances for delays which had actually occurred to the Calcutta traffic, these in some cases being assigned to delays in getting through Cawnpore Junction on account of shortage of staff, a difficulty which was accentuated by a great amount of sickness among the shunting staff, and by shortage of labour. In other cases goods had been delayed in transit as a result of not being loaded in vans coming direct to Cawnpore. In other instances delays had occurred owing to congestion of traffic at Cawnpore and to the line being re-laid in the vicinity restricting the facility with which trains could be admitted into and passed out of the junction yard. In other cases delays had been due partly to congestion at the junctions and partly to loss of wagon labels. The Chairman observed that in each case some special reason could be adduced for the delay, but the fact appeared to be that little traffic got through without encountering some special difficulty.

5833. Sir Thomas Smith said he would not offer an opinion as to whether the improvement which had recently been introduced in the railway arrangements could be maintained during the approaching busy season. There had been a decided improvement since the conference with the Honourable the Commerce Member and the Railway Board.

5834. With regard to coal, Mr. Shakespear stated that he believed that Cawnpore generally was fairly well stocked. In his own mills stocks of coal would suffice for three weeks' consumption, and in the case of the Electric Company, which receives special preference in coal supplies, there is a month's stock in hand. He attributed the better position of Cawnpore to that of Calcutta in this matter to the fact that they had obtained their coal at an earlier date when it could be secured. Sir Thomas Smith observed that lately there had been a falling off in coal deliveries, and he thought that the mill managements are getting anxious on the subject. He understood that the shortage of coal is due to the inability of railways to meet the colliery indents for wagons, and not to shortage of coal at the collieries.

5835. With regard to restrictions in booking traffic, Mr. Shakespear mentioned that the sugar industry, for which he could speak specially, had been much hampered. It was a common practice for railways to shut down acceptance of goods perhaps for ten days together, giving no notice whatever to the trade. In this connection the Chairman referred to the complaints recently made by the representatives of the Rohilkhund and Kumaon and Bengal and North Western Railways against the Oudh and Rohilkhand and East Indian Railways which impose restrictions on the receipt of traffic from those lines. Mr. Shakespear said he was aware that difficulties had regularly occurred at Barabanki for many years at times of pressure. He observed that at that junction delays were mainly in the western bound traffic for the Punjab, the only alternative open to the traders being to bring their traffic round via Cawnpore on the metre gauge. He presumed the difficulty was that the railways have not got sufficient stock to carry the traffic. He knew that the transhipment facilities at Barabanki are good; he could not say whether the shortage of stock is due to actual dearth of wagons or to lack of facilities for moving them.

5836. Mr. Westwood, Traffic Manager of the Bengal and North Western Railway, who was present during the taking of the evidence, was interrogated on this subject by the Chairman. He stated that, if at Barabanki the broad gauge railways would supply daily 30 wagons, which would be enough to deal with 60 metre gauge wagon loads, there would not be very much trouble. The Bengal and North Western Railway also is treated exactly in the same way as the public, and is given no notice at all: at a moment's notice restrictions are imposed and it has to shut down until they are cancelled and it can again start booking. In a great many cases the Traffic Manager thought that warning could be given so as to enable the traders to get away their goods before the block came. The Chairman asked if this would not mean hastening the block. Mr. Shakespear said such a warning might enable the traders to stop purchases. He had known of cases of thousands of tons of tobacco lying exposed to the weather and being damaged owing to the inability of the railways to transport it. He thought it would be of decided advantage to the traders if the railways could give warning before imposing restrictions on booking as Mr. Westwood believed they could arrange to do.

5837. Questioned with regard to the adequacy of railway facilities prior to the war, Mr. Shakespear said that until some of its stock was taken for use in Mesopotamia the Bengal and North Western Railway was quite adequately equipped for its traffic. The service of the East Indian Railway also had been very good in the old days. The Great Indian Peninsular Railway, which had formerly a reputation of not giving very good service, had improved considerably. He was not of opinion that, so far as the transport of goods was concerned, there was any material difference between the standard of the Bengal and North Western Railway and the other railways serving Cawnpore. He thought that passengers are overcrowded on the metre gauge lines.

5838. Mr. Shakespear said that he thought that the B. & N.W. Railway Company had been extraordinarily

enterprising and had opened up the country in a very satisfactory manner. He thought that they managed things somewhat "on the cheap," but did not think that there was anything to complain of so far as related to the carriage of goods.

5839. Referring to the Board of Communications in the United Provinces, upon which the Upper India Chamber of Commerce has a representative, Mr Shakespear said that he would like to see similar Boards in other provinces. He thought that their introduction would be very useful. These Boards comprise representatives of commercial opinion, Government officers, and representatives of District Boards. He considered that these Boards should prove a very useful medium of communication between the people and the railway administration and expected that they would prove influential although not possessing direct powers of control over the railways.

5840. With regard to the desire of the R. & K. Railway Company to obtain access from Kasganj to Agra and Delhi in connection with which the Committee had been told that the United Provinces Government were in favour of the extensions but that the Government of India had taken exception to it, Sir Thomas Smith stated that the Chamber of Commerce had supported the company when the matter came before them some two or three years ago. The Chairman observed that the Government of India's objection was based on broad grounds of policy as they did not wish the metre gauge system to be developed to compete with the broad gauge system. Mr. Shakespear thought that the metre gauge should be encouraged to extend to effect connections with other metre gauge lines. It was at the instance of the Upper India Chamber of Commerce that the existing link of the B. & N.W. Railway from Lucknow to Cawnpore had been constructed. He thought that the metre gauge system had now gone so far that it was impracticable to prevent it from extending further. He thought that traders would be in favour of any extensions which improve communications, and was on the whole in favour of the R. & K. Railway Company being allowed to extend to Agra and Delhi as desired by them. He believed that the trade would always be in favour of the introduction of competitive routes from which they hoped to secure advantage.

5841. Questioned by Sir Henry Burt with regard to the owners' risk and company risk railway rates, Mr. Shakespear agreed that there is too great a difference between the quotations for the two classes of transport. He considered that the difference should only represent the value of the insurance, and that the true rate should be the normal railway rate, the owners' risk rate representing a concession granted in consideration of the consignors accepting a risk ordinarily borne by the railway administration.

5842. Having regard to the fact that if the existing English companies were to be bought out this would involve some £18,000,000 of Indian money being paid to the existing shareholders, Sir Thomas Smith said that he was decidedly in favour of devoting any money that could be raised at present to repairs and renewals and also to the improvement of railway facilities of the country. He did not think that it should be devoted to buying out the English companies until these more urgent matters had been attended to.

5843. In reply to Mr. Hiley, Sir Thomas Smith said that the Committee of the Chamber had been unanimously in favour of the view expressed in the written statement in favour of the management of Indian railways by companies and not by the State. It had not considered whether local Boards could be instituted so as to protect commercial interests on State Railways. Sir Thomas Smith was in favour of having Advisory Boards representing commercial interests and the general public. He would not say off-hand how these would be constituted, but thought that this would be largely determined by the sphere through which the line was running. He said that, if the Chamber's view in favour of company management in India did not prevail, and he had to choose between State management and management by companies domiciled in England, he would prefer the latter.

5844. Mr. Tuke drew attention to the observation in the Chamber's written statement that under the interim system of dual control, the Home Board would influence finance in the English markets and asked Sir Thomas how he would reconcile that with the opinion that money can be obtained most cheaply by a direct Government loan. Sir Thomas Smith explained that his view was that, if the companies could do anything to assist in the raising of money, they should do so. He thought, however, that it would be found that Government could obtain money cheapest by borrowing direct.

5845. In reply to Mr. Purshotamdas Thakurdas, Sir Thomas Smith stated that the constitution of the Committee of the Chamber of Commerce is not necessarily in the same proportion between Europeans and Indians as the membership of the Chamber. The Committee consists of six members who are elected by the Chamber plus three co-opted members to represent interests which would otherwise remain unrepresented. At the present time there is only one Indian on the body; he is a co-opted member.

5846. Mr. Purshotamdas drew attention to the possibility of the railways being administered under State control, but by a Board of Management corresponding generally to the Trustees appointed in the case of a Port Trust. Sir Thomas Smith said that the Chamber had not considered the possibility of adopting such a scheme as this, but he thought that if they had done so, their view would still be in favour of management by companies. He attached importance to the management being entrusted to people with a direct monetary interest in the success of the administration. He agreed that the railways are public utility concerns, but considered that the commercial aspect of their administration requires special attention. Mr. Purshotamdas urged that commercial considerations prevail in the case of the administration of Port Trusts to the extent of ensuring that they are required to pay their own way, and are administered in the interests of the community served by them, and that this community is represented on the managing body subject to Government control on broad lines. The matter was not pursued as Sir Thomas Smith said that his Committee had not considered the matter.

5847. Mr. Purshotamdas observed that the administration of the Ports had been found to be businesslike, notwithstanding the absence of a direct monetary interest on the part of the trustees. In this connection Sir Thomas Smith referred to a recent resolution of the Chamber of Commerce condemning the arrangements at the Calcutta Port. He said that the Chamber knew more about the Calcutta Port than about that of Bombay and they had serious criticism with regard at least to the former.

5848. Mr. Purshotamdas observed that it would seem to follow from Sir Thomas Smith's view that the 1 per cent. or 5 per cent. interest of a guaranteed railway company in the concern which it administers must be too small. Sir Thomas Smith observed that in the written statement the Chamber had expressed the view that the share capital of the company should be enlarged. The Chamber had not considered the extent to which the interest of the company should be increased, but he thought, speaking off-hand, that it might advantageously be increased to 10 or 15 per cent. He explained that he did not contemplate the appointment of managing agents but that the Indian company should administer the railways with which it was concerned.

5849. Sir Thomas Smith said that he could offer no opinion as to terms that would be necessary to attract the subscription of additional share capital, having regard to the fact that when the existing main lines were bought out the Secretary of State paid 20 or 25 per cent. premium, and that the shares now stand at a discount.

5850. Mr. Shakespear observed that there exists keen competition between the East Indian and the O. & R. Railways, and that in some cases block rates are quoted by railways to keep traffic on their own line. Mr. Purshotamdas suggested that it is unfair to the Indian tax-payer, who owns some 95 per cent. of the capital, that the managing companies, owning a relatively trifling share, should compete with each other. Sir Thomas thought that the minimum rates to some extent must limit competition of a detrimental character. He agreed, however, that in ordinary business if the same body of capitalists held 95 per cent. of the capital, for instance, of each of two mills, of which the remaining 5 per cent. was in each case owned by the separate managers, it was unlikely that they would allow the managers to compete and cut prices in competition with each other. Mr. Shakespear thought that possibly the Government of India might wish to see a certain amount of competition between railways in such circumstances to ensure both being kept up to a high standard. The Chairman observed that he did not think that the Indian railways at the present time under-cut each other in the quotation of rates and fares. Mr. Purshotamdas observed, however, that they maintain the competitive rates established as the result of competition in the past.

5851. Sir Henry Ledgard observed that in his opinion there is a certain difference between the cases of two mills which had been instanced and of the competition between railway companies in offering transport facilities to the public. In his view there might be many districts which had a large amount of produce, and if there were only a single route and a high rate nothing would be carried; but on the other hand, if there were two routes competing with each other and seeking to find a better market there would be a healthy competition. It would pay the railway to carry even at half or two thirds of the rate charged before, as a large volume of traffic at lower prices would be much more profitable than a scant traffic at higher rates. In that sense, railway competition was in his opinion necessary. The Chairman remarked that, if it was a question of reducing rates in order to make a bigger profit on a larger turnover that is quite a different thing; but that the point under discussion was one company reducing its rates in order to get traffic from the other.

5852. Mr. Purshotamdas referred to an instance quoted in the Imperial Legislative Council in 1912 by Sir Vithaldas Thackersey, who said that owing to the failure of the crop round about Delhi, when cotton had to be imported from Chandausi to both Delhi and Cawnpore, higher rates were quoted in the former case though the distance between Chandausi and Delhi was only half of that between Chandausi and Cawnpore. Sir Vithaldas inferred that the Upper India Chamber of Commerce at Cawnpore being mainly a European body had been able to secure specially favourable rates. Mr. Shakespear replied that in those days unequal rates were not uncommon, and that these instances are now becoming less and less. Sir Thomas Smith mentioned in this connection that the Indian Railway Conference Association Traffic Committee meets every year to go into questions of rates, and the public are afforded an opportunity of bringing to its notice all cases which they consider demand redress.

5853. Mr. Purshotamdas mentioned in connection with observations which had been made in reply to the Chairman regarding the unlikelihood of the Marwari community contributing to railway loans that these had been amongst the largest contributors to the war loans. Mr. Shakespear said that they recognised this, and appreciated the importance of the Marwari community in the business world. He said that they were, however, generally regarded as being more attracted by speculative investments. He agreed that if it were brought home to them that as shareholders in industrial concerns it would be to their advantage to ensure the prosperity of the railway system they might be expected to contribute to railway loans also.

FORTY-FOURTH DAY.

(Cawnpore).

Saturday, 19th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. E. R. POLE (*Assistant Secretary*).

Mr. B. N. CHOPRA, Assistant Secretary to the United Provinces Chamber of Commerce, and Mr. I. D. VARSHINIE, proprietor of the United Provinces Glass Works, Bahjoi (Moradabad district), a Member of the Chamber, were called, and examined upon a written statement which had been furnished to the Committee.

5854. Mr. Chopra informed the Committee that the Chamber, which is located in Cawnpore, was founded in 1914 and has a membership of 138. It is purely an Indian chamber, the members mostly being wholesale merchants, representatives of big broker firms or manufacturers. There are, in addition, about half a dozen landholders, but no retail traders. There are some members who are vakils, but more who are vakils and nothing else, all members being engaged directly or connected with commerce or industry. There are no European members in the Chamber at present, but the representatives of a few Indian firms were Europeans, such for example as the Indian Distillery Company, represented by Mr. J. W. Dixon, and the Canal Foundry and Engineering Works, Roorkee, represented by Mr. Wainwright. One

European representing a public company was on the Committee. A few members of the Chamber were also members of the Upper India Chamber of Commerce.

5855. The committee of the Chamber had considered the questionnaire and appointed a sub-committee to furnish a written statement on lines indicated by the Chamber. There had been no time for the written statement when completed to be submitted to the Chamber for approval, but Mr. Chopra had no doubt that they would approve of it.

5856. Mr. Chopra said that the United Provinces Chamber of Commerce was of the opinion that railways owned by the State ought to be managed by the State directly, and not through companies. The Chamber did not base their preference for State management so much on their past experience of the relative merits or defects of both the systems, but because they expect that, under State management, Indian industries and public convenience would receive more attention, because the Government were becoming more responsible. In reply to the Chairman, Mr. Chopra agreed that he did not express his view in favour of State management on personal experience; his actual experience was that at present they were about the same, equally good or equally bad. The Chamber thought that it was better to have a Government that could be influenced by the people than a company which, in his opinion, could not be so influenced. The United Provinces Government has nothing to do with railways; it would be through the Legislative Assembly and the Council of State that any influence would have to be exercised at present.

5857. Referring to the written statement that the carrying capacity of the railways seemed to be adequate before the war, Mr. Chopra admitted that they had expected things to be bad during the war, and they had not grumbled or complained, but they expected them to be better after the war, and that as they were no better he considered there were good grounds for complaint. Asked as to what he thought the reason for the bad service, Mr. Chopra said that he did not understand the difficulties of the railways or of the Government of India, but he judged things by their results. He thought that the difficulties which the mercantile community had suffered during the war ought not to exist in present conditions, but all the same they did exist.

5858. Mr. Varshinie, replying to the Chairman as to whether with his plant working at full capacity he could turn out more bottles, considered he would have difficulty in doing so, but stated he was of opinion that traffic had not increased after the war, and that there was now not so much transhipment of grains, cotton, or jute, etc., The Chairman remarked that he was not aware of the conditions in Cawnpore, but it certainly was not so all over India, as there were figures to show that there has been a very great increase in traffic during and since the war. Mr. Varshinie said that he considered the railways should have kept abreast of their traffic and cope with the work they have in hand.

5859. Mr. Chopra agreed that, if the railways want more railway lines and more rolling stock to move along those lines, these could not be provided without money; but money was not the only consideration. In some cases better utilisation of the existing stock and better management all round was needed; in some others, of course, funds were necessary.

5860. Mr. Chopra admitted that the difficulties of dealing with traffic were just as bad on one line as on another. He agreed that the State has to find money for the companies' lines as well as for its own lines. Just before the war ended, the difficulties in the movement of traffic had arisen, not so much on account of very large increases in the general goods traffic, but on account of the fact of half the wagons being allotted to coal traffic which was formerly carried by coasting steamers. The Chairman agreed that this was one of the difficulties of the situation.

5861. Referring to the reasons urged by the Chamber in favour of State management, the Chairman observed that the principal one appeared to be that Indian opinion would have more influence with the State administrations than with the companies. Mr. Chopra said that the Chamber also laid very great stress on the second point, namely, that under State management the conveniences of the public and the interests of the industries and commerce of the country would have first consideration, while a company would naturally think more of higher dividends. He thought that the railways should not be considered purely as a commercial undertaking, and that the provision of efficient and cheap means of transport and communication was as much part of the duty of a civilised government as, for instance, education. So long as they do not bring a deficit and are self-supporting, and there is no wastage, there is nothing wrong with them.

5862. The Chairman drew attention to a statement that had been made to him that railway profits might be utilised for the general needs of the Government, such as education, etc. Mr. Chopra thought that the net revenue of the railways ought to be enough to pay the interest on the capital; if it were, more revenue should not be sought after at the expense of public convenience and by ignoring the interests of commerce and industry. If it were found necessary to raise freights to meet expenses, so long as it was in the interests of the public and of commerce and industry, he did not object. There should, of course, be no deficit. There was no objection to a profit being made, provided such profit was not made at the expense of the public. If in order to prevent a deficit, rates had to be put up he would agree, although he thought that there should not be any general increase until a clear deficit was proved. He agreed with the Chairman's summing up of the situation that he did not want to make a profit out of the railways for other uses; he would keep the railways as a separate concern, just balancing income and expenditure, neither making profit nor loss. In reply to the Chairman, the witness said he would like to see the East Indian Railway at the expiration of its contract, in 4 years' time, handed over to the State to be worked like, e.g., the Oudh and Rohilkhand Railway.

5863. Asked as to what he would do in the case of a railway like the B.B. & C.I., which has a long period of about 20 years of its contract yet to run, he said that were it not possible to determine the contract before, the company might be allowed to go on, but the Railway Board should insist on the reforms necessary in the public interests being introduced by the railway company so far as it is possible within the provisions of the contract the Government has made, he agreed that the company had a right to its side of the bargain being kept. He would not be inclined to cancel the contracts at once by offering compensation, etc., as had been suggested by some witnesses in Madras, but the Railway Board must be more active.

5864. Indians ought to be given a fair opportunity. He would not ask for an Indian to be appointed to a post that he was not competent to fill merely because he was an Indian, but if there were two equally qualified candidates for a post—one a European and the other an Indian—he would certainly ask for the appointment of the latter, because he thought it only fair that in his own country the Indian should have preference for a post he was competent to fill.

5865. Mr. Chopra quoted figures to show that, whereas on the N.W. Railway the total railway staff employed amounted to 109,751, there were only 1,986 Europeans and Anglo-Indians, whilst on the G.I.P. Railway, with a total staff of 105,534, there were as many as 2,855 Europeans and Anglo-Indians, which shows that the N.W. Railway—a State concern—employs more Indians in proportion, and is able to work with a less number of European staff. In reply to Mr. Hiley, the witness said that he had obtained these figures from the railway administration reports. The Chairman said that there is no doubt that the State railways have a larger number of Indians upon them, but this must be partly due to the fact that they began to employ Indians at a much earlier period, the N.W. Railway having done so since 1892.

5866. Mr. Chopra pointed out that even admitting this, the companies did not start until they were actually instructed to do so. In reply to the Chairman, he said that he had no knowledge of the promise of the companies to employ more Indians, but was prepared to allow that they might fairly be attempting it now; but he could not say whether they would come up to the standard of the N.W. Railway in a few years' time. He still thought that better chances in this respect lay with State managed railways.

5867. In reply to Sir Henry Burt, who asked whether the figures quoted by Mr. Chopra did not refer only to subordinate staff, he said that he thought it referred to the total staff inclusive of officers. Sir Henry Ledgard pointed out that the figures quoted indicated the number of servants of all races employed in the railway system. Sir Henry Burt pointed out that the G.I.P. Railway has a more complicated working and might find it necessary therefore to have a larger number of Europeans than the N.W. Railway. The witness said he was not competent to express any opinion, but had given the figures for what they were worth. The Chairman mentioned that, in one instance, the Committee had figures to show that the N.W. Railway has 10 per cent. of the officer class of Indians whereas another had only 5 per cent., but that these conditions were changing. The witness said he was not sure but was prepared to take it from the Chairman that the position might be changing.

5868. Referring to the statement in the written evidence, Mr. Chopra laid special stress on the fact that control by the Railway Board has not given satisfaction in the past, and said that he wanted better control in reference to those matters in which the public is specially interested. He admitted he was not concerned with locomotive boilers being in good condition or signals being provided, and he agreed that looking after locomotive boilers and things of that kind were technical questions and he did not wish representatives of the public to interfere in regard to these, but with regard to the statement that many longstanding grievances of the travelling public and the commercial community remain unattended to, he laid stress on control from the public point of view.

5869. He was of opinion that it would be useful to have a Railway Council that would represent commerce, travelling public, agriculture, etc. The formation of a Central Advisory Board at the headquarters of the Government of India to help the Railway Board together with provincial Advisory Boards at the headquarters of each province would meet with his approval. He was of opinion that the position of these Advisory Boards should be analogous to that of the existing Boards of Industries in the various provinces which advise Government on broad matters of policy but do not enter into technicalities. Asked by the Chairman who would represent the interests of the 3rd class passengers, Mr. Chopra said that he would leave it to the Government of India to nominate one or two non-official public men to the Central Board, and to the provincial Governments to nominate to the provincial Boards. The Servants of India Society might represent passenger interests, and Chambers would furnish members for representing commerce.

5870. Mr. Hiley asked Mr. Chopra if he would kindly explain for the information of the Committee the constitution of the provincial Boards of Industries. The witness explained that the Boards had official and non-official representatives. The Local Government very freely consult these Boards and gives them some powers in regard to expenditure and making general recommendations in matters of industrial policy. The Director of Industries in each province is an ex-officio member of the Board and the executive officer to carry out the recommendations of the Board. The provincial Legislative Council allots in the budget a certain amount for the encouragement of industries and the apportionment of this amount is made by the Provincial Department of Industries on the advice of the Board.

5871. Mr. Varshinie said that he is a member of the Board of Industries in Cawnpore. The Board generally sits every month at its headquarters, sometimes meetings are also held in Lucknow, Allahabad, etc. An agenda of the subjects for discussion is prepared and circulated to members before the meeting. The Board does not meet at regular intervals; but if there is anything important a member can ask for a special meeting to consider it. They meet all the year round. The members are not paid but their travelling expenses are paid by the Board. Mr. Chopra said that he had experienced no difficulty in the hot weather in travelling long distances. He thought a member would travel from Madras to Delhi even in the hottest month of the year if the subject to be discussed was important enough.

5872. With reference to the statement made in the written evidence that more effective check on corrupt practices of subordinate staff was needed the Chairman asked what remedies Mr. Chopra would suggest. The witness said that it has been admitted that corrupt practices exist and complaints have also been made; he did not think that it was part of the business of the Chamber to say how it should be stopped, but he thought it was for the Railway Board to discover some effective check. He referred to the evidence tendered to the Railway Committee by several witnesses and pointed out that even agents of railways have admitted that corrupt practices do exist. Sir Arthur Anderson asked what the witness would say to the suggestion that the Chamber of Commerce should resolve among their members not to offer anything in the form of bribes. Mr. Chopra did not consider that this was practicable and cited the case of an individual who might have a very big consignment to be despatched of goods which he had already contracted to be delivered within a particular time and finds that he could only avoid a very heavy loss by paying a few rupees to the clerk-in-charge at the railway station to despatch his goods promptly. Mr. Chopra thought that very high morality could not be expected from the consignor in such cases. He admitted that the proper course would be to refuse payment, carry the matter to the Railway Board and insist on reform, but in the meanwhile the consignor would suffer and therefore the temptation was to offer a few rupees rather than suffer losses. He would be quite ready to refuse to pay if he could trust his neighbour to refuse also; moreover, they had little faith in their complaints being attended to by the authorities. Mr. Varshinie said that he had heard of cases in which Rs. 500/- have been paid for a wagon for conveyance of grain, but the Chairman asked whether Rs. 500/- per wagon could be correct in the case of grain.

5873. Mr. Chopra said he had heard of one merchant who had even paid Rs. 800/- for a wagon to get his sugar moved. Sir Henry Ledgard did not think that this was so high as to absorb the merchant's entire profit as it only worked out at Rs. 2/- per maund and he explained that, as there were wild fluctuations in the price of sugar—30-90 per cent. formerly and 15-30 per cent. at present—it was quite possible that such a big sum might have been offered. The witness had only heard of it and he generalised that the amount depended upon the profits to be realised. A fresh addition of wagons would only partly solve the difficulty and would not go to the root of the matter. It might be that the staff are not paid well, but there could be no ignoring the fact that they are accustomed to it and would still expect it and the merchants did not object to paying, if necessary, a small sum.

5874. The Chairman observed that, as regards better service for 3rd class passengers, Mr. Hindley, Agent of the East Indian Railway, had submitted to the Committee that the Railway Board would not sanction any expenditure which does not help to move traffic. The witness said that this argument could hardly be used against the provision of water in inter-class lavatories. Formerly there used to be a good supply of water in the E. I. Railway coaches, and later there were pipes but no water, and now even the pipes have been removed. It was much the same in other railways, State included, although Mr. Varshinie thought the O. & R. a little better in this respect. Provision of water for flushing the lavatories provided in the coaches is essential and more so in mail trains which sometimes do not stop for an hour or two. Sir Arthur Anderson stated it was possible that the passengers did not turn the water off after use, but Mr. Chopra did not agree and said he thought that it was a case of the railway not taking the trouble to fill the tank as the provision of water could not be much expense.

5875. On the subject of transfer of a part of control from the central to the provincial Governments, the Chairman pointed out that under the Government of India Act "Railways" was entirely a central subject. The witness realised that no powers could be given to Provincial Governments in respect of trunk lines, but considered that the administration of branch and feeder lines should be handed over to them. The Chairman explained that, in countries like Canada and South Africa, the whole control of railways was vested in the Central Government, and in the United States of America, which has a vastly larger mileage of railway than India, the control of rates and finance has just been taken away from the States, and given to the Central Government, and asked whether it was not "local advice" instead of "local control" that the witness really wanted. He also drew attention to the difficulty that might arise, as for example by the construction of competing metre and narrow gauge lines alongside a main line, if provinces had powers in regard to branches and feeders, and instanced as an example the broad and metre gauge lines running parallel between Lucknow and Cawnpore. The witness said if control must remain with the Central Government details should be arranged by the Provincial Governments. The Chairman enquired whether he would desire to encourage companies to build branch and feeder lines in order to relieve Government from difficulty by raising capital. Mr. Chopra replied that, if Government had the money, he personally would certainly prefer the State constructing them; but if not possible, sooner than go without such lines he would encourage companies to construct them.

5876. The witness considered that as much capital as possible should be raised in India. It would be difficult to say how much could be got. He thought that, whilst the rate of interest is so high, railways which cannot afford to pay higher dividends cannot raise capital from the classes who invest in industries that would pay 10 per cent. and even 20 per cent., as against railways which, at the most, yield 5 per cent. *Per contra* there were considerable deposits in banks, though the interest offered was only 3-3½ per cent. and 4 per cent. respectively. The witness mentioned in this connection that the Bank of England does not pay anything at all by way of interest on deposits but Mr. Tuke informed him that there was no such thing as "fixed deposits" in the Bank of England. The Chairman referred to Sir Thomas Smith's evidence on the previous day that business men would be willing to subscribe to railway loans, as the prosperity of their businesses and industries depended upon quick transport. The witness, however, said he could not endorse this view. There are people who would prefer to put in money in one concern and not in another and even as regards his own Chamber, he did not think that its members would be ready to subscribe to railway issues simply because an efficient railway service is essential for the success of their business.

5877. Mr. Varshinie thought there were manufacturers and merchants in their Chamber who would prefer to put their money in safe investments such as railways. There was no doubt that generally the habit of investing is growing in India, though slowly; but Mr. Chopra thought it would be difficult to raise in India all the money required for railway development. The terms of branch line companies might, he said, be made more attractive.

5878. With reference to the promotion of feeder and branch lines by local boards, the witness said that the district boards in Madras might be richer than the district boards in the United Provinces. He did not think that the latter have any powers either to levy a railway cess or to promote such railways. He was not a member of the Board of Communications, but from the proceedings of the two or three meetings of the Board which he had read, he could not recollect that the subject of powers being given to district boards in these directions had been raised in the Board's discussions.

5879. As regards inequitable rates, the Chairman asked whether low rates for cotton to Bombay were really "favourable export rates," as a good deal of the cotton is not for export but for local consumption. The witness thought that the Bombay mills are fortunate, and instanced other differences in rates.

5880. The Chairman suggested that, in regard to the differences in rates between Delhi to Calcutta and Bombay (which is at an equal distance from Delhi) on the one hand and from Delhi to Ahmedabad on the other, the East Indian Railway might have made a low rate to Calcutta on account of competition by water and this forced down the Delhi-Bombay rate; such competition is absent between Delhi and Ahmedabad. The witness considered that, if railways were all State managed, uniform rates could be introduced. He was prepared to admit, however, that the Prussian State Railways did not have uniform rates.

5881. Mr. Chopra referred to the rates to the ports for cotton yarn being twice as much as for raw cotton, and considered it undue preference. The Chairman, however, observed that universally it was the principle to charge a higher rate on the more valuable article, but Mr. Chopra stated that he considered it did not encourage industries, and if the Railway Board had regard for the indigenous manufactures of the country they would see that the rates were more favourable for these. The Industrial Commission came to the conclusion that railway rates are so framed as to favour the movement of raw material to, and the conveyance of manufactured goods from, the ports. Mr. Varshinie said that he remembered sending a big sample parcel of raw wool and another of woollen cloths, and the charge for their conveyance was the same in each case in Japan; he promised the Chairman to look up his files and to let the Committee have details. The Chairman remarked that, if so, Japan must be the only country where such practice obtains.

5882. The difference in rates from Delhi to Howrah and Delhi to Chunar, to which Mr. Chopra drew attention, the Committee thought might be due to the smaller amount of grain conveyed to the latter place, and Sir Henry Ledgard suggested that if a low rate is wrong the alternative would be not to reduce the higher rate but to raise the lower. The witness agreed to this, observing that it was fairness that he demanded. He did not think that if there was a flour mill at Chunar the Railway would assist it with special rates.

5883. Mr. Chopra further stated that from Delhi to Howrah, 903 miles, it cost Rs. -/7/6, or ·095, per maund per mile, whilst from Delhi to Chunar, a distance of 465 miles, the rate is Rs. -/6/3, *i.e.* double, in other words the railway charges Rs. -/6/3 for 465 miles, but will transport the goods 438 miles further for only Rs. -/1/3; and that the rates were:—

	Rs.	a.	p.
For raw hides:—			
Delhi to Howrah (903 miles) ...	0	7	6
Cawnpore to Howrah (623 miles) ...	0	5	3
Delhi to Cawnpore (271 miles) ...	0	5	8
For cotton seed:—			
Broach to Navsari (58 miles) ...	0	2	3
Broach to Bombay (205 miles) ...	0	1	9

He thought these were glaring examples of unequitable rates.

5884. The Chairman asked the witness's views on the constitution of a Tribunal to deal specially with rates, say an impartial chairman, not a railway man, one or two representatives of the trade and one or two representatives of the railway interest. The witness favoured such a suggestion, but the Tribunal should fairly represent the Indian commercial and industrial community, and its decisions should be loyally accepted by the railway. The Railway Commission provided for in the Railway Act existed only on paper and had never sat.

5885. In reply to Mr. Purshotamdas the witness said that the United Provinces Chamber of Commerce was established in 1914, and it is now seven years since it came into existence. Before that there was only one Chamber for both Indians and Europeans. This always claimed to represent both the Indian and the European points of view, but it was found that in certain matters these interests clashed. These were the reasons why a new Chamber was started. The Chairman asked how there could be a clash of interests between the Indian and the European industrial undertakings, and wanted the witness to mention specific points on which the Indians took a different line. The witness stated that the members of the United Provinces Chamber of Commerce were mostly commercial firms, though its membership included industrialists also. He could not specify the points of difference as desired by the Chairman. At this stage he said that he would give a brief history of the Chamber. The establishment of the United Provinces Chamber was not due to any particular dispute or difference of opinion, but was in response to the recommendation of the Provincial Industrial Conference of 1913, which met at Fyzabad, that there should be an Indian Chamber of Commerce to represent the purely Indian point of view. There are some Indian members in the Upper India Chamber of Commerce. He was not sure whether at the beginning the Indian and the European members were half and half or very close to it, but his impression was that the former were very much less than the latter.

5886. The Chamber had written many times to the railways concerned—the Oudh and Rohilkhand and the East Indian Railways—drawing attention to the existence of corruption and preferential treatment. They usually reply that the matter is receiving consideration, but nothing results therefrom. In a few cases specific instances were called for which it was impossible to give. The Chamber, however, put before the railways facts which definitely proved bribery, as, for instance, the refusal to accept the goods of a man who had brought them earlier than another and the acceptance of those of the latter for despatch. They had also approached the Government Controller of Traffic, but he had replied that it was all due to congestion.

5887. In answer to Mr. Hiley, the witness explained that during the war each railway notified that such and such a section of such and such railway would be open for such and such traffic, and, on getting that notice, merchants sent their representatives with their goods to the railway station. Merchants did not know what accommodation would be available, and they took their chance when they sent their goods to the railway station. In case of wagon loads a formal application for the number of wagons required was made before the goods were despatched to the station accompanied by consignment notes. In any case money had to be paid, and it was frequently the case that a man applying for half a wagon was served before another who had applied earlier for a full wagon.

5888. In reply to Mr. Hiley, who asked if it was the practice for a merchant to apply in advance for wagons, Mr. Chopra said the goods were sent down and took their chance, but because of the congestion in the yards goods had often to be brought back to the merchants' godowns because the companies do not take any responsibility for goods left on their premises. Mr. Varshinie said that the practice among the merchants in Cawnpore, when they wanted to send a full wagon load, was to send a consignment note to the stationmaster, who recorded it in a special book, and asked the merchant to wait for the wagon. But often when there was a great rush of traffic he took the consignment notes from the merchants, did not enter them in his book, but kept them separately, and afterwards he who paid the station staff highest would get his consignment entered and wagon supplied. Mr. Hiley suggested that if applications for full wagon loads were entered in order, and placed in a conspicuous place, this would get over the difficulty of preferential treatment.

5889. In answer to Sir Henry Burt, Mr. Chopra said that as far as he was aware there was no priority register in Cawnpore on the Oudh and Rohilkhand and Bengal and North-Western Railways, in which the merchants themselves were requested to write down their requirements. Mr. Wood, district traffic superintendent, B.B. and C.I. Railway, who happened to be present, explained to the Committee that at every station on the B.B. and C.I. Railway there was a priority register, and that when a consignment came it was entered straightway and a consecutive number given. The applications are always consecutively numbered, and the order must be adhered to. The book is open to public inspection and is kept by the stationmaster. The consignor himself does not enter his requirements, but he can always see the document and satisfy himself what the position is. Mr. Varshinie had never heard of this book, and Mr. Chopra remarked that in Cawnpore the stationmaster had never shown that book to anybody else. Sir Henry Burt observed that it was very difficult to understand how, if the priority system existed, preferential treatment was going on. When this register was first started the public were informed of the use to which the document could be put. Mr. Purshotamdas said that very few merchants knew of the existence of this register. Mr. Ryan, secretary, Upper India Chamber of Commerce, who was present, submitted that most of the merchants did their despatching through brokers, and that one broker probably acted for as many as a dozen merchants. His view was that the facilities were so poor that there was not the slightest hope of obtaining information in advance, and the goods have to go to the station and wait their chance.

5890. The Chairman asked, supposing there was a register, and A was given a number before B, how it would be possible for the stationmaster to put B's goods in front of A without A making a complaint. Mr. Chopra explained that the merchants did not know that they had a right to have their request for a wagon entered in a book in their presence. The brokers who did the business for their merchants have to deal with the railway servants every day, and do not like to offend them. In this connection Mr. Chopra explained another difficulty which the merchants often experience. They generally get notice that such and such line will be open for such and such traffic on a certain day. The merchants send their goods and incur all the expenses of cartage, etc., and when the goods reach the station they find that the previous programme has been cancelled. The Chairman observed that this was altogether outside the powers of the stationmaster. Mr. Chopra agreed, but said that almost every third day the railway authorities changed their programme. The United Provinces Chamber represented the matter very strongly to the O. and R. Railway.

All that they wanted was that a programme should be determined upon at least one week in advance and acted up to. Mr. Chopra promised, at the suggestion of Mr. Purshotamdas, to find out for the information of the Committee whether at the various stations in Cawnpore there was any priority register in use.

5891. Questioned by Mr. Hiley, Mr. Wood then explained that there was no priority register kept in Cawnpore. Some time back they had this, but it was found to work unsatisfactorily, Cawnpore being too big a place and the goods being brought in too great a rush. Referring to Mr. Chopra's remarks on the closing of the line for certain traffic Mr. Wood said the custom was to open for certain classes of traffic on a certain day, and after that was worked off to open again for another class, and the rushes of traffic consequent thereon were very difficult to deal with. Mr. Hiley pointed out that still there should be method even in a rush. The Chairman summed up the position by saying that apparently there was not a priority register at Cawnpore, the reason given being that it is too big a station, and remarked that it is a pity that where the complication is worse, the machinery should also be worse.

5892. In answer to Mr. Purshotamdas, Mr. Chopra said that his Chamber had no preference either for State managed or company managed railways, as they had been managed till now. As a first step towards introducing popular administration, Provincial Boards should be constituted at various trade centres, and also a central Board at headquarters. Both these Boards would be only advisory in character. The Railway Board ought to be strengthened by the appointment of two more members, one for Commerce and the other for Industries. He would not put a limit to the number of experts which might be put on the Board, which would really be an Executive Board.

5893. Mr. Chopra recognised, in replying to Mr. Tuke, that one of the great difficulties now experienced by railways was want of money. This was to a large extent occasioned by the revenues of the railways being mixed up with the general budget of the country. Though he did not feel competent to say anything authoritatively on the point, he would have no objection to the railway finance being kept separate from the general finances of the country. He could not say whether it would be an advantage, as he had not gone deeply into that question. New money must be raised only by a Government loan, which would have to carry an interest of not less than 6 per cent. and which should therefore attract capital now deposited in banks. The interest that banks pay in Cawnpore on fixed deposits is from 4 to 5½ per cent. according to the period of notice.

5894. Referring to the constitution of the Boards of Industries and Communications, Mr. Chopra in reply to Mr. Hiley said that on the Board of Communications, both the Upper India Chamber of Commerce and the United Provinces Chamber of Commerce are represented by a member each, and on the Board of Industries, the former is represented by three members and the latter by two. There are also some officials who are ex-officio members of both and a few others who are nominated by Government. One was interested in industries and the other in communications. Though both were interested in each other, they did not overlap; nor did they combine their functions anywhere.

5895. In reply to Sir Henry Burt, Mr. Chopra said that in 1918 his Chamber sent out a circular to all firms including railway companies, inviting them to become members of the Chamber. No reply had been received from the Railway administrations; but on the suggestion of the Chairman he would send to them a special invitation.

5896. Sir Henry Burt ascertained from Mr. Wood that the practice in Cawnpore is that the goods shed is open for goods going in a definite direction at certain specific times. When the goods are received in the station they are first sorted, as consignments are usually brought down in two or three different carts, and the railway receipt is not given until after sorting and consignment is completed. If the goods came down in complete consignments the receipt could be given straight away. The witnesses said that they had not complained of the delay in granting railway receipts but that their complaint was that receipts were not given before the goods had actually been loaded in wagons. While the goods were lying at the station, sometimes for weeks, they were not supposed to have been accepted by the railway authorities; the witness thought that, when the goods are brought into the station and facilities are not sufficient to take over the consignments at once, the railways should intimate to the merchants their exact position as to likelihood of despatch, particularly as there was no document to show that the goods were lying on the station platform.

5897. With regard to the charges of demanding bribes by the railway staff for wagons, Sir Arthur Anderson asked how, if the members of the Chamber decline to come forward and give some definite examples, it would be possible for the railways to put a stop to this malpractice. Mr. Chopra said that as he had already pointed out, when a merchant found that he was going to suffer a heavy loss if he did not pay what was demanded of him, he would generally pay. After having paid, he could not come forward and say that he had paid, as he was liable to be criminally prosecuted, for it was as much a crime to pay as to receive. That was the real difficulty. If the merchants were on the other hand sure that their complaints would be sympathetically considered and more quickly attended to, they might refuse to pay, but as conditions were they knew that any complaint made to the railway authorities or to the Railway Board was hardly ever attended to. Mr. Chopra believed that if the authorities, who must be fully conversant with the state of affairs, were more watchful and introduced a more effective check this could be stopped, if not entirely, at least to a large extent.

5898. In reply to the Chairman, Mr. Chopra said that hitherto no active steps had been taken by the railway administration at Cawnpore to put a stop to this system. One reason why no investigation had been made was the fact that the evil was not confined to the subordinate staff but had spread a little further up, though he was not prepared to say how far that had gone. Sir Arthur Anderson asked whether the United Provinces Chamber of Commerce or any member of that body had ever made any definite charge against any one man. Mr. Chopra said that some of their members had once made a complaint to the District Traffic Manager, Cawnpore, and given the name of the person who had been taking bribes, but this was not done in writing. The moment this was put in writing the railway authorities would turn round and say that this was a serious allegation against a public servant, which must be proved in a Court of Law.

5899. The Chairman said that the members representing the Upper India Chamber of Commerce told the Committee that there had been a marked improvement in the service to the public since the meeting with the representatives of the Railway Board last November, and enquired what had been the experience of the United Provinces Chamber. Mr. Chopra said that the traffic from Calcutta which had often taken about three weeks was now coming in nine or ten days. Since November there had been an appreciable improvement though he would not call it "considerable."

FORTY-FIFTH DAY.

(Lucknow).

Tuesday, 22nd February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., O.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. A. C. VERRIERES, Joint Secretary to the Government of the United Provinces in the Public Works Department, and Mr. H. G. BILLSON, Chief Conservator of Forests, United Provinces, were called and examined upon a written statement which had been furnished to the Committee.

5900. Mr. Verrieres said that he would express the views of the United Provinces Government broadly. The written statement had been drawn up under the orders of His Excellency the Governor acting with his Council and Ministers. The opinions of the Government were divided regarding the desirability of State management *versus* the existing system of management by companies on a profitsharing basis. His Excellency and the Finance Member were in favour of company management under certain conditions, while the Home Member and the Ministers were in favour of State management; but all are unanimous in holding that any companies managing railways should be domiciled in India. The Government had not expressed an opinion as to the process by which an English domiciled company could be turned into an Indian domiciled one. The natural process would be to raise more company's capital in India until the rupee capital was large enough to dominate the company.

5901. The Chairman observed that this would imply a very definite transition at some point, and also the English company's consent to issue rupee capital having equal voting rights. Mr. Verrieres agreed that the company would first have to accept the subscription of rupee capital. He said that one opinion expressed certainly was that when the rupee capital outbalances the starting capital, the shareholders would vote for transference to India. This was in his opinion the only way in which the process could be carried out.

5902. The Chairman asked what the opinion of the Government would be, if the transfer of the domicile of the existing company to India were found to be impracticable. Mr. Verrieres said that he had heard the opinion expressed that there would be no objection to a dual system of control, that is, to a company having Boards of Directors in England to deal with matters of general policy, the Indian Directorate being in touch with Indian conditions and dealing with the details of management. The Chairman said that it would be impossible to serve two masters. Mr. Verrieres agreed that it would be difficult to demarcate the spheres of the two Boards; he said that he did not think the Local Government had any very strong views on the subject. Assuming it to be impossible to transfer the domicile to India and also impossible to draw a frontier between the suggested English and Indian Boards, the witness thought that His Excellency the Governor would prefer the retention of companies with an English domicile, that is, anything rather than direct State management. His Excellency had endorsed the opinion of Lord Meston who, when Lieutenant Governor of the United Provinces, had distinctly stated that certain lines must be managed by the State for strategic reasons, and that the rest should be entrusted to companies.

5903. The Chairman observed that under existing conditions the powers of the railway companies are greatly restricted. They cannot, for example, spend either on capital or revenue account without the permission of the Government; they cannot add to their staff or raise new capital without permission. They can alter rates and fares only within limits prescribed by Government, who also lay down the classification of goods. It appeared, however, from the written statement that the Government of the United Provinces desire further to restrict the liberty of the companies, that is that their already small degree of freedom should be further circumscribed. The Chairman observed that, if this were done, little was left to the company's independent discretion. The witness admitted that as a matter of fact this appeared to be the case.

5904. The United Provinces Government had expressed the opinion that railway finance should be separated from the general finances of the country. The Chairman observed that this opinion had been expressed by most of the witnesses who had been examined by the Committee.

5905. They also desired that there should be a Railway Member of the Governor General's Executive Council who should be the President of the Railway Board, and who should be a Member for Communications generally with perhaps Irrigation thrown in. Mr. Verrieres explained that "Irrigation" is dealt with by the Government of India in the Public Works Department which has a special Secretary for it. It is a "Central" subject under the Government of India Act, but the Imperial Government generally employs the local Governments as its agents to do the actual work. If the Railway Member of the Viceroy's Council were in charge of Irrigation he would not have any executive work to do in connection with it. It had been thought that the railway work alone would not occupy the whole time of a Member, and it was for this reason that general communications which included roads and bridges (but not posts and telegraphs) were added. The Chairman remarked that he believed that the gross revenue of railways is as big as the whole of the other gross revenues of the Government of India put together, and if so it would seem as if a single Member of Council should have enough to do in charge of the railways.

5906. Referring to the statement in the written evidence that of the four members proposed for the Railway Board one should be a representative of the

taxpayers, Mr. Verrieres said that he thought that this Member would deal with rates and fares and generally with matters affecting the convenience of passengers. He agreed that rates and fares could not be dealt with merely by a gentleman who had the taxpayers' interests at heart, but that a technical man of some kind would be required. The idea was that the member proposed would ventilate the grievances of the public. After further discussion, he agreed that there were two different sides to the Railway Board: on the one hand, technical, executive or administrative control; and on the other hand, representation of public opinion. He would have no objection to the establishment of an executive body of wholetime officers on the one hand, and on the other an Advisory Council representing the public. The Chairman suggested that instead of one Indian member of the Railway Board as proposed by the Government (and particularly as Indians with the necessary qualifications for technical work might not immediately be forthcoming) it would be preferable to have several representatives of Indian opinion on the Advisory council. Mr. Verrieres felt that he was bound by His Excellency the Governor's opinion in favour of a small Board including at least one Indian Member, but he personally thought that the Chairman's alternative suggestion of having an executive body chosen for technical qualifications only and without regard to race and a separate representative Advisory Council would meet the case.

5907. With reference to the observation made in the written statement that the railway administrations have not always used their powers in fixing rates for goods in the interests of Indian industries. Mr. Verrieres explained that this observation was put in at the instance of the Member for Education and Industries, who was of opinion that the powers delegated to the railway administrations as regards rates and fares had not been wisely used in the interests of local industries. He believed that too much consideration had been given to the reduction of freight on imported goods and to the export of raw material, to the detriment of indigenous industries. He was not able to quote specific instances, but the United Provinces Chamber of Commerce had drawn attention to the fact that this point had been brought to the notice of Government year after year by the Indian Industrial Conference, and the allegations had never been refuted. Mr. Verrieres thought that an advisory council would be a convenient way of keeping the Railway Board constantly in touch with complaints of this kind. So far no advantage had been taken of the machinery provided by the Indian Railways Act, 1890, to appoint Railway Commissions. The Chairman observed that the machinery provided by the Act is practically unworkable, and asked what the witness would think of a suggestion for the appointment of a tribunal consisting of railway men on one side and commercial men on the other, with an impartial chairman, to which body questions affecting rates and fares could be referred. Mr. Verrieres thought that this would meet the case.

5908. Referring to the statement in the written evidence that the local Government should have a more effective voice than at present in the administration of railways within its territorial jurisdiction, etc., Mr. Verrieres said he would not go so far as to suggest that this should be procured by special legislation, upsetting the existing arrangement under which the administration of railways is a central subject of Government. He had merely in view the indifference of the Railway Board to the recommendations made by the local Government. He mentioned, for instance, that the construction of several branch lines had been suggested to the Railway Board, but that absolutely no action had been taken by the Board year after year. The Chairman observed that, even if the United Provinces Government were represented on the suggested railway council, it ought not to get more than a fair share of what is going round, but it would at least have an opportunity of pressing its case for a fair share. Mr. Verrieres said that it remained to be seen whether that would be effective.

5909. Mr. Verrieres said that he did not suggest that there had been enough money to provide for all wants; and, in reply to Sir Arthur Anderson, he agreed that, so long as there was no money, it was no use representing their needs.

5910. Mr. Verrieres stated that there had been a lot of discussion about the collection of the pilgrim tax, which is a tax collected to provide for sanitation, etc. So far as his recollection went, the Oudh and Rohilkhand Railway were perfectly willing to collect, but the railway companies had raised objections. In reply to Henry Burt, he admitted that this question had assumed importance only recently.

5911. Sir Henry Burt explained the reason which had led the companies to object to their being called upon to collect the tax, and pointed out that extensive arrangements had been made for the accommodation of passengers at pilgrim centres. At present a pilgrim tax of 1 anna per head is collected only on passengers booking to Hardwar and Benares, and the proposal is that this tax should be doubled and collected for all the important pilgrim centres in the province. It was feared that in order to evade the higher tax the pilgrims would book short of the pilgrim centres, and that if that happened to any great extent it would result in the railway being put to the expense of providing further accommodation at other stations. Sir Henry Burt said that he had discussed the whole question that morning with Mr. Blunt, the Financial Secretary, and that Mr. Blunt has recognised that the views held by the companies deserved the fullest consideration, and he thought it would be fair to both sides if the new scheme was introduced tentatively only in the first instance and the effect on the traffic recorded. Sir Henry Burt further explained that there was a question of collecting this tax at Muttra, which is a pilgrim centre on the Bombay Baroda and Central India Railway; and that the Company had objected unless, in order to avoid accounting difficulties, it could be arranged that the tax should be levied at Muttra only on outward tickets issued at that station. Mr. Verrieres said that he appreciated the difficulties of the situation, but explained that the local Government felt that they have not been listened to, and that their proposals are thrown out without consideration. He did not now refer to the particular case of the pilgrim tax, but was making a general statement. He thought, however, that to remedy this state of affairs, the advisory committee suggested by the Chairman would be useful. He thought that the representations of Government are attended to with more consideration on the State railway than on companies' lines.

5912. The Chairman referred to the subject of bribery of railway servants in connection with the supply of wagons. Mr. Verrieres read for the information of the Committee a letter dated the 18th January, 1921, which had been addressed by Mr. Goodge, the officer in charge of the Publicity Bureau, Lucknow, to the Chief Secretary to the Government of the United Provinces. This letter explained that a great cause of discontent to traders was the large exactions which station masters make for the supply of wagons for the transport of grain and other commodities. Apparently since there had been a shortage in the rolling stock, the railway servants had increased their demands, which were always known to be high. While in Benares, Mr. Goodge had been told by a member of the Municipal Committee that as much as Rs. 500 had been charged for one wagon for grain. The letter went on to say that people generally think that high prices are due to this cause. He wished this matter to be brought prominently to the notice of the railway management. Apparently an increase in salary had led to an increase in the demands made. In reply to Mr. Purshotamdas Thakurdas, who asked what the writer meant by the last statement, Sir Henry Ledgard said that he understood it to mean that every increment in salary meant an increment in the rate per wagon. Mr. Verrieres said that it was rather difficult for him to suggest a remedy. Mr. Billson explained that in regard to the transport of timber, the Forest Department have an officer in charge who gets a total allotment of wagons daily. He distributes the wagons to different merchants in rotation, and has the power to allot wagons to any contractor he pleases. In reply to the Chairman, Mr. Billson said that people are complaining very largely about the blocks in the traffic. Bribery for wagons depends on the fact that there are not enough wagons to go round. The Chairman observed that it was difficult specifically to prove the existence of bribery; Sir Henry Ledgard remarked that it is not confined to railways; he observed that a consignor might register for, say, five wagons to go from a certain station to a port; he might actually require only one and would dispose of the others to somebody else at the best price he can get. The Chairman observed that in this case, the bribery does not concern the railway staff.

5913. In answer to Sir Arthur Anderson, who asked whether considerable trade had not been carried on in priority certificates when these were in force, Mr. Verrieres said that he had heard about it, but had no official information. Mr. Goodge had not given in his letter the names, dates, etc., of the cases of bribery which he had quoted. Mr. Verrieres had no doubt that he would be able to furnish this information if the Committee so desired. The Chairman said that Mr. Goodge might himself deal with the prosecution of the case as the Committee could do nothing beyond handing over the information to others for action.

5914. Regarding owners' risk notes, the Chairman remarked that he thought that there is a disposition towards an agreement at present both among the traders and the railway administrations in India, in favour of the establishment of a tribunal to decide the reasonable difference between owners' risk and companies' risk representing the value of the insurance and the conditions that it would be fair to put in both sets of risk notes. Mr. Verrieres agreed with the Chairman that the matter should be dealt with and settled.

5915. On the question of the extension of the metre gauge system into Delhi, the Chairman mentioned that three extensions of the metre gauge line had been suggested. Mr. Billson said that the extensions proposed were (1) from Kasganj south to Agra, (2) to carry the line west to Aligarh, and (3) to extend it north to Delhi; the Forest Department was mainly interested in the connection to Delhi. The extensions were proposed for the sake of avoiding transhipment from metre to broad gauge; he agreed with the Chairman that transhipment to foreign lines could not always be avoided. The policy of the Railway Board appeared to be that the main line of communications should be broad gauge and, though the companies were prepared to make metre gauge connections, the Railway Board were not prepared to allow it.

5916. Mr. Billson agreed with the Chairman that if a larger amount of money is required for railways in India than is likely to be available, it is only reasonable that the most important lines should receive preference over the less important ones. In regard to the particular extension from Kasganj to Delhi, in addition to timber, the line would also carry grain from Rohilkhand for despatch to Karachi over the broad gauge.

5917. In connection with the extension to Agra Sir Henry Burt observed that the local Government attach much importance to it in connection with the timber trade. Mr. Billson remarked that the local Government attached even greater importance to the extension to Delhi. Taking Bareilly as the centre, the distance from Bareilly to Agra *via* Chandausi by the broad gauge is 170 miles, and by the existing metre gauge 168 miles, whereas by the proposed metre gauge it would be 138 miles, and thus there would be a saving in mileage.

5918. The President observed that the question of these extensions clearly raised a large question of policy, and that the Committee had not been asked to report on the question of gauge. He explained that briefly what was proposed was in effect the construction of a metre gauge bridge or link between the two blocks of metre gauge lines north and south of Delhi, and that he could understand that the Railway Board did not want to make the confusion of Indian gauges worse confounded and allow extensions which might subsequently add to the difficulty of solving the gauge problem. Mr Billson pointed out that as a metre gauge line runs into Delhi from the other side already, the construction of the Kasganj line could hardly have this effect. He added that the only way to meet the gauge difficulty would be to scrap the metre gauge altogether, which he admitted is not within the scope of practical politics at present. Mr. Billson remarked that the length of railway he would like to see made could not affect the broad question of adopting a heroic gauge policy later, while meantime the construction of the two lines mentioned would greatly facilitate the work of the Forest Department. He did not think the Delhi line had been surveyed; he thought the Agra one had been. The Chairman said that the Railway Board had stated their policy in regard to metre gauge railways as being that they should be restricted as far as possible to their existing areas. The Board recognised that the enforcement of this policy would undoubtedly involve a certain amount of inconvenience as it necessitated transhipment, but they opposed a further extension of the metre gauge system to the south of the Oudh and Rohilkhand Railway in view of the importance of maintaining the most efficient means of transport in important industrial and commercial areas. There were thus only two alternatives open to the U.P. Government, namely, either to induce the Railway Board to reverse this policy, or to persuade them to regard these particular extensions as exceptions to it in view of their urgent local importance. Mr. Verrieres agreed, but urged that the local Government must be given a more effective voice in matters in which it is interested, consistently, however, with the general policy of the Government of India. He did not think that the local Government was represented in the budget discussions at Delhi. He thought there should be one representative of the U.P. at these.

5919. The Chairman observed that the local Government can even now focus attention on their requirements if they are dissatisfied by making further reference to the Government of India, or through their representative in the Imperial Legislative Assembly. Sir A. R. Anderson added that he believed the Railway Board would readily discuss the question of railway policy with the local Government if so desired.

5920. Asked whether he had any other points to raise, Mr. Verrieres said that the main difficulty experienced is that of the blocking of traffic at the junctions between the metre and broad gauge lines. The Chairman said that the immediate remedy for this state of affairs was that the United Provinces should find the money necessary to put the railways in proper order, the fact being that the machine was not in any respect big enough for its work.

5921. Mr. Purshotamdas referred further to the question of the collection by railways of the "pilgrim tax," which had already been mentioned, and asked whether the local Government found that the State railways undertook this work without demur whereas the companies raised objections to it. As far as his memory went, Mr. Verrieres said that the State railways did undertake it without question. If they had suffered materially he thought they would have represented it to the provincial Government. He was not prepared to say whether the company managed railways erred on the side of over-caution when they so objected. The President explained that Sir Henry Burt had pointed out that the companies apprehended that the increase in the tax from 1 anna

to 2 annas might result in passengers getting off the railway short of their destination, with the result that neither would the municipality get the tax nor the railway the railway fare, and that it was therefore surely in the interests of both that the railway companies should point out this difficulty. Mr. Purshotamdas said that the local Government would naturally have considered the possibility indicated before making their recommendation. The Chairman observed that the ready acceptance of the tax by the Oudh and Rohilkhand Railway might be interpreted by a company man as showing that whereas the companies conserved revenue by their care, the State railways threw it away by their indifference. Mr. Purshotamdas said he was only trying to get at facts. The witness was not prepared to say that the State railways did not make any objection, but as far as he remembered they did not.

5922. Sir Henry Burt emphasized that pilgrim tax is levied at present only at Benares and Hardwar, and that the dispute is due to the proposal not only to increase it, but to levy it at the higher rate elsewhere. In reply to Mr. Purshotamdas Mr. Verrieres said he could not give any specific examples of what Lord Meston had in his mind when he spoke of the competition between the interests of great ports and those of inland provinces.

5923. Mr. Verrieres said that it was the opinion of His Excellency the Governor that, when the existing contracts are revised or when new contracts are given, a much more efficient power of control ought to be reserved by the superior Government as an essential condition to the maintenance or extension of administration by companies. Mr. Verrieres could not say whether, if the companies were opposed to any more restrictions than exist at present, His Excellency would then favour State management of railways, as he had definitely stated that as a general rule he would prefer company management with some restrictions. Mr. Purshotamdas inferred however that His Excellency would probably be disposed to prefer State management in that event.

5924. In answer to Mr. Hiley, Mr. Verrieres said that His Excellency considered Indian domicile of the working companies essential Mr. Verrieres believed however that if for some reason or other the domicile could not be transferred to India, His Excellency would still prefer company management; and would, in accordance with this belief, be disposed to alter the written statement to "His Excellency would prefer Indian domicile." He agreed that the three degrees of desirability in His Excellency's view are, as stated by the Chairman, namely, first, domiciled Indian company; next, domiciled English company; and, lastly, direct State management. He believed His Excellency preferred company management under any circumstances.

5925. In reply to Sir Henry Burt, Mr. Verrieres said that the observation made in the written statement about branch lines was a general expression of opinion, there being at present no branch line companies in the United Provinces. No difficulty had arisen here, although there were other difficulties which had been mentioned.

5926. On the subject of the provision of roadways for cart and foot traffic over railway bridges, Mr. Verrieres stated that it had now been laid down that railways should consult local authorities as to whether or not a roadway should be provided at the same time as the bridge is constructed; but it was apparently not so formerly. Several bridges had been built without roads for cart traffic. The local Government found it cheaper to finance the putting up of a road deck for the carts than to build a separate bridge itself. Every proposal of this kind made by the local Government had been rejected. The Great Indian Peninsula Railway for instance has a bridge over the Jumna on which a road deck could be put, but, when applied to, the company would not agree to its erection. Nothing resulted from a reference to the Railway Board, who merely forwarded the G.I.P. Railway's letter. The Chairman remarked that the company's board must presumably give a reason before rejecting a proposal of the local Government. Mr. Verrieres said that of course some reason is given, but the unfortunate fact remained that local Government's proposals were invariably not accepted. Sir Arthur Anderson pointed out that the replies rejecting the proposals of the local Government were the replies of the Government of India and not those of the Railway Board. Sir Henry Burt observed that he remembered the case of a certain large bridge where railway traffic would have been interfered with by cart traffic being allowed on the same level and in that case the local Government refused to meet the cost of a roadway at a different level. Mr. Verrieres said that that may have been so. In the case of the Dufferin Bridge at Benares, road and rail traffic were on the same level, causing serious inconvenience to both; and in consequence the local Government had decided to build a new bridge for the road traffic. He agreed that it was unsatisfactory that rail and cart traffic should go over the same level. Sometimes, however, there is an existing bridge over which rail traffic is not heavy and with a little control cart traffic could also be permitted. He considered that, though the local Government might not be correct in all cases, there were cases in which it had reason to complain. The local Government resented the fact that it was not listened to with reasonable deference.

5927. Sir Henry Ledgard asked whether Mr. Verrieres was a member of the Board of Communications and Mr. Verrieres said he was, and that the matters referred to had come before it.

5928. Sir Arthur Anderson asked to what two railways the Government of the United Provinces referred, in their letter of the 7th February, 1917, to the Railway Board, as being the one admirably managed, and the other in many respects subject to severe criticism. Mr. Verrieres said he believed the allusions to be to the East Indian Railway and the Bengal and North Western Railway respectively, but he promised to enquire and inform the Committee subsequently.

P.S.—In connection with the last paragraph Mr. Verrieres subsequently wrote informing the Committee that His Excellency the Governor desired him to say that, when adopting generally Sir James Meston's views as contained in his letter to the Railway Board, No. 67 R/573, dated the 7th February, 1917, he had no intention of passing any reflection on the Bengal and North Western and Rohilkund and Kumaon Railways, and did not think that the statements of 1917 could any longer be fairly applied to them. He wished it clearly to be understood that he was not insensible to the great improvements which had been introduced into the management of these lines and the different way in which they were now viewed by the public. Mr. Verrieres added that since giving his evidence he had been able to look up the papers and found that Sir James Meston apparently referred to the East Indian as the best and the Rohilkund and Kumaon as the worst railways in the Provinces, and apparently did not cast any reflection on the management of the Bengal and North Western Railway at all.

Mr. F. J. HARVEY, Agent, O. and R. Railway, accompanied by Lt.-Colonel C. F. ANDERSON, D.S.O., R.E., Traffic Manager, and Khan Bahadur MANSUR ALI KHAN, District Traffic Superintendent for Claims, was recalled and further examined.

See Written Statemtnt No. 62, Vol. IV., P. 215.

5929. Mr. Harvey stated that he wished to correct what he had said during his oral examination on the 16th February, chiefly in reference to the question of locomotives. When he said the O. and R. Railway were quite up to their programme, though this was to a certain extent true, he had in his mind then the

question of finance rather than the number of locomotives. During the war the O. and R. Railway could not get any locomotives, though they had enough funds at their disposal, with the result that to-day they are short of locomotives. Then there was another circumstance which was rather peculiar to the O. and R. Railway. For years past the East Indian Railway handed over at Moghal Sarai as many trains as they liked. Although the Oudh and Rohilkhand Railway route *viâ* Moghal Sarai to Ambala was shorter than the East Indian route, yet, as the East Indian Railway are entitled to equalise coal rates *viâ* the longer route, they always send the public coal *viâ* their own route. Mr. Harvey said that more engines were not asked for because it was assumed that the traffic which now passes over the Oudh and Rohilkhand Railway would be worked by the East Indian Railway. Since 1916, however, the East Indian Railway were giving more and more traffic to the Oudh and Rohilkhand Railway, the consequence being that this line has not got the necessary engines to haul the traffic.

5930. For the year ended 31st March, 1920, ten engines were put down in the programme, and for the year ending 31st March, 1921, only nine were put down. The railway got all the 19 engines indented for. But for the coming year 1921-22, though 10 engines had been asked for, the Railway Board had passed only the provision for six. Mr. Harvey said that if he could get these engines there would be a sufficient supply of locomotives for normal requirements, but that at the present time if the Oudh and Rohilkhand Railway were asked to take another two trains from Moghal Sarai to Saharanpur these could not be hauled for want of locomotives. He did not know the position of other railways, and so he could not say whether or not he was less short of engines than others. The Chairman asked, supposing there were enough engines, whether there was room on the road for five more trains each way. Colonel Anderson said that, in addition to the present normal number of goods trains from Moghal Sarai, viz., five, they could only run two more trains if offered, as they would be blocked at Lucknow and at other stations owing to there not being sufficient accommodation. Complete through trains did not require marshalling accommodation, but the Oudh and Rohilkhand Railway never got trains from the East Indian Railway at Moghal Sarai marshalled so that they could be run through, as that station has not adequate siding accommodation. These trains, therefore, have to be broken up and re-marshalled in Lucknow. Colonel Anderson said that the O. and R. Railway have no room in Benares to do this, while even in Lucknow they can get blocked in 24 hours if any serious derangement of traffic occurs. The traffic facilities on the railway are quite insufficient if any large expansion of goods traffic is contemplated. He also said that the average gross weight of an up-train was about 1,258 tons, and the average number of wagons was 52, the maximum load being 55.

5931. In reply to the Chairman, Colonel Anderson said that all the trains handed over at Moghal Sarai by the East Indian Railway are not wholly coal trains; some of them include miscellaneous traffic. At present they were not working up to the maximum engine capacity, that being six goods and four passenger trains each way. Regarding the capacity of the line, he said they are at present limited by engine power. The Chairman observed that he understood Mr. Harvey to say that the engine capacity was adequate at this moment for the normal traffic, viz., five goods trains each way, provided the East Indian did not send more traffic.

5932. On the Lucknow to Shahjahanpur line the daily average number of trains in one busy month in 1920 was 4·65 down and 4·08 up goods trains and four passenger trains each way, thus giving a total of roughly 17 trains. The Chairman enquired, assuming for the moment that there was unlimited engine power and other facilities, what would be the capacity of the single line. Colonel Anderson said that 16 trains could be run each way as a maximum, that is, nearly double the present number in 24 hours. This could not be done week in and week out. This one day's traffic would throw the whole section into confusion for two or three days at present for want of adequate yard and other facilities. At the most, he thought, two more trains could be run over the present number each way, and he would not care to say that more than 10 or perhaps 11 each way could be dealt with comfortably. The Chairman said that a moderate estimate would be that on a single line such as that in question it ought to be possible to run about 40 trains. Colonel Anderson did not admit this, having regard to the type of traffic and size of trains, though it might be possible in other countries. Apart from the engine question the capacity of the line was limited as they had not sufficient yard accommodation. Though on one day the number reached was as high as 32 on one section of the line he would not like to try that every day. The traffic referred to above was only *mela* through passenger traffic which was carried in short, light trains, and involved little shunting work. The Chairman observed that the traffic capacity of the line is apparently limited, not so much by the running road, as by the passing and terminal yards and the engine power. Colonel Anderson agreed generally to this, but demurred to the suggestion that his traffic could be got through faster by interpolating more and more crossing stations. He stated that in his opinion crossing stations were not advantageous on the O. and R Railway at closer intervals that 6 miles.

5933. Colonel Anderson said that on the Oudh and Rohilkhand Railway about 70 per cent. of the goods stock is fitted with vacuum brake apparatus. On an average train of 50 wagons (which might be composed of any broad gauge railway's stock owing to the free user rules) ten vehicles next the engine would always have the vacuum brake. These braked vehicles had to be selected and put in front. This was not conducive to rapidity in marshalling. If funds and materials could be provided the whole goods stock of Indian Railways could be fitted with vacuum brake apparatus in about five years' time.

5934. The Chairman remarked that the Oudh and Rohilkhand seemed to him to be working on a very narrow margin of engines. Mr. Harvey said that as they had cut down passenger traffic owing to coal shortage they have got some margin, but if they were to run their usual passenger traffic they would be in difficulties. Normally, he has about 15 per cent. of engines in the shop. The engines work for six days a week from ten to twelve hours a day and get a shop day once a week for washing, etc. Some of the goods engines are double crewed on occasions, but this is not the normal practice.

5935. The Chairman said that as the Committee had heard unofficially something about the traffic training school, for the starting of which the Oudh and Rohilkhand Railway was responsible, it would like to have some more information on that subject. Colonel Anderson said that they happened to have old buildings in Chandausi, the former Head Quarter station of the line, and had used them to establish a school. Having always in the past had a deficiency of signallers and Assistant Station Masters, they had had a telegraph school for some time in Lucknow. A new Telegraph Officer, who was lent by the Posts and Telegraph Department to the North Western Railway, and of whose pay the Oudh and Rohilkhand pays a third, came and inspected the school about June, 1920. He said that the Lucknow school was no good and proposed an entire reconstitution of the school, in which not only telegraphy but other traffic subjects could be taught. The idea was taken up and pushed through, the Telegraph Officer providing the telegraph instructor to be in general charge of the school, and the Traffic Department finding all the other instructors and equipment necessary. Chandausi was selected as the best place, owing to its having a number of empty railway houses available, and to its being far from the dis-

tractions of a big town. The course of instruction lasted for nine months, divided into three terms of 12 weeks each. If a candidate failed to qualify at the end of the first or any subsequent term he was liable to removal. The school at present turned out an average of about eight men every month and within two years he hoped to have introduced a new spirit among the signallers of the line. This was the first attempt on the O. & R. Railway to train traffic clerks systematically, but during the war temporary schools of a similar kind were opened to feed Mesopotamian and East African Railways. The students learn ordinary telegraph signalling and also to do "line clear" work and other duties proper to Assistant Station Masters. Only practical experience on the line afterwards is required to make good men out of them. The railway authorities have another set of buildings near Fyzabad where they intend opening another school to provide "refresher" courses for men already in their service. With these two facilities he was sure that matters would improve.

5936. Colonel Anderson said that the training school boys must enter between 18 and 21 years of age. It was found generally that men over that age did not make good telegraphists as their hands lost suppleness. After serving for two years as signallers, if they passed the Higher Standard Telegraph Examination and were duly qualified in coaching duties, they were promoted to the grade of Assistant Station Masters. The boys were given during the period of training an allowance of Rs. 20 p.m. Generally those who had passed the School Leaving Certificate Examination and could not go on to the B.A. Examination joined the Training School. In order to attract the boys they had to pay this living wage of Rs. 20 because such boys generally did not go on to study for the B.A. degree for want of money, and therefore could not afford to enter the Telegraph School unless some allowance was made to them.

Instruction was given in the following subjects:—

Telegraphy.
Coaching and Goods Duties.
General Railway Rules.
Railway Geography.
Block Working.
English Composition.

5937. During the period of training they were considered to be regular employees of the railway, and those passing out successfully were allowed to count in their railway service the period during which they had attended the school. As previously stated, the railway would not keep these boys always as signallers, as subject to passing a series of examinations they can reach the grades of Assistant Station Masters, Station Masters, Traffic Inspectors, carrying salaries up to Rs. 475 a month. In exceptional cases perhaps they would even attain to officer's rank. Ordinarily, however, these men would only rise as high as Rs. 130 or so at present rates of pay.

5938. In reply to the Chairman, Colonel Anderson said that the school leaving certificate corresponded roughly to the junior Cambridge local examination, and that generally the boys seeking admission to the training school would have had a fairly good general education. As they had been kept at home till the age of 18, he presumed that they were of decent social position.

5939. In answer to Sir Henry Ledgard, Colonel Anderson said that he did not get his men from the Telegraph Department. He had to recruit them for himself.

5940. Mr. Hiley asked whether Colonel Anderson would like to have in the training school a separate department for training men for the superior grade. Colonel Anderson said that he would be glad to see the school developed in that way. As regards students, he would prefer those who had appeared for the Indian Civil Service examination. By notifying the number of vacancies in each year, men going up for the Indian Civil Service examinations would be able to register their names for the State Railway Traffic Department, As an alternative, he would put them in at the bottom grade of the Traffic Department as officers, but would make them work their way up through all the subordinate grades. He thought that in the case of the Indian Civil Service the starting salary was Rs. 450, but possibly unsuccessful candidates could be attracted to the Traffic Department on less pay. The starting salary in the case of traffic officers is at present Rs. 250, while the probationers get only Rs. 200. It would take nearly five years to get to Rs. 450 at present, but it was all a question of supply and demand, and if the present pay did not attract well-educated Indian Civil Service candidates it could be raised. The best men were needed for traffic work and were worth paying for.

5941. Colonel Anderson said that in the case of the Locomotive Department the training is physically more severe, and the candidates must be made to work with their hands. Generally speaking, Indians of the upper classes did not care for hard physical work. They took more kindly to civil engineering and the work of the Audit Department than to the Locomotive Department.

5942. The Chairman asked Colonel Anderson whether in the case of the officers' grade traffic school he would wish the Indian Civil Service candidates to learn everything by practical experience. Colonel Anderson said, Yes. He agreed that it would mean having separate technical schools for the Traffic, Locomotive, and other Departments; he would exclude engineering altogether as there are civil engineering colleges in the country at Roorkee, Sibpur and elsewhere. The traffic school would contain really two departments, one for the subordinate establishment as existing at present, which would be a separate organisation in the same school. He would throw the posts open to both nationalities—Indian and European. He would pay the traffic officers the same rate of pay as is given in other railway departments, as they were all equally responsible. He did not attach importance to the suggestion that Indian officers should be posted near their parents' homes. On the contrary, he thought there are certain advantages in keeping Indian traffic officers far from their parents' homes.

5943. In reply to Mr. Purshotamdas, Colonel Anderson said that the percentage of Indian officers in the Traffic Department of the O. and R. Railway was 41. The appointment of Indian traffic officers had been the practice for the last ten years. In other departments of the railway there might be more or less than 41 per cent. In his experience some Indian officers were quite satisfactory and some the reverse. If a man had strength of character he should be able to do very well in the Traffic Department. Asked by the Chairman what type of recruitment for Indian officers he thought best, Colonel Anderson said that, for example, Aligarh College turns out boys whose manners are good, but that did not mean they were always strong in character. Asked whether Aligarh boys are better, worse than, or equal to, others in the capacity for maintaining discipline, Colonel Anderson said that he could not generalise as, except for Indian officers on the O. and R. Railway he had practically no experience of Indian railway officers. The O. and R. Railway have three from Aligarh. Of these one had a strong character, another was promising, and the third was somewhat flabby. Good social qualifications were specially necessary in a traffic officer. Indians who lived apart and did not mix fully with their brother officers could not make very good officers.

5944. Questioned by Mr. Purshotamdas, Colonel Anderson said that the Indian public in general approach Indian officers more freely than they do European officers, since they are more likely to be understood in their own language. He had not found an Indian officer more useful in the practice of stopping the malpractices on the railway of which complaints had been made to the Committee, unless in the case of such an officer as the Khan Bahadur sitting beside him who was doing claims work which gave him greater facilities of coming across signs of malpractice than other traffic officers. Mr. Purshotamdas asked whether the fact of a traffic officer being an Indian made him more useful when in charge of mela traffic than if he were a European. Colonel Anderson replied in the negative.

5945. In reply to the Chairman, Khan Bahadur Mansur Ali Khan said that the practice of station masters and station clerks receiving payment for the supply of wagons had become recognised as a custom of the country. For this, not only the station staff were to blame but also the public. The complaints occurred only in an acute form since the restrictions were imposed after the war. Before the war, such payments were heard of, but they were very small. No sooner had the administration come to know that big sums were being paid for wagons than inspectors were appointed to see that booking was done according to the strict orders of the railway and that no irregular bookings were allowed. All that the railways could do had been done. Moreover, the railway maintained a priority register which was a public document in which names of applicants for wagons were posted in order of application. The object of this register was to ensure that the man who asked first was served first. The Khan Bahadur explained that a common practice is for the broker to come and ask for three or four wagons for "A." "A" has not got the goods ready, whereas "B," in whose name the wagons are not booked, has got a consignment ready. The broker takes money from broker "B" saying that he will have his goods booked and comes and tells the station staff that he has made a mistake and that instead of entering "A's" name in the register he should have written "B's." He said that this was a case in which the station master might not get any money but yet complaints would assuredly be made, inasmuch as money had gone out of the pocket of the merchant. In response to a question by the Chairman, the Khan Bahadur thought that it was quite possible that merchants might have paid Rs. 500 for a wagon. He instanced the case of a wagon of sugar the value of which he estimated at Rs. 15,000. In a case of this kind he believed that it might pay a merchant to induce the station master to give a wagon in spite of a restriction order by offering as big a sum as Rs. 500, as the merchant was sure of making double the profit in a restricted market that he would usually make.

5946. Asked what the station master could do to earn his Rs. 500, the Khan Bahadur said that the station master, if he saw that the consignment of "A," in whose name the wagon had been booked did not arrive, would allot the wagon to the man who had paid the bribe, or he would frankly book against restriction and take the chance of being found out; or he would make false entries in his book and give the wagon to whomever he wished. Mr. Purshotamdas pointed out that in the case quoted by the witness, as the broker could not alter the name without the station master's knowledge, the latter would not do as requested unless he had also a share of the broker's money. The Khan Bahadur said that he might get Rs. 10 or so, but not more. The broker came always as the agent of the merchant and also brought goods to the station on behalf of the merchants. The forwarding note was also initialled by the broker. Mr. Purshotamdas suggested that instead of brokers the merchants themselves might be asked to sign forwarding notes. The Khan Bahadur did not believe that big merchants would come down to the goods shed and sign them. Moreover, the railway authorities would never know the broker was receiving money, as there would be no ground for suspicion. In many cases, the transactions might be *bonâ fide*. Mr. Purshotamdas observed that the usual complaint is that for almost every wagon a payment has to be made. The Khan Bahadur said that the merchant would never pay anything unless he knew that he had also to gain something out of the transaction, the usual way being either to under-charge the merchant or to send a wagon in a direction on despatch by which there was an embargo. Recently a case of this kind was detected, and the station master's pay was reduced by Rs. 10 per month for one year. Cases in which goods were under-charged were also being detected both in transit and at destinations, and severe punishments were inflicted on persons responsible for these.

5947. The Khan Bahadur stated that as long as people who had actually paid the money refused to come forward and confess boldly that they had paid so much, it would be impossible for the railway authorities to stop the irregularities. At times information of names and dates were received by post, but invariably these would turn out to be anonymous or signed in fictitious names. Mr. Purshotamdas observed that in existing conditions, in view of the liability to prosecution of the briber as well as of the man bribed, no one could normally be expected to come forward and say that he had paid. To say, therefore, that railways could not put a stop to this unless they were given proof would strike the commercial community as simply begging the question.

5948. Asked by Sir Henry Ledgard whether the merchants would prefer the present system by which they paid what were termed bribes for wagons in order to get an advantage over somebody else who did not pay or would wish it to be discontinued, the Khan Bahadur said that he thought they would prefer the former. His opinion of the matter was that it had become the general custom of the country. Mr. Purshotamdas challenged this and said that it was not right to say that it had become the general custom of the country. It might be the general custom among a certain class of merchants, but these should not be regarded as representative of all. He ascribed the prevalence of it to the continued defective administration of the railways. The Khan Bahadur said that he could only speak of his own experience. He had put in nearly 27 years' service on the O. & R. Railway and had dealings with almost every branch. He had been a goods clerk and a traffic inspector and had known the merchants intimately and knew what their feelings were in the matter.

FORTY-SIXTH DAY.

(Lahore.)

Thursday, 24th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. C. A. H. TOWNSEND, M.L.C., I.C.S., Director of Agriculture in the Punjab, was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 68, Vol. IV., P. 228.

5949. Mr. Townsend said that he was Director of Agriculture in the Punjab. He is assisted by an expert staff. There is an Advisory Committee known as the "Provincial Agricultural Council" which has been in existence for some three years. It meets once a year. This council deals only very slightly with questions of communications affecting agricultural interests, these matters coming rather before the provincial "Communications Board" which has been in existence for a little more than a year. Mr. Townsend said that he did not find the Agricultural Council of much use, but considered that the Communications Board was more valuable. From papers subsequently furnished to the Committee by Mr. Townsend it appears that the Board of Communications was constituted in December, 1919, and comprised, as official members, the Financial Commissioner (President), the two Chief Engineers, Buildings and Roads and Irrigation Branches in the Public Works Department, the Director of Industries, and the Director of Agriculture, with seven non-official Indian gentlemen of standing. There had been minor changes in the constitution of the Board which on the date of Mr. Townsend's examination was presided over by the Honourable Minister for Agriculture and included the Agent, N.W. Railway, as a member.

5950. Mr. Townsend said that he thought that the Communications Board was not copied from any other province, but was formed at the suggestion of Sir John Maynard, Financial Commissioner in the Punjab.

5951. The Board meets once a month and usually has a long agenda, so much so, in fact, that one member recently complained of the volume of work entailed. The Board discusses questions such as the railway communications which will be desirable on the opening, three or four years hence, of a new big canal colony, water communications which are important in the Punjab, as well as of roads, provision of road metal, bridges over canals, provision of agricultural tramways where the construction of regular railways would not be justified, and so forth. Mr. Townsend thought that about 50 per cent. of the Board's business relates to railway matters. In connection with agricultural tramways, he mentioned that there is a special officer at present engaged under the Board investigating the most suitable spheres for these lines. This gentleman had expressed the opinion informally that some of these should prove useful and profitable undertakings. It was anticipated that these tramways would be worked by steam power. The witness mentioned that one already exists which was put down privately by Rai Bahadur Ganga Ram, who owns a considerable property in this province. This tramway is worked with bullocks and carries produce some 3½ miles to the railway.

5952. As Director of Civil Supplies, Mr. Townsend had a good deal to do with the question of road metal. Difficulties are experienced in the Punjab owing to the lack of quarries, the metal having to be obtained largely from quarries near Rawalpindi which involves long leads and consequent expense. For this reason, there is a special inclination towards feeder railway construction in the Punjab. A special quarry engineer is at present engaged on investigating the road metal supply question.

5953. Mr. Townsend mentioned that the Indian members of the Board of Communications are selected and appointed by Government. There is no local Chamber of Commerce in Lahore who could nominate a suitable representative. One of the Indian members now on the Board is prominently connected with agricultural and industrial enterprise. The Board of Communications has small powers and its budget is, broadly speaking, confined to the purposes of investigation and experiment, involving an expenditure of about Rs. 1 lakh per annum. It pays, for instance, the salary of the tramway investigating engineer. Mr. Townsend did not know whether in other provinces there are similar Boards except in the case of the United Provinces. He considered it a pity that such Boards were not started 20 or 30 years ago. As an instance of their use, he mentioned that when the Lyallpur canal colony was started, there were no railway facilities and great difficulty was consequently experienced. One function of the Board of Communications would be to foresee and press on the proper authorities the need for providing such facilities. He stated that the Irrigation Department discourages as far as possible water transport by the irrigation canals, holding that their function is not to furnish communications but to provide irrigation channels. Mr. Townsend thought that there is some force in their objections as the use of the canals for transport purposes involve many difficulties. At the same time he observed that considerable difference of opinion exists in the province as to the propriety of the view taken by the Department. He mentioned that the canals in the dry weather take all the water which would otherwise flow down the rivers. The Chairman observed that in the converse case of Holland, where the canals were built to take the water off the land, they are used very largely for transport purposes.

5954. Referring to the written statement, the Chairman observed that Mr. Townsend laid stress upon the necessity for bringing the existing railways up to a proper standard of efficiency before making further extensions. He said that he believed everybody agreed with this view. Referring to Mr. Townsend's written statement that the practically perennial shortage of goods wagons on the North-Western Railway is lamentable, the Chairman ascertained that Mr. Townsend did not mean to imply that the number of wagons on the line is necessarily too small, but that the wagons are not available for the transport of goods for whatever reason—whether shortage in number or lack of facilities. Mr. Townsend said that it had often been brought home to him that there is an immense amount of merchandise locked up at stations awaiting transport and that the monetary losses consequent on this must be very considerable. The Chairman expressed some surprise at this complaint in the Punjab in view of the fact that the North-Western Railway appears to be much better equipped with wagons than other lines. He remarked that statistics show that the wagons on the North-Western Railway do not do as much work as on other railways. Mr. Townsend said that he could only speak of what he has seen for himself as to goods awaiting transport.

5955. Mr. Townsend said that in saying that third class passengers are as a rule disgracefully overcrowded, the word "disgracefully" was perhaps a little too strong, but undoubtedly the overcrowding is very great. He could not say how it compares with the position in other provinces; but it was specially noticeable in the more populous districts of the Punjab, so much so that practically free fights take place between would-be passengers and those already travelling who do not desire others to get into the carriages. He observed that the railway staff maintain an air of majestic aloofness. In the latter connection, the Chairman mentioned that it had been said that the railway staff remain aloof because of the fear that if they actively interfere to regulate the movements of the crowd, they may be held responsible for aiding and abetting overcrowding.

5956. Mr. Townsend said that there is no organised connection between the public and the railways to enable the latter to be fully advised of the requirements of the former. He mentioned, however, that questions are occasionally asked in the provincial Legislative Council, and that the Punjab Chamber of Commerce at Delhi, for instance, takes up matters of interest to its members. He admitted that in practice only influential people can now secure attention, and that individual ryots have little chance of getting their grievances considered. He thought it an excellent suggestion that there should be appointed a local Advisory Council, comprising representatives of various classes of the community. He thought that the facility which this would afford to the adminstrations of the railways to explain their difficulties would serve a useful purpose, as he thought that much of the criticism of the railways in the past was due to ignorance of their difficulties. He would like to have the Council as small as possible. He did not think there would be any difficulty in ensuring the representation on it of the ordinary people as well as particular interests. He observed that there are a good many representatives of the agricultural class in the new councils. He believed that a scheme for the establishment of such Advisory Councils would undoubtedly be acceptable to the public as it would be in accordance with the trend of popular opinion.

5957. With regard to the need for more control by the local Government over the railway administration, Mr. Townsend agreed that dual control between the local Government and the Imperial Government would not be practicable. He considered, however, that something could be done to ensure greater consideration of the views of the local Government. He mentioned a case, within his experience as Director of Agriculture, which occurred some four years ago, when it was a matter of urgent necessity that cotton seed should be moved in time to permit of sowing. The matter was so urgent that in February, 1917, the Financial Secretary to the Punjab Government with himself interviewed the Traffic Manager and Agent of the North-Western Railway. They were very sympathetic, but said that they could do nothing, being bound by orders received from the Traffic Controller in the Railway Board's office. He did not know with what authority these orders had originated. The matter was so serious that he brought the refusal of the railway administration to the notice of the local Government. The Lieutenant-Governor wrote personally to Delhi with the result that a member of the Railway Board visited Lahore, and ultimately set the matter right. Mr. Townsend said that he was speaking of ancient history, and that the present administrative officers of the North-Western Railway give all possible help. It depends, however, upon the disposition of the individuals, and he considered it necessary that steps should be taken to require the railway administration to consult Local Governments and attach due weight to their recommendation in such matters. Sir Arthur Anderson mentioned in this connection that he believed that somewhere about that time a Committee sat in Simla to decide upon the commodities which should receive preferential treatment in transport by the railways, and he understood that it was that Committee which had laid down the order of preference underlying the orders of the Traffic Controller.

5958. Mr. Townsend observed that no authority at Simla can deal properly with such matters, as conditions not only vary very greatly between provinces but vary from month to month. He agreed that it is unlikely that in future the Central Government will have occasion to issue priority instructions of the kind to which he referred; ordinarily railways decide these matters for themselves but he considered it necessary that they should be required to consult local Governments as is done at present voluntarily by the agent and traffic manager of the North-Western Railway.

5959. The mistake in the particular case to which he referred was due to the fact that seed for sowing should have been included in the priority list together with foodstuffs. Mr. Townsend did not think that it would be a practicable measure to rule that no priority orders should be issued before public notice is given, as he said that undoubtedly in any case there would be hundreds of protests from interested parties; but he thought that a responsible representative of the local Government should be consulted by the railway administrations. Mr. Townsend mentioned in connection with this matter that the disturbances which occurred in the Punjab a few years ago were due largely to high prices, and he thought that, if the local Government had had more voice as to what commodities should be given preference in transit, there might have been less difficulty on this score.

5960. Referring to Mr. Townsend's statement that during the last seven years the North-Western Railway has practically never had sufficient wagons to cope with the traffic offering in certain commodities, the Chairman asked if it was a fact that this condition of affairs had lasted during the whole period of seven years. Mr. Townsend said that when he used the words "practically never" he perhaps worded the phrase too widely. He meant that it is a constantly recurring state of affairs that there are not sufficient wagons.

5961. Referring to the instances given in his written statement of delays in the carriage of traffic offering at stations on the North-Western Railway, Mr. Townsend said that this had happened at all stations in the canal colonies and was especially noticeable in the winter and spring of 1918, during which period hundreds of bales of cotton lay about waiting for wagons. He instanced especially the case of the attempts to introduce Punjab-American cotton—a new variety of cotton—which the Agricultural Department had been "pushing" during the past eight years. He explained that he had got the management of the Empress Mills at Nagpur in the Central Provinces to buy a fairly substantial quantity of this cotton in December, 1917. The following autumn he happened to visit Nagpur and went over the mills and asked the Manager how he liked the Punjab-American cotton. His reply was, "We like it all

right, but we are not going to buy any more." He gave as his reason the fact that the cotton bought in December, 1917, had not reached Nagpur until July, 1918, and they could not afford to have their money locked up in that manner. Since then, to the best of Mr. Townsend's information, these mills had purchased no more Punjab-American cotton, and the withdrawal of a competitor like this from the purchasing market obviously tended to reduce the price which the cultivators could get for their cotton.

5962. Incidentally, it had been mentioned to Mr. Townsend that during the long period of delay the coverings of the bales had been torn off and it had been found difficult to identify the consignments. He said that this cotton is going at present largely to Japan and is shipped from Karachi and Bombay. Experience was that it was easier to carry the goods to Karachi than to Nagpur. He recognised that the North-Western Railway has to cater for the Karachi traffic which he thought was comparatively well served, as much as a million tons of grain being shipped from that port in a good year. He stated that the wheat traffic comes in a rush, especially during the months of May, June and July. After the rains again the traffic increases, in October, and lasts throughout the cold weather, but to a less extent than in the months just before the monsoon. He thought that facilities were reasonably good before the war. At the present time the grain traffic to the ports is not very heavy and he was not aware of any complaints.

5963. In his written statement, Mr. Townsend mentioned a case in which some 20,000 acres of land were under Punjab-American cotton last autumn, where practically none had been grown before. In this case, the proprietors or lessees of cotton ginning factories on the Lahore-Karachi line, some 100 miles away by rail, had purchased a large quantity of the cotton, one of them having bought about 40 wagon loads. When Mr. Townsend visited the locality about a fortnight ago, the cotton was still lying in the goods stations, and the merchant asked for his assistance in securing its transport, complaining that his money was locked up and that, while the cotton was lying useless at the goods stations, his ginning factories 100 miles away were entirely unemployed. This merchant had refused to buy any more of the cotton during the recent sales, with the consequence that the present price for this cotton is much less than it should be. In this case, he had tried himself to help and wrote to the Traffic Manager of the North-Western Railway, who as usual was most sympathetic, but he was unable to help owing to the difficulties experienced by the railway due to lack of coal, which in turn was ascribed to the shortage of railway transport facilities from the colliery.

5964. The Chairman asked Mr. Townsend to what kind of power pumping stations he referred in that part of his written evidence where he said that these have been finding difficulty in getting coal during recent years. Mr. Townsend said that he referred to irrigation pumping plant; he instanced the case of a pumping plant owned by Rai Bahadur Ganga Ram. This gentleman used principally electric pumping plant driven by water power, but in some cases he also uses coal-burning plant, and has to make constant applications for assistance in obtaining coal. In this connection, he mentioned that the proprietor of a glass and flour mill factory at Ambala had told him that for want of coal he has occasionally to shut down his factory for two or three days.

5965. Mr. Townsend stated that to his knowledge the state of affairs described by him had been much the same for the past few years; matters were not so bad before the war. He was then employed in other appointments, but would have known of them had there been serious complaints. He agreed with the Chairman that the position is that there is now a greater demand and that the supply of railway transport is blocked back.

5966. In his written statement, Mr. Townsend mentioned that serious damage is caused to goods lying unprotected from the weather, by rain, owing to the lack of adequate covered accommodation at the railway stations, especially on the Lahore-Karachi main line running through the now developing Lower Bari Doab colony. He mentioned in this connection that the North-Western Railway had been addressed with a view to providing more covered goods accommodation at colony stations. Considering the vast profits of the Wazirabad-Khanewal line, this request was only reasonable. Annually in the winter rains *toria*, a delicate grain, gets damaged by lying in the open yards. In 1907 the heavy rains in May and June caught the congested accumulation of wheat on the colony stations and these were again rained upon in July and August. When it was finally moved owing to the stench becoming intolerable, many firms found that they had lost all the bottom bags and sometimes two rows of bags. A special staff had to be employed to clear the Gojra, Lyallpur and Chiniot stations of the rotten wheat which was caked into the mud of the open goods yard, and probably a cholera epidemic was only narrowly avoided.

5967. Mr. Townsend said that he attached most importance at the present time to the lack of proper storage accommodation on the line serving the Montgomery colony which has been developed mainly in the last five years and is still developing, and where the railway facilities are not keeping pace, with the consequence that goods are damaged. The Agent of the North-Western Railway was anxious to give what help he could, but had explained that he was hampered for want of funds. Mr. Townsend said that there are large additional areas in the Punjab which it is hoped will come under development in the not distant future, and large additional capital will be necessary to supply the corresponding railway facilities. Mr. Townsend agreed that for the words, "There is no doubt but that very large expenditure on the provision of wagons on the North-Western Railway is desirable now," occurring in his written statement, it would be more correct to say that "a very much more ample supply of wagons will be necessary," as he could not definitely state that it was a deficiency in the number of wagons which is responsible for the existing state of affairs. He impressed upon the Committee that at the present time traffic can only be got through by special appeals and applications, whereas it should be possible to have it accepted as a matter of course when offered.

5968. In connection with the question of restrictions on traffic, Mr. Townsend referred to the fact that the restrictions are mostly of a temporary character, often lasting only for a week or fortnight. He said that particulars of this could be obtained in a convenient form from the North-Western Railway weekly gazette of which he used to receive copies.

5969. With regard to the statement that fodder is in great demand at present in many parts of the province. Mr. Townsend mentioned that the North-Western Railway is doing all it can to move it, in consultation with the Punjab Government. He had no complaint to make on that subject. He attached great importance to the necessity of such administrative arrangements being made as would not leave the province at the mercy of the individual holder of the higher appointments on the railways. He had no complaint whatever to make regarding the manner in which the existing North-Western Railway officers deal with representations; but they might be changed any time, and he considered that the machinery should be such as to eliminate as far as possible the effect of personal idiosyncracies. He agreed that of course no machinery would work well unless it was in charge of the right man.

5970. On the question of railway rates, Mr. Townsend read the following extract from "Punjab Industries, 1911-1917" by Mr. A. D. Badenoch, I.C.S., who had been his assistant when he was Director of Industries, and which had been prepared for the information of the Industrial Commission:—

> "It has always been a habit and a tradition in all countries to attack the existing railway authorities on the score of inequality and injustice of railway rates; and yet it is a subject which laymen must approach with peculiar caution, being technical in a lesser degree only than exact scientific knowledge. In India attacks have always been pressed with peculiar virulence, but most often with vague and inexact knowledge. The Punjab Industrial Conference of 1911 passed a general resolution concerning railway rates embodying the familiar complaint that the export of raw produce, and the import of manufactured articles is favoured in preference to local traffic and the export of manufactured articles; that there is, in fact, preferential treatment accorded to import of manufactured articles. On the principle of this resolution the then Director of Industries addressed Government, pointing out that there seemed to be, in certain cases which he specified, no connection between the railway rate and the distance for which the goods were conveyed, that one found sometimes a lesser charge for a longer distance. This letter did not receive a reply, but recent discussions on the subject have shown that the railway has a complete answer in every case, that local conditions and direction of traffic or length of lead justify a rate which has never been fixed by mere arbitrary rule of thumb. Recently, in connection with the visit of the Commission, members of the Provincial Committee were asked to give details of any instance where railway rates were unfair. Not a single reply was received, and in one case, where a general allegation had been made, a request for figures elicited the answer that figures could not be given. The general complaint was made by the manager of the Upper India Glass Works Ambala. A reference to the railway officers for information proved that to Karachi, Bombay and Howrah from Ambala, and from these ports to Ambala respectively the freight on glass chimneys was exactly the same. Not only so, but glassware packed booked at owner's risk is charged at rate half pie per maund per mile plus terminal charges when booked from:—
>
> (1) Karachi City or Kiamari to any North Western Railway station and *via* distant 200 miles or over.
>
> (2) Ambala City or *via* Saharanpur (for traffic from Dehra Dun) to any North Western Railway station and *via*.
>
> That is to say, local traffic from Ambala has an advantage over Karachi inland traffic, in not being fettered by a 200 miles minimum distance. In fact, to take typical Punjab cases, the local traffic seems to receive considerable natural protection; rates per maund for glassware, packed at owner's risk from Ambala City and Karachi to Rawalpindi, Peshawar and Multan City are as follows:—

From	To		
	Rawalpindi.	Peshawar City.	Multan City.
	Rs. a. p.	Rs. a. p.	Rs. a. p.
Ambala ...	0 15 7	1 4 0	0 15 6
Karachi... ...	2 5 11	2 7 3	1 8 7

> Thus, in this instance, the complaint seems effectually to have been disposed of. The absence of organisation in Indian markets and business generally introduces further complications. As a rule in other countries goods moving towards the port and goods moving from the port are different. But in India one finds that manufactured articles are conveyed from the town of origin to the port and thence back to the interior. For instance, a Delhi firm manufacturing sulphuric acid asked for concessions for Bombay and Karachi. Enquiry showed that the sulphuric acid sent to Bombay was rebooked to Ahmedabad and district, and that that booked to Karachi came back into Sind and often into the Punjab; and the obvious suggestion of the railway authorities that a certain amount of freight would be saved, if the sulphuric acid were despatched direct to the customer, was considered quite impossibly to ignore the facts of the case.
>
> Thus one must come to the conclusion that the charge discussed above is not proven: that at any rate sufficient information has not been furnished to us which can bear the criticism of the officers in charge of rates. There have been no well sustained allegations that the North Western Railway is unduly niggardly in the matter of concessions. In certain cases concessions have been withdrawn but only after it has been proved that either the concession was misused, or that circumstances had made it unnecessary. A concession granted on soda for Ambala for the benefit of the glass works was withdrawn when it was found that Ambala was becoming an entrepot for washing soda. Concessions for the import of loose cotton from Peshawar and district to Lahore ceased to be necessary after large numbers of ginning factories had been set up in Peshawar and other places nearer than Lahore.
>
> A certain amount of irritation is caused by the inequality of treatment from different railways. In a certain case the Managing Director of the North India Chalk Pencil Company, Gujranwala, applied through the Director of Industries, to various railways for concessions. He was treated with generosity by the N.W. and E.I. Railways, with a certain amount of consideration by the B.B. & C.I. and G.I.P., but received a curt refusal from the Southern Mahratta Railway.
>
> Thus no general and sweeping alterations in rates seem to be called for in this Province; nor can it be said that the treatment of indigenous industries is entirely unsympathetic. It seems that a greater intimacy of relations between the railway and the Industries Department could smooth many difficulties, and either the appointment of a representative of Industry on the existing Railway Board, or the formation of a Board, where the railway is represented equally with the Department of Industries, would not only expedite decisions, but would save a great deal of unnecessary correspondence."

5971. Mr. Townsend said that he found no reason to disagree with the author of the above note, and he had come to the conclusion that the public have no reason to complain of the rates. In reply to the Chairman, Mr. Townsend said that both the points, namely, whether a rate is too high and whether one man gets an advantage over another, had been discussed by the writer of the above note; but the conclusion was the same.

5972. Mr. Townsend mentioned the case of an Indian firm which got a concession for making a branch line—the Mandra-Bhon Railway. The firm failed to raise the necessary money and had to give back to the prospective shareholders what they had been able to collect. He said that the railway had since been made by an English firm (Messrs. Killick Nixon & Co.) who raised most of their capital in Bombay. He only mentioned this case to show that in the Punjab there is a distinct lack of willingness on the part of the public to invest money for railway purposes. Mr. Townsend instanced another case of a similar kind. The General Electric Company have a scheme at present to put up an electric plant at Rawalpindi and Lyallpur. The firm had complained to him that they could not get on with the work because the necessary capital was not forthcoming in

Rawalpindi. Mr. Townsend said that he had written to the Deputy Commissioner there and asked him the reasons. He had been told in reply that out of a total of Rs.7 lakhs required for the Rawalpindi electric scheme, only Rs.3 lakhs could be raised in Rawalpindi. For various reasons money was very tight. Owing to the fact that no profits could be expected for at least a year or two, people were not willing to come forward. A banya who might get 10 per cent. interest by investing money in this scheme would be able to get from 12 to 20 per cent. elsewhere. In reply to Mr. Purshotamdas Thakurdas, Mr. Townsend admitted that the average rate which he said a banya can get, namely, 12 to 20 per cent., would be got by mere lending; he did not mean that this is a commercial rate of interest.

5973. In reply to the Chairman, Mr. Townsend stated that people in the canal colonies in the Punjab are worth many millions of pounds; they bury by far the greater proportion of it. In the year 1913 there was a great commercial collapse in the Punjab; Lala Harikishen Lall was very largely connected with it, and many of his industrial concerns had failed, though it should be stated to his credit that 16 annas in the rupee had been paid back in practically all his concerns; people at any rate had been kept out of the use of their money for some time, and this had to some extent discouraged them to invest.

5974. In answer to Sir Henry Burt, Mr. Townsend stated that an elevator is worked for Government at Lyallpur by a wheat firm who act as Agents. At present the wheat trade is restricted. So far as experiments have been made, they were successful; about 2,000 tons had been passed last year through the elevator. The success was due to the fact that they have excellent clearing machinery and an excellent officer to "grade" the wheat; with the result that they get four annas a maund more than the rate given for the best bazaar wheat. Another advantage of the elevator was that when a man puts in a quantity of wheat he gets a receipt for it from the elevator manager, and on this receipt the Alliance Bank of Simla (a branch of which has been opened next door to the elevator) advances about 80 per cent. of the value of the grain at once, thus enabling him to get the immediate use of his money. He thought that Indians are getting confidence in this system. In reply to the Chairman, Mr. Townsend said that this is the only elevator in the whole of the Punjab. It is expensive and far too extravagantly built, but was introduced as an experimental measure and gave fair promise of success.

P.S. (1)—As a concrete example of the economic harm caused to the province by the shortage of wagons, Mr. Townsend subsequently furnished the Committee with the following copy of a letter which he had received from the Superintendent of the Government Cattle Farm at Hissar:—

> Some time early in January, some farm employees bought 400 mds. of *kirby jowar* (fodder) at Palwal (Gurgaon district); to bring here to save their cattle. Early in February they complained to me that they could not get wagons to bring it here. I wrote a polite letter to the S.M., Palwal, asking him to give the men wagons, as their cattle were on the verge of starvation. He took no notice; the fodder is still lying at Palwal station waiting for wagons. The benefits of fodder concession rates are being lost to this district this famine. . . . You will benefit the people here greatly if you can do anything towards getting wagons for fodder without hitches.

Mr. Townsend mentioned that he had written to the Traffic Manager of the G.I.P. Railway about this case; he had been told by the N.W. Railway officials that the G.I.P. Railway had been advised that there were no restrictions on the booking of fodder from that line to the N.W. Railway.

P.S. (2)—Another example furnished by Mr. Townsend is explained in the following letter to him from the Assistant Director of Agriculture, Montgomery District:—

> Your D.O. of 28th February, 1921, I received at Lyallapur. On my return I had to spend some time at Khanewal and at Iqbal Nagar. I came back to Montgomery to-day and have made personal enquiries as desired by you.
>
> Booking and loading was restricted on 30th December, 1920. Since then there has been great difficulty and trouble in loading of *Kapas* and *rui*. Japanese being disappointed arranged to get their Kapas from Okara and Chichawatni on camels, and had to pay Rs. -/8/- a maund for camelage, and they brought 6,000 maunds of Kapas from Okara and the same quantity from Chichawatni. By rail their expenditure would have been Rs. -/3/- a maund including freight, cartage and choukidari, etc., *i.e.*, they have lost Rs. -/5/- a maund. The version of a railway man that Japanese are taking Kapas on camels for their own facilities is wrong. They were obliged to bring their Kapas by camels because they could not get it by rail. Recent correspondence shows that the restriction still exists:—
>
> 1. D.T.S. Multan letter No. 6 T/46 dated 4th March, 1921, in reply to Japanese letter dated 25th February, 1921, to T.S., says "Loading and booking is restricted."
>
> 2. D.T.S. Multan letter No. 6 T/48 dated 4th March, 1921, says loading is restricted, in reply to Japanese letter dated 1st March, 1921.
>
> 3. T.M. letter No. 44-S.R./21 dated 4th March, 1921, says that D.T.S. will do his best, if he can, to clear up their goods, but there are few foreign empty wagons moving.
>
> So far they are disappointed and say that their goods (Kapas) for ginning and rui for export are lying as under and not booked and they are not allowed to bring their stuff to the station yard:—

Chichawatni	... ...	3,000 maunds Kapas.
Montgomery	... ...	2,000 bales of rui.
Mian Chanu	... ...	100 do.
Multan	... ...	200 do.
Khanewal	... ...	53 do.

> Station master Chichawatni told me yesterday that orders have been received to book but one wagon daily and Japanese say that no action is being taken.

Mr. Townsend drew attention to this letter as disproving the suggestion, made during the examination of the N.W. Railway representative, on the 28th February, that possibly the cotton (*Kapas* and *rui*) referred to in this case was brought to its destination by road rather than by rail for the convenience of the merchants.

Mr. A. G. WATTS, Manager, Bhupendra Flour Mills, Bhatinda, was called, and examined upon a written statement which he had furnished to the Committee.

5975. Mr. Watts stated that he was manager of the Bhupendra Flour Mills at Bhatinda, which is a station on the North Western Railway, between Lahore and Delhi, in the Patiala State.

5976. In his opinion railways should be owned and managed by the State and not by companies. The Chairman observed that from Mr. Watts' evidence it appeared that he considered the management of the only State railway, of which he had had experience, namely, the North Western Railway, is a disgrace, and absolutely out of control, and that it appeared a little strange, in the circumstances, that Mr. Watts should recommend State management. Mr. Watts explained that, in his opinion, railways should be managed by the State, but that the State management as at present known should be reorganised. The Chairman referred to the commendation of the existing administration of the North Western Railway which had just been given by Mr. Townsend. Mr. Watts stated that, on the other hand, he had himself frequently to apply to Mr. Townsend for assistance in securing his requirements from the railway, and that though Mr. Townsend had done his best, he had not always succeeded.

5977. His statement that industries are handicapped owing to the apathy displayed by the superior officers to the irregularities of their subordinates, referred specially to the question of corruption in the matter of wagon supply. This, he said, had got worse during the past few years. He thought there must be a shortage of wagons, and that this is taken advantage of by those administering the system. He said he had been representing the matter since 1917 to the traffic managers of the North Western Railway, the Bombay-Baroda and Central India Railway, and the other railways with which he was concerned. Sometimes, through the kindness of these officers, he succeeded in getting a special allotment of wagons for his merchandise, but more often he did not. Even when allotments were given the wagons were not always forthcoming.

5978. Mr. Watts alluded to a case which occurred about 18 months ago in which the clerk in charge of the goods shed at Bhatinda was convicted at Ferozepore of having illegally made a sum of Rs. 4,750 in three days. In that case both the clerk and the merchant had been sent to jail. The case was, however, reversed, by the Political Agent of the Patiala State. The point he wished to emphasise was that corruption on so large a scale could not exist without the knowledge of the superior officers of the railway. He thought the railway was responsible for not ensuring that publicity was given to such cases as that quoted. Mr. Watts was of opinion that the higher officers of the railway must know what is going on. He mentioned that recently a newly appointed district traffic superintendent of the Bhatinda District had held a meeting in the bazaar, addressing the merchants and urging them to come direct to him with complaints in case of difficulties in connection with wagon supplies. This showed clearly that the existence of the corruption and malpractice on the part of the subordinate staff is well known to the higher authorities. Mr. Watts said that this was a particular case of an attempt on the part of the North Western Railway to improve matters, but he did not feel confident that they would succeed very rapidly.

5979. With regard to his written statement that, during the past four years, through the inability of the North Western Railway to handle their goods, the Bhupendra Flour Mills had on an average lost six working days in a month. Mr. Watts stated that this was largely due to the practice of the railway taking possession of coal sent to the mills with the consequence that the mills frequently ran short of it. The mills had recently been burned down, but just before that happened they were so short that they would have had to shut down altogether. He mentioned that the position was generally so bad that he asks for compensation for the coal taken by the railway company to be made by actual replacement of the coal and not by paying a sum of money.

5980. Mr. Watts stated that he nevertheless pressed for State management, being a liberal in politics and holding that railways should be administered in the interests of the people and not in the interests of companies whose efforts must necessarily be directed to making profits. He thought that the State railway management could be greatly improved.

5981. He mentioned that he himself had come out to India as an expert miller to manage a mill, and thought that, similarly, railways should import trained railwaymen and not inexperienced youths who have to learn their business in the country. He mentioned that at present railway officers come out without training, and, after flitting through different departments, are put in charge of districts. He though that real experts should be obtained from England for all classes of appointments from general managers down to yard inspectors.

5982. Being asked to explain his reply to questions Nos. 21, 22 and 23 that "a State holding capital should be raised by method of taxation," Mr. Watts explained that, in his view, the State should raise the capital required for railways by direct taxation and not by borrowing. He considered that such rates and fares should be charged as would cover working expenses and that profits, if any, should go in relief of taxation. He considered that a wise and daring Finance Minister would have unlimited scope for raising money by such means. Asked whether a Finance Minister who raised vast quantities of money for capital purposes by means of direct taxation, would not be unpopular, Mr. Watts said he would not mind the unpopularity—a Finance Minister was always unpopular. He was opposed to raising rates and fares at present, but would not object to additional taxation for the purpose indicated.

5983. Mr. Watts urged, with regard to rates, that the rate for *atta*, being a staple food of the country, should be lower that that for wheat, as well as that for flour. The latter commodity he regarded as a luxury. He considered also that grain for export should be booked at a higher rate than for home consumption.

5984. Mr. Watts was of the opinion that there should be a tribunal properly constituted to settle disputes between traders and railway administrations.

5985. The Chairman observed that he would not go into the question of risk notes, as he had little doubt that this matter would be satisfactorily dealt with.

5986. Mr. Watts said that on the North Western Railway booking is at present closed for certain goods, including the classes of goods he turns out in his mills. The Chairman asked whether the embargo is in force all over the system. Mr. Watts replied that there were fluctuations in the opening and closing of districts to particular kinds of traffic. Bhatinda is capable of handling only one-third of the local traffic that offers there. From Bhatinda his mills could only send two-thirds of what they are capable of producing. The mills had at no time handled more than 65,000 maunds, though they could deal with 100,000, and this fact gave them no encouragement to increase their capacity. They made *besn* of special quality, which is in demand all over India, and, though prices are high in Bombay, they could not take advantage of them, as the railway could not carry the maximum quantity they could produce. They would require at least 200 wagons a month, if not more. Even without any further extension the mills could double the output, and it would pay them to do so. Further, *besn* is a staple food, and if there were greater railway facilities more could be manufactured, and

thus the price to the poorer Hindu population would be reduced.

5987. Mr. Watts was of the opinion that, as the railway administration is not in close touch or in sympathy with the requirements of industries and trade, it would be best to have a consultative body of representatives of traders and manufacurers to talk these matters over with the railway officials. The three instances he gave in his answer to question No. 32 clearly proved that the railway took a very long time to accept claims the reasonableness of which any business man would readily see. There was a case, in which he made the request for the appointment of an arbitrator to decide whether goods booked at owners' risk, lost and then found only after eight months, were in good order or whether the consignor had a reasonable claim for damages, which had been going on for about 12 months. Only that morning, possibly because it was known that he was about to appear before the Railway Committee, had he been asked to forward the original railway receipt. In a case of damaged machinery the railway stated that they were not responsible as it was badly packed. When he went to the railway office he found there were no papers connected with this case, and he was told that his claim was time-barred. In answer to Sir Henry Burt, Mr. Watts said that from the railway point of view the dispute might have been 'settled' by this answer, but not from the point of view of the mills. Such cases hang on for a considerable time, and he was inclined to think that interest could be charged for the amounts belonging to the mills which the railway held.

5988. Referring to the question of payment for wagons, the witness made the statement that "there is no doubt that the bazaar merchants are as much, if not more to blame for this system" because they bid against one another for wagons. This bidding is done openly. One station master of Bhatinda, whose name he would not mention, said that he would shut the mills up as they would not pay him. The Chairman asked whether Mr. Watts had complained against the conduct of that station master. Mr. Watts replied that he had written a letter to the station master detailing his complaints regarding the inequitable distribution of wagons, and threatening to report matters to higher authority. He had subsequently made a report to the Traffic Department, but could not find that he had specifically mentioned to them the details which had been set out in his letter to the station master. The Chairman observed that he should have sent a copy of that letter to have enabled them to have dealt effectively with the matter.

5989. In reply to Mr. Hiley, Mr. Watts said that he had several times represented to the traffic manager of the North Western Railway how badly his mills were treated, and that the traffic manager made a special allotment in preference to transhipment, which is a rare thing, and that, in spite of all this, he had to fight for the supply of wagons. He had complained in June, 1917, to the District Traffic Superintendent of the Bombay Baroda and Central India Railway about the shortage of wagons; and to the District Traffic Superintendent, North Western Railway, Ferozepore District, about the Patti Station Master's preferential treatment. The District Traffic Superintendent of the Bombay Baroda and Central India Railway, Delhi, whom he saw three years ago, in connection with the irregular and insufficient supply of wagons, remarked that the reason why other merchants got wagons was that they buy them. Mr. Watts did not know whether this officer was still in Delhi. The Deputy Traffic Manager of the North Western Railway, whose office is at Lahore, and to whom Mr. Watts complained of unfair treatment in regard to allotment of wagons, observed that he had probably not paid enough to the Chief Goods Clerk. The gentleman who was Deputy Traffic Manager on 7th July, 1920. was the person to whom he was referring. The Chairman subsequently asked if the remark, that he had probably not paid enough, did not suggest that he had paid something. Mr. Watts emphatically repudiated any such suggestion.

5990. Sir Henry Ledgard asked whether a register of applications for wagons is maintained at the North Western Railway Stations. Mr. Watts could not answer the question as his mills had its own siding. The railway had posted a clerk at the siding and whenever they wanted wagons they prepared special indents, sent them through a peon, and obtained acknowledgments of their receipt in the peon's book. He did not know how others put in applications, whether there was kept a priority register, or whether allotments were made in the order of the dates in which the applications were received.

5991. In answer to Mr. Purshotamdas, Mr. Watts said he had no other remedy to suggest for the present bad system of working than he had already suggested. He could not say whether the system of corruption had been the custom of the country, but it seemed to have become so. He thought it was due to shortage of wagons. He had said that the merchants "liked" it, but agreed that really they acquiesced in it only because they could not help it. They would not be sorry if some method could be devised to improve matters. He believed that the money was distributed among the station staff. In Bhatinda there was no broker who bargained with merchants to supply wagons.

LALA MULK RAJ BHALLA, Managing Director, Punjab Co-operative Bank, was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 70, Vol. IV., P. 232.

5992. Lala Mulk Raj Bhalla stated that he was Managing Director of the Punjab Co-operative Bank which is a local institution of Lahore. He was also Vice-President of the Indian Chamber of Commerce, Lahore. He had formerly served in the Audit Department of the N.W.R. as Inspector and Accountant, and on the B. & N.W. Railway and Assam Bengal Railway as Government Accountant. He left the railway service in 1904.

5993. In his opinion the State should manage its own railways and he believed this would also be the view of the Indian Chamber of Commerce, Lahore. They were not very well pleased with the existing system of State management, but believed that it could be improved and should be beneficial to the country and to the State.

5994. The point on which he wished to lay stress was that the chief officers of the railway were not easily accessible. He was in favour of the establishment of local Advisory Councils containing representatives of the people and of different commercial interests, which would meet the railway officers. He thought it important that it should have access to the heads of departments dealing with the public as well as to the agent. The Chairman said that he presumed that the Traffic Manager would take part in meetings of the Council and would be referred to by the Agent on matters concerning his department. The witness explained that he not only wished the people to be able to approach the Railway Administration but that the Heads of Departments should also take the public into their confidence and communicate freely with them.

5995. He thought the size of the N.W. Railway administration is too great, having regard not only to the volume of traffic handled but also to the extent of its mileage. He thought that each railway administration in India should only be of about 1,000 miles in extent. He did not think the case would be met by leaving the existing system untouched, and establishing other Advisory Boards at Karachi and elsewhere. What he considered necessary was that there should be fewer officials and with lower salaries in order to reduce the distance between the officials

and the public, and that there might be fewer knots in the red tape. He did not think that the increases of the number of administrations due to breaking up the larger systems into smaller ones would lead to any greater interference than at present from the Central Government.

5996. The witness urged that Indians should be employed in whatever posts they are fit to fill.

5997. He said that he would prefer State management to company management, but if companies had to be employed, he would prefer to have these domiciled in India.

5998. He considered that the Railway Board interferes too much in small matters, but the instances cited by him in which exception had been taken to such trivial things as the purchase of a book by an Agent and the employment of an additional peon by an Auditor, were not cases of interference by the Railway Board but by a Consulting Engineer. His information was not recent and he did not know if there had been a change in the matter of detailed intereference since the Railway Board came into existence and the Consulting Engineers had been abolished. The witness said that he had not known of an instance of control exercised in the interests of the public using the railway, in the matter of comfort of passengers, or expedition of the despatch and delivery of goods, or the speedy disposal of claims. He thought that it would be a good idea that the Railway Board should have a special staff of Inspectors whose duty it would be to travel and enquire into such matters as these.

5999. He was clearly of the opinion that the supply of funds for railway purposes is inadequate and believed that many profitable railway lines can and should be constructed. He recognised that the railway officials might be jealous of the establishment of alternative routes but he thought that in the interests of the public these should be made in many cases. He cited as an example the need for another line from Lahore to Gurdaspur with a branch from Amritsar to it. He thought the people in Lahore would readily subscribe money for these railways.

6000. Regarding the branch line terms, he considered that these need revision in view of the increased price of money and that it would be reasonable to guarantee 6 per cent return and give two-thirds of the profits to the branch line companies. He considered that overcrowding is serious in all classes on the railway, excepting the first class. He cited a case in which he had travelled in a second class compartment which was so overcrowded that he wanted to leave it to change his ticket and get into the first class, but he had been unable to get out owing to the crush in the carriage.

6001. With regard to the use of goods wagons for passengers he said that these are used on many branches, quite apart from special conditions of pressure due to mela traffic. It made no difference if the wagons were described as "converted goods wagons;" they were really goods wagons and not passenger vehicles. He knew personally of the constant use of such wagons on some branches, for instance, on the Jullundur Doab Railway, but had been informed that it is common on many others. He considered that the people should be made to realise the attractive nature of investment on Indian railways, and referred to the high return secured on the railway property, as brought out in the administration reports. He thought that Government should make it its business to advertise such figures as these, as is done in the public Press in other countries. He thought the Publicity Department and other methods should be used to give publicity to the figures in India. The Chairman observed that it is one thing to publish figures but another to make people read them; the witness thought, however, that they would be read with interest by the commercial community.

6002. In answer to Sir Henry Burt the witness said that a high rate of interest must now be offered to attract capital. He thought that branch line railways must have a guarantee as well as a share in the profits. He cited the case of the latest Bombay Development Loan as one in which a high rate of interest had been offered. He thought money would be readily forthcoming for the small lines and that these would easily be able to earn 8 or 9 per cent. He did not think that the main line terms should be worse than those offered for capital for branch line enterprises.

6003. In the witness's opinion, the number of railway officers could be reduced. He thought that substantial additional funds could be secured by raising rates and fares and in this connection cited the following figures. The total earnings of railways in India from first class passengers for the year 1918-19 came to Rs. 1,11,69,000. The witness thought that the first class fares should be increased by 50 per cent. The income on the second class for the same year was Rs. 1,72,66,000. The fares for this class should be increased by 25 per cent. An increase of 10 per cent. in the intermediate class and a slight increase in third for short distances would fetch another Rs. 2 crores. The Chairman pointed out how even a slight increase in third would fetch a great sum. The witness said the fares for first class have not been increased of late, whereas rates of inter and third have been considerably raised.

6004. The Chairman suggested that if 50 per cent. increase were made in the rates for first class, it might raise the revenues from Rs. 1,11 lakhs by about Rs. 56 lakhs, but that this addition, not relatively very substantial in itself, might easily be discounted by some passengers deciding to go second class instead of first. The witness however did not think that this would happen. He thought that the first class passenger would not hesitate to pay the higher fares for their accommodation.

6005. The witness thought the goods tariffs excessively complicated and susceptible of simplification. He believed that by raising slightly the goods rates an extra Rs. 6 crores annually could easily be secured. He recommended higher rates of carriage on luxury articles such as fine cloth, and also that the rates on export traffic should be increased. The Chairman observed that grain destined to feed Bombay is carried to that place at the same rate as grain intended for shipment to Europe. The witness thought that the export grain might be charged a higher rate, but if there are difficulties in that, the rate for all the grain might be increased. He did not think that a moderate increase would be felt by the consumer at Bombay or in foreign countries.

6006. He believed that there was plenty of money in the country and that it could be elicited for railway purposes, if banking facilities were properly extended, these should be placed at the people's doors, and Indian banks should be encouraged. He mentioned that bank deposits are steadily growing. He thought that the railway securities should be treated as gilt-edged, and that facilities should be given for subscriptions through Post Offices and District Treasuries.

6007. Mr. Purshotamdas observed that the witness recommended the sub-division of the N.W.R. into separate administrations, mainly for the reason that the officers are too important and too distant from the people. He asked whether, if any other scheme could be adopted to make these officers more accessible to the people, this would not meet the witness's point, as he did not apparently object to large systems in themselves. The witness however did not think that any alternative method would be practicable. He considered it necessary to lessen the importance and localise the interests of the railway officers in question in order that they might be more in touch with the people.

6008. He stated that if methods could be devised for putting a stop to corrupt practices in connection with the supply of railway wagons, it would be extremely welcome to the trading public.

SETH PRABHU DAYAL, M.B.E., Mill-owner, of Multan, and Member of the Advisory Board to the Director of Industries, Punjab, was called, and examined upon a note furnished by him to the Committee.

6009. Mr. Prabhu Dayal stated that he had formerly owned 24 ginning and pressing factories in different parts of the Punjab and Sind, but that owing to domestic circumstances he had reduced them to 12. He said that in Multan he was putting up a flour mill.

6010. The Chairman observed that Mr. Townsend had told the Committee of the difficulty in getting cotton taken to the ginning factories. The witness said that the position is very serious as instanced by the fact that for the past month not a single wagon load had been carried from any station in the Multan district and two or three other districts. His factory at Gojra had had to close down on account of shortage of coal. He mentioned that he had met the Director of Industries that morning and had obtained from him a letter addressed to the Traffic Manager, North Western Railway, requesting him to arrange to carry weekly from Multan to Gojra, up to eight wagons in all, two wagons of wood to supplement coal fuel. The witness explained that this would cover requirements for four weeks, after which the cotton season would be closed and the necessity would no longer exist.

6011. The Chairman asked what the position is with regard to getting cotton to the ginning presses. Mr. Prabhu Dayal said that the system is that the factories are generally situated at the stations where there is a large stock of cotton, but now-a-days American cotton is being grown with the assistance of the Agricultural Department. That department holds auctions wherever there is good staple cotton and asks the Zemindars to bring the cotton in their carts to the auction. The cotton seed is also auctioned. The merchants purchase the cotton and take it to Multan. A fortnight hence, the sowing season will commence, and at present the seed is lying at stations waiting to go to its destination. Sometimes bags of seed rot and become completely useless.

6012. Mr. Prabhu Dayal said that Mr. Scott, the Director of Industries, had recently induced the Agent of the North Western Railway to supply 200 wagons daily to take pressed cotton to Karachi. The North Western Railway would take it only to Karachi and not allow transport off its own lines. It goes ultimately from Karachi to Bombay by sea The witness mentioned that as merchants make forward contracts they lose heavily owing to their inability to deliver to time. It was for these reasons that the people are willing to pay as much as Rs. 300, which he stated had been paid for the supply of a single wagon. He said that this is an open secret that such bribes have been paid owing to the great scarcity of wagons.

6013. In reply to Sir Arthur Anderson, he gave figures showing that the value of a wagon load of cotton seed may amount to Rs. 1,800. He agreed with the Chairman that the position is that, whether it is a matter of transporting seeds to growers, cotton to the presses, coal to the factories, or pressed cotton to the consumers, blocks constantly occur everywhere on the railways. The position had not been so bad before the war, but during and since the war, that is, for the last six years, it had been very serious.

6014. He thought that under State management matters would be much better as trucks when unloaded would be used to take away merchandise and not returned empty to the parent line as at present. Sir George Godfrey questioned the accuracy of the statement and the Chairman referred to Mr. Boalth. General Traffic Manager of the North Western Railway, who was present during the witness's examination. Mr. Boalth stated that all wagons are pooled and can now be used for any purpose irrespective of their ownership. He explained that for the last month there has been an absolute stoppage in the matter of carriage of goods. From the 29th January onwards, the orders were to stop all booking, the coal situation being critical. Mr. Boalth said that a few days after that, the Director of Industries pointed out to the railway that cotton should be sent to Cawnpore and that is being done now. He said that under the system of pooling wagons now in force, foreign stock can be used not only for traffic back to the parent line but also for traffic in other directions. He agreed to the Chairman's suggestion that he should send a telegram to the District Traffic Superintendent at Multan asking why the orders not to return foreign stock empty, are being ignored as stated by the witness. The witness said that, whatever the orders on the subject might be, it was within his knowledge that wagons had not been used at Multan City but were sent away empty. Mr. Boalth thought it unlikely that the orders on the subject could have been misunderstood by the District Traffic Superintendent, Multan District, though the station staff at one station might possibly have misunderstood them. The witness also maintained that the facts were as reported by him. He said that he would enquire further into the matter on his return to Multan.

6015. Sir George Godfrey questioned the witness with regard to his statement that the lower class traffic officials who come in contact with the travelling public are paid very low salaries as compared with State managed railways and that consequently these officials prey on the public and make up the deficiency. He asked the witness what was meant by "lower class traffic officials." The witness said that he meant subordinate staff from District Traffic Superintendent downwards. He had not in his mind the higher officials but only the station staff. The stationmaster in Hassi gets only Rs. 100 a month which he considered very small. He said that he could not give comparative salaries for those men as between State managed and company managed lines.

6016. Referring to his observation in the statement submitted to the Committee that all higher grade appointments in the company managed railways have been closed to Indians, the witness agreed with the Chairman that it was not fair to say that companies do not appoint Indians in the superior grades seeing that some of them have appointed a number of Indians of late and that others are trying to follow suit.

6017. The Chairman asked whether the witness agreed with Lala Mulk Raj Bhalla in thinking that a single administration should only manage 1,000 miles of railway. The witness said that he did not agree, as it made very little difference whether the Agent managed a line of 5,000 or 10,000 miles. He stated that in his opinion, all would be well if only the District Traffic Superintendents were easily accessible to the public so that they could be talked to freely. He mentioned that he himself, though a man of standing, had personally twice been refused an interview by the District Traffic Superintendent at present at Multan. He left it to be judged what hope there was of persons of lower standing obtaining attention. In his opinion the difficulty is due entirely to red tape and to the District Traffic Superintendents dealing with the matters only on office files.

6018. The witness said that he was in favour of the establishment of two Advisory Boards, one to assist and advise the Railway Minister, the other to co-operate with the District Traffic Superintendents; he considered the latter very important. Once it drew the District Traffic Superintendent into contact with the representatives of the public and of commerce, there would be an improvement. He considered that corruption on railways would die within a year, once the District Traffic Superintendent came into personal touch with those concerned. The witness regretted to say he believed that 99 per cent. of the subordinate railway staff is corrupt. He admitted that corruption exists also in other departments, for instance, the police and the municipalities, but he believed it was much worse on the railways than elsewhere. It had not been so bad on the railways before the war, but had been aggravated by the shortage of railway wagons. He considered that an Advisory Committee including the Minister in charge of the railways would be useful in dealing with questions relating to rates and fares. He would not object to an Advisory Board at the railway headquarters to advise the agent, but did not think that this should take the place of the district committees associated with the District Traffic Superintendent as proposed by him.

6019. He considered that some branch lines may be expected to pay very well. Asked by the Chairman why, in the circumstances, they should not be built without Government assistance, he said that at present the money which might be made available for railway construction is hoarded. He thought that it would be necessary for Government to give a guarantee and a share of the profits; if this were done, it would readily be forthcoming.

6020. The Chairman questioned the witness with reference to his written statement regarding the weight given to the opinions of the European Chambers of Commerce and their influence in favour of the export trade. The witness said that there is an Indian Chamber of Commerce in Lahore, but Government are very unsympathetic in all departments towards it. For example, it refused to supply official documents, such as railway administration reports, or to recognise the Chamber in any way. He admitted that such documents as the administration report could be purchased for a few rupees, but cited the matter to indicate the attitude of Government towards these bodies.

6021. The witness explained that when saying that under State control railway trucks "will fall like rain," he was referring to the facility with which wagons belonging to different systems could be utilised as already explained by him.

6022. As an example of the ill-effects of the uncertainty with regard to wagon supply, the witness stated that his factory at Gojra, which is now working, will be closed next week for want of trucks for coal or wood fuel, as loading in several railway districts on the North Western Railway is stopped, and that cotton worth lakhs of rupees is lying in the factory compound. He admitted that the Director of Industries is giving great assistance, and recognised that this is a case in which more sympathy has been shown by Government Departments than had been the usual experience. He had no personal experience in connection with agriculture, but believed that the Director of Agriculture also gives much help to those with whom he comes in contact.

6023. With reference to the question of corruption in connection with which the witness mentioned that a European District Traffic Superintendent at Multan and his train clerk were recently sentenced to imprisonment, the witness did not think that the railways do all they can to prevent corruption. He believed that they were themselves satisfied that they did so, but urged that they must be more accessible so that people could come and see and speak with them. He considered in fact that it should be the principal part of a D.T.S.'s work to keep in contact with the people, and that ordinary office work should be relegated to an assistant. In reply to Sir Arthur Anderson, the witness stated that his experience had been mainly at Multan and Lyallpur, but he had had factories at Shikarpur in Sind and many other places. On two specific occasions he had attempted to obtain interviews with the present District Traffic Superintendent at Multan and had failed, but his opinion, based on wide experience, was broadly that officers of this class are not accessible to the people.

6024. Referring to the witness's statement that company managements generally indent for their railway equipment from outside India, Sir Arthur Anderson asked what class of equipment the witness had in view. He said he had in mind wagons and all sorts of equipment of the kind. He admitted that attempts are now made to get them in India, but not to the extent to which they ought to be.

6025. Sir George Godfrey drew further attention to the statement of the witness that the State railways pay better salaries to their lower paid servants than the company-managed lines, and that the latter consequently prey upon the public. The witness mentioned in support of his statement the case of the Hansi station where the station master was paid only Rs. 100 a month. He believed that much higher rates of pay prevail on the N.W. Railway. He said that merchants' books everywhere would show that for every parcel booked, a payment of one anna has to be made to the station staff. After further discussion, he explained in reply to the Chairman that his point was that on State railways there should be less temptation to corruption, but in fact the State railway staff appear to be as corrupt as the others.

6026. Sir George Godfrey asked with reference to the witness's recommendation in favour of a court of arbitration, whether the courts of law are not open to them. The witness thought that Government would suffer greatly if cases were taken into courts of law. He said that there would be thousands of cases against the North Western Railway alone, and it would take years to settle those references. His personal opinion was that the law courts are a curse to the country and ruin those who have recourse to them.

6027. In reply to Mr. Purshotamdas Thakurdas, the witness stated that a priority register exists at Multan in connection with wagon supply; corruption nevertheless prevails. He explained that not every merchant goes to the station himself; moreover, they cannot all read English, nor can they always obtain access to the registers which the officials are unwilling to show them. He admitted that if a trader is an influential man, he may get some attention from the District Traffic Superintendent, but ordinarily they can get no attention, nor can they even obtain replies to letters. He would not himself attempt again to see the District Traffic Superintendent at Multan having regard to the refusal to receive him on previous occasions.

6028. As an instance of the undue influence of British firms, he mentioned the case of the woollen mills at Dhariwal and Cawnpore in favour of which special rates for wool from Fazilka to the mills are quoted. There are no corresponding special rates in favour of Indian mills elsewhere. Mr. Purshotamdas observed that in any case these are industries established in India and employing Indian labour, and asked whether similar concession rates have not been given where Indians are concerned. In reply, the witness instanced the case of flour mills at Shahdra, Lyallpur and elsewhere. He said that flour despatched from these mills for export to Japan and elsewhere gets no concessional rates.

6029. The witness said that he was not in a position to speak as an expert on financial matters. He thought, however, that the Indian commercial community would freely subscribe for railway purposes in view of the advantage to their businesses. He thought that a guarantee of at least 6 per cent. would be necessary in the case of Government loans and that a higher rate would be necessary in the case of loans not guaranteed by Government. He believed that, subject to a reasonable return being guaranteed, liberal subscriptions might be expected if the public knew that money was wanted exclusively for railway facilities and development; people would naturally subscribe more readily if they were assured of having a voice in the railway management.

6030. The witness stated that he would certainly be surprised if told that the Indian commercial community liked the bribery system which at present prevails. He stated that, on the contrary, they adopted it only under compulsion and would be only too pleased if it could be abolished.

6031. In answer to Mr. Hiley, who asked if the witness could produce traders' books showing the entries of the extra anna per parcel to which he had

referred, the witness stated that the books would show a charge in such cases under headings such as "station expenses." He said that he could not obtain their books from merchants for this purpose, but traders themselves would readily show any number of books containing similar entries, if assured that they would not themselves be prosecuted.

6032. He regarded the co-operation of Advisory Boards with the District Traffic Superintendents as essential for the purpose of bringing these into closer contact with the people. He thought that these District Advisory Boards should be brought into existence, whether or not an Advisory Board to co-operate with the Agent, to which he had no objection, is also established.

6033. In answer to Sir Henry Burt, the witness stated that, at Multan, brokers act largely on behalf of merchants in the booking of goods and procuring wagons. He believed that such firms as Ralli Brothers sometimes employ brokers and sometimes act through their own staff. He believed that they had the same difficulty as the others at the stations, and would have even more difficulty, as they do not pay bribes to the railway staff, were it not for the special influence that such firms can exercise with the District Traffic Superintendents.

FORTY-SEVENTH DAY.

(Lahore.)

Friday, 25th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. E. A. SCOTT, Director of Industries, Punjab, was called and examined upon a written statement which he furnished to the Committee shortly before the meeting.

6034. Mr. Scott stated that he had been employed as an engineer on construction and open lines for 13 years. He was subsequently Signal Engineer of the North Western Railway, which appointment he held for 10½ years. During the war he became Deputy Controller of Munitions, Punjab, in addition to his railway duties from 1916-19, in which position he was able to get an insight into the difficulties both of the railway and of the commercial community in so far as moving of goods was concerned. For the past 18 months he had been seconded from the railway service and employed under the Government of the Punjab as Director of Industries and Director of Civil Supplies. He believed that the appointment of Director of Industries would continue as a permanency, but did not think that that of the Director of Civil Supplies was likely to remain in existence very long.

6035. Mr. Scott stated that he had travelled a great deal as an ordinary passenger, and had seen for himself that the industrial population had very great difficulties in carrying on their business in the existing conditions of railway transport. He had also been in a position to appreciate the special difficulties experienced by the railways. Mr. Scott took the opportunity of stating that, in all his dealings with the North Western Railway in his official position the railway authorities had given him such assistance as was in their power, considering the difficulties under which they carry on their work. A point on which he wished to lay special stress was the need of doing something to obviate delays in the carriage of traffic.

6036. The Chairman drew attention to Mr. Scott's written statement that, in respect both of equipment and staff, it could be shown that company management has the advantage in equipment, because funds are more likely to be provided when asked for by an experienced Board than by the Agent of a State worked line, and in staff because of the more business-like system of recruitment and selection.

6037. Mr. Scott laid great stress upon the latter consideration. He urged that companies are in a position to pay less regard to influence and more to selection of recruits on their merits. He urged that there is no real standard test on the State railways in some departments. Special qualifications are required in the engineering and locomotive departments, but not in the traffic department and others, and he believed that some of the men appointed by the State railway traffic department under the existing system were quite unsuitable for their posts.

6038. The Chairman expressed surprise at Mr. Scott's statement that funds are more likely to be forthcoming when asked for by a railway company than by the Agent of a State-managed line. He referred to the evidence which had been given to the contrary to the effect that the State railways are the favourite children of the Railway Board. Mr. Scott thought that the directors were in a position to bring influence to bear upon the Railway Board in support of their applications for funds. The Chairman said he was unable to understand how they can do this in practice, being located so far from India, and not being in direct correspondence with the Railway Board. The point was not pursued.

6039. Mr. Scott discussed the system of recruitment especially in regard to the Traffic Department both on State and companies' lines. The Chairman drew the conclusion in which Mr. Scott agreed that the method of recruitment from England is bad, and that followed in India is worse. Mr. Scott mentioned that appointments to the State Railway Traffic Department are made solely on nomination. It was subsequently explained by Sir Arthur Anderson that Mr. Scott's information was not quite up to date. The practice had been to make appointments solely on

nominations up to about five years ago, and the Railway Board had difficulty in dealing with the hundreds of applications that used to be received. It was accordingly arranged that in future the Board would consider the applications of men possessing certain prescribed educational qualifications, only after these had been sifted by the several local Governments and Administrations; the practice introduced being that the local authorities would send up only one or two names in each case. From the relatively small body of applicants so nominated the Railway Board made their personal selection after interviewing and personally examining the nominees. Sir Arthur Anderson pointed out that it was incorrect, therefore, to represent that appointments are now still made in the undiscriminating manner indicated by Mr. Scott, or that personal influence carries the same weight as he had believed.

6040. Mr. Scott mentioned as an instance of the lack of capacity of some of the young men recruited in the Traffic Department, that he had to give lectures on signalling to a class of young officers, and, on one occasion, he gave a lecture using a diagram illustrating by colours the connection between certain signalling and interlocking devices. In a subsequent examination some of the class showed that they had been able to understand the diagrammatic illustration so little that they believed that actually the corresponding equipment in practice is painted in the colours which Mr. Scott had introduced for the purpose of distinguishing the different portions of his diagram. Mr. Scott said that, even if there be an educational standard for the recruits, this is evidently too low. In answer to Sir Arthur Anderson he stated that he had over 23 years' service on railways and thus had opportunities of forming an opinion at first hand of the qualifications of the traffic officers; he had not served with the Railway Board and did not know in exact detail the procedure connected with their appointment. But he believed it was a matter of common knowledge that influence is still used to a large extent in procuring appointments. He stated that there is only one departmental examination after appointments have been made.

6041. Mr. Scott stated also, in reply to Sir Arthur Anderson, with reference to his observation that, though Government promotions would be made wholly by selection, this had not been, and is not being, done in practice, though he was aware of certain exceptions, for instance, the case of the present Agent of the North Western Railway. Mr. Scott urged, however, that these were exceptional instances, and that promotion generally goes by seniority in State railway service.

6042. Mr. Scott expressed the opinion that the question of transferring the State-worked railways to companies should be considered. He thought it might be feasible in the case of the Eastern Bengal Railway and the Oudh and Rohilkhand Railway, but it would be more difficult in the case of the North Western Railway owing to a considerable portion of this line having been built for purely military purposes which could not be worked economically except as part of the main system.

6043. In Mr. Scott's opinion the system of control by means of a Board is satisfactory, but the Board should have a President who would also be a member of Council of Railways. He should be assisted by as many members as might be considered necessary, one of these being appointed wholly to attend to, and deal with, the interests of commerce and the public, this member ranking next to the President. Mr. Scott thought that this member should be a merchant who would understand the commercial point of view. He thought that he would get sufficient guidance as to railway technicalities from his colleagues on the Railway Board.

6044. He did not suppose that this one man could personally do the whole work. He would have to organise a special staff with local representatives to help him at the large commercial centres. In answer to the Chairman who asked whether it would not be better to have a committee of, say, half-a-dozen representatives of different interests advising the agent of each railway, Mr. Scott thought it would be better to have a single man with a staff as suggested by himself, so long as the appointment was necessary. He admitted with regard to the last point, that in view of the magnitude of the railway system, it might probably be necessary to provide a permanent machinery for the purpose indicated.

6045. Mr. Scott drew attention to the fact that the Board's subordinate staff are at present all State railwaymen whose experience is generally limited to State railways. A certain number of the staff should be taken from company lines, their service with the Railway Board being limited to a fixed number of years.

6046. As regards the construction of new railways and feeder tramways, Mr. Scott considered that the powers of the Railway Board required modification, the final voice should rest with the local governments who are in a much better position to recognise the requirements of their provinces than the Railway Board could be. Mr. Scott explained that he was speaking only of railways of purely local importance and not of trunk lines. With regard to new construction Mr. Scott thought that there are many lines which have been surveyed and are badly required to develop the country, but for which funds are not forthcoming. He referred especially to feeder railways. He agreed that in present conditions the first thing to be done is to bring the existing railways up to the mark before further congesting them by additional traffic from new feeder railways.

6047. Mr. Scott placed before the Committee a copy of the North Western Railway's Gazette of November 29th, 1920, which he had picked at random, and invited attention to the engineering and traffic restrictions detailed in it. The Chairman examined the Gazette, and read out some of the restrictions imposed. For instance, in regard to engineering restrictions, he mentioned a case on the main line in the Lahore district in which speed was reduced to 25 miles an hour due to bad sleepers. In another case, speed was restricted to 5 miles an hour for down trains entering "A" platform from Lahore and Kasur side at Amritsar owing to bad track. In Saharanpur district the speed of trains was restricted to 10 miles an hour at a certain point due to a defect in the masonry of bridge No. 275. In another case in Lyallpur district the speed of all trains was restricted to 20 miles an hour, and the running of heavy class engines on the section had been stopped.

6048. Sir Arthur Anderson expressed the opinion that, having regard to the mileage of the railway, the number of restrictions indicated, many of which would doubtless be due to ordinary renewal operations, did not seem to be numerous. Mr. Scott mentioned that the list to which he drew attention was merely illustrative. He did not think that it represented a reasonable state of affairs.

6049. With regard to traffic restrictions which were detailed in 16 foolscap pages, the Chairman pointed out that the Gazette contained not only restrictions imposed by the North Western Railway, but also those imposed by other administrations. Mr. Scott observed that these restrictions are altered every week, and that the public are at the mercy of the railway staff, as it is impossible for them to familiarise themselves with all these details.

6050. In his opinion the member of the Railway Board in charge of the commercial side of the railway working would consider the commercial point of view. He believed that, without adding to the existing difficulties of the railways, such a member could help, through his provincial representatives, in securing more reasonable decisions as to which traffic should receive preference and which should be restricted. He observed, for example, that, though it is quite reasonable to give preference to the movement of foodstuffs, it is not necessarily reasonable to restrict traffic in materials upon which a man may be depending for his livelihood and without which he cannot

purchase the foodstuffs for his use. For instance, if undue restrictions were imposed on the carriage of cotton, the ginning presses and cotton spinning and weaving factories would have to close down, resulting in a large force of labour being thrown out of employment, and thus deprived of the means wherewith to buy their food. If sheet iron is not allowed to be carried, the merchant who deals in articles made of this, stands to lose a great deal, as his men, to whom he had advanced money, would go away, there being no work for them.

6051. At the present time Mr. Scott explained that he was acting as Director of Industries and Director of Civil Supplies, and does his best to help in such matters by representing the requirements of the public to the railway administration. But he considered that it required the whole-time attention of a special officer. The Chairman cited the case in which a witness recently showed to the Committee a letter from Mr. Scott to the Traffic Manager of the North Western Railway asking for special facilities for certain fuel traffic. Mr. Scott considered that, by such action, he is in a position to better the existing situation, and believed that the railway officers agree generally in this. He did not think that they accept his recommendations to the extent they do, merely to pacify a troublesome official.

6052. Mr. Hiley commented on the danger of appointing men with no railway training to the Railway Board, as being likely to lead to his asking for impossibilities on the one side and also to his being too easily put off, even in the case of reasonable proposals by the railway experts urging technical objections which he was not able to meet. He asked whether it would not be better, if such a person could be obtained, to appoint a commercial minded man with railway training rather than an outsider, Mr. Scott agreed that this would be preferable to the suggestion that a man of only commercial experience should be appointed.

6053. Referring to his written statement that the standard on which railways are built under the branch line terms might be lowered, Mr. Scott expressed the opinion that there is a tendency for the main line, which controls the standard of construction, to demand that this should approach that of its own trunk lines, and that the Government Inspector of Railways also is disposed to insist on an unnecessarily high standard in engineering matters. He thought this led to lines being built too expensively, and that it would be advantageous if they could be constructed more cheaply. He said that, for example, when a station plan is circulated for approval the head of each department of the main line adds to the requirements to suit the convenience of his own department. He said that in a few cases railways of a cheaper standard had been built, for instance, the Jodhpur Bikanir Railway, on which the station buildings are frequently only grass huts, which would certainly not be accepted on the North Western Railway. He thought also that the main lines are apt to insist on an excessive staff being appointed. Sir George Godfrey asked for details to illustrate Mr. Scott's observations which he remarked were quite contrary to his own experience. Mr. Scott mentioned the case of Mandra Bhon Railway which was built by a separate company under branch line terms. Under the influence of the North Western Railway, to which this line is a feeder, Mr. Scott considered it had been built to too high a standard, and he believed it almost certain that the branch line company would have constructed it more cheaply if left to itself. He thought, for example it was quite unnecessary that this line should have been fenced as it had been.

6054. Sir Arthur Anderson agreed with Sir George Godfrey that, in his experience the main lines had not exercised their influence in the manner indicated by Mr. Scott. He thought, however, that it was possible that Mr. Scott and he disagreed as to what would be a reasonable standard of construction. He drew attention to the fact that the Government inspector is commonly a director of the branch line company. The Chairman remarked that it might be natural for the main lines to press for a high standard of construction so that this would make the subsequent working cheaper. Sir George Godfrey agreed that this consideration might operate.

6055. Mr. Purshotamdas observed that Sir Henry Procter had quoted the Sara Serajganj Railway case as one in which the main line had insisted on too high a standard of construction. The Chairman observed that this was a special case as the Eastern Bengal Railway's view was based on the intention of running an express train over this line, which it subsequently decided not to do, Sir Arthur Anderson thought it would be foolish economy, for instance, to build a line with an unballasted road. The Chairman remarked that he had travelled thousands of miles on such lines elsewhere. Sir George Godfrey observed that conditions are different in India where there is a liability to extremely heavy rainfall at certain times. Mr. Scott concluded by saying that his general impression was that the main lines had exercised their influence in favour of too costly a style of construction as stated in his written evidence.

6056. Mr. Scott drew attention to the views expressed by the Indian Industrial Commission on the subject of assistance by railways to Indian industries. He thought that attention to this matter would be one of the chief functions of the commercial member of the Railway Board suggested by him.

6057. He agreed that a Railway Commission under the Railway Act for settling disputes is a cumbersome and unworkable machine. The commercial member of the Railway Board would undoubtedly take up this matter. The Chairman remarked that a single officer dealing with such questions would almost inevitably tend to have a bias in favour either of the railways or the traders. Mr. Scott was of opinion that, if he developed a bias towards the commercial community for instance, this would be corrected by a tendency in the other direction on the part of his colleagues.

6058. Mr. Scott thought that the bribery problem is a very difficult one. The only remedy he could suggest, was that a responsible and capable officer should be posted to a centre where bribery was known to be prevalent. He thought that it would be necessary for such an officer to remain there for a year or more, and to devote all his energies to stopping the practice, and ensuring that wagons were allotted in the proper manner. He thought that, if the practice were stopped for a fairly long period, it would not revive, people having begun to appreciate the altered position. This example would spread and would have a good effect throughout the railway. He agreed that the task would be a very difficult one, but could think of no other remedy in the situation.

6059. Mr. Scott urged that there should be appointed on the railways, under the direct orders of the agents, efficient officers whose duty it would be to travel about, and enquire into the causes of inefficient working, and to suggest remedies. He thought that keen men might be obtained from the existing railway staff, and put on this work. He thought even on State railways the practice of selection by seniority would not prevent an Agent from picking suitable men for such special appointments, his views on the matter of promotion by seniority referring rather to promotion in the regular departments of the railway. He observed that, even on State railways, men are usually chosen for such special appointments as those of deputy and assistant agents.

6060. In reply to Mr. Hiley, Mr. Scott said that his statement "regarding recruitment from England certain qualifications are said to be necessary, but these are not concrete enough to ensure generally capable recruits" applied to State railways. He did not know how selection was made for companies' lines. He was not aware that there was no more careful selection for companies' railways than for those of the State, and that the recruits are only nominated by the boards of directors instead of by the Railway Board. He was of opinion that recruits should have some recognised degree, preferably an engineering degree. He said that he would not employ men in the engineering or locomotive departments unless they had qualifications, such as B.E. or A.M.I.C.E. This would ensure a certain amount of technical training and education. He would insist on similar qualifications in the case of Indian appointments. As there exist in the country suitable engineering colleges, men with those qualifications would be forthcoming. He thought engineering knowledge is particularly helpful to officers in the traffic department. He observed that the existence of such a criterion as he proposed would make it much easier, without causing offence, to reject unsuitable applicants who had been nominated by influential people.

6061. In reply to Mr. Purshotamdas, Mr. Scott stated that no case had been brought to his notice in which Indian industries in the Punjab needed railway concessions which the railway would not give. Mr. Scott was aware of applications for assistance in securing movement of traffic. He had generally been able to get assistance from the railway on this matter except in respect of coal transport.

6062. Mr. Scott did not believe that the Indian commercial community had got so accustomed to the idea of paying bribes to secure allotments of railway wagons, that they would regret it if the bribery system should be stopped.

Mr. L. E. BANFIELD, Master, Punjab Trades' Association, was called and examined.

See Written Statement No. 73, Vol. IV., P. 237.

6063. Mr. Banfield placed before the Committee a written statement which he had prepared, but which it had not been possible for him to submit in time for the Committee's prior consideration.

6064. Mr. Banfield explained that the Punjab Trades' Association is a body of European tradesmen in the Punjab, comprising practically all of these in the province. It has 38 members and has a Committee in Lahore, of which he is the Chairman. The members are retail traders as distinct from wholesale merchants. The Association had been in existence since 1892.

6065. Mr. Banfield said that he had not had sufficient time to call a Committee meeting and obtain the considered views of the members of the Association. He submitted his memorandum therefore as an expression of his personal opinion, though he believed it would represent the general views of his community.

6066. The Chairman observed that Mr. Banfield urged as an advantage of company management that under it the public would have the benefit of healthy competition between bodies independent of each other. Mr. Banfield said that he did not mean to press for competition in the same sense as it exists in England. He wanted rather that there should be independent bodies each of which might serve as an example and model for others. He did not think that it would be a commercial proposition to lay down new competitive lines in India, for instance, to make another route between Lahore and Calcutta.

6067. In his opinion the working companies should be domiciled in India. The Chairman asked, in view of the fact that at present the main working companies are located in England where their shareholders and Boards of Directors are established, what inducement Mr. Banfield would hold out to these to transfer their domicile to India, assuming, as might be naturally done, that the shareholders would not be willing to do this without some special inducement. He remarked in this connection that the companies have not been allowed to increase their share capital. Mr. Banfield said that he would give companies permission to raise additional capital in India and encourage them to do so, and thus lead to the transfer of domicile when the Indian shareholders became the predominating body.

6068. He did not think that it would be difficult to ensure a return of 5 or 6 per cent. on the railway property, and thought that the commercial community would accept this as a sound investment. The shareholders should have a guarantee of 5 per cent. certain with a prospect of sharing in profits. He believed that this would attract a considerable body of Indian money. The Chairman remarked that the Government of Bombay have recently had to pay 6½ per cent., free of Income Tax, to raise money for the development of Bombay. Mr. Banfield explained that he was not considering so much the immediate situation, but was looking ahead. He said that he would be prepared to submit to the existing disabilities due to the defective railway system, and wait to attract the large quantity of money required until it could be obtained under a 5 per cent. guarantee. He admitted that, as urged in his written statement, the existing defects of the railway system cause great inconvenience and loss to the commercial community, but he thought that they had suffered so long that another few years would not make a great deal of difference. The Chairman said that he could only congratulate Mr. Banfield on the patience he was prepared to show.

6069. Mr. Banfield thought that the third-class passengers would be willing to pay somewhat higher fares for better accommodation and more comfort. The Chairman remarked that they are at present paying about one-seventh of what is paid by third-class passengers in the United Kingdom.

6070. Mr. Banfield thought that the commercial public also would be willing to pay higher rates for the certainty of expeditious transport of their goods. They would be very glad to see an express goods service in this country and he believed that this would be largely availed of if the freights charged were somewhat less than those now charged by passenger trains. The Chairman remarked that express goods services exist all over the Continent, and that the charges are usually double the ordinary goods rates.

6071. Mr. Banfield stated that members of his association deal mostly in merchandise in small packages and not in bulk commodities. He placed before the Committee a statement prepared last year by his own firm, Messrs. Walter Locke and Co., of delays in goods traffic from Howrah. The Chairman read out some of the instances of the delays which indicated that in these cases, admittedly selected not as representatives but as bad instances, the traffic had taken on an average about three weeks in transport from Calcutta and Karachi to Lahore. As regards parcels sent by passenger trains, numerous instances of excessive delays were also quoted. Sir George Godfrey suggested that these were probably cases in which packages might have gone astray which might happen under any administration. Mr. Banfield, however, observed that they were simply instances of abnormal delay in transport. He did not think that more than 10 per cent. of the traffic from Howrah gets through in the 2½ days which might reasonably be allowed for its transport by ordinary passenger trains. Normally the passenger traffic might take anything from three to eight days, with frequent cases of much longer delay. The letter from which the above information was taken was addressed by his firm to the secretary, Punjab Trades Association. About the same time there was a similar letter from Messrs. Cutler, Palmer and Co., who reported that it had taken 31 days for 195 cases of whisky to be despatched from Karachi to Lahore about March, 1920. A representation had been made by the association to the Railway Board on the 16th November, 1920, and this was acknowledged in a letter from the Railway Board dated the 22nd November, but no further action appeared to have been taken.

6072. Mr. Banfield stated that up to the time of the occurrence of the war the railway service was reasonably good except that the goods traffic had always been unduly slow. He did not think it reasonable that traffic should take four or five weeks from

Calcutta to Lahore. He thought that, even if the pre-war standard could be attained, there would still be a demand for an express goods service. He believed that under company management these matters would be looked at more from the commercial point of view than they are likely to be by State-managed railways.

6073. He had had no personal trouble in connection with the treatment of complaints and disposal of claims. On the contrary, he found the traffic authorities most sympathetic. They seem, however, to be handicapped in controlling the disposal of traffic at out-stations, and what he complained of was inefficiency in handling.

6074. Mr. Banfield stated that neither had his own firm nor any of the European firms, so far as he was aware, to pay money to ensure the despatch of parcels by railway staff. He had heard of such things being done, but had no personal knowledge of it, and did not believe that it was in any way common amongst the European commercial community.

6075. He could not say where delays in transit occurred, but imagined that these take place at the intermediate junctions as well as at Howrah, where he had heard of goods accepted for despatch being discovered as much as a week afterwards. He believed that, if railway companies were located in India, the local shareholders would ensure much closer attention to such matters as they would make their voice heard at Board meetings.

6076. In reply to Mr. Hiley who referred to the statement made by another witness to the Committee that one anna has invariably to be paid to the station staff to ensure the despatch of a parcel, Mr. Banfield repeated that he had no personal knowledge of this nor did he believe that the European trading community had any part in this practice.

6077. In answer to Mr. Purshotamdas Thakurdas he stated that he had not found the railway administration quite so prompt in dealing with claims in respect of missing parcels as he could wish, but, generally speaking, he did not have much trouble in settling difficulties locally. There was more tendency to delay in cases of claims which have occasionally to be made on the E.I.R. with the officers of which he was not in close contact. He found it an advantage to have the claims officer on the N.W.R. easily accessible to the public.

RAI BAHADUR GANGA RAM, C.I.E., M.V.O., was called and examined.

See Written Statement No. 74, Vol. IV, P. 238.

6078. Rai Bahadur Ganga Ram said that he is a Member of the Institute of Civil Engineers and of the Institute of Mechanical Engineers. He had formerly been employed in the Public Works Department, and since retirement has been engaged in business as an agriculturist. He is also owner of three ginning factories and one ice factory. He spoke as a member of the commercial community and of the travelling public.

6079. The Rai Bahadur was examined by the Chairman with reference to a written statement which he had furnished shortly before the meeting commenced, and which it had not been possible to distribute to the Members of the Committee. The Chairman, reading from the Rai Bahadur's written statement, said that he observed that he considered that the railways as now managed, whether by the State or by Company, are very bad, unsympathetic and callous; that the subordinate staff are thoroughly corrupt, and that the whole system is unsatisfactory and unsuited to the requirements of trade as well as of the travelling public. The witness said that he believed that he represented public opinion in this matter.

6080. The Chairman mentioned that Mr. Townsend, the Director of Agriculture in the Punjab, had spoken on the whole favourably of the efforts of the railway administration to meet public requirements as far as possible with the facilities at their disposal. The witness admitted that the present Agent of the North-Western Railway has shown himself anxious to do as much as possible, and to that extent, matters were improving. He could not give this certificate generally. He admitted that greater improvements would probably have been effected, were it not for the North-Western Railway being hampered by war conditions. He stated that before the war trade obstructions were not so bad as at present. He had never heard before of such traffic restrictions as the total stoppage of bookings which is now common. The third class passengers' difficulties, however, had been just as great before the war as at present.

6081. With regard to the corruption of subordinate staff, before the war only "reasonable sums" had been paid for wagons, though the charges had never been as low as 4 annas a wagon, as had been suggested by one witness. He could not say definitely what they used to be, but they are far higher now than they were before the war.

6082. With regard to the supply of wagons for his own ginning factories, the witness said that his position is probably better than that of others, as it is known that he can approach the higher railway authorities with facility. He agreed with the evidence given by another witness to the Committee that it is most important that district traffic superintendents should be accessible to the public, and it was with that idea in his mind that he had drafted his written evidence. He had had no personal experience of Indian district traffic superintendents, and could not say whether they were more easy of access than the European officers. He considered that district traffic superintendents should travel freely as ordinary passengers, and, in particular, should pay surprise visits to stations on the line, in disguise if necessary. He thought that this would be quite practicable, and that even if they could not arrive before telegraphic warning of their visits they could still do something in the direction indicated.

6083. He did not believe that the best use is made of existing wagon stock. He considered that wagons are badly designed, the tare varying from one-half to one-third of the carrying capacity. He considered that it ought to be possible to bring the tare down to one-fourth of the capacity. The Chairman observed that he thought this too optimistic, as, so far as he was aware, the latest American practice was to secure a carrying capacity of 100 tons on a dead weight of about 30 tons. The Rai Bahadur said that he thought it would be good business to scrap all old-fashioned wagons and introduce new stock of better design. He also referred to the failure to use empty vehicles returning to foreign lines. In this connection, the Chairman observed that recently the wagon stock had been pooled, and the practice of not utilising foreign stock no longer existed. Sir George Godfrey said that this change had come into effect about a year ago. The witness said that he had not been aware of this. He had himself suffered by the rule of empty wagons going to Bombay which he was most anxious to use for traffic in that direction.

6084. The Chairman asked who is to blame for the defective carrying capacity of the railways. He mentioned that figures given by the G.I.P. Railway showed that the replacement of about 4,000 old vehicles was in arrears. The fault lay with the Finance Department, which had not allotted sufficient money. The witness said that he had not a high opinion of the Finance Department, in view of the experience of the past two or three years. He would like to give a freer hand to the railway Agents to make the best use of funds at their disposal.

6085. He thought that a considerable saving of carrying capacity could be effected by introducing corridor carriages, as on the Continent. In this connection the Chairman referred to the severe criticisms heard in Madras of carriages of that type which had been introduced on the South Indian Railway. The witness thought, however, that though they might not be so comfortable they would be useful, especially on branch lines, on which sleeping

accommodation is not necessary. He believed that in the Punjab they would prove quite popular. In reply to Mr. Purshotamdas Thakurdas, he said that for purdah ladies, special accommodation or carrages should be reserved.

6086. With regard to the witness's observations regarding the waste of coal on locomotives, the Chairman suggested that any engine 40 years old, like so many of those in use on the Indian railways, must be out of date and uneconomical. The witness doubted if much progress had been made in the design of high pressure engines used on railway locomotives. He thought the reason why they wasted coal was because the drivers cannot or will not keep the boiler tubes clean. It was ultimately a question of lack of supervision.

6087. The witness considered it desirable that a special technical committee should be appointed to investigate the use of coal in the Railway Department. He said that he had not considered the question whether it would be better to have separate committees all over India.

6088. With regard to finance he considered that the surplus earnings of each railway should be utilised in the improvement of that particular railway so as to create a healthy competition between the different systems. He considered that the profitable character of some railways is disguised by consolidating the accounts of all the systems; for instance, in the case of the Indian canals of the Irrigation Department the profit of the canals is shown at the figure of 11 per cent., but it is a fact that the Punjab canals make 50 per cent. He would divide up the railways, and would keep the accounts of each system quite separate. The Chairman suggested that this might suit the Punjab very well, but not be very satisfactory in the case of a poor province such as Assam. The witness did not think that the Punjab should be responsible for helping another province. He did not think that the principle of the strong helping the weak could be carried very far. It might be urged, for example, that the wealthy zemindars in provinces like Bengal which have a permanent settlement should do something to help their poorer neighbours where the settlements are not permanent. The Chairman said that it appeared to him that the witness's view was that he would envy the wealth of Bengal, but would not pity the poverty of Assam. The witness said the two cases were not analogous; he did not see, however, how the case of Assam could be provided for.

6089. With regard to raising money the witness said that he considered that the call for what is necessary should be made first in India and then in England. Preference shares should be offered at the rate of 1 per cent. above the highest rate for Government paper. The shares might be offered as debentures, preference shares and ordinary shares. The Chairman mentioned that the Secretary of State had hitherto refused to allow the main line companies to increase their share capital. The witness thought that, if this permission were given, the capital should be subscribed in rupees and the guaranteed interest paid in rupees also. The subscribers in England should make their own arrangements for remittance to and from India. He believed that there were plenty of people in England who would readily subscribe rupee capital. The witness considered that anything remaining after meeting charges on capital should be devoted to improvements such as building wagons, etc.

6090. The witness considered that the Government of India should be the final authority in all matters of railway management and in the inception of schemes and sanction of projects. He admitted that if English people put in money they would naturally wish to have access to the Secretary of State. He did not mean to preclude the Secretary of State from controlling the larger questions of railway policy.

6091. At this point, the witness handed in for the information of the Committee a pamphlet bearing the title "Why borrow at 5½ per cent. when you can get at 3 per cent." He explained that the scheme for raising money set forth in this pamphlet rested upon the proposal to allow a cultivator with a settlement running for say 20 years to compound at 33 years' purchase of the present revenue. He had taken 5½ per cent. in his pamphlet as the rate of interest current when it was written, but at the higher rates now prevailing, the figures would be even more attractive to Government. The witness considered that this is the only way in which the hoarded wealth of India could be brought to light and made available for railway development. The attractiveness of the scheme lay in the fact that it would enable the cultivators, who represent some 70 per cent. of the population of the country, to acquire their land as their own absolute property—a consideration which would appeal to them with the greatest force. The Chairman said that he sympathised the more readily with the scheme as he wanted money to be made available for railways and was not likely to be Finance Minister responsible for the Budget in 20 years' time; it was a new suggestion which the Committee would examine in due course.

6092. The Chairman asked what the witness's opinion would be with regard to the establishment of an Arbitration Tribunal with an independent chairman and assisted by representatives both of railway and commercial interests, to deal with questions in which there might be disputes between the railways and the public. The witness doubted the efficacy of such an arrangement in India where he thought the arbitrators might not prove really impartial. He did not see much need for it in any case with regard to claims; in such cases if it is a simple question of loss, the proper remedy is the severe punishment of the negligent staff.

6093. The witness said that railway conferences are held every year by a technical body to settle disputes between each railway. He thought that similar conferences should be held for purposes of trade and rates, that is, generally to consider the grievances of the public. He would like to have a conference for all India and a sub-conference to help the Agent of each railway. The Chairman said that a great many people had expressed themselves of much the same opinion as the witness in favour of the establishment of Advisory Committees comprising representatives of different parts of the country and different commercial and other interests; and similar provincial Advisory Committees at individual railway headquarters. He thought that few would be found to oppose this suggestion.

6094. The witness considered that trading firms should be allowed to own their own wagons in return for which they should receive preferential treatment from the railways. He explained that his idea was that a trader might contribute, say, the cost of 10 wagons to a railway, and should then be in a position to claim preferential allotment up to the extent of that number of wagons, the claim to be allowed at intervals—perhaps of a week or a fortnight—to be settled on an examination of the details of the proposal. He had put this suggestion before Mr. Hadow, the Agent of the North Western Railway who had, however, not been favourably disposed towards it; and he had accordingly not pressed it. His idea was that after obtaining the advantage of the preferential supply of wagons in this manner for a period of, say, 20 years, the subscriber would surrender any claim as proprietor of the stock and thereafter rank as an ordinary member of the public. Sir George Godfrey suggested that this would amount to his securing an undue preference over others. The Chairman said that it would clearly imply the grant of preferential treatment, but it could hardly be said off-hand that such preference would be undue, having regard to the fact that it would be given to a trader in consideration of his contribution.

6095. The witness expressed the opinion that there was no reason why railways should not earn more money by charging, say, 25 per cent. more on the occasion of running special trains for fairs and visits

to holy places. He had not gone into the question of putting up goods rates and was not able to say how far it might be reasonable to increase these in view of the general rise of working expenses, but he thought that more money could be earned by a careful revision of individual rates and the elimination of empty wagon mileage. He suggested for instance that coal wagons returning from the Punjab might carry at low rates such commodities as oil, oil seeds, salt, etc.

6096. In reply to Mr. Purshotamdas, the witness stated that he was not of opinion that branch lines, such as the Mandra-Bhon Railway, in the Punjab had been built—at the instance of the main line—to too high an engineering standard. He spoke of the Mandra-Bhon line specially as he was a director of that company and had inspected the line during construction. He considered that the reason why it was not paying was not because it was built to too high a standard, but because it was unfortunate in the war breaking out shortly after its construction. He thought also that this line should be extended to the salt range, which could easily be done and would be a great convenience to the trade and the public and would be an alternative line for salt traffic. The witness agreed that fencing of the Mandra-Bhon railway is not necessary. He was not aware that it had been fenced since he inspected it.

6097. Mr. Purshotamdas referred to the Jodhpur-Bikaner Railway as a line which it was said had been constructed on a more modest scale. The witness thought that no comparison was possible between a metre gauge line such as that and a broad line like the Mandra-Bhon Railway. Grass huts might be fairly suitable in Bikaner, but would be quite unsuitable in the climate of Punjab.

6098. With regard to the employment of Indians in the superior posts on railways, the witness thought that a fair attempt is now being made towards this on State managed lines, but that much scope had not been afforded to Indians on the company managed lines. Asked if the latter were not now making a move in the direction of employing Indians in superior posts, the witness said that he was of opinion that if a man is worth anything he need not seek employment. Mr. Purshotamdas pointed out that it was not a question of seeking employment. The witness expressed himself as unwilling to pursue the matter.

6099. Referring to his answer to the Chairman regarding the likelihood of Arbitration Boards not being impartial, the witness said that he was only talking of India. Pressed on this question, he said he could not speak for the whole of India but only of such parts as he had experience of. Mr. Purshotamdas observed that in most other parts of India, the Chairman's suggestion for the establishment of a tribunal with an impartial chairman had met with general approval, and he was anxious therefore to ascertain more clearly what the witness's views were as he appeared to regard the suggestion with some disfavour. The witness said that he did not care to add to what he had already said on this subject in reply to the Chairman.

FORTY-EIGHTH DAY.

(Lahore).

Saturday, 26th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. F. A. HADOW, Agent, North Western Railway; who was accompanied by Mr. V. H. BOALTH, General Traffic Manager, and Mr. K. V. AYYAR, Deputy Auditor; was called and examined upon a written statement which he had furnished to the Committee.

See Written Statement No. 75, Vol IV., P. 239.

6100. The Chairman observed that Mr. Hadow's experience, as stated in his written statement, showed that he had been employed entirely on State railways or with the Railway Board except for the period from 1909—11 when he had acted as Manager and Engineer-in-Chief of the Bhavnagar-Gondal-Junagadh-Porbander Railway system in Kathiawar. Mr. Hadow mentioned the appointment of Assistant-Manager which he had held on State railways for some time, was the same as that now designated Assistant Agent.

6101. Mr. Hadow explained that the appointment of the Secretary to the Railway Board, which he had held from 1916 to 1919, had not always been filled by an officer of technical qualification, the post having been held successively by Mr. Priestley, a traffic officer, Colonel Browne, a R.E. officer who had specialised in audit and accounts, Mr. Volkers and Mr. Ryan, officers of the Finance Department; himself an engineer, and so on, the appointment being filled at present by a locomotive engineer. The main function of the secretary was to pass forward the orders of the Railway Board to the proper quarter. During Mr. Hadow's time he had been the only secretary, the appointment of joint-secretary not having then been brought into existence. He had to deal practically with all important instructions issued by the Railway Board, and acted on occasions in the Board's name in anticipation of orders obtaining their covering sanction subsequently. Even the assistant secretaries in the Board's office could dispose finally of cases which were quite clear and covered by precedents. He said that orders were usually issued in the name of the Board, but might sometimes be issued in the name of the Government of India, more particularly when a question of policy was involved, or if a reference had been made to the hon. member in charge, to His Excellency the Viceroy, or to other Departments of Government. Sir Henry Burt observed that the Railway Board's letter paper is

headed "Government of India, Railway Department (Railway Board)."

6102. Referring to the Kathiawar railways, Mr. Hadow explained that these were a number of small railways owned by the several States which were worked, in his time, as a combined system. There was joint management, but the accounts were kept separate. For instance, when a new item of rolling stock was built, this was paid for by an individual railway. The management was under the administration of a board of control consisting of the Dewans ministers of the four States which formed the original combination. There were a few other railways worked by the combination. Joint working had not proved harmonious, and it had been practically decided during Mr. Hadow's time that it should be abandoned, each line being left to be worked by itself. In Mr. Hadow's opinion the failure was due to jealousies between the different States and the rivalry between their respective ports.

6103. Arising from that case, the Chairman asked how far control of railways by individual Indian States conflicts with Indian Railway policy as a whole, and whether any joint organisation, at least for traffic and operating purposes, was feasible or desirable. Mr. Hadow said that this was too general a question to admit of a ready answer. He had never heard of any difficulty due to the working of H.E.H. the Nizam's Railway. He did not think that, if the Indian State railways were worked on sound lines, there was any reason why they should restrict development of the railway system as a whole. He agreed, however, that it is not so easy to make convenient arrangements for through traffic when dealing with an Indian State railway as it is with one of the main British administrations. He attributed the difficulty in India to the lack of business aptitude in the administration of Indian State railways. He agreed that it would be in the interests of the country to have a uniform railway policy, but was doubtful whether a means of achieving this could be devised without offending the susceptibilities of the Indian States. The Chairman observed that it obviously could not be done by dictation, but possibly Indian States might be represented on a controlling body, and dealt with on the footing of equals. Mr. Hadow thought that possibly something might be done in that direction. He said that in the case of the Kathiawar railways they worked harmoniously with the neighbouring Bombay Baroda and Central India Railway, being represented in discussion with this administration either by himself or by the Dewans of the States concerned. In the latter connection he mentioned the satisfactory results secured by the Dewan of Bhavnagar, Sir Prabhashankar D. Pattani, who had always dealt with railway problems in a most reasonable manner.

6104. Turning to Mr. Hadow's written statement, the Chairman observed that he considered that there might 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 would be necessary to work them by State agency. Mr. Hadow explained that he meant it might be advisable for a time, in the interests of the general development of a country, not to aim at securing early dividends. He agreed that, taking a long view, this might be in itself a commercial attitude, as in the case of sinking a shaft for a gold mine, which could not be expected to pay in the early stages of development. He agreed, however, that it did not necessarily follow that a line should be worked directly by the State in such a case so long as Government were willing to pay interest on the capital, as, for instance, it did when paying the guaranteed interest in the case of the East Indian Railway in its early stages.

6105. Mr. Hadow said that he would hesitate to admit that three-fifths of the North Western Railway is of no military importance. He thought military considerations constantly came in. For instance, before the war, the line to Karachi might not have been regarded as one of military importance, but the experience of the past few years was that in war time, they had been forced frequently to provide facilities specially for military purposes. He agreed that from the point of view of military traffic, it is not necessary to work the line by the State. He thought all that was necessary, could be secured by making suitable agreements with working companies. He regarded the lines on the frontier as exclusively military in scope. He stated that to some extent, the accounts of the purely military section of the Railway are at present kept separate. Asked by the Chairman whether such works as the doubling of the line between Ambala and Lahore had not been dictated by military considerations, Mr. Hadow hesitated to admit this. He agreed, however, that military considerations had some weight in deciding all such measures, and admitted that, having regard to the great economy prevailing generally in Indian railway development it might not have been considered necessary to double this line so soon, for instance, as the line between Moghal Sarai and Calcutta, were it not for these considerations, though he believed this was justifiable with regard to the commercial importance of the railway by itself.

6106. He arrived at the conclusion, in respect to the question of working by companies, that although it is true that Government pays a premium to the working companies in the shape of a share in the surplus profits, there is a considerable saving to Government, which should be set against this, owing to the railways being managed on more efficient and business-like principles. He expressed a definite opinion that, if it were not for the existence of the company worked railways, the State managed lines would have found it very difficult to work on commercial principles. He attributed the fact that they had done so to some extent to the spirit of emulation which the co-existence of the company worked railways fostered.

6107. He admitted that it is difficult to say exactly how a Board of Directors situated as far from India as London can influence the administration in the direction of real economy better than the Railway Board at Delhi. He thought that possibly the feeling that shareholders had to be faced at annual meetings contributed towards this result. The Chairman said it seemed to him that in India the system of control of the railway system is so complicated, and the powers of interference of the Railway Board so considerable, that he thought a Company Board of Directors need never feel apprehensive about justifying the results of their administration, since it would always be an easy matter to transfer any blame to others. Mr. Hadlow agreed that this seemed possible.

6108. With reference to Mr. Hadow's opinion that, to a considerable extent, the reason why the State railways in India had been successful from the commercial point of view, was that they had commercially worked company railways beside them, the Chairman suggested that it might be attributable to the other fact that they were managed by a practically despotic Government which had not to face public opinion. This, he said, was the position in the only two other instances, namely, those of Prussia and the Transvaal in the time of Kruger, in which State railways had been commercially successful elsewhere. Mr. Hadow thought that this could hardly be the reason as, when the Government of India was most despotic, the State Railways were not prosperous, and recently they have had to pay more attention to public opinion. The Chairman observed however, that the public might have been free to criticise, but they had not until now been in a position to make their voice effective. He thought that the Robertson enquiry of 1901-03 to which Mr. Hadow referred, might be due as much to a desire to make railways still more profitable as a desire to conciliate popular opinion. Mr. Hadow agreed that

it was easier to keep commercial considerations in the front when no effective public opinion exists to demand attention to other considerations.

6109. The Chairman questioned Mr. Hadow as to whether there is any necessary connection between the practices of making promotion by seniority and of transferring officers between different lines, and the system of management by the State. He observed that officers are freely moved from one railway to another in America. Mr. Hadow agreed that such transfers are not always disadvantageous. There might, for example, be a need to transfer a promising officer whose advancement is blocked on one line, to give him the chance of an opening occurring elsewhere. It was bad, however, to transfer a man from one railway to another merely because of his claim for promotion, on the score of seniority, to a vacancy occurring elsewhere. He thought that the practice of making promotions by seniority exists to a great extent in all Government services, and it would be very difficult to prevail against it though the Railway Board are now trying to do this. He mentioned a recent case in which one of his own officers had claimed to be transferred to fill a temporary vacancy occurring on the Eastern Bengal Railway. The Railway Board in this case had told the officer in question that his chance on the North Western Railway would come soon and that the Board were not willing to move him to fill a temporary vacancy. If he had been transferred to the Eastern Bengal Railway he might quite easily have been in the position, a few months later, to claim a re-transfer to the North Western Railway for similar reasons. Mr. Hadow explained that applications for transfers to fill vacancies are made more frequently, and are more likely to be considered in the case of the higher administrative appointments, such as those of Chief and Deputy Chief Engineers, and the corresponding grades in the Traffic and other Departments than in the case of Assistant and District officers. He thought that in the lower grades in the Engineer service, transfers would be less likely to be pressed for in the future, owing to the operation of the new time scales of pay, which makes increase of pay less dependent on the occurrence of vacancies. He agreed with Sir Henry Ledgard that the time scale had been introduced for the purpose of obviating blocks in promotion and not with any view to the result to which he now referred, but it had nevertheless the advantage which he ascribed to it. In reply to Sir Henry Burt, Mr. Hadow said that he thought Government would be much more liable to influence in such matters as affect promotion than private companies would be, and it would be very difficult to break down the system.

6110. Mr. Hadow said he was unwilling to discuss the question of how additional capital should be raised for railways as he did not claim to be a financial expert. With reference to the suggestion that working companies might hold a considerably larger share of capital expended on the railways administered by them, he recognised that Indian opinion is strongly opposed to any increase of the interests of the companies. Although he pointed out that the association of foreign capitalists with railway enterprise is not peculiar to India, he agreed with the Chairman that, so far as he knew, there was no case in which foreign capitalists, sharing in the profits of State owned railways, had only a relatively small capital interests in the concerns. This, the Chairman remarked was the peculiar feature of the Indian system. Mr. Hadow thought that sooner or later the working companies must be domiciled in India and hold Indian capital. He recognised the force of Indian opinion, and considered that it must be reckoned with. He stated that he was unable to suggest how the transfer of the existing companies from England to India could be effected.

6111. Mr. Hadow said that, so long as the existing companies are domiciled in the United Kingdom, he could not say how any Indian Board could exercise any function other than advisory, however influential this might be. Controlling power must, in his opinion, rest with a Board situated in the country where the company is domiciled. He agreed that an advisory board should be extremely useful to the agent of a State railway, and referred in this connection to the advantages, which he fully appreciated, of the recently instituted Board of Communications in the Punjab. He thought that each State railway agent should have an advisory committee associated with him.

6112. He thought it would also be to the advantage of the Railway Board if it could be brought similarly into touch with all-India opinion as to requirements, but was inclined to think that an advisory committee formed to act in this capacity with the Railway Board would tend to be too numerous and unwieldy. Apart from this difficulty he thought it would be advantageous to the Railway Board to have the advice of such a body in connection with such matters as rates and the treatment of the public in general. He thought that perhaps the Railway Board might be able to get sufficiently into touch with local opinion through the medium of the provincial railway advisory committee. He recognised, however, that a central committee might be of some advantage in assisting in the adjudication on conflicting claims of different provinces and railways.

6113. Asked whether he thought that a Board of Drectors in London would be of any use to himself, he was doubtful on the point. He observed that, in the purchase of stores, he has now the assistance of the Director-General of Stores, who has recently been transferred from the control of the Secretary of State to that of the High Commissioner for India. He thought that possibly a board in London might do something to expedite business by settling on the spot references from the Director-General of Stores, which have in existing circumstances to be referred to India.

6114. With regard to the suggestion that there might be one Government Director on any board of directors domiciled in India Mr. Hadow said he had no practical experience of a Government Director's work. He was inclined to think that such officers would be useful, acting as liaison officers between Government and companies, and that by being able to place the Government authorities in full possession of facts they would be able to save a lot of unnecessary references. He did not think that a Government member would be necessary on an advisory committee, which is a different kind of organisation.

6115. Mr. Hadow said he would not mind if the North Western Railway were transferred to an Indian company, though this is the one railway where there might be room for doubt. He thought in some ways it should be better for the Eastern Bengal Railway to be worked by a company for reasons already indicated. But his main point in connection with this question was that if it be a question between all the railways being worked by one system or another, then he was strongly in favour of all being worked by companies. If some were managed in one way and some in another he did not think it mattered very much whether the Eastern Bengal Railway was dealt with in one way or the other.

6116. With regard to the Railway Board Mr. Hadow said that he considered it is much overburdened with detail. He promised that he would try to furnish the Committee with further instances to illustrate the extent to which the Railway Board and the agents of railways respectively are unduly restricted in their powers. The Chairman explained that although the Indian members of the Committee knew how the machine worked, the English members were anxious to be placed in possession of specific instances for their information. As one example of unreasonable limitation of his powers, Mr. Hadow mentioned a case in which at a certain station more quarters had been built than were subsequently found necessary for working. An opportunity arose for one of the houses to be rented to an outsider, but as agent he was not allowed to settle such a matter for himself. Sir George Godfrey mentioned another case in which the agent of a railway was not allowed to order in the country leather for covering railway seats. It transpired in discussion that the prohibition in this instance was due to the operation of the general stores purchase rules laid down under the orders of the Secretary of State for the guidance of all State Departments in India. Sir Arthur Anderson thought that this particular case might perhaps be defended on the score of general policy, but that many other cases might be cited. Sir George Godfrey said that in such matters as stores purchases the agents of State Railways are much more restricted than those of company worked lines, on which the Stores Purchase Rules do not apply. The Chairman said that he would be glad to have other examples, in the compilation of which Sir Arthur Anderson would doubtless assist.

6117. Mr. Hadow expressed the opinion that the President of the Railway Board should be a member of the Viceroy's Executive Council. The President should not himself be in charge of a definite section of the work, but should have the assistance of more members than at present. He agreed that it would be desirable that the Railway Board should have leisure to discuss and authority to enforce their decisions in such matters as those of standardisation on the railway system in general.

6118. The Chairman mentioned the complaint of the O. and R. Railway regarding the refusal of the N.W.R. to use the transhipment yard at Khan Alampura and insistence on the use of their own more crowded yard close by at Saharanpur. Without going into the rights or wrongs of that question, with which the Committee was not concerned, the Chairman asked whether Mr. Hadow would not agree that there should be an authority competent to adjudicate between different administrations (which would not necessarily all be State railway administrations) in such matters. Mr. Hadow agreed that this is desirable at least in theory, though he did not know whether the want of this has been felt in practice. The Chairman cited in this connection the case of vacuum brake equipment, in which there appeared to be a need for a co-ordinating authority in India. Mr. Hadow thought that the Railway Board would already have interfered in that case had it not been for want of money. He entirely agreed that the Board should be freed from petty details to deal with such matters.

6119. As another example, the Chairman cited the fact that it would be possible to introduce on the Indian railway system broad-gauge vehicles of a width corresponding to the unusually wide gauge, and mentioned that he had been told that if this were done all the tunnels on the G.I.P. Railway would need reconstruction. Mr. Hadow agreed that it was arguable whether, if such a measure as the enlargement of the standard rolling stock dimensions were decided upon, it would be fair to saddle the G.I.P. Company with the whole of the heavy cost involved on its own line or for the cost to be shared amongst those who would derive benefit from the introduction of the wider vehicles. He agreed that there should be a central authority in a position to take broad views of such matters.

6120. Referring to the Railway Administration report, Mr. Hadow stated that the Railway Board does not furnish the current operating statistics of other railways to the several administrations month by month or in any way except in the annual report. He agreed that it would be of some advantage if this were done, though he thought that the greatest use that could be made of statistics depends on comparison between different railways or sections, but upon the comparison of the results of individual lines from one period to another.

6121. He recognised the difficulty experienced by the Railway Board in dealing with demands coming from all parts of India in deciding which should receive a share of the available funds. He thought that the Board had done fairly well in this matter, however, being assisted to some extent by the Government Inspector's reports as well as by the personal knowledge of the members. He agreed that the personal element no doubt still plays a considerable part in the decision how much money should be allotted to each Agent. He thought that the Railway Board has adequate material to enable it to judge of the necessity for all such projects as the one instanced for doubling a line of railway. These proposals are not checked when the demand for money is being made, but when the project estimate is submitted for consideration.

6122. Asked what the Agent has to produce in order to justify a doubling project, Mr. Hadow said that he would send up an estimate with a report showing why a single line is not sufficient where the doubling is required, and why the difficulties could not be got over by other means, and so on. The Chairman inquired how much detail was required of him. Mr. Hadow stated that this depends on the extent of the Railway Board's personal knowledge of the case. If they are not well up in the local conditions, they frequently refer back to the Agent of the railway for fuller information. He believes that the Railway Board are given as full information in such cases as he would consider necessary to obtain, as Agent, from his heads of departments.

6123. In reply to Sir Henry Burt, he agreed that, admitting the importance of individual projects, it is very difficult for the Railway Board to judge between claimants from different parts of the country in respect of their several claims.

6124. Mr. Hiley mentioned another case in which adequate machinery appears to be lacking at the Railway Board's headquarters, when, for example, one company requires facilities to be provided on another line for the transport of its traffic. To illustrate this, he mentioned the block of the coal traffic which occurs, not on the East Indian, but on the G.I.P. Railway. It was quite conceivable that the G.I.P. Railway might not wish to spend money on additional facilities which would be required by the East Indian more than by itself. Mr. Hiley thought that, unless the Railway Board have very full personal knowledge of the conditions, a case of that kind would not be properly represented to it by either line. Mr. Hadow admitted the difficulty, though he thought it was got over to some extent by the Board's local knowledge and touring.

6125. He mentioned that the Government Inspectors learn a good deal outside their immediate work which relates specially to engineering works, but he agreed that it would be advisable that the Railway Board should be strengthened by having a staff of Inspectors of different kinds of training experience who could travel about and keep abreast with requirements. He had mentioned in his written statement that the Board should have a mechanical engineer for such purposes and agreed that Traffic Inspectors also would be very useful. His only fear was whether it might not lead to overcrowding at the Railway Board's headquarters, a danger which he apprehended was that officers want clerks, clerks want their brothers, brothers want cousins, and so on, there being a great tendency to multiply establishments, especially in India, in this manner. The Chairman mentioned that he had been told in France that inspectors without clerks are good, and that this was Mr. Hadow's point also. The inspectors should be able to put up cases to the Railway Board in a concise form which would enable them to pass orders with confidence, that they had been examined adequately from the technical point of view.

6126. As an instance of the complexity of the unnecessary restrictions of the rules and regulations to which he referred in his written evidence, Mr. Hadow mentioned that though he has certain grades of appointments under him, he is not allowed to bring in a suitable man at an intermediate state in the grade when he considers this necessary; and is thus prevented sometimes from engaging a suitable man who is unwilling to enter on the pay of the lowest

grade and who will not wait while special sanction is being obtained from headquarters. In this connection, the Chairman observed that it would be necessary for the Committee to enquire into the extent of the difference between restrictions imposed on companies and State railway administrations in such matters. Mr. Hadow also drew attention to a case mentioned in his written evidence in which valuable time had been lost trying to obtain the sanction of the Finance Department to a special salary proposed for an officer who was not on the ordinary establishment but was wanted to fill a special appointment.

6127. He thought that the attention paid to petitions causes great waste of time. He referred to petitions of all sorts, not only to those against orders of dismissal, and mentioned a recent case in which he and the Traffic Manager had been compelled to waste hours of valuable time digging into the details of a case which was obviously entirely undeserving, merely because the man had appealed to the Viceroy direct and a report had been called for. He thought that company administrations have an advantage in such matters. The company's employees would not be able to claim such an unreasonable amount of attention.

6128. In reply to Mr. Hiley, Mr. Hadow stated that the difficulty mentioned was not due to the provisions of the Civil Service Regulations, but to the fact that it is an understood thing that in Government service, everybody has a right of appeal up to the highest authority. Orders had, however, recently been passed limiting the right of appeal in certain cases to one authority above that whose decision is questioned.

6129. With regard to his observation that he did not think that the supply of funds for maintenance purposes had always been adequate, Mr. Hadow stated that, to some extent, he believed the railways themselves were to blame, as a few years ago they had not taken the trouble of working out regular renewal programmes. These now exist, and there is not so much difficulty in securing recognition of the need for funds for carrying out these programmes. On the N.W.R. there is a regular renewal programme in which provision is made for the renewal of engines and rolling stock after certain fixed periods which are accepted as their normal lives. He promised that he would endeavour to supply the Committee with details showing the extent to which renewals of locomotives, goods and passenger vehicles are now overdue. In this connexion the Chairman observed that it seemed to him that the N.W.R. is much better off than its neighbours. He quoted the following statistics which suggest that the N.W.R. is much better stocked than the E.I.R.:—

	E.I.R.	N.W.R.
Locos. per mile of line	·51	·30
Wagons ,, ,, ...	12·51	5·83
Traffic density	20,72,000	7,52,000
Average lead (miles)...	355	282
Miles per day Locos. ...	79	52
,, ,, Wagon ...	63	35

6130. Mr. Hadow stated that there are special considerations which should qualify the Chairman's conclusions. For example, the N.W.R. has to keep extra engines against the possibility of military concentration on the frontier, and there was no doubt that the line was relatively over-stocked for ordinary commercial purposes in view of such possibilities. This he considered applied in the case of wagons also. He agreed that the line should not therefore be short of locomotives or wagons for ordinary purposes, but mentioned that they suffer greatly from the way in which the military use the facilities. Even at the present time there is a great deal of military traffic notwithstanding the fact that there are no frontier movements.

6131. The Chairman mentioned that the Committee had been told that it is as difficult to obtain wagons for ordinary merchandise on the North Western Railway as on any other lines. In this connection, Mr. Hadow explained that he believed the difficulty was due not to shortage of rolling stock but to the lack of facilities for moving it. He said that it is a matter of common knowledge that the North Western Railway is badly off in the matter of station facilities. If he had money he would use it to improve these. Mr. Hadow said he did not know how the North Western Railway compared with other lines. He said that the condition at Ambala is very bad. Saharanpur is another bad instance. In the latter place there is a yard at Khan Alampura, built by the Oudh and Rohilkand Railway to provide for down famine traffic into the United Provinces from the Punjab. It was not designed for up traffic but nearly all the traffic is now up traffic. That is one of the reasons why he would sooner have the facilities at Saharanpur improved than use Khan Alampura. He thought that the fact that the Khan Alampura yard had been built was the reason why Saharanpur itself had not been improved, though the yard at Khan Alampura was made for an entirely different form of traffic.

6132. The Chairman observed in this connection that it seemed to him that the North Western Railway did not appear to a traveller passing over it to be so badly hampered as other railways. Mr. Hadow said that it was difficult to judge from the present appearance as both passenger and goods services were much restricted owing to want of coal.

6133. Mr. Hadow thought that the number of trains that could be run over a line depends largely on the relative speed of the trains running. If all the trains do not run at the same speed, and if there are a few Mails and Fast Passengers, it would restrict capacity greatly. He did not consider 15 trains each way a day on a flat single line as excessive. The Chairman referred to the evidence tendered to the Committee by another witness and said that it had been stated that if a line had 15 trains to run both ways, it was very nearly overcrowded. Mr. Hadow thought that it might be so in sections involving special difficulties. At present on the section between Lahore and Rawalpindi on which there are very heavy gradients the actual number of trains run to-day was as high as 15, but he added that they are contemplating doubling this line.

6134. The Chairman asked Mr. Boalth whether Karachi has been given any sort of understanding that it is entitled to have so many wagons allotted to it or whether it gets any preference. Mr. Boalth stated that the export traffic is given a certain amount of consideration in view of the fact that it represents so large a part of the business of the railway; roughly about 66 per cent. of the goods earnings coming from Karachi. Preference to Karachi was more pronounced during the war owing to the necessity of getting away wheat.

6135. A discussion then took place on the difficulties caused by the system of accounts and budgets in force on Indian railways and Mr. Hadow said all stores purchased for use or consumption on the railway were charged in the first instance to capital account. The Chairman observed that he understood that supposing spikes or other articles immediately usable are got from England for revenue account, they would remain at the debit of capital till such time as they are used and that capital is not credited with interest on the money so locked up. He thought that by this peculiar method capital is depleted for the benefit of revenue, and asked whether any reason could be assigned for this system. Mr. Hadow stated that he thought that this practice was not peculiar to India. Sir Arthur Anderson explained that it was due to the distance from which the articles had to be obtained. If they could be had locally they would be bought as required and be charged off directly to revenue.

6136. Referring to the observation in the written statement that the difficulty of working to an annual capital budget, that has to be 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. Mr. Hadow stated that there are separate Capital and Revenue Budgets. Revenue works which involve an element of betterment have to be shown also in the capital budget as a corresponding part of the cost goes against capital. For instance, if replacements of 75 lb. rails by 90 lb. rails have to be made though they are mainly a revenue charge, a portion of the cost has to be shown in the capital account. Works of betterment are shown in the capital forecast, and the figures shown in the revenue column of this go into the revenue budget. Owing to the division of the cost of numerous works between Capital and Revenue the Capital Budget cannot be altered without altering the revenue budget as well.

6137. The Chairman asked whether any instance can be cited where in India anything that could be honestly from the accountant's point of view charged to capital is in fact charged to revenue. Mr. Hadow said that " new minor works " costing up to Rs.2,000 are always charged to revenue irrespective of the fact that they may be purely additions and thus theoretically chargeable to the capital. This is the rule on State as well as company railways.

6138. Mr. Hadow said that as far as he could remember up to 1904 replacement of engines, etc., was entirely charged to revenue, whatever the improvement in the new engines might be. From about 1905 or 1906 owing to the division of interests between the companies and the State, the Government adopted the existing system of dividing the cost of improved works, stock, etc., between capital and revenue with due regard to the extent to which they represented respectively betterments and replacements. In the State railways also, they had adopted the same system in order to avoid a difference in method. In reply to Sir Henry Burt, Mr. Hadow explained that all these rules were based on the principles of allocation laid down in Sir Charles Wood's despatch of 1864, but he thought that there was a distinct change made in 1904-05 as regards the method of applying the principles in practice. So long as Mr. Hodson was Secretary to the Government of India in the Railway Branch of the Public Works Department, he had insisted that the whole cost of a new engine should be paid for entirely from revenue.

Lala KASHI RAM (Senior), Proprietor of the Sutlej Flour Mills, Ferozepore City, was called and examined.

6139. Lala Kashi Ram placed before the Chairman a written memorandum of his views which he had prepared but which time had not permitted him to send in advance to the Committee.

6140. The Chairman observed that from the written statement it appeared that Lala Kashi Ram owns a flour mill at Ferozepore in connection with which he handles nearly six lakhs of maunds of wheat and flour annually. He also owns four cotton ginning and pressing factories situated in the Punjab and elsewhere. In connection with the business of his firm and otherwise, he has occasion to travel to Karachi, Bombay and Calcutta.

6141. The witness was in favour of the management, by Indian domiciled companies sharing in the profits, of the railways owned by the State. He considered it desirable that the North Western Railway should be transferred to such a company, if one could be floated, which he thought would very probably prove possible in the Punjab. He was in favour of starting small companies in the first instance. He agreed that a company would have to subscribe a substantial amount of capital before it could be entrusted with the management of a State railway, and thought that if the capital of the railway were Rs. 60 crores, a company should put up about Rs. 10 crores to qualify it. He thought that money could be procured on this scale in the Punjab if the Indian States in the province could be induced to contribute; he would not object also to the supply of English capital. He agreed that at the present time it might be difficult to float an Indian company to purchase at once the whole of the stock in trade of the North Western Railway.

6142. Questioned with regard to the possibility of securing the transfer to India of the domicile of such an existing English company as the Great Indian Peninsula Railway Company, the witness thought that it might be effected in course of time by means of Indians acquiring a preponderating part of the share capital. He thought that Indians would come forward for such purposes if they knew that it was in accordance with the policy of Government to secure the transfer of the management to India in this manner. The Chairman said he thought it might be accepted that the policy of the Government was indicated by the decision of the Secretary of State to transfer the management of the East Indian Railway to India at the end of 1924. The witness thought from the manner in which money is forthcoming for industrial purposes in India, that there are good hopes of procuring it for railways also. He preferred company management because he thought that if Government were the manager as well as the owner of the lines, the customers would not get fair treatment. He would prefer that the railways should be managed by companies, and that the Government should see that both the administration and the public get fair treatment.

6143. The Chairman said that he thought that all would agree with the witness that the treatment of Indians at present is not what it should be. He had recently seen a train with people travelling on the footboards, which nobody could defend. The witness said that in the past matters were not so bad in this respect as at present, and that overcrowding and shortage of stock is now worse than it had ever been. The Chairman observed that the railways' answer to such complaints would, of course, be that if they get more money and more coal, they would improve the service. The witness said he did not know any details, but there was a strong rumour that a large quantity of rolling stock had been sent to Mesopotamia. It was true that the traffic had grown but so also had the profits from the railways, which had not been utilised as they should have been to secure improved facilities. The Chairman explained that the transfer of rolling stock to Mesopotamia did not apply to the broad gauge lines.

6144. Asked whether he would prefer to have a railway worked by an English company or directly by the State if he had to choose between these alternatives, the witness stated that the order of preference which he would set up would be *first*, management by Indian companies; *secondly*, management by other companies, even English; and *thirdly*, direct State management. He would take away the working of the North Western Railway from the State and put it under a company in India. He thought that the directors of an Indian company should be appointed by the shareholders, the post possibly of Chairman and one or more seats on the Board being reserved for nominees of the Government. He was not afraid of any lack of continuity in Boards of Directors in India. He did not think that a sufficient number of Directors could be found in Lahore at first. His idea was that the transfer of the railways to large companies in India would be a gradual process and that the Directors would be forthcoming when required. He thought that the first thing to be done is to make a start with a small administration, and that private companies might start in a small way and work their own lines, competing with Government lines. He was anxious, however, that the principle advocated by him should be accepted.

6145. The witness observed that at present the North Western Railway runs from Lahore to Ferozepore *via* Raewind, and suggested that another line

might be built *via* Kasur. He would not allow the question of spheres of influence to impede the construction of such a railway. He said that the prevalent idea is that Government do not like railways to be owned by private companies. In the case of the new line suggested by him to Ferozepore, he said that he would like the new company to use the existing stations at both ends. He thought that the question of gauge was a matter of detail. The Chairman said that he thought that it would turn out to be an important matter, because if the line were built on the broad gauge, it would take traffic from the main line, whereas if it were built on the metre gauge, it would carry only local traffic; and the decision as to permitting its construction might depend upon which gauge was chosen. The witness was of opinion that it is neither practicable nor desirable to work a single railway by two companies, one in India and one in England.

6146. The witness laid stress upon the overcrowding of passengers in the third-class carriages and in women's compartments. He appreciated that passenger trains had been taken off for want of coal, which in turn was due to the lack of transport facilities from the coalfields to the Punjab. The Chairman observed that this was one reason why the accommodation was so deficient at present. The witness complained also that at some stations people are kept waiting inordinate times for the level-crossing gates to open, and that no notice is taken of complaints to the superior authorities. He mentioned that in one case which he had taken to Court he had first repeatedly complained to the railway administration without any success.

6147. The Chairman said that the Committee had been told that district traffic superintendents are inaccessible to the public. The witness agreed that this is the case. He thought that the establishment of a local advisory council comprising representatives of different interests and of the public should be very useful. The witness considered that though the district traffic superintendent is most directly concerned with the day-to-day business of the railways, the agent should also be freely accessible to the public. The Chairman observed that it was hardly possible to have two councils, one with the agent and the other with the district traffic superintendent. The witness considered that at Ferozepore, for example, where there is a district traffic superintendent, a small council might be established to help him; and at Lahore, the headquarters of the agent, the latter should have a council of his own. Asked which of the two he would consider the more important, the witness considered that both were necessary.

6148. The Chairman asked how the witness would propose to stop the corruption which prevails in connection with the supply of wagons for goods traffic, and in other departments of the railway. The witness thought that if cases of corruption were decided on their merits they would cease in a very short time. He said that the idea prevails that the superior officers of the railway will uphold their own subordinates whether they are right or wrong, and that this encourages the subordinates in their exactions from the public. The witness thought that this policy should not be maintained.

6149. The witness said that his firm had suffered heavily from stoppage of bookings, sometimes for months together. He said that it would not help him to tell the purchaser of his goods that the railway to whom he consigned them refused to carry them. He is bound to pay compensation, and yet has no claim against the railway. The Chairman observed that this block on the carriage of goods is likely to continue for a long time. The witness said that he considered that consignors ought not to be held responsible for delays consequent on shortage of transport facilities, and that a protective provision should be made in contracts, as is done in England.

6150. The witness questioned the right of railways to refuse any traffic offered to them, and urged that the traders should be entitled to have their goods accepted by the railways as common carriers. The Chairman said that he thought it would be held that railways are bound to carry only to the extent of their facilities. If anybody was to be prosecuted, it would apparently have to be the Finance Minister for failing to supply adequate funds to bring the railways up to the desired standard. He readily admitted the hardship which the existing system imposes upon traders and passengers. The witness stated that, apart from lack of facilities, the railways may be giving undue preference to some persons. He had raised that point with the district traffic superintendent, but had not referred it to the Railway Board.

6151. The Chairman asked whether the witness would approve of the establishment of an independent tribunal to determine the conditions to be attached to owners' risk and railway risk notes, and also to settle questions as to rates. The witness stated that he would not, of course, approve of any conditions which gave to the railway any right to keep the consignors' goods. He cited the case of a consignment of oil which had leaked in transit, and in which the consignor was required to pay freight for the oil notwithstanding the fact that this remained presumably in the railway's possession. He considered that something should be done to make railway officers more reasonable in the treatment of claims, and agreed that, if a suitable tribunal could be established, to which differences of opinion could be referred, this would be very useful.

6152. Replying to Mr. Purshotamdas Thakurdas, the witness said that he would like the capital of the Indian companies proposed by him to be guaranteed by Government. He did not think that it would be possible at present to raise capital without a Government guarantee.

6153. Asked whether he thought that the control at present exercised by the Government of India or by the Railway Board over the English boards is adequate, the witness explained that he had not been able to study the question of the constitution of the Railway Board. Mr. Purshotamdas pointed out that it was not a question of constitution, but of control of the management of railways worked by companies. The witness said that he had not gone into the question, but he was emphatically in favour of company management, but thought that the companies should be Indian rather than English.

The Hon. LALA HARKISHEN LAL, Minister in charge of Agriculture, Punjab, was called and examined.

6154. The witness placed before the Chairman a written statement of his views which time had not permitted him to send in advance to the Indian Railway Committee. In reply to the Chairman, he stated that he had many interests. He was an agriculturist, had been a barrister and a trader, and had also taken part in public affairs. He is now Minister in charge of Agriculture in the Punjab.

6155. He considered that all railways whether owned by the State or not should be worked by State agency. The advantages would be the:—

(*a*) Nationalisation of management;
(*b*) Profits would remain with the State;
(*c*) Public influence on policy;
(*d*) Independence of foreign influence on rates, etc.;
(*e*) Larger employment of Indians;
(*f*) Growth of subsidiary industries, and
(*g*) Possible smoother working.

6156. He stated that even in the case of such a line as the Bengal and North Western Railway, which has been built at the cost of the company itself without Government assistance, the State should take over the management. He did not consider that there were any such companies which had been allowed to build railways except as a matter of concession. He agreed that fair terms should of course be made with the companies by Government. In pressing for State management, he did not mean that complete uniformity should be aimed at. He would have the system of local management adapted to local requirements. He instanced the parallel case of canals which are mostly owned by the State but managed locally.

6157. Lala Harkishen Lal said that his point with regard to the growth of subsidiary industries was that the Indian people would get a better opportunity of manufacturing the articles that the railways use. He did not object, on general principle, to Europeans trading in India. He was aware that at present to some extent railways do obtain their requirements locally, for instance, they buy locally cloth, waste and other manufactured articles and some stores, such as paints. He recognised that firms such as Messrs. Burn and Company which deal in metal work must be near the coal and iron of the country, but he thought that there are many things which could be made in almost any part of India. He instanced the large consumption by railways of glass articles, small brass fittings, cushions and so forth. He thought that the natural tendency of the management of a railway in India would be to give greater employment to Indians by purchasing such things from them. He realised that companies might do so also, but if there were a number of companies, it would be a matter of bringing pressure to bear upon each in turn, and their policy would not always be the same, whereas if all railways were under State management the exercise of a single influence would be sufficient. In the case of branch line companies also, he would leave the management in the hands of the State, though he would not object to their finance and even construction being entrusted to companies.

6158. With regard to the point (*g*)—possible smoother working under State agency—the witness thought that there would be less chance of friction if the management were one. The Chairman mentioned that in Prussia, which was the most successful instance of State management, although there was only one system, this had been divided for purposes of actual operation into 21 local directorates. The witness urged that all had the same base, and thought that the discussions between different provinces would cause less friction than if separate proprietary interests were involved. He said that he was in favour of the provincialisation of the State railways, but agreed that it would in any case be necessary to have some measure of central authority. He did not anticipate any difficulty in subdividing the administration by provinces. The Chairman observed that in Germany before the war each State owned its own railways, but that immediately after the war they decided to bring all under one central control. The witness thought that differences between provinces in India would not be so great as between the several German States, and that they would easily be adjusted. He considered that it would be easy to devise some acceptable system for the distribution of profits.

6159. The witness stated that he would like to see more rapid growth in Indian railway construction, both by the provision of larger funds and by economy in the working and avoidance of unnecessary embellishments. He cited the case of extravagant provision of overbridges in many cases on the N.W. Railway at stations where they were not necessary. He said he could not vouch for the information, but had been told that over-bridges had been ordered in large numbers together and that this led to their being put up frequently where they were not needed, for instance at places where only one or two trains pass the station daily, and where the bridges are not used by more than half a dozen people. He cited the case of the Lahore station in which unnecessary expenditure had been incurred in the provision of carriage stands and the decoration of the third class accommodation. He agreed that the accommodation provided for third class passengers was not, as a rule, unnecessarily good, but thought that money was being wasted in a manner which would not be tolerated in a business management.

6160. With regard to over-bridges; in reply to Sir Henry Burt, the witness agreed that the state of affairs might be different at Madras where complaints of their absence were made to the Committee, but he spoke from his own observation in the Punjab.

6161. With regard to railway construction the witness said he would like to see from two to three thousand miles of new line added every year. The Chairman said that this is in accord with the recommendations of the Mackay Committee, which recommended a great extension of railways in India. The witness agreed, however, that before adding new mileage the existing trunk system should be made adequate to carry the traffic offering on it. The witness said he did not, however, see where the difficulty came in. He did not speak as a railway expert, but, so far as he could see going about the country at intervals, he knew of lines and yards being brought into existence for which the necessity was not manifest to the layman. He said he could only voice the popular opinion that these things were often put in as a matter of fashion or to suit the whim of some individual. The Chairman said that those members of the Committee who are technically experienced have been satisfied that there is a demand for additional facilities of the kind.

6162. The witness thought that money is now available in India, and would be forthcoming if good terms are offered. He thought money which is at present hoarded might be attracted if reasonable inducements were offered, and, in particular, if banking facilities were increased. In the case of the European banks in which people put deposits these would be much greater if people could easily get into touch with the agents. When people go to the bank, however, they find that the agent is shut up in a room, and that nobody could see him without sending in a card. Before getting access to the agent they are referred from one subordinate to another, and are frequently told in the end that the agent cannot be interviewed. He considered the proper thing is for the agent to be easily accessible to depositors, to talk with them in friendly manner and to treat them courteously. If the agent did so he believed that in many cases people who came to make small deposits would end by making larger ones. He did not think that people who hoard money necessarily hoard the whole of their savings. They frequently put some money in the ground, invest another part in ornaments, and deposit some in the banks. He thought they would put more in the banks if treated in the manner indicated. The witness said he spoke as a practical banker who had experience of these things.

6163. He considered that money should be attracted by floating a loan for railway purposes, but not in the first instance a very big one. He would float a moderate loan in the first year, and would gradually increase the amount. He recommended keeping the railway loans separate from the ordinary borrowings of Government. He would use banks and bankers as well as "non-banks" and "non-bankers" to popularise the railway loan, and give them a fair commission. In fact, he would employ as his agent anybody who could talk to the people and get into touch with those who were in a position to make investments. He thought that, after the first few years, people would get accustomed to the idea and money would be readily forthcoming for railway purposes.

6164. The Chairman mentioned that the heads of the Banks of Bengal, Madras and Bombay, now merged in the Imperial Bank of India, had advised against issuing a separate railway loan on the ground that this would be unattractive to the people who are shy of anything bearing a new "label." The witness said that, in his opinion, this was due to the fact that these bankers had lived practically in water-tight compartments, and had had no experience of the class of investors to whom he referred. As an example of what might be done he said he had himself organised a big Indian Insurance Company, and was told at the time that nobody would touch it. Notwithstanding the newness of the departure it proved successful, and there are now fifty such insurance companies in India. Again, in 1893, when the Punjab National Bank was started, he had gone personally from place to place, and had even had to explain to the people what banks and joint-stock companies were. Now, twenty years later, he found his employees leaving to start banks of their own. He said that labels might be different, but their meaning could be explained, and, where this was done intelligently people would not be shy of a new form of investment.

6165. The Chairman observed that the officers of the Imperial Bank to whom he had referred, must have dealt mainly with men accustomed to investment, and they might be expected to be less shy of new methods of investment than the agriculturists in the Punjab. The witness cited the success of the recent Bombay Development Loan and of the Mysore Loan, notwithstanding the newness of their labels.

6166. He did not think a Government guarantee need necessarily be attached to a special railway loan as people would readily realise the value of the railway security. He considered that what is necessary is suitable propaganda. He agreed that subscribers must be got largely by word of mouth, and that great reliance should not be placed upon newspapers. Sir George Godfrey enquired whether it was not the case that propaganda had led to misunderstanding in the case of subscriptions to war loans. The witness considered that wrong men had been used, who unduly pressed everybody without distinction to contribute to these. He would not propose to make use of officials such as Deputy-Commissioners and others, but would float and popularise the railway loan on business lines. He had gone about himself through the whole of the Punjab, and ultimately his bank had as many as 72 branches. He said he did not remember any Government loan which was not fully subscribed. He believed that money could be got in India normally to the extent of the total requirements of the railways, though possibly not under the present abnormal conditions.

6167. Mr. Tuke asked what rates would have to be offered for loans. Lala Harkishen Lal replied that it would be necessary to offer 1 per cent. over the bank deposit rate. This rate might vary in England from week to week, but it remained the same in India for long periods, changing, say, every three or four years. As it varies from place to place, it would either have to differ according to place or an average would have to be offered. The reason for the extra 1 per cent. was to compensate for the risk which the investor took and the greater trouble which the sale of the security involved. He said he would not confine his borrowing to one scheme. There might be a time when short loans would be more appropriate, and others when irredeemable loans should be issued. In every case it would be at a fixed rate, although the return guaranteed would depend upon the rate prevailing at the time of the issue of the loan. He said he would not object to money being raised on premium bonds.

6168. He did not consider that borrowings for railway purposes would interfere appreciably with ordinary Government borrowings, as these, for purposes other than canals and railways, would not be Harkishen Lal, as a Minister, whether the Punjab and other provincial governments are likely to borrow for purposes of administration much more in the future than in the past. Lala Harkishen Lal said that they would, but, so far as the Punjab was concerned, it could also finance the requirements of the North-Western Railway. There is no question of building schools or undertaking sanitary installations on a large scale from borrowed capital, the machinery for expanding in the latter direction not being adequate. He did not think Government exercise sufficient control over rates and fares, and was in favour of the establishment of a tribunal with an impartial chairman, preferably a lawyer, and representatives of both the railway and the commercial community.

6169. He did not think that the powers delegated to the railway administrations had been used in a satisfactory manner. He said in this connection the rates quoted were unduly in favour of export traffic. He considered also that European firms obtained undue preference. He cited the case of special rates for the wool traffic to Cawnpore and Dhariwal Mills. He said that as a representative of the Chamber of Commerce he had pressed on the attention of the railway the case of himself and the other members of the Chamber, and that though he was given preferential rates the others were not. It appeared that they were given him in the hope that he would no longer continue to represent the interests of others.

6170. He complained of the behaviour of the railway staff towards the public, and also considered that they handle goods very badly. He agreed that the complaint which had been made to the Committee, that the district traffic superintendents are not easily accessible, is correct. He believed this was true, not only of the district traffic superintendents, but also of the higher railway officers. He considered that pressure should be brought to bear upon them to make them more considerate. He observed that the Director of Industries interests himself at present in drawing the attention of railway administration to public requirements. A difficulty which used to exist up to four years ago—he had not had recent experience—was the constant changes in rates, rules, etc.

6171. He was in favour of the establishment of an advisory council on which there would be representatives of the public and of different interests. He considered this should be associated with the Agent or the traffic manager, and not with the district traffic superintendents. He was inclined to think it was unnecessary for both the traffic manager and the Agent to meet the Advisory Council, but ultimately agreed that there would be no objection to the meeting taking place with the Agent, the traffic manager being present to hear what was said, and to be consulted if necessary.

6172. In reply to Mr. Purshotamdas Thakurdas, the witness said that by bank rate he meant the rate at which the Imperial Bank takes deposits. That is to-day at 5 per cent. It meant that he would give a guaranteed 6 per cent. on railway loans.

6173. Questioned on his observation regarding undue "embellishments," he agreed that nothing had been done on the side of extravagance in the provision of accommodation for third-class passengers. In respect to over-bridges, he objected only to bridges being provided which are not used by the public.

6174. In the matter of employment of Indians, he thought more of these should be employed, though he admitted that some of those at present in the service are as bad as the European officers. He thought the average Indian officer would naturally understand public requirements in India better than European officers owing to their greater familiarity with Indian customs. He cited in this instance the disposal of applications for facilities from marriage and funeral parties.

6175. In answer to Mr. Hiley, who inquired with

railways, he agreed that a reasonable amount of central control is necessary to regulate such matters as standardisation.

6176. In answer to Sir Henry Burt, Lala Harkishen Lal said that he did not think the North Western Railway had done anything to help indigenous industries. Sometimes some assistance was given in such matters as provision of sidings and sometimes it was refused. As there was no difference in the treatment of the Indian public by State and company managements, his preference for State management was based on the other reasons which he had given. An additional reason would be that the State would, under the new dispensation, be amenable to public opinion, whereas the companies might not be susceptible to that influence.

6177. He did not think there would be any difficulty in getting directors for Indian boards of management though there might be difficulty in transferring the domicile of the existing English companies to India. He thought that while much might be said in favour of companies of Indian domicile, quite apart from the immediate possibility of introducing this, there are other advantages in State management which led him to prefer that system of administration.

6178. In answer to Sir George Godfrey who pointed out that many articles of the kind which the witness had mentioned, such as brass fittings, etc., are made at present in railway workshops with Indian labour, the witness admitted that this is the case, but he observed that they only make part of their requirements. The point which he wished to press was that the limited amount of capital available should be expended on new lines, leaving the manufacture of stores and equipment to private enterprise in India. He had no other objection to manufacture in railway workshops.

6179. Asked whether the Punjab would be able to subscribe as much as five or six crores annually for railway purposes, the witness thought that, at the outset, possibly about one crore per annum might be secured, but he thought after five or six years, the annual subscriptions might amount to as much as five or six crores.

FORTY-NINTH DAY.

(Lahore.)

Monday, 28th February, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

SIR A. R. ANDERSON, KT., C.I.E., C.B.E.
SIR H. P. BURT, K.C.I.E., C.B.E.
SIR G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

Mr. F. A. HADOW, Agent, North Western Railway, accompanied by Mr. V. H. BOALTH, General Traffic Manager, and Mr. K. V. AYYAR, Deputy Auditor, was recalled and further examined upon a statement furnished by him to the Committee.

6180. The Chairman read the following note which had been handed to him by Mr. Townsend, the Director of Agriculture, Punjab:—

> "On February 27th, 1921, I saw 40 camels taking unginned cotton from Chichawatni to Montgomery—25 miles—marching parallel with the railway to the Japan Co.'s ginning factory at Montgomery.
>
> "This was done as cotton could not be booked by rail.
>
> "They were being paid 7 annas per maund for this. It would be interesting to see how this compares with railway freight for that distance. If in excess, it is waste, which somebody must pay for; the railway there is working nothing like up to its maximum capacity."

Mr. Townsend, who was present during the taking of evidence, said that he had been told that the cotton could not be booked by rail. Mr. Boalth said that the freight in this case would have been about two annas a maund, and admitted that unginned cotton had been refused owing to the difficulty of moving this kind of traffic on account of the shortage of coal. It was not in any case a very profitable traffic, the lead being short. The Chairman said it appeared to him that the railway had had to refuse the traffic, and were not very sorry for this as in any case it would not have paid them to carry it. It seemed to follow that the rate charged which was the maximum admissible for unginned cotton was too low for so short a distance, although Mr. Hadow suggested in his written evidence that the maximum rates need not be increased. Mr. Hadow mentioned that there are many other considerations, for example that at present the railway is so deficient of facilities that it could not move everything they would wish to carry. With better facilities it might be profitable to move unginned cotton even at this low rate. Sir Arthur Anderson suggested that the cost of sending the cotton to the station, handling it there, and of removing it from the station at the other end to the factories might make the railway route nearly as expensive in the long run as sending the cotton the whole way by camels. Mr. Hadow thought this quite possible though he could not say whether it was actually the case in this instance or not.

6181. Referring to the evidence tendered to the Committee by Seth Prabhu Dayal that foreign wagons are not all loaded back but are returned empty, the Chairman read the following telegram received from that gentleman as the result of his further enquiries:—

> "After evidence Thursday visited Lyallpur, Gojra, Khanewal, Multan stations made enquiries; not single foreign wagon was loaded for all commodities on public account but returned empty between twentieth January to eighteenth February at Multan City and Khanewal, between twelfth February and twenty-third February at Lyallpur, Gojra, since above dates they are loaded at stations mentioned."

Mr. Boalth explained that the orders are that empty foreign wagons may be loaded but that if N.W.R. wagons are available, they should be loaded in preference to foreign wagons for stations on the home line. As the traffic offering is not sufficient for both foreign and N.W.R. wagons the foreign stock must return empty to the parent line. On an average 350 wagons have to be handed over daily to the E.I.R. at Delhi and Saharanpur for coal traffic. It is the practice for foreign empties to be sent rather than the wagons belonging to the N.W.R. The Chairman pointed out that what Mr. Prabhu Dayal had urged was that in spite of traffic waiting to be moved wagons were being sent away empty. Mr. Boalth said that his District Officer told him differently as seen from the following telegrams which he read:—

From Mr. Boalth to D.T.S., Multan.

Mr. Prabhu Dayal stated before Railway Committee E.I.R. wagons received via Delhi at Multan will not be loaded back to E.I.R. or other Railway via any other junction now or before present restrictions. Wire if this is correct.

Reply from D.T.S., Multan.

Foreign empties are being returned parent line from Multan and Multan City because no traffic is being offered for any foreign railway in wagon loads from these stations although merchants have been advised that we are prepared to accept traffic for foreign railways.

From Mr. Boalth to D.T.S., Multan.

Mr. Prabhu Dayal, Cotton Merchant, stated before Railway Committee foreign wagons are being returned from Multan and Multan City empty and not being loaded with cotton for foreign railways. Reply if this is correct.

Reply from D.T.S., Multan.

Mr. Prabhu Dayal's statement quite incorrect: we are acting up to para. 2 notification No. 481 of weekly gazette.*

The Chairman asked whether the explanation is that the railway does object to load foreign wagons except in full wagon loads. Mr. Boalth explained that this was not necessarily the case. If the traffic offered were in the direction of the home junction, then the wagon could be used for local traffic. The Chairman pointed out that Mr. Prabhu Dayal had asserted that traffic was lying at Multan and other places, and that for certain periods the railway had refused to load foreign wagons, whereas the District Traffic Superintendent says that this is not the case. There was nothing more to be said so far as the Railway Committee was concerned except that clearly somebody must be under a mis-apprehension as to facts.

6182. The Chairman enquired whether Mr. Hadow had not admitted, during his examination on the 26th February, that the N.W.R. was less badly supplied with facilities because of the importance of the line from the strategical point of view. Mr. Hadow replied that he could not compare his line with others and say whether the facilities provided on it are better than those on the E.I.R., for instance. He admitted that consideration of military requirements does have some influence. He would not claim that purely from the commercial point of view the line from Ambala to Lahore is as important as the East Indian Railway Grand Chord line. Mr. Hadow explained that in the matter of locomotives the N.W.R. might be somewhat better off than others, but he did not think that the same thing could be said of wagons. The fact that the E.I.R. got a better mileage service from its wagons must depend to a great extent on the different circumstances of that line. The E.I.R. has a more or less straight through line whereas the N.W.R. has treble the mileage in branches where it is impossible to get the same efficiency, and the difference between the mileage secured on the N.W.R. from its wagons and locomotives, as compared with the E.I. Railway results, was not greater than could be justified by this fact. Besides, there are other considerations. The E.I.R. all the year round has 300 wagons coming up every day with a very long lead from the coalfields. No other railway in India has this advantage. The Chairman observed that the N.W.R. is evidently short of wagons whereas others are still shorter. Mr. Hadow said that he would not say this; he thought that the N.W.R. is not short of wagons so much as of facilities at stations and junctions. His point was that, provided the junction and other facilities were adequate, he could move, even with the present supply of wagons, the traffic that now offers.

6183. He stated that he was behind hand in the matter of renewals. The old wagons are no doubt running, but it is obviously difficult to keep old stock in a proper state of repair.

6184. Questioned with regard to reserves kept for military purposes, Mr. Hadow said that, at Chaman, the N.W.R. has 110 miles of rails and construction material in stock. These were used for other purposes during the war but have since been replaced. Mr. Hadow stated that these materials are borne on the capital account of the railway.

6185. Referring to the observation in his written statement about the difficulty that arises in the purchase of locomotives, Mr. Hadow said that if a locomotive is ordered this year, funds have to be earmarked from the provision for the year. "Advance indents," that is to say, orders for supply, certified as to funds against the anticipated grant of a subsequent year, require the special permission of the Railway Board which is sometimes given in June or July of the year before, but they are not always allowed, and in any case the aggregate amount allowed is never enough to cover all requirements. Mr. Hadow explained that the agents of railways at present constantly certify indents to England against what is nothing more or less than an imaginary possibility. Funds have to be hypothecated to meet charges that everybody knows will probably not have to be met, and to the extent to which this is done the occurrence of a "lapse" at the end of the year is almost ensured. Mr. Hadow said he had never heard of advance indents being allowed to be sent forward certified against the anticipated budget grant of the second year ahead.

6186. In reply to the Chairman, Mr. Hadow explained that when locomotives arrive in this country they can be put to work directly without any delay. In the case of wagons, complete vehicles are sometimes imported, in which case it does not take long to put them into use; but where parts have to be imported, it takes a long time to construct the stock.

6187. As regards the question of lapses, Mr. Hadow said that he had nothing to say in favour of the existing system. Whatever the Finance Department may have to say, from the railway point of view it could not be defended.

6188. Alluding to Mr. Hadow's remark in the written statement that delay in opening new lines tends to increase the capital cost, the Chairman said that he had been told by another witness that in one case the interest on capital had accumulated during the construction period to as much as 40 per cent., and asked whether any more instances could be cited. Mr. Hadow stated that he had not particularly examined this point, but 21 years ago or so, when he was doing construction work in Bengal, he remembered a case where the construction of a new line, the Moghulhat-Dhubri extension, had to be postponed for want of funds for eight or nine months. Sir George Godfrey suggested that it might

* No. 481. *Instructions for the use of foreign stock*:—Foreign goods stock may be loaded (1) locally towards any junction with foreign railways (2) to any foreign railway for which he traffic offers.

have been stopped as a result of famine. Mr. Hadow said that it was possibly the case that famine requirements elsewhere, but not in that district, had caused the difficulty about funds. He did not recall the details very clearly, but if he remembered right, work was stopped about December or January. They had just got to work on construction when money was suddenly wanted for something else. After an interval of eight or nine months, it was re-started and finished. He observed that while it is bad enough to waste money by delaying in this manner the construction of a new line once it had been started, it was still more serious to delay important work on an open line, because of the interference which it causes with traffic. As an instance, he mentioned the case of Amritzar station in which, so far as he remembered, the work, still incomplete, of improving the goods yard arrangements had been begun in 1914. If enough money were available, this work could be finished within a year. Mr. Hadow mentioned that provision for the necessary expenditure was made in the North Western Railway capital programme and when the forecast was discussed with the Railway Board, this item was passed as being necessary. It had however to be cut out later owing to reduction of funds. Mr. Hadow could not say how much the re-arrangements at Amritzar would cost. It would be something between Rs 10 and 20 lakhs.

6189. In reply to Sir Henry Burt, he stated that there had been great delay in doubling the line between Rohri and Kotri, a length of about 200 miles. The work was begun in 1913 and had been completed only a few months ago. Equally serious delays had occurred in the strengthening of bridges, but in this case the delay was due more to the difficulty of obtaining material than to restriction of funds.

6190. In reply to the Chairman, Mr. Hadow said that heavy expenditure would have to be faced on the open sections of the North Western Railway to enable the line to carry the traffic anticipated on account of the development of large irrigation schemes in the Punjab. The necessity was unquestionable, and Mr. Hadow thought that a sum of Rs. 4 to 5 crores would have to be spent annually for some time to come on the North Western Railway. He mentioned that the railway forecast for the year 1921-22 was Rs. 395 lakhs—a figure which had been reduced after preliminary discussion with the Railway Board to about Rs. 325 lakhs. He had, however, subsequently received instructions to prepare his budget only for Rs. 125 lakhs. In reply to Sir Arthur Anderson, he said that the last figure had been intimated to him only in December, 1920, and no hope had been held out to him of any additional sum being made available. Mr. Hadow promised to furnish the Committee with a statement showing the sums actually applied for by the North Western Railway administration as compared with the grants actually allotted over a period of ten years, in a form provided to him. Last year the demand was for Rs. 347 lakhs, which was increased by the Railway Board to Rs. 454 lakhs, the enhancement being necessary to provide for certain indents sent by the Railway Board. The modified grant stood at Rs. 265 lakhs owing to provision for 2,700 goods wagons being cut out by the Railway Board.

6191. With reference to the remark in his written statement that he had heard that a large portion of the capital raised for certain railways under the branch line terms had been subscribed in England, Mr. Hadow explained that this rested on the authority of Mr. Bagley, who had told him about it. He had been surprised to hear it. What he understood from Mr. Bagley's remarks was that the money was actually raised in England, and not that large portions of the shares in the Indian company were taken up by English subscribers. The Chairman said that he remembered Mr. Bagley telling the Committee that a good many Europeans had bought shares in branch line companies. Mr. Hadow said that this had led him to think that, if India could not raise enough capital even for small railway extensions, it would not be possible for it to provide the considerable funds which would undoubtedly be required for the trunk lines.

6192. Mr. Hadow said that prior to the war the North Western Railway was keeping fairly up to its renewal programme. As regards engines, it had had only 90, out of a total stock of 1,300, which had passed the assumed life of an engine, namely 30 years.

6193. He considered that the combination of various factors such as the increased cost of materials and of labour, and arrears of renewals consequent on the war, makes it necessary to raise rates and fares. He did not anticipate serious opposition from the public. He did not think that it would be necessary to raise the approved maximum charges for different classes of commodities. Referring in this connection to the incident quoted in the earlier portion of the evidence, Mr. Boalth mentioned that cotton with seed (*kappas*) and pressed cotton are both placed in the second class. Loose cotton—that is, cotton ginned but unpressed—is in the fourth class. It might, of course, happen that in a particular case such as that to which Mr. Townsend had referred, the operation of the maximum rates might cause a particular item of traffic to be unprofitable, but he did not think that this was generally the case or could be used as a justification for altering the general maximum charges.

6194. Mr. Hadow said that he thought that passenger fares in the upper classes might be put up about 30 per cent. all round. He thought that the first, second and intermediate class passenger rates might be increased by about one-third. In the case of the third class, the maximum, which is 3 pies per mile by ordinary train, is already charged. Mr. Hadow did not think that the effect of increasing the passenger fares would be a tendency for people to travel in a lower class than that which they are now accustomed to use. He thought the tendency had been rather the other way in recent years, and people could afford and would be willing to pay the enhanced fares. The Chairman observed that the ratio of the maximum charges between the first and third class fares in other countries is roughly 2 or 3 to 1, while in India it would be about 8 to 1.

6195. The Chairman observed that it had been suggested and agreed to by most of the witnesses before the Committee, both those representing railway and the public interests, that, for the settlement of disputes between traders and railways, there should be established a tribunal comprising on one side railway men and on the other commercial men, with an impartial chairman. He asked whether Mr. Hadow would object to the establishment of such a body as this. Mr. Hadow said he thought such a tribunal might be helpful and might protect railways from unreasonable complaints. He assumed that it would not decide such questions as the raising of existing rates on a railway. In answer to Sir Henry Burt, he said that he understood that the tribunal would not be allowed to deal with claims when the decision turned on questions of fact such as damage to goods, which would naturally be matter for settlement by the Courts.

6196. The Chairman referred to the question of the recruitment of traffic officers, alluding in this connection to the evidence given by Mr. Scott, the Director of Industries. Mr. Hadow admitted that improvements had been made in the system of recruitment from time to time, but he did not like appointments to depend so largely upon nomination. He thought that probationers should have received before coming to railways even for a trial, a certain amount of education in technical subjects. He mentioned that the Railway Board at present contemplates insisting on a Roorkee College engineering training for Traffic Department probationers. Although this would not provide a training in technical traffic work, he thought that it would be valuable as inculcating habits of precise thought. He thought a general defect of traffic officers in the past

had been a tendency to deel too much in generalities. In answer to the Chairman, he said that he believed a degree in economics can be obtained in India, but no special training in railway economics is available such as can be obtained in England. He considered that training on the abstract side of professional work is desirable, and thought that the use of statistics, for instance, can be taught in classes. He thought it would be worth while to put young traffic officers through regular classes on the railways; the difficulty would be to find suitable teachers. The present railway officers have very little time at their disposal, and inconvenience would also be caused owing to the great distances in India.

6197. The Chairman mentioned that a strong complaint had been made to the Committee regarding the inaccessibility to the public of District Traffic Superintendents. He instanced the case of an Indian gentleman of standing who had recently given evidence before the Committee, and who complained that he had twice attempted to interview the District Traffic Superintendent of his district, who had refused to see him. Mr. Hadow agreed that district officers should be more accessible. He thought, however, that it would be very difficult for them to spare time to see all callers. He laid some stress upon the tendency of many Indians to waste an undue amount of time when accorded interviews, instead of stating concisely the subject which they wish to discuss and dealing with this in a businesslike manner. He agreed, however, that District Traffic Superintendents should allow a reasonable part of their time for interviewing the public. Sir Henry Burt remarked that the complaint of inaccessibility appeared to be worse now than it had been in the past. Mr. Hadow thought that this might be due to the fact that the work of District Traffic Superintendents has increased greatly, and too much office work had been imposed upon them. He said that the work is at present very heavy in the Operating Departments, both Locomotive and Traffic, and many of the officers now on the North Western Railway had been unable to get leave to Europe during the past nine years, during which three new districts had been opened. He considered that the number of officers on the railway should be increased. He admitted, in reply to the Chairman, that account must be taken of the fact that it takes longer to get business through in India than it might do, for instance, in New York, and that provision should be made accordingly.

6198. The Chairman mentioned that a suggestion had been made to the Committee that the North Western Railway ought to be divided up into five systems of about 1,000 miles each, and asked Mr. Hadow's views on this point. Mr. Hadow said he thought that the North Western Railway is now at about the limit of size which could be dealt with satisfactorily as a single system. There had been a strong demand for the establishment of a local manager at Karachi. He did not advocate subdividing the railway in the manner suggested, but he considered there was a great deal to be said in favour of the adoption of the Divisional system of administration as in America. He had no personal experience of that system, but understood that under it the line would be subdivided into divisions of about 500 miles, each being in charge of a Divisional Superintendent. He had not thought out the possibility of dividing the line into two or three grand divisions, for instance, one with headquarters at Karachi, one at Lahore, and one at Ambala, but thought that possibly something of this kind might be an improvement.

6199. Arising out of the reference to American practice the Chairman asked whether Indian railway officers are afforded any opportunity of studying railway problems elsewhere. Mr. Hadow stated that it was of fairly frequent occurrence for railway officers to be placed on deputation, usually on two-thirds pay, in England or America. This, however, was usually done when some specific question necessitated an enquiry, for instance, a special enquiry was instituted into the question of creosoting sleepers, and a Committee had recently been appointed to investigate traffic audit and station accounts in England and America. Apart from such special deputations, which are arranged rather in the direct interest of the administration than for the purpose of educating railway officers, assistance is given to officers who wish to undertake study courses during their leave out of India. He thought, however, that Government have been rather shy of putting men on deputation for the purpose of acquiring technical knowledge unless there was a special problem to be investigated.

6200. The Chairman observed that Mr. Hadow had not mentioned any instance of an officer having been commissioned to study the actual science of transportation as a whole apart from any specific enquiry into particular points. Mr Hadow said he could remember no recent instance, but referred to the cases of Mr. Priestley, Captain Freeland and Mr. Couchman, who, some years ago, had been sent to America to study the transportation question. He did not know of any officer having ever been deputed to study the Argentine railway system. He thought that money would be well spent in giving facilities more freely to railway officers for making such enquiries. The Chairman observed that Government would obviously have to pay the officers on a reasonable scale. No officer would willingly go to America on two-thirds of his Indian salary unless he either had private means or was unusually enthusiastic.

6201. The Chairman referred to the question of the train capacity of a single line. Mr. Hadow placed before the Committee a formula on which the North-Western Railway had been working for some time, showing the number of trains which could be run each way on any single-line section, the formula being: $X = \frac{60 \times 24}{a+b} \times \frac{7}{10} \times F$ in which X = number of trains each way per day.

a = longest run in minutes between adjoining crossing stations.

b = *average* stop in minutes at each station, generally taken as 5 minutes.

F = Factor of efficiency, generally taken as $\frac{7}{10}$ on difficult sections where facilities were not very good.

Assuming an efficiency factor of seven-tenths for a particular section of the line, an average halt at stations of 5 minutes and the longest run to be 12 minutes between stations 3 miles apart, it should be possible to run 30 trains each way, or if 20 minutes' run were involved, 20 trains each way. Mr. Hadow said he would not agree with another witness who had given evidence to the Committee that 15 trains a day each way could be regarded as a reasonable maximum on an easy, flat section of the line, unless there were something very wrong with the section of line concerned. He thought that, broadly speaking, it would probably be cheaper as a rule to get rid of any special difficulties attaching to the working of a single line than to duplicate the track. He mentioned the differences between the speed of trains as bearing on the capacity to which the line can be worked. He instanced the Lahore-Rawalpindi section of the North Western Railway as a difficult one with heavy grades lacking facilities, and said that it had been proved possible to work 15 trains a day each way on this section, which he thought a satisfactory result in the special circumstances.

6202. Turning to the question of control of rates and fares, the Chairman pointed out that between the maxima and minima approved rates, which are about in the ratio of 8 to 3 for each class, there is at least a theoretical opportunity for great inequality of treatment by railway administrations. Mr. Hadow agreed that an administration might in theory act very unreasonably within the existing limits, but he did not think there was much in this in practice. He thought it much better to leave the decision regarding quotations of rates and fares to the men on the spot who are closely in touch with requirements. He said he would not object, however, to the public having some simpler mechanism for appeal,

than is at present provided, in the shape of a tribunal such as he had already approved.

6203. With regard to the frequent complaint that lower rates are charged for *import* and export than for internal traffic, Mr. Hadow said that it seemed to him to be the business of the railway to get as much traffic as it could, and make as much money as possible. The Chairman, however, pointed out that there is a national and public point of view which must also be considered. It might be, for instance, that it would pay a railway best to deal with one particular kind of traffic and to neglect all others. To take a specific case, he asked whether Mr. Hadow would consider it justifiable to attend exclusively to a particular traffic which might be carried at very low but still profitable rates, if it followed that all the glass used in the Punjab had to be imported from Europe, while a glass factory at Ambala was unable to do any business. Mr. Hadow said that he thought that if Government wished to protect an industry it should be done by putting on a protective tariff for its benefit. He agreed, however, that if Government adopted that policy a State-managed railway would not be entitled to fight against it by the quotation of specially low rates for the imported goods.

6204. He said that he did not know of any instance in which local industries with a reasonable claim for special concessions had failed to secure them. Mr. Boalth mentioned that the North Western Railway had allowed concession rates for wool to Dhariwal and for cotton to Lahore. Mr. Hadow said that a cement factory had recently been started in the Punjab, but it had not applied for special rates except in connection with the carriage of its machinery. Some special rates had been allowed for a match factory for some time. Another industry for which special concession rates had been sanctioned was the turpentine and resin factory at Jallo, which is worked by the Forest Department. Mr. Boalth said that he was not aware of any case in recent years in which special rates applied for had been refused when a case had been made out to justify it. He agreed that the railway should be prepared to quote rates for wholesale indigenous industries on the same scale as for import and export traffic, where operating conditions are reasonably comparable. Mr. Hadow agreed that the North Western Railway is quite prepared to act on this principle provided due account is taken of differences of lead and volume of traffic. He admitted that it would be objectionable for the railway to ignore the public point of view, and that a State administration should be prepared to grant something more than might be strictly just, having regard to the desirability of developing local industries.

6205. With regard to the question of private sidings, Mr. Boalth said that there are a great many of these in the Punjab and they are a serious source of embarrassment. He thought the administration had been too generous in this respect in the past. The Chairman instanced the case of a factory, situated near a river for the sake of obtaining condensing water, and said he agreed that it would not be reasonable to ask the railway to work a private siding to it unless a substantial amount of traffic were offered. Mr. Hadow said that in the past, however, private sidings have been put in even where only a trifling amount of traffic could have been expected. It was most troublesome to have to make special arrangements for working a private siding. Mr. Hiley asked whether it is not the custom of the railway to ask for a guarantee of a minimum traffic in such cases. Mr. Hadow replied in the affirmative, but observed that the railway has to bear heavy interest charges, and usually levied a charge of only eight annas each way per wagon to and from the siding. He did not think that the North Western Railway had safeguarded itself adequately in the past. He mentioned, in reply to Sir Henry Burt, that sidings are constructed under rules issued by the Railway Board, and that these make no provision for a special charge for engines; the usual charges levied for the use of an engine are Rs. 7 per hour for Government Departments, and Rs. 10 per hour for the public, but these charges are not levied in the case of private sidings.

6206. Referring to owners' and railway risk conditions, Mr. Hadow agreed that a tribunal such as had been suggested might very well fix the conditions to be attached to both owners' and railway risk consignment notes, as well as the ratio of difference between the two rates, which should be a reasonable allowance to cover the insurance charge in the case of railway risk form. He mentioned that at present the difference is an arbitrary one, corresponding to the difference between two classes in the general goods classification.

6207. Referring to Mr. Scott's evidence before the Committee that the standard of construction of branch lines built by or under the control of the main lines is unreasonably high, Mr. Hadow said that serious efforts had been made to keep down the cost of new branches. He admitted that an engineer who values his reputation naturally does not wish to see shoddy work or doubtful economies; but subject to this, the North Western Railway had made reasonable efforts to ensure economical construction. Mr. Scott had mentioned the Mandra-Bhon Railway, which he said had been unnecessarily fenced. Mr. Hadow explained, however, that Mr. Scott was under a misapprehension, as only one mile of that line, which is 40 miles long, had been fenced where this was necessary for special reasons. As an instance of the danger of aiming at too inexpensive a standard of construction, Mr. Hadow mentioned a branch line which had been built by Mr. Bagley, and in which nearly Rs. 4 lakhs had had to be expended on improving the bridges within four or five years after opening, although the original expenditure on bridge construction amounted only to Rs. 3½ lakhs. Mr. Hadow said that Mr. Bagley, being an engineer of established reputation, could afford to try experiments with a view to economy, as in that case; but the average engineer would risk his reputation by doing so, and must necessarily aim at a more conservative standard of construction from the outset.

6208. He agreed with the Chairman that the interest of a main line company which will have to work the branch line is naturally rather in favour of a high standard as tending to keep down subsequent operating expenses. The main line, for instance, would naturally prefer to eliminate bad gradients. He said that so far as such things as quarters for staff were concerned there would certainly be serious complaints if the branch line built these on a meaner scale than that for the main line employees with which comparisons would be made. The Chairman alluded to the mention which had been made of grass huts being provided for station buildings on the Jodhpur-Bikaner Railway. Mr. Hadow thought that if that example were followed by the North Western Railway there would be every prospect of an early strike. In any case, he personally thought that construction of that type is not economical in the long run. He did not think that, generally speaking, branch line companies associated with the North Western Railway had much ground for complaint as regards the standard of construction.

6209. Sir Arthur Anderson drew attention to certain figures which he had before him connected with engine performances on different railways. He remarked that the statistics show that the results attained on the companies' lines were in every case better than those of the State railways, the North Western Railway being the worst of the three latter. Mr. Hadow said he believed there was some mistake in the figures in the Administration Report which had been used by Sir Arthur Anderson. He had already admitted that the North Western Railway was over-engined in view of the possibility of military concentrations. He promised to furnish the Committee with a statement of the exact position after having the statistics verified. [P.S.—*See* the note appended hereto.]

6210. As regards the use of wagons, the Chairman quoted the following figures showing the daily average mileage run by wagons of the administrations named:—

	Miles.
N.W. Railway	35
B.N. Railway	37
B.B. & C.I. Railway	48
E.B. Railway	35
E.I. Railway	63
G.I.P. Railway	39
M. & S.M. Railway	45
O. & R. Railway	34
South Indian Railway	32

and pointed out that, with the exception of the South Indian Railway, the three State railway mileages are the lowest. It seemed to him to imply that the State railways are better supplied with stock than others. He mentioned that, in each case, the railway named was credited with the total mileage run by its wagons whether on the home or foreign lines. Mr. Hadow said that he was doubtful on this point.

6211. Sir George Godfrey referred to an observation which had been made to the Committee that, if all the railways were managed by the State, there would be an advantage in all the stores being obtained through one agency. He asked whether, in Mr. Hadow's experience, he knew of any cases in which a distinct advantage had been secured owing to materials being ordered through different consulting engineers from those employed by the India Office, his point being that, if all the stores orders were passed through a single purchasing agency, there would be a tendency to over-standardisation. He mentioned that he knew, in the case of the Bengal-Nagpur Railway, of benefits being secured through the introduction of improved types of rolling stock under the present system. Mr. Hadow said that he could not say much on the subject. He remembered a case in which the Director-General of Stores had refused to specify a particular brand of cement when placing an order on behalf of a State railway administration.

6212. As regards engines, he said that the locomotive engineer submits a complete specification to the agent who, if he accepts it, after any necessary discussion with the traffic authorities, passes it on to London for compliance. In answer to Mr. Hiley, he said that the consulting engineer does not decide the type of engine to be sent out, but frequently suggests points for consideration by the authorities in India. Sir George Godfrey laid stress upon the advantage of securing the initiative of different consulting engineers, as is done at present. The discussion was dropped, the Chairman observing that the question at issue appeared to relate rather to the selection of consulting engineers than to the administrative system adopted. Sir George Godfrey said he did not in any way imply a personal reflection on the firms employed by the Secretary of State, but meant to indicate that there are distinct advantages in technical questions being referred to more than one firm of consultants.

6213. Sir George Godfrey referred to the complaint which was frequently made that Indian railway companies only look to dividends, and starve the railways in order to earn more profits. He asked whether overcrowding, which had been said by some witnesses to be due to this action, is not really attributable to a shortage of coaches and want of facilities and equipment to run special trains, and whether this is not as common a defect on State as on company-managed lines. Mr. Hadow agreed that the case is as explained by Sir George Godfrey. Railway agents, both of State and company-worked railways, had to reduce their programmes for the supply of rolling stock, engines, etc., simply to meet the exigencies of the budget. During the war, the policy adopted was that only works which were necessary in connection with the war should be undertaken and all other expenditure should be deferred as far as possible. The Railway Board had recognised that the time for making up arrears had now come, and under their instructions a definite post-war programme for three years had been drawn up with a view to ordering material from home. The materials ordered for the first year of the programme—1919-1920—had not yet been completely received; the requirements of the second year had hardly been touched yet.

APPENDIX.

(*The note by the General Traffic Manager, referred to in paragraph* 6209.)

AGENT,

With reference to your statement to the Railway Committee, concerning average mileages per day of goods wagons on railways, there appears to be some fallacy, and I contend that we get as good use out of our wagons normally as other railways.

From the figures for three years put up, it will be seen that the N.W. Railway did an average of 34 in 1917–18, 35 in 1918–19, and in 1919–20 we fell to 28. This is accounted for by the general holding up of goods traffic during the Punjab disturbances in April, 1919; also subsequently, in the Afghan War, numbers of wagons had to be kept waiting in readiness for military movements. The military were also dilatory in unloading. The labour troubles in this period also account for delays, which tended to pull the average down.

Apart from this explanation, I would like to point out that a special meeting was convened by the Railway Board in February, 1920, at Calcutta, owing to the very critical position in the coal traffic, which the East Indian were unable to carry, and move their own traffic offering at the same time. A member of the Railway Board and the Agents of East Indian and E.B. Railways, and other railway officers were present. The East Indian, in a printed statement,* put forward their position, and in paragraphs 12 and 13 pointed out that when they loaded 2,000 coal wagons a day, "*the normal trade of the country, as represented by transport of goods on the East Indian Railway system, was largely at a standstill.*" They go on to say at the end of paragraph 13 that while loading 2,000 coal wagons a day, they could only do 500 or 600 wagon loads of other commodities. The matter was of such importance that special orders were passed by the member of the Railway Board present, subsequently confirmed, that wagon pooling had to continue and every assistance given to the East Indian to keep the coal traffic going and to move a reasonable amount of their other traffic.

If we look to the number of vehicles that the East Indian and N.W. Railways have for moving traffic, it will be seen that the East Indian had 21,552 wagons, plus 13,053 trucks, equal to 34,600 units, against the N.W. Railway's 22,556 wagons, plus 5,406 trucks, equal to 27,962. It must be remembered that at this time the N.W. Railway had on permanent loan and away on other railways a negative balance of about 3,000 units, while the East Indian had about plus 3,000. It will, therefore, appear that the N.W. Railway had 25,000 goods units against the East Indian 37,000. We regularly loaded 1,800 to 2,000 vehicles, and, in addition, had to give over 300 empties daily at Saharanpur and Delhi for helping towards the coal traffic. We were, therefore, operating from 2,100 to 2,300 vehicles a day, with a total of 25,000, while the East Indian complained of their inability to do more than 2,500 or 2,600 with 37,000 units.

Another interesting fact brought out in paragraph 16 of the E.I. Railway's printed note, it will be noticed that they claim they moved 33 per cent. of the N.W. Railway traffic, 33 per cent. of the O. & R. Railway traffic, and about 21 per cent. of the E.B. Railway traffic in *E.I. Railway wagons on foreign lines.* How comes it, then, that State Railways show such a small return for their daily wagon movements, while the E.I. Railway wagons show up so well? The State Railways cannot be moving the E.I. Railway wagons faster than their own. There is, therefore, obviously some fallacy in the figures given in the administration report as to the daily average run of wagons on B.G. Railways in India.

These figures have been compiled for many years without any careful revision, and when our Deputy Auditor brought out a revised system of statistics, he proved that there were many fallacies in the compilation of the old figures, and I feel certain that if these figures were carefully gone into, the fallacy will be noticed.

To go back to the administration report, it will be seen that even the E.I. Railway dropped to 53 in 1919-20 against 63 in the two previous years. Surely, when the E.I. Railway were crying out as to their inability to move traffic and loss of revenue, their wagons would have been doing as good or better mileage than in the previous years, while figures show the reverse. This, I think, will be explained by the fact that in 1919–20 the E.I. Railway were doing more local internal traffic than in the previous war years, and the fact of not having a regular long distance traffic of the previous years brings their mileage down by about 20 per cent. We have had a large amount of short internal traffic in the last few years, and we have numerous branches and ramifications, as well as very heavy grades on the Pindi and Quetta districts, I think, even all other things being equal, our mileage cannot compare as favourably for these reasons with the E.I. Railway, or, say, railways like the B.B. and C.I., who have a very level country to run over.

Statement of average mileage for goods vehicles per day.

Railway.	1917–18.	1918–19.	1919–20.
B.N. Railway	41	37	38
B.B. & C.I.	48	48	38
E.B. Railway	33	35	36
E.I. Railway	63	63	53
G.I.P.	44	39	36
M. & S.M.	47	45	45
N.W.R.	34	35	28
O. & R.	40	34	34
S.I.	36	32	29

* Not reproduced.—Dated 17th February, 1920.

Mr. OWEN ROBERTS, of Messrs. Clements Robson and Company, was examined on a written statement which he placed before the Committee.

6214. Mr. Roberts said he had been for the past 17 years in charge of the up-country business of Messrs. Clements Robson & Co., a firm engaged in the export of wheat. He appeared before the Committee to submit his own views and not those of the firm as he had not had time to communicate with his principals on the subject.

6215. The business of his firm had expanded a good deal during the war, and this had necessitated their extension throughout the United Provinces and into Eastern Bengal on the one side, and into the Bombay Presidency and Rajputana on the other. His experience of railway working in India was therefore fairly extensive.

6216. He described his firm's business as that of export of wheat through the port of Karachi. Maize was brought from as far as Katehar in Bengal and taken to Karachi for shipment. This was done to meet the conditions of Admiralty charters.

6217. He said he wanted to speak not on the systematic corruption which appeared to pervade all public Departments in a greater or less degree but only on the question of corrupt practices in connection with the sale of wagons on Railways. He instanced the facts that he had been approached for a charge of 2 annas per telegram for all telegrams delivered to him in Moradabad in the United Provinces; that he had seen a policeman seated over the hole in the petition box outside a Deputy Commissioner's Court collecting a rupee or two from every person who desired to place a petition in the box, and that he had seen parcels clerks charging 2 annas per parcel for booking parcels for people on platforms; these facts were instanced of cases of systematic corruption which appeared to pervade all public departments. In the case of wagons there was a recognised price, called the market price of a wagon, charged as a regular practice at each railway station. This price varied from place to place from about two to ten rupees and was a different matter from the demands made on a small scale in a general way.

6218. As a result of the war all sorts of restrictions were imposed, and bribery was resorted to on a larger scale either to get a wagon allotted, or to get it passed into a district into which its despatch was prohibited.

6219. European exporters had never to his knowledge up to the present time given payment for wagons. Nominally the whole export trade is in the hands of Europeans, but practically it is in the hands of Indians. If an exporting firm purchased anything for shipment, they bought it from Indian middlemen who, to fulfill their contract, had to secure wagons, and deliver within a specified period, railway receipts showing that the grain had actually been despatched. If there was any failure in this respect then the contract was broken, and the contractors were liable to damages. Mr. Roberts said that, in certain small classes of business, the European exporter buys the goods direct, and has in these cases himself to secure the wagon supply, but that even so he does not pay for them. The Chairman observed that evidence had been tendered to the Committee that, though English firms do not pay on individual wagons, they make occasional lump sum payments instead. Mr. Roberts said that this was not true as far as his firm was concerned, nor as far as he knew, of any other exporting firm. He had never heard of payments being made in any form.

6220. In reply to the Chairman he described how before the war his firm enforced compliance with their indents for wagons without paying anything to the station staff. His firm never troubled itself as to whether or not any priority register was maintained at the stations. If they had reason to suspect unfair treatment, they sent their requisitions

for wagons systematically by registered post, and made a note of the quantities of grain sent for despatch and the quantities cleared daily. Supposing 500 bags had been sent to a railway station for despatch on the fifth of a month, and of this 500 only 200 had been moved up to a certain date, only one conclusion could be arrived at, either that no wagons were supplied to the station in the meantime; or, if they had been, and any other exporter's goods had been forwarded, this could only have been done irregularly, and presumably as a result of bribery, his firm being the first on the priority register, as evidenced by the fact that a beginning had been made to move their goods. He then went to the district officer and complained to him, and an enquiry followed. Thus by a system of organised watchfulness his firm succeeded in getting their rights. The person against whom complaint was made was transferred or reduced, but beyond this Mr. Roberts could not say definitely what followed his complaint, as he had never pursued the matter. Subsequently, in reply to Mr. Purshotamdas, he said he considered that the punishments meted out were not really deterrent, as the only really deterrent punishment is dismissal, and he believed that this is not usually inflicted on delinquents.

6221. The Chairman asked if the firm succeeded in getting any more than their rights. Mr. Roberts did not think they did, nor indeed always as much, as they proceeded against a railway servant in the manner described only when they had reason to believe that irregularities were occurring.

6222. He had accumulated facts in this way and put them before district traffic superintendents only about half a dozen times. He had always found that, if the facts were properly placed before the district traffic superintendent, they were dealt with. He had not taken cases up more frequently, as, from the beginning of the war, conditions were different. It was all Government property that had to be moved, and its transport was regulated by Government. It might happen, nevertheless, that occasion for bribery would occur, even within the Government priority orders, as a dealer who had sold grain for early delivery might be willing to pay a bribe to secure preference in the transport of his goods over those of another who had contracted for delivery at a later date but who had already offered a consignment for despatch by rail.

6223. Mr. Roberts said that he had had no difficulty in getting goods moved during or since the war. The Chairman asked whether this applied to despatches both to Bombay and Karachi. Mr. Roberts replied that he had no experience at all of Bombay. The Chairman observed that the Committee had been told that Karachi was receiving better treatment than other places. Mr. Roberts suggested that the truth might be that Karachi was fortunate in having to deal with only one railway. It was a fact that when Karachi merchants got on to other lines there were transhipment difficulties and despatches were bad.

6224. The Chairman enquired how long systematic bribery for wagons had been in existence on a substantial scale. Mr. Roberts said that it had varied; it had been bad in 1905 and 1906, had got better before the war, and became worse again during and since the war.

6225. The Government control of traffic affected the bribery question in that there was "priority within priority," or, in other words, there was competition for wagons between merchants who had sold for near deliveries and those who had sold for later deliveries as already explained.

6226. Mr. Roberts said he had never been asked for a bribe except once on the Oudh and Rohilkhand Railway. As often happens, the station master held the loading contract, and in connection with the loading of the witness's firm's wheat into wagons he came and asked him to connive at an arrangement for securing a double payment. The District Traffic Superintendent of the railway was on the spot, and Mr. Roberts placed the matter in his hands. He did not know what happened to the man except that he was transferred. He had heard that he was back again in the same post.

6227. Mr. Roberts thought that the feeling against this extortion was so strong that it could be used to put it down. He however agreed that it was useless to expect the ordinary small trader to use the same systematic method of establishing irregularities which he had described and had himself successfully adopted.

6228. Mr. Roberts said he thought that, if the railway authorities tackled the question seriously, they could reduce greatly, if not entirely abolish, the system of payment of bribes for wagon allotments. District Officers, he considered, should stay at their headquarters instead of frequently absenting themselves on tours. The Chairman observed that some witnesses had complained that the District Officers stop too much at headquarters. Mr. Roberts explained that in his view it was most important opportunity should not be given, owing to the absence of the District Officer, for complaints to be dealt with by subordinates.

6229. He considered that either the districts should be reduced in size or that the number of officers in them should be increased in order that more efficient supervision might be maintained.

6230. At present railways would not accept a consignment note (a form giving details of the intended consignment) unless the goods to which it refers are in the station. The goods are deposited on the railway premises on sufferance of the railway and lie there at the risk of the owner. The railway company does not give a receipt or accept responsibility until the goods are actualy loaded into wagons, and between the despatch of goods by merchants to the station and the actual loading the consignment note is the only document that is made out. Under this system the man who could read and write could protect himself by seeing that his name was entered on the priority register as soon as he put in his consignment or forwarding note. The ordinary Indian dealer, however, could not do this. Mr. Roberts suggested therefore that the consignment note should be connected more closely with the priority register, and that the merchant should be given a document numbered and dated, stating his place in the order of priority. The particulars of this document should also appear in the priority register and in the consignment note. In addition, Mr. Roberts recommended that on a notice-board such information should be given daily as would enable the Indian merchant to follow the history of his own transaction, as, for instance, the number of wagons supplied to the station, the last priority number dealt with, etc. The Chairman said that he would ask the railway officials how far Mr. Roberts' proposals could be adopted in practice.

6231. The Chairman asked what arrangements Mr. Roberts would suggest to check the stock lying on the station platforms, etc., waiting to be booked. The witness thought that there ought to be inspectors who would pay surprise visits and draw up an inventory. His work would be something like that of an Inspector of a Bank who would, without any notice, go into the Bank, count the cash, and see whether it corresponds with the balance in the books. With the facts obtained from the inventory and the priority register it would be quite possible to convict a station master guilty of any malpractice. Subsequently, he stated in answer to Mr. Hiley, that he did not know whether such an inventory was maintained in railway stations.

6232. Mr. Roberts considered that District Traffic Superintendents should have greater powers to deal effectively with the station staff; he knew that the Agent has those, but he thought it too great a distance from the stationmaster to the Agent. He did not see why a District Traffic Superintendent should not have powers to dismiss a man. The District Traffic Superintendent could not abuse these powers as he would get a bad name for it. It was mentioned that he might suspend from duty any of the staff pending enquiry into his case. Mr. Roberts, however, urged the importance of punishment following rapidly on the offence. Under the existing system it is delayed so long that the moral effect is missed.

6233. In reply to the Chairman Mr. Roberts said that wheat gets no sort of general priority over other commodities, and wheat merchants take their turn with others. The Chairman referred to Mr. Roberts' previous statement that rates of despatch were generally satisfactory, and said that this conflicted with evidence submitted by other traders. For instance, some said they could not get cotton, and factories complained that they could not get coal. Mr. Roberts suggested that this might be due to the fact that wheat was controlled, and the other articles were not. The wheat merchants were able to get into touch with the Railway Board through the Wheat Commissioner. The Chairman remarked that this implied that wheat was better treated than other commodities. Mr. Roberts said that members of the wheat trade also had suffered at times from delays under pre-war conditions.

6234. In answer to Sir Henry Burt, Mr. Roberts did not think that the station staff would allow merchants to apply for a greater number of wagons than they really require, and to sell those that they do not want.

6235. Mr. Purshotamdas asked Mr. Roberts what the Indian merchants thought about the bribery system; Mr. Roberts said that they fell in with it only because they had no alternative and not because they have any liking for it. The whole question was a complex one, as from the time the consignment note is put in till the date of the issue of a receipt there is nothing on which any action could be taken against the stationmaster, and it is very difficult to prove anything against him. Further, the stationmaster could harass the merchants in many ways, for instance, he might not readily give them a "clean" railway receipt.

6236. Mr. Purshotamdas asked whether he had found the District Traffic Superintendents easily accessible, as Indian merchants had complained on this point. Mr. Roberts replied that he approached them only when he had definite facts against the station staff. Invariably he wrote to them setting out his case before asking for an interview.

Mr. F. A. HADOW, Agent of the North Western Railway, was again recalled with Mr. V. H. BOALTH, General Traffic Manager, and examined on his written statement.

6237. Mr. Hadow mentioned that he was short of district officers in the Traffic Department. The Chairman asked whether anywhere in India the operating side had been separated from the commercial side. Mr. Hadow replied that this had been done, he believed, on the East Indian Railway, but his impression was that the complete separation had been to some extent modified.

6238. The Chairman referred to the complaint made by Mr. Roberts that district traffic superintendents did not stay in their offices, and asked if there was not something to be said in favour of a separation of functions, which would enable an officer whose business it is to be in a fixed place to be always available to the public, while another might frequently be away from headquarters, and be able to look into matters requiring attention on the line, and investigate on the spot, operating questions such as congestion in yards. Mr. Hadow agreed that there is a great deal to be said in favour of such a division, though he observed that even in the case of the commercial side there is something to be said in favour of the District Traffic Superintendent going about the line, as many commercial questions can best be settled at the points where the merchants reside and carry on their business.

6239. Mr. Boalth said that Mr. Roberts had discussed with him his suggestion that the consignment notes for goods should be connected directly with the priority register. He thought the suggestion was a good one, and it was at present under consideration.

6240. As regards the suggestion that surprise checks should be made, of the correspondence between the entries in the priority register and the goods actually awaiting despatch at the stations, Mr. Boalth observed that there are two sides to this question, and that there is certainly an impression on the part of railway men in India that, if any such check were made, it might imply an acceptance of responsibility by the railway staff for goods lying on the platforms, and, for this reason, they had been disposed to have as little as possible to do with such checks. The Chairman explained that, so far as this suggestion goes, it is not proposed that a railway should give a receipt for the goods, and that the check is proposed only as a matter of internal action on the part of the railway administration, with which the customers would have nothing to do. He cited, as a parallel case, that of a bank with branches, which sends down an Inspector to a branch to make sure that the cash in hand corresponds with the sum shown in the cash book; this implying no acceptance of extra responsibility on the part of the bank towards any individual depositor. He thought that, in the same manner, an Inspector might be sent to a station to compare the stock of goods on the platform with the priority register, as a matter of purely internal discipline. Mr. Boalth agreed that, by doing this, a railway would not apparently pledge itself in any way to any outside person.

6241. In reply to Mr. Hiley, Mr. Boalth explained that no rent is charged by a railway administration for goods brought to the stations and stacked there pending formal acceptance for despatch. No receipt is given for the goods, nor is there any check of their quantities which would imply liability on the part of the administration. The Chairman said that it appeared to him that, even if there were no sort of acknowledgment, the railway administration would not be in a position to dispute liability if, for instance, it negligently permitted its servants to steal such goods wholesale from the railway premises. He emphasized that the existing state of affairs is so unsatisfactory that it would seem to be worth while for the railway to accept some liability in the matter, having regard to the strong feeling that exists on the part of the public, and the discredit attaching to the railway administration because of the irregularities in the distribution of wagons which are said constantly to take place.

6242. Mr. Hiley observed that in other countries goods would not be brought to the railway station until there was a reasonable chance of their being loaded into wagons, and, if accepted before they could be despatched, rents would be charged for the use of the station accommodation. In India, however, goods appear to lie for months in the station premises. He thought there should be a strict provision against goods being brought to the station before there was a reasonable chance of their being moved. Mr. Boalth explained that, in many producing districts, there would be no facilities for storage of goods other than at the station itself, though in some places there was a '*mundis*' or stores close to the station, in which the exporter could store his goods.

6243. Mr. Boalth said that the subject of corruption in connection with wagon allotments had been seriously considered by all railways. The difficulty was that no solution seemed possible except the provision of so many wagons that there would be no such competition for them as exists at present. The Chairman said that nowhere, except possibly in Russia, had he heard of such wholesale and long-continued corruption as appears to exist in India, and he thought that the railways ought to take much more active steps in the matter. He advised that it should specially be brought before the Traffic Committee of the Indian Railway Conference Association. He did not think it sufficient for the railways to dwell upon the difficulty of establishing proof and to institute the occasional prosecution of individuals. He thought what was necessary was the introduction of a system which would reduce to a minimum the chances of such things occurring.

6244. In reply to Mr. Purshotamdas, Mr. Hadow said that he believed the difficulties in transport ex-

perienced on the North-Western Railway were due less to an actual shortage of wagons than to a deficiency of station and junction facilities, and that this had become accentuated during the war. In this case, Mr. Purshotamdas enquired why the North-Western Railway should not take more advantage of the Amritsar Patti Kasur Railway which provided a shorter lead to many stations than the main line. It would, for instance, obviously be more economical for traffic emanating from Ferozepore and bound for Amritsar and beyond, to be taken *via* the Amritsar Patti Kasur Railway than *via* Raewind and Lahore. He referred to the agreement between the North-Western Railway and the Amritsar Patti Kasur Railway, under which the former credited the latter with the earnings for goods for which the Amritsar Patti Kasur Railway would be the most natural route, whether or not the goods were carried by it. He mentioned that this agreement had been in force from 1912 to 1915, and, though the Amritsar Patti Kasur Railway desired to continue the agreement, the North-Western Railway would not agree. Mr. Hadow said that the North-Western Railway had received no benefit from the agreement. One reason was that goods trains were generally made up in Lahore, and it was simpler to bring wagons to Lahore to make trains up there than to add them to the trains at Amritsar. It would thus be of no advantage for the North-Western Railway to use the Amritsar Patti Kasur Railway route.

6245. Mr. Purshotamdas asked why Mr. Hadow had not said anything in his written statement on the question whether State or company management would be likely to be more efficient though he had dealt fairly fully with the question of the comparative profitableness to the State of each alternative. Mr. Hadow said that he thought the two questions overlapped each other so much that what he said in paragraph 4 of his written statement really answered both questions. Sir George Godfrey said he had read Mr. Hadow's evidence in this way.

6246. Mr. Hadow said that he had, in the previous day's evidence, stated his reasons why a falling off in efficiency might be expected if the State were to work all the railways in India. He thought that a State agency would be less likely to be influenced in favour of efficiency than a company administration which keeps in view what the shareholders are likely to say. He agreed, however, that the force of the Indian taxpayer's claim for Indian Boards of Directors must be reckoned with, but he did not think that this could be introduced in a hurry.

6247. Referring to his remark regarding the success of the State railways being due to their working alongside company administrations, Mr. Hadow said that he did not mean to suggest that State lines take company lines as their model. The two systems reacted upon each other, and he would agree there were both good and bad points in each.

6248. With reference to his observation regarding branch line companies having been largely subscribed in London, Mr. Hadow said that he did not remember the particular branch line companies which Mr. Bagley, who had been his informant in the matter, had mentioned. The Chairman observed that the Committee had been told that a good deal of the capital of the branch line companies was held in India, but that, when the rupee reached an exchange value of 2s. 11d., Europeans largely sold their holding to Indians, and remitted the proceeds to England.

6249. Referring to the question of staff, Mr. Hadow stated that a certain distinction was always made between officers recruited in England and those in India. In some cases this distinction extended to difference in pay, and, in some cases, to differences in the leave rules. In Government service the "Indian Service Leave Rules" applied both to Indians and Europeans appointed in India, and there were several Europeans on the North-Western Railway who came under these rules. Similarly the "European Service Rules" applied to such Indians as had gone to England for their education and were recruited there; there were several Indians at present on the North-Western Railway to whom these rules applied. He was not aware, however, whether his reply would be quite correct now in view of changes which had recently been made in the Leave Rules. The Chairman said he understood that these changes did not involve any racial discrimination.

6250. In reply to Mr. Purshotamdas, Mr. Hadow stated that the European Railway Institutes are self-supporting institutions towards which the North-Western Railway pays nothing beyond maintaining the building. Membership used not to be open to Indian officers, but recently the question of their admission had come up and it had been decided that Indian Officers should have the right of membership Mr. Purshotamdas mentioned that he understood that Mr. Haldar, a late Assistant Traffic Superintendent of the North-Western Railway, had pressed his application to become a member of the Institute, but this had not been permitted. Until recently, though an Indian District Traffic Superintendent might be ex officio President of the local Institute, an Indian Assistant Traffic Superintendent could not even be a member. Mr. Hadow admitted that this used to be the case, but said it had now been put right. He had no recollection of the question being raised in Mr. Haldar's case.

6251. Mr. Hadow stated that special preference is not given to the wheat traffic for Karachi. Mr. Purshotamdas enquired why in this case cotton merchants were not able to get wagons for loading cotton for that port. Mr. Hadow explained that, at the present time, the movement of cotton was not considered so important, and the Railway had to exercise discrimination in favour of the more important traffic, for instance food stuffs, wheat, gur and salt, when serious restrictions were imposed, as was the case at present due to shortage of coal. The Railway had to make such discriminations for itself, in consultation with the Director of Industries.

6252. In answer to Sir Henry Burt, Mr. Hadow said that he thought too much attention was given to seniority as apart from merit in making promotions, and mentioned that he had already expressed this opinion to the Chairman.

6253. Asked by the Chairman whether, in his experience, the Railway Board concerns itself more minutely with the management of the State railways' work than with company worked lines, Mr. Hadow said that in the case of State railways he thought the Railway Board expects more detailed information.

6254. In reply to the Chairman he said that the mass of information reproduced in the Annual Administration Report is submitted by the railways to the Railway Board at intervals of six months. Until 18 months ago these were the only statistics furnished to the Railway Board. Special operating statistics were prepared monthly on the North-Western Railway. He believed that they had been introduced on the initiative of Mr. Scott, an Audit Officer, and not at the suggestion of the Railway Board. This had been done some 18 months ago, and a copy of the figures is now furnished monthly to the Railway Board in addition to the other statistics already mentioned. Mr. Hadow mentioned that these figures make no comparisons with other railways. It had been found that too much detail was being given, and that these statistics were not as useful as they might be. It was now under consideration to omit some of the details. The Railway was aiming at the production of two kinds of statistics: firstly, advance figures which were hurriedly got out in order that, as early as possible, information might be in the hands of the officers concerned; and secondly, monthly statistics, prepared more accurately and issued subsequently. Mr. Hadow thought that the correct figures for any month should be in the hands of the staff by the middle of the next but one following. The Chairman suggested that the administration should consider the adoption of tables of comparison with other railways as being likely to stimulate emulation and lead to better working.

6255. The Chairman asked for information about the Khan Alampura yard, near Saharanpur, to which reference had been made in the evidence of the Oudh and Rohilkhand Railway witnesses at Lucknow. In this connection Mr. Boalth read the following statement:—

"Khan Alampura yard was decided on after the famine rush of 1906 to the United Provinces. It was built by the Oudh and Rohilkhand Railway and opened in April, 1914, by them without reference to us to train staff and to see if the yard was required with the then existing traffic.

"After some time we objected in 1915, on the ground of expense and small traffic. The Oudh and Rohilkhand, after some correspondence, closed the yard in August or September, 1916, except as a stabling yard.

"They claimed the right to open it whenever they considered it necessary. We contested this. Half the yard was pulled up in 1916-17 for over seas.

"In August, 1920, the O. & R. asked us to open Khan Alampura as a *joint* yard again. We suggested they should open and work it as part of their system, if they wanted it, as we did not think it necessary. They wanted the yard to marshall, etc., as their engine power is limited.

"Both agents suggested a meeting in December or January, but this has been postponed. The yard has not sufficient staff quarters. One of the original points at dispute was the interchange question.

"Cost of working is the only point at dispute and O. & R. could have opened and submitted their case to the Railway Board for arbitration."

6256. Mr. Boalth said that one half of the yard had been re-laid. It had been intended to hold a meeting to settle the disagreement between the North Western Railway and the Oudh and Rohilkhand Railway, but it could not be held owing to other engagements. It was hoped that it would now take place after Mr. Hadow had completed his tour. Mr. Hadow said that the Railway Board did not interfere between railway administrations unless there was an *impasse*. He thought that in the present case a settlement could be arrived at with the Oudh and Rohilkhand Railway at the proposed meeting. The Chairman said that it was not clear to him why the yard could not be brought into use without delay, leaving the terms to be settled subsequently.

P.S.—Mr. Hadow subsequently furnished the Committee with the following information as promised by him during his examination.

A.—PARTICULARS REGARDING APPLICATIONS FOR AND ALLOTMENTS OF CAPITAL FUNDS.

North Western Railway, open line.

Year.	Capital demand in July forecast.	Amount agreed upon after discussion with Railway Board.	Amount intimated by Railway Board.	The grant actually allotted in budget orders, about the end of March.	The final grant as it stood towards the end of the year.	Actual net expenditure at the end of the year.
	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.	Rs. in lakhs.
1910–11 ...	375·90	255·76	255·77	272·39	207·44	199·09
1911–12 ...	353·77	281·00	256·86	297·65	218·41	221·46
1912–13 ...	313·53	244·81	244·81	257·28	197·79	230·93
1913–14 ...	289·68	236·76	161·76	222·18	269·98	304·17
1914–15 ...	303·97	255·56	255·56	252·00	268·02	248·70
1915–16 ...	411·59	255·56	142·33	136·00	57·35	44·24
1916–17 ...	248·77	255·56	60·51	60·51	41·01	19·62
1917–18 ...	118·15	255·56	95·31	98·04	79·22	47·81
1918–19 ...	134·28	255·56	100·16	100·16	229·32	242·95
1919–20 ...	132·67		492·36	417·66	336·23	299·97

[N.B.—Similar information was given by Mr. Hadow for the branch lines, but is not reproduced, the figures being relatively unimportant.]

North Western Railway—Construction of new lines.

1910–11 ...	31·00	31·00	45·00	70·00	44·89	43·04
1911–12 ...	89·62	72·57	61·57	61·57	67·68	64·90
1912–13 ...	75·83	56·79	56·79	53·41	61·01	60·25
1913–14 ...	27·74	13·04	19·01	11·77	19·83	20·58
1914–15 ...	9·83	9·68	9·68	9·68	14·07	13·42
1915–16 ...	7·73	7·73	—	7·70	6·80	6·67
1916–17 ...	3·80	3·43	3·43	3·43	4·43	4·39
1917–18 ...	—	—	1·48	1·78	7·83	7·30
1918–19 ...	—	—	5·93	5·44	9·90	8·21
1919–20 ...	7·05		7·67	7·67	8·17	6·76

B.—ARREARS OF ENGINE RENEWALS ON NORTH WESTERN RAILWAY.

(Calculated on basis of 30 years' life.)

	Position on 31–12–14.	Position on 31–12–20.
Number on line over 30 years old	28	21
" " 31 "	21	18
" " 32 "	2	11
" " 33 "	38	13
" " 34 "	1	13
" " 35 "	—	68
" " 36 "	—	26
" " 37 "	—	1
" " 38 "	—	21
" " 39 "	—	—
" " 40 "	—	24
" "	—	—
Total arrears	90	216

C.—LIST OF CASES IN WHICH THE POWERS OF AN AGENT OF A STATE RAILWAY SEEM TO BE UNNECESSARILY LIMITED.

1. Agent may not appoint a man in a scale sanctioned by the Railway Board above the minimum pay of that scale, *i.e.*, if the sanctioned scale of a class is Rs. 150—10—250, Agent cannot appoint a man at more than Rs. 150, but the Agent *could* appoint him at the bottom of the next higher scale.

2. Agent cannot sanction a double or special increment in a scale sanctioned by the Railway Board.

3. Agent cannot sanction a personal allowance to a man who has reached the top of a scale sanctioned by the Railway Board.

4. The Agent has power to deal with cases of write-off of losses of tools and plant and stores due to causes for which an employee of the railway can be held to be directly or indirectly responsible, up to a limit of Rs. 1,000 in each case. All cases exceeding this limit must be reported to the Railway Board for orders.

(*Vide* S.O. No. 629, Appendix 2, paragraphs 159 and 160 of State Railway Open Line Code, Volume II. provisional issue).)

5. The Agent's power to purchase English stores in the country is limited to Rs. 5,000, but it has been decided, as a temporary measure, pending the consideration of the recommendations of the Stores Purchase Committee, to increase the monetary limit of the power of an Agent of an open line railway to make purchases of stores in India under either Rule 3 (*a*) or Rule 5 of the Stores Rules, to Rs. 10,000, *vide* G.O. India Board of Industries and Munitions No. 84 dated 6th August, 1920. But such stores must be in the country at the time of purchase, even if the manufacturers have a branch office in India, except in the case of articles under Rule 4 of the Stores Rules. In the case of Government surplus stocks available with the Munitions Board, Agent has unlimited power.

6. The Agent has no powers to purchase any article from any firm outside India except by placing an order through the Director-General of Stores.

Junction Agreements.

7. Agent has to refer to the Railway Board *for their preliminary approval* the terms of agreements for the interchange of traffic before the agreements embodying the same are executed, and submitted to Railway Board for final sanction.

Complimentary Reserved Accommodation.

8. Agent has limited powers in allowing complimentary reserved accommodation. In many cases C. A. raises objections and we have, therefore, to obtain Railway Board's confirmation.

Write off of Irrecoverable Outstanding Earnings.

9. In such cases Agent's powers are limited to Rs. 1,000 in each case. But there are instances where the amount exceeds Rs. 1,000 and in such cases Railway Board's sanction has to be obtained.

Carting Rates for Out-Agencies.

10. The Railway Board's sanction has to be obtained when any change is made in the carting rates for Out-Agencies, &c

Claim for Compensation for Personal Injuries.

11. The Railway Board's sanction has to be obtained when a claim for compensation is over Rs. 5,000.

12. Agent has no power to purchase any article out of India for experimental purposes even if the cost is only Rs. 1, *vide* Rule 7 (iii) of Stores Rules.

13. Agent has to ask Railway Board to apply to the Army Department for sanction to the issue of rifles, revolvers and ammunition for the use of our Chowkidars and train staff working on frontier districts and for replacement of rifles or revolvers which have become out of date and of ammunition used up.

Estimates for Works for which Railway Board's Sanction is Necessary.

14. Estimates for building new institutes, schools, recreation grounds, swimming baths irrespective of cost involved.

15. Estimates for additions and alterations to above, costing over Rs. 2,000 (the present limit of New Minor Works).

16. To utilise an existing building as an institute or a school.

17. Estimates for land to be acquired for a work complete in itself, *i.e.*, sanitary buffers and similar cases. (This power was previously vested in Agent but has not been included in the Revised Rules for acquisition of land.)

18. Estimates for land to be taken up to avoid speculation (though not needed for a particular scheme at the time) irrespective of cost involved.

19. Estimates for land to be acquired for a particular work in anticipation of the preparation of an estimate for a scheme irrespective of cost involved.

20. Estimates for decoration charges on Royal and other visits.

Buildings.

21. The sanction of the Railway Board is necessary for purchase of a building valued over Rs. 25,000 .

22. The sale or the dismantling of a building the original cost of which exceeds Rs. 25,000.

Rent.

23. The sanction of the Railway Board is necessary for remission of the amount of rent disputed by Government Departments other than the railway for periods for which railway buildings remained in their occupation without the knowledge of the responsible railway officer. Under Railway Board's orders we can only claim rent for six months prior to the date of our claim in such cases.

24. Write off of rent irrecoverable from outsiders for railway buildings in cases where the amount involved exceeds Rs. 500 in each case.

25. To reduce or remit rent in cases of employees drawing over Rs. 100.

26. To pay difference between the monthly rent of a hired building and 10 per cent. of occupant's pay.

27. To charge rent to outsiders otherwise than in accordance with the Code Rules.

28. To charge a flat rate for use of rest houses by railway officials when occupied by them as permanent residence, owing to there being no other suitable building available.

29. Grant of rent-free quarters to school masters and mistresses.

Land.

30. The Railway Board's approval is necessary to the documents for land, (viz., plans and schedules) to be acquired in anticipation of sanction to an estimate for the work for which the land is required. Under Head "40" subsidized Company's land.

Agreements.

31. The Railway Board's sanction is necessary for agreements for works or materials amounting to over Rs. one lakh each, even if the amount of the sanctioned estimate for the work is more than Rs. one lakh.

Work Orders.

32. Works orders over Rs. 50,000 each have to be submitted to the Railway Board for sanction.

Rolling Stock.

33. The Railway Board's sanction is necessary for estimates for motor lorries, motor cars and motor trollies.

34. Estimates for additional N.G. stock.

35. Renewal, conversion and additions or alterations in rolling stock if the capital portion exceed Rs. 25,000 in each case even if the total cost of the estimate does not exceed one lakh.

FIFTIETH DAY.

(Delhi.)

Wednesday, 2nd March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Messrs. E. A. S. BELL, C.I.E., and A. M. CLARK, Members, and Mr. S. C. TOMKINS, Joint Secretary, Railway Board, were called and examined with reference to a memorandum which the Railway Board had submitted to the Committee.

6257. The Chairman observed that the Committee had seen the Government of India's despatch of 1917 to the Secretary of State covering a report in which the Railway Board has expressed the opinion that the balance of advantage seemed to be with company administration, but he saw that the present opinion of the Railway Board as now constituted is that there is no ground for supposing that either system of management is intrinsically superior to the other. Mr. Bell said that as regards actual working the Railway Board do not see any balance of advantage either with State or with company management. People talked about State efficiency or State inefficiency, according to the view they wanted to press. It might depend on local conditions for which nobody was responsible, or it might depend on the qualifications of certain persons, and so forth. In respect of efficiency and economical working either system, if properly administered, would secure equally good results.

6258. The Chairman remarked that some people might say that it was of the essence of the system that on the State railways seniority was given much more weight than would be the case in a company managed concern, with a consequent loss of efficiency, and asked what would be the reply of the Railway Board. Mr. Bell said that they do give a great deal of weight to seniority; in fact, they practically have to. Even if it were possible to cut adrift from the ordinary Government methods and machinery, and to have a Railway Board running all the railways in India on commercial lines, Mr. Bell thought that one would always have to attach a certain amount of weight to seniority. He did not think that State railways would promote the next senior man to be the general manager unless he was also the best man, but if there was not much to choose between the qualifications of individuals, then seniority must carry a great deal of weight. He thought that if the Railway Board could be separated from the Government of India it would doubtless have a much freer hand, but that this would depend very much on the constitution of the Board. He explained that the one reason why seniority is given so much weight in Government service is that anybody can appeal to the Secretary of State, which means that reasons have to be given in writing which would be acceptable to a third party. In a great many cases it might not be possible to promote a man for some reason, such as his not being quite the right sort of man for a particular post. This it might be very difficult to explain in writing to the satisfaction of others.

6259. Mr. Clark thought that, if the Railway Board had all the powers which the present members wish it to have, and if they were free to appoint men on their own terms, State traditions would not force their hands, and that they would have the same freedom as a company. The Chairman pointed out that, if the London and North-Western Railway pro-

moted anybody, it would be considered as the Board's business, and no shareholder was likely to question it, as it would be assumed that it was done in the best interests of efficiency; but in India, even if the Railway Board were a separate organisation, its decisions would be liable to be questioned in the Legislative Assembly. He enquired whether the Railway Board would risk this. Mr. Bell replied that they would certainly do so. He admitted that State management is at a disadvantage in so far as the pressure of tradition leads to appointments being filled on considerations of seniority rather than fitness. The Chairman said that a few days ago the Committee had a gentleman as a witness who had spent all his time on one State line, but was promoted to be an agent on another. Mr. Bell said that, in his view, it was an advantage to transfer a man from one line to another up to about 15 years of service in view of the wider experience he gained, but that after that there should be no more transfer. This was what the Railway Board was aiming at as far as possible; the case of an agent was, however, a different matter. He agreed that, if there was a man who was fit to be an agent on one railway, but with no chance of promotion there, he should be given a chance of becoming an agent on another. In this connection Sir Arthur Anderson said that it was not uncommon for companies to appoint their agents from State railways. The Chairman observed that Sir Arthur's point was that a company line picked the best man wherever they could find him, but that in the case which had been instanced it seemed that the agent had been appointed largely on the ground of seniority.

6260. With reference to the observation in the written statement that the modern contracts are so drawn that the financial interests of the working company are identical with those of the Government, the predominant partner, Mr. Bell explained that the division of surplus profits is now practically on a *pro rata* basis, and that consequently the interest of one is equally the interest of the other. He thought that the companies concerned would therefore try to make as big a profit as possible as well for the sake of Government as for themselves.

6261. The Chairman observed that this appeared hardly consistent with another observation in the printed memorandum in which the Board held the principle unjustifiable which gives to the home Boards an equal voice with the Government of India in the administration of properties in which the respective financial stakes are so unequal. He asked, if the financial interests are identical, why the Railway Board should claim still further powers to prevent the companies from doing as they wished. Mr. Bell explained that the Board's idea was that, although the interests are the same, still in cases of difference of opinion as to how the interests should best be safeguarded or developed, the Railway Board should be able in specific cases to overrule the companies. He claimed that the opinion of the predominant partner should prevail.

6262. The Chairman pointed out that the financial interests of both the State and the companies could not really be altogether identical. He instanced the case of the G.I.P. Railway Company, whose contract will expire in a few years, remarking that it is surely to the interest of the G.I.P. Railway to spend as little as possible on maintenance, and to inflate the net earnings, of which they get a percentage during the short residue of their term, whereas the interest of the Government is that the line should be adequately maintained. Mr. Bell admitted that there might be some divergence of interests towards the expiry of the working contracts. The Chairman pointed out that this divergence could also exist even during the continuance of the contract. He said this even supposing both the G.I.P. and B.B. and C.I. Railway Companies to have indefinite contracts. Both of them take traffic from Delhi to Bombay. Assuming for the sake of argument it to be much cheaper to move the traffic over the B.B and C.I. line than over the G.I.P., it would be to the interest of the State, the predominant partner, that all the traffic should go by the former route, as it would leave a larger net revenue, but this would certainly not be to the interest of the G.I.P. Railway. Taking another example, he instanced the case in which the traffic offering on one line is blocked back because of the lack of facilities on a neighbouring one, to whose interest it may not be to spend the necessary capital to improve the transit facilities. Mr. Bell admitted that, where there is a third party, there is sure to be a divergence of interests. He explained that the Board's statement that the financial interests of both companies and State are identical was a general one, but that there are special cases in which they do differ to some extent.

6263. The Chairman again enquired, if the interests are the same, what is the necessity for the meticulous interference of the Railway Board when an agent is desirous of raising the pay of a stationmaster above Rs. 250. Mr. Bell explained that under the present system these things ramify all over the country. If the pay of a stationmaster on a company line is raised, then a man in a corresponding appointment on a State line claims a similar wage. Concessions thus tend to spread, and it is for this reason that a measure of central control is necessary. He thought that there must be some limit of powers given to the agents, and the limit happened to be at Rs. 250. He agreed with the Chairman that it was logical to say that limitations in the interests of uniformity tend to reward inefficiency because they implied that the inefficient man had a right to claim what was given to a more deserving man.

6264. As regards the potential danger of political interference in democratic countries, the Chairman said that he would not challenge the general proposition which he had himself written a book to establish; but he wanted to know how far it was applicable in the special conditions of India. Mr. Bell explained that, though the danger was not so immediate as in other democratic countries, it was a risk that should be provided against. The new constitution had only just begun to work, and he could not say whether the danger was a thing of sufficient importance to influence one's mind in considering the question of State management. Mr. Clark, on the other hand, thought that there was a definite danger of political interference, possibly not by direct but by moral pressure. It might take the form of pressure in favour of employing certain classes of people to the detriment of efficiency, of the unwise reduction of rates and fares or the grant of other concessions. He did not think that one of the results of political pressure would be the cutting down of the salaries of superior officials, which the Chairman said had been represented by some witnesses as excessive; in fact, this point had not occurred to him at all.

6265. With reference to the observation in the written statement that the danger of political interference is not such as to justify any change in the existing conditions, Mr. Bell explained that at present the State managed railways form only a proportion of the whole. The danger would be greater if all the railways were under the management of the State. He said that the Railway Board are not satisfied that there is such an advantage in State management as to make it desirable to turn all company lines into State. The inference, he agreed, would be that the E.I. Railway might still be managed by a Company after 1924, but with the Board of Directors sitting in India. Mr. Bell explaied that the Railway Board had not yet examined the case of the G.I.P. Railway whose contract is terminable in 1925. He thought that the Board would like to see first the results of the experiment which is to be tried on the E.I.R. He admitted that, when the time comes to deal with the G.I.P. Railway, that experiment would not have had time to show results. Mr. Bell suggested that the contract with the existing G.I.P. Railway Company might be extended. Before deciding the question of future policy, they would like to have time to see the effect of the experiment on the E.I.R.

[P.S. The Board subsequently, on reconsideration came to the conclusion that the G.I.P. Railway should also have its Board transferred to India when the present contract expires; mainly for two reasons. Business conditions are different in Calcutta and Bombay and an experiment that might prove only a moderate success in one place might be eminently successful in the other. Also unless this opportunity is taken, it will not be possible to proceed further with this system for a long time, as no other company's contract terminates in the near future.]

6266. Questioned with reference to Indian *versus* English Boards, Mr. Bell said that the disadvantage of the English Board was that it was 6,000 miles away, whereas the advantage was the possibility of securing personnel possessing the requisite qualifications. Mr. Clark said that he approves of the existence of railway experts on the Boards, though this was not always customary in other countries. He had found it a distinct advantage to have railway experts on the Board of his own line, when he was acting as Agent of the B.N. Railway Company. Being technical men, they appreciated more readily the view put forward by the Agent. If the B.N.R. Board sat in Calcutta, and if the Agent attended their meetings as a matter of course, the need might not be felt to the same extent; but in his opinion the presence of an expert was an advantage as it brought another view to bear on technical questions. Being in the nature of assistance, it was a distinct advantage to the agent. He considered that in matters of policy the advice of an expert was very valuable.

6267. Referring to the suggested constitution of an Indian company, with a Government director on the board, the Chairman said that his difficulty was to understand the double system. If the Government were regarded as the predominant partner, he could understand that partner appointing half or more of the directors. If the Government were looked at as the controlling authority, it would seem natural that they should control, but that subject to this control, the directors should be free to do what they thought proper. In the constitution proposed however, the two systems were mixed up. Mr. Clark said that he had had no experience of the working of the Government director on the London Boards, and had never heard anything about him, good or bad: he did not know whether he acted in any way differently to other directors. The Chairman suggested for consideration as a possible alternative to the appointment of Government directors, that supposing the agent disagreed with the recommendation of his board, he should have power to refer the matter in dispute to the Railway Board. Mr. Bell said that he would prefer to have a Government director who would act as the representative of Government in the management.

6268. The Chairman referred to the recorded statement of the Railway Board that, speaking generally, they were of the opinion that the London Boards fulfil very important functions which it would be difficult to provide for in their absence. He asked what those functions were. Mr. Bell explained that, among other things, they were useful in providing finance. In the matter of recruiting staff the Boards were also of great help. He said that the three State railways recruited their staff through the India Office. He admitted that if the E.I.R. became a State railway, and recruited its staff through the India Office, this would be just as good. He agreed, therefore, that this did not seem a special advantage of having the Home Boards. In the matter of purchase of stores, Mr. Clark said that he had had no experience of the State railway practice. He did not suppose that there was much to choose between the companies' boards and the India Office Stores Department now under the High Commissioner for India, through which the State railways get their stores. In the matter of finance, Mr. Bell admitted that the companies had not been allowed to do much of late, though he thought that some of them might be allowed to add a fair amount of capital.

6269. The Chairman pointed out that the statement was that the companies' boards do perform very important functions which it would be difficult to provide for in their absence, but that the Committee had not been given any very definite statement in support of this. Putting the case in another way, he asked whether the presence of a similar London board to assist the management of the N.W.R. would be worth paying for. Mr. Bell said that he did not think that it would. The Chairman inferred that the conclusion must be that the functions of the existing Boards are not very important, and could be otherwise provided for. Mr. Clark explained that the Boards at home have the opportunity of approaching the Secretary of State. The Chairman pointed out that it is assumed that the Railway Board will in future be adequately staffed; that the members of the Railway Board will be relieved from routine detail, and will have time to devote adequate attention to such important questions as might be carried to the Secretary of State; and that the head of the Board will be a Minister who, if necessary, can consult all his colleagues in the Executive Council. He asked whether in that event it would really be an advantage that the Board of the Company in London should be able to go to the Secretary of State and say what could very well be said to the Railway Board. Mr. Clark said that it gives the directors an opportunity of putting their views as a whole. The Chairman observed that when a scheme has been carefully considered in India, and when the Minister, where necessary, has got the support of his colleagues on the Viceroy's Executive Council, it would seem reasonable to suppose that a proper decision had been arrived at. Mr. Clark urged that the London Boards can at least do something to expedite action, but the Chairman pointed out that this advantage will vanish when there is enough money available for railway requirements.

6270. In reply to the Chairman, Mr. Clark agreed that the powers of the Home Boards are not very large compared with the powers of a Board of an English railway company which manages its own concern, and that the Railway Board proposed to curtail them still further in very important matters. The Chairman said that the Railway Board held that, if they thought fit to give to the Agent of the N.W.R independent powers of action in certain respects, the Directors of a company railway ought to be liable to be compelled, whether they liked it or not, to give the same powers to their Agent. It would be a decided diminution of their existing powers to deprive the Home Boards of their powers of control over their Agents. The suggestion in the written evidence, that the Government of India should also be definitely vested with power to over-rule the objections of the Home Boards in any matter of general or particular policy in respect of questions affecting the working of the railways, was very sweeping. He said that, if the Railway Board were given the power to specify to the London Boards what particular powers they are to delegate to their Agents, very little authority would be left to the Directors. Mr. Bell said that such a thing would only occur in cases of urgency, or in cases affecting two or more railways. The Chairman observed that it is in cases of urgency that differences arise, and he did not see how any self-respecting person could be asked to sit on a Board with only limited powers, while if the Railway Board did not agree with them on a particular matter, even these limited powers would be liable to be taken from them.

6271. As an instance of what the Railway Board had in view Mr. Bell cited the position in February last. There was a great deal of trouble about wagons for coal, and at a meeting held in Calcutta, at which he presided as a member of the Railway Board, it was decided that the Coal Transportation Officer (who was in charge of wagon distribution) should be

given full powers to compel railways to send their wagons to the coalfields. The representatives of most of the important railway administrations except those of the G.I.P. and B.B. & C.I. Railway Companies had been present at the meeting. When the decision arrived at was eventually communicated to the Boards of the companies, the G.I.P. and B.B. & C.I. Railway Companies refused their consent to the proposal which therefore had to be dropped. Mr. Bell thought that these two railways preferred to carry their profitable cotton traffic instead of sending their wagons to fetch coal. The Chairman observed that this incidentally furnished a good instance where the financial interest of the company diverges from the financial interest of the predominant partner. Mr. Bell's idea was that powers such, for example, as insisting on the companies despatching wagons for coal, would only be utilised on very rare occasions.

6272. The Chairman said that it seemed to him that it would be perfectly competent for the legislature to pass an Act withdrawing the control of wagons from an individual company; he believed there is a clause in the contracts to the effect that nothing shall prevent the Secretary of State from altering conditions by general legislation. Mr. Bell promised to examine this point.

6273. Referring to the statement in the written evidence that it would be desirable to extend the principle of employing advisory committees to all lines, Mr. Clark doubted very much whether an advisory committee on the North Western Railway would give the Railway Board all the advantages that the companies get from Boards in London. He said that the former would lack the knowledge and experience which the London Boards possess. He said, however, that he would not care to pay £2,000 or £3,000 to get a similar Board in England, because he thought that the Public Works Department of the India Office sufficiently represents the railways' interest at home. The Chairman asked why, then, it could not represent the companies' railways too. Mr. Clark said that this would mean limiting the scope of railways very much by keeping them in the hands of a single department instead of distributing them among several Boards. Asked whether it was an advantage to have a number of different people contracting for locomotives instead of one larger purchaser, he was inclined to think that the concentration of purchasing in one authority would be apt to lead to too much stereotyping of designs. Arising out of this, Sir George Godfrey asked whether the existence of somewhat divergent types of rolling stock at present used in India is advantageous. Mr. Clark said he did not think it good policy to have a low standard type of engines, but he thought it would be a mistake to restrict improvements. He admitted that the tendency of Indian railways has not hitherto been on the side of over-standardisation. He thought that the centralisation of purchases might make it easier for manufacturers to establish a "ring."

6274. Referring further to the statement in the Boards' written evidence that the Government of India should be definitely vested with powers to over-rule the objections of Home Boards in any matter of "general or particular policy," Sir Arthur Anderson asked if Mr. Bell could define the meaning of the words quoted. Mr. Bell said that they covered matters affecting the interests of the country generally as well as the interests of a particular railway.

6275. In answer to Sir Henry Burt, Mr. Bell said that in his opinion the future policy as regards the working of railways should be determined with reference to the result of the experiment on the E.I.R.* If, after an experiment of, say, five years, management by a company with its domicile in India is found to be successful, he would recommend that policy for adoption in other cases. If the experiment is not found successful, the alternatives would be either State management or continuance of the existing system. Mr. Bell had not had any experience to show that the London Boards have been useful on occasions in bringing helpful criticisms to bear on important proposals put forward by the Railway Board. Sir Henry Burt explained that in this country, if the Railway Board has a proposal to make, there is no other body to criticise it, whereas in England, if the Board of an English Company proposed a new line, the matter goes before a Parliamentary Committee, and the criticisms for and against the proposal are clearly thrashed out and determined by an investigation. Mr. Bell agreed that no such machinery is available in India, and thought that there is some advantage in the criticisms to which the proposals are subjected in England. Sir Rajendra Nath Mookerjee observed that equally useful criticism might be applied in India.

6276. The Chairman explained that the functions of a Parliamentary Committee were confined to deciding whether a railway project should be allowed or not. It does not go into all the merits of a project or discuss alternatives, nor has it any authority to enforce the prosecution of any project which it may authorise.

6277. With regard to the suggestion that experts were necessary on the Boards of Directors of railway companies, Sir Rajendra Nath observed that there is hardly an occasion in which two or three experts agree on any one point.

6278. Sir Rajendra Nath referred to the suggestion which had been made that there should be Government Directors on the Boards of Indian railway companies. He said that the inspectors who are at present employed in this way on branch line companies are, after all, only engineers. He thought that after a railway has been constructed and when it is being worked, an officer with traffic experience would be a fitter person to look after the requirements of the country. Mr. Bell said that the Government inspectors of railways do acquire a great deal of knowledge in traffic matters, though of course not as much as an expert on traffic questions can have. In reply to Mr. Hiley, he said that the Government inspectors do not now report to the Railway Board on matters of traffic policy, though at one time they used to do so.

6279. Questioned by Mr. Hiley whether companies with English Boards of Directors or companies with Indian Boards would be the most suitable under the conditions existing in India, Mr. Bell said that he would certainly prefer the latter if men of equal ability could be obtained in this country, but he thought it would be very difficult to find people who would be able to give the necessary time to the work of directing a railway. Mr. Hiley pointed out that the directors of English companies do not devote a great deal of their time to railway matters but leave details to be dealt with by the executive staff. Mr. Bell said he thought that English railways are very much nearer a state of finality than Indian railways. He agreed that competent directors of commercial experience might be obtained in India, but considered that it would be difficult to obtain experts with knowledge of railway administration.

6280. Asked whether under the scheme recommended by the Railway Board they would have the final control in technical matters, Mr. Bell said that they did not propose that they should do very much more than at present as regards the companies' railways. For example, the Railway Board's control over the E.I. Railway, if the latter is reconstituted as a company in Calcutta, would be much the same as it is at present. Mr. Hiley suggested that the want of expert knowledge on the local Board of Directors in India could be compensated for by the Railway Board with its enhanced powers and expert knowledge. Mr. Bell thought that, except for the fact that the company would have an Indian domicile, the E.I. Railway would be run just as it is at present, and so far as the Railway Board are concerned, they would get the same number of references as they

* *P.S.*—Subject now to P.S. in paragraph 6265 *re* extending the experiment to the G.I.P. Railway also.

do now. The Railway Board would not exercise the special additional powers of interference which they urge should be acquired by Government except on very rare occasions. Mr. Clark mentioned the probability of frequent changes of English members on the Indian Boards; he thought that these would not be available for service for more than two or three years; the Indian members would of course serve for longer periods.

6281. On the question of promotion by seniority as against merit, as far as State railways are concerned, Mr. Bell said that the Railway Board would be quite prepared to ignore seniority as against merit, if they had the necessary powers. They were even now endeavouring to give as much weight as they can to considerations of merit rather than to seniority. The only additional power required is that they should have the final voice in such cases and that appeals should not be entertained by higher authorities.

6282. He thought that unless the Railway Board have some control over the pay of the staff on companies' railways, confusion would arise which would lead not merely to lack of uniformity but to an increase of salaries all round. If the Railway Board could not control alterations in the scales of pay, this would react not only on other railways in which Government are shareholders, but also on the State lines.

6283. Mr. Bell considered that the G.I.P. Railway Company's contract should be maintained in force until the experiment on the E.I. Railway had time to be brought into trial and its results valued.* Mr. Hiley asked whether, if the E.I.R. was made a State railway, he had considered the question of trying the experiment of Indian company management on another line, such as the G.I.P. Railway. Mr. Bell said that the experiment certainly ought to be tried. In reply to the Chairman, he said that this would mean that the G.I.P. Railway would have to find rupee capital which the East Indian Railway would not have to do.

6284. Mr. Purshotamdas Thakurdas asked whether it was not possible to have a special service called, say, the Indian railway service, having its own set of rules framed on lines appropriate to the conduct of a business organisation. Mr. Bell said that at present the Railway Board are bound by the Civil Service regulations. If the railway administration were to be overhauled, this handicap might be got over.

6285. On the question of political interference, Mr. Clark said that he would object to this only if it were exercised in a manner prejudicial to the successful operation of railways as commercial enterprises. He had known of no cases in either the Imperial or the provincial councils in which the employment of unsuitable people, or the reduction of rates and fares to an unprofitable extent had been demanded.

6286. Mr. Purshotamdas referred to the complaints made in the Imperial Legislative Council on rates and freights, and alluded to the resolutions by Sir Ibrahim Rahimtoola and Sir Vithaldas Thackersey. He asked if there was any objection to an examination of this question by the Legislative Assembly. Mr. Clark said that he had not considered the idea, but he thought there would be no objection. What he would object to would be for the council to pass a resolution adopting fixed rates for certain classes of goods without going into the pros and cons of the subject.

6287. Mr. Purshotamdas instanced the Presidency Banks and Port Trusts in India as cases in which the same objections might apparently have been taken to the constitution of Indian Boards as are now urged against Indian Domiciled Railway Companies. Mr. Bell said that a ring-fenced body like the Port Trust could not be compared to a big railway system. He admitted, however, that Indians who have been tried on these bodies have not been found wanting.

6288. Mr. Bell thought the present interest of the companies which have only a 5 per cent. or 10 per cent. share in the profits is sufficient to ensure the active efforts of the London Boards of Directors, though he said he would like to see their share in the business enlarged. He thought that if there are enough shareholders to press their interests on the Directors, it is all that is necessary to keep these up to the mark. He admitted that he had not known of any cases in which the shareholders had agitated and called upon the Directors to explain why the dividends were not bigger.

6289. He did not know of any business concern in which the 95 per cent. proprietor allowed the holder of a 5 per cent. interest to manage the concern, nor of any other Government entrusting the management of its property to people holding only a small share.

6290. Mr. Clark said that at present the Stores Department under the High Commissioner for India purchases all stores required for provinical Governments in India. He admitted that as a rule the biggest buyer commands the best terms.

6291. Mr. Clark admitted that there have been cases in which companies have imposed maximum rates in order to induce traffic to travel by a route longer in distance, the rate for the longer route being the same as or less than that for the shorter one. He was not prepared to admit that when the State owns the greater part of the capital in both routes, this must be uneconomical; he said that so many considerations come in that it is impossible to generalise, and that each case should be investigated on its merits before a decision could be given. In connection with the question of access by the London Boards of Directors to the India Office, Mr. Purshotamdas asked if Mr. Clark would approve of the Secretary of State concluding a contract with such a Board without consulting the Government of India. Mr. Clark said he would like to know the conditions affecting the case before answering the question. He did not feel entitled to express an opinion on a general proposition of that kind.

6292. Mr. Clark admitted that it is natural that Indians should take a share in managing their own railways. Mr. Purshotamdas referred to the handicaps, if the railways are managed from London, of its being practically impossible for Indians to take a share in the management; and if, on the other hand, a Board is constituted in India, of the English members being frequently changed; and he asked which disadvantage would be the less. Mr. Clark's opinion was that only experience can show which of the two is the most important handicap, and said that this was one reason why an experiment in the direction of company management in India was recommended by the Railway Board. The Chairman observed that the experiment will never indicate the corresponding disadvantages; for example, it can never show how much a London Board loses by not having Indian members on its directorate. Asked to express an opinion on this point, Mr. Bell said that, other things being equal, the Boards in India would be better, and he was inclined to think that the advantages of having Indians associated with the management would outweigh the disadvantage of the European members of a Board changing fairly frequently.

6293. Mr. Bell considered that the existing system of management should continue until the Railway Board have an opportunity of seeing how the Indian Company Board system works in practice. Even if English companies were absolutely to refuse to accept any greater control over them by the Railway Board than exists at present, Mr. Bell would not be inclined to advocate direct State management. He would rather continue the present control, and await the result of the experiment. He would therefore prolong the G.I.P. Railway Company's contract even if the company were not to agree to the new conditions of control, but the Railway Board had never for a moment contemplated that any company would not agree to the new conditions of control.

* *P.S.*—Since modified *see* note against paragraph 6265.

6294. Mr. Hiley drew attention to the conflict of the foregoing statement by Mr. Bell with the following observation in the Railway Board's written evidence:—

> "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 over-rule the objections of Home Boards in any matter of general or particular policy, etc.'*

Mr. Bell did not think that the two statements necessarily conflicted; the Railway Board's written statement showed the powers they considered they should have, but though desirous of securing them the Board did not consider them absolutely essential, and would not therefore abandon the existing system even if they failed to secure their wishes in this matter. He said he would like, however, to refer this question to the full Railway Board before expressing a final opinion as committing that body.

6295. Mr. Purshotamdas referred to the fact that hitherto in the Legislative Councils it has not been unusual for complaints to be answered by some such statement as that "the matter had been referred to the Railway Company, and as they do not agree to a change the Government regret that they cannot interfere in the mattter." He asked whether under the present conditions such replies as these would not cause dissatisfaction in the Legislative Assembly. Mr. Bell thought that this would depend on the question itself and its importance. Pressed on the point, he said that it was a political question, and he could not give an opinion. The Chairman observed that a general reply that one would get on such questions in the House of Commons would be: "The matter is one within the discretion of the companies, and the Minister of Transport is unable to interfere in the matter." Mr. Purshotamdas remarked that in the latter case, however, the railway capital is not that of the State.

6296. In this connection the Chairman observed that the Indian Railway Committee had recently visited Madras as the agent of the predominating partner in the S.I. Railway, and had desired to discuss certain matters with an employee of the company, namely, the agent of the South Indian Railway. The agent was, however, forbidden by his directors to do anything more than give information on points of fact to the person sent to obtain information by the partner holding nine-tenths of the capital, the Railway Board having no power to intervene with such a case. The Chairman asked whether Mr. Bell would approve of the company retaining the right to act in this manner. Mr. Bell said that he would not, and admitted that there might be one or two further points in regard to which the Railway Board would require enhanced powers.

P.S.—This is also modified by note on para. 6265 to the effect that the G.I.P. Railway Company should be transferred to India.

(The sitting was adjourned until the afternoon.)

MESSRS. E. A. S. BELL and A. M. CLARK, Members of the Railway Board, accompanied by Mr. S. C. TOMKINS, Joint Secretary, were recalled and examined further upon the statement submitted by the Railway Board to the Committee.

6297. Mr. Bell said he was of opinion that the Railway Board was entirely over-worked, and it had to deal with a very large mass of detail. The Chairman mentioned that the statistics placed before him showed that there were some 71,000 communications in and out of the Railway Board's office in 1920, and clearly, with the small staff, this must imply that everybody is over-worked.

6298. Mr. Bell said that, in the Railway Board's opinion, what was required was a reconstituted Board with a Minister as President, who would be the head of the department, and who would be responsible for presenting direct in the Viceroy's Council any case which was so important as to require the consideration of the Government of India. It was not proposed that the President should actually have the position of a Member of Council except in so far as relating to the presentation and discussion of railway business. At the present time the Member in charge of railways also has charge of the Department of Commerce, and he is largely outside the Railway Board. The advantage of confining the Member's duties in the Council to railway business is that it would save his time, as he would not have to deal with questions relating to the business of other departments, such as military expenditure. The Chairman suggested that a man who could not exercise the full powers of a Member of Council would be somewhat an outsider; his position would be inferior, and his personal influence would be greatly diminished. Mr. Bell said that the Railway Board did not wish that the President should hold an inferior position, as suggested, but they would put up with any disadvantage which it might entail for the sake of the benefit of his being able to devote himself wholly to railway work.

6299. With regard to the existing status of the Railway Board, Mr. Bell said that it had been created a Department of the Government of India in 1908, up to which time it had been subject to the Department of Commerce. At the present time, though under the same Member as the Department of Commerce, it has the same standing as the latter, the two Departments being under one Member in the same manner as the Public Works and the Revenue and Agriculture Departments are under a single Member of Council.

6300. With reference to the proposed appointment of a Commercial Member on the Railway Board, Mr. Bell agreed with Mr. Hiley that the object of this was to secure all reasonable benefits from the railways for the commercial community. The Chairman suggested that the proper business of a representative of that community would be to represent matters to and not in the Department responsible for railway management. Mr. Bell agreed that he would not put in a representative of the employees as a Member of the Board to see that such matters as wages and hours are dealt with to the satisfaction of the staff. He did not, however, see any objection to a Commercial Member being included in the personnel of the Board. He thought that, in the suggested case of a staff representative, the question of discipline would be involved, and that this differentiated the two cases. The Chairman said it seemed to him that no question of discipline is involved in the determination of reasonable wages, and that it would be as awkward to have a representative of the trading community on the Board demanding a reduction of rates as to have a Labour Member on it to decide wages and hours. He asked what Mr. Bell's opinion would be of the alternative suggestion that representatives of the trading community should sit in an Advisory Council working side by side with the Executive Railway Board, both being under the Chairmanship of the President of the Board. This Council would exercise advisory functions, and comprise representatives of different interests and localities. Mr. Bell agreed that, if an Advisory Council were established, it would probably be satisfactory for the commercial man to be included in it. He agreed that it would have the further advantage that different interests and places would thus be represented, and competing claims for consideration could be discussed in an impartial manner.

6301. The Chairman drew attention to the apparent conflict between two statements in the Railway Board's written evidence, which in one place recommended that a representative of the Finance Department should be included in the Railway Board as a Finance Member, and, in another place, that the administration of railways should be handed over to the control of the Board in such a manner as to eliminate the representation of the Finance Department in the business. Mr. Bell said he was inclined to think that the use of the word "representative" was a mistake. Mr. Tomkins explained that the idea was to have a man selected with the concurrence of the Finance Department, but who would thereafter have no direct connection with that Department, though he would be familiar with the Government of India Finance Department's point of view and requirements. Mr. Bell said that he thought that Colonel Waghorn would agree to the word "representative" being eliminated from the Board's written statement.

6302. The Chairman asked why, in the Railway Board's proposed reconstitution, it was recommended that the engineering expert should be a member of the Board but not the locomotive expert. Mr. Bell thought that the engineer would usually have had administrative experience as Agent. In the case of a locomotive engineer with similar experience, he would have no objection to his filling a place upon the Board. The Chairman observed that possibly if there were a locomotive engineer in that position less might be heard of such things as large numbers of bridges with speed restrictions. He thought a locomotive engineering Member would be of assistance in considering such questions as why it should not be possible to deal in India, as is done in Canada, with trainloads of 3,000 tons.

6303. With reference to the Traffic Member, the Chairman asked whether it would not be over-loading one man to make him responsible both for the operating side of the railway administration and for the commercial side. Mr. Clark agreed that if the representative of the commercial community were placed, as had been suggested, on the Advisory Council instead of on the Railway Board itself, two Traffic Members, one specialising in operating and one in commercial work, might be substituted for the one Traffic Member and the one Commercial Member as proposed by the Railway Board.

6304. The Chairman asked Mr. Bell if he could give the Committee an idea of the difference in the extent of the Railway Board's interference with the working of companies and State-managed railways, or, in other words, what amount of additional work would fall upon the Board if all companies lines were brought under State control. Mr. Bell said that, generally speaking, the Board did not look into schemes and proposals from companies in the same detailed manner as those received from State railways. The reason was that, when a proposal was sent up by a State railway, it came in its preliminary stage, whereas proposals from railway companies came up after having been carefully examined and discussed on their merits between the agents and their Boards of Directors.

6305. Mr. Bell mentioned that the Railway Board naturally has also to do a great deal more work in connection with State railways, in connection with re-establishment questions such as the recruitment, promotion, etc., of staff. He thought that, if all the railways were directly worked by the State, it would be necessary to delegate charge of them to different committees. He thought that the full Railway Board would discuss financial questions and others of importance relating to more than one line, while committees could deal with matters of minor or only local importance. The Chairman suggested for consideration an alternative on the lines of the railway administration in Germany, where, though the central control was in Berlin, this was supplemented by 21 local directorates who managed all local business. He thought such a decentralisation might be possible if the railway administration could be cut adrift from the Finance Department. Mr. Bell said that he did not see any *primâ facie* objection to this proposal, and that, if introduced, it would relieve the Railway Board of many details such as are now referred to it, and might obviate the need for its enlargement.

6306. Mr. Bell said that he would communicate to the Committee the financial powers of the Railway Board in respect of sanctions to capital and revenue expenditure. He subsequently advised the Committee that these limits are, in the case of:—

Capital Works—

(Construction projects)	...	Rs. 12½ lakhs.
(Open line works)	... ...	20 ,,
Revenue Works...	... ...	No limit.

Any individual work costing less than the amounts specified could be sanctioned by the Railway Board without reference to the Finance Department, but funds for expenditure on such works would of course have to be found within the Budget grant.

6307. When it became necessary to effect reductions in expenditure, the practice of the Finance Department was not to go into details, but to specify the sum to be retrenched, leaving it to the Board to decide upon which railways or works this reduction should be effected.

6308. With reference to the powers of independent action delegated to railway companies, Mr. Tomkins mentioned that the schedule of these powers was now being examined, and suggestions were being put up with a view to enlarging company administrations' powers. These powers related mostly to staff matters. Obviously something of this kind was necessary since the limit formerly fixed of Rs. 250 above which all appointments required Railway Board's sanction, now corresponds in value to about Rs. 400.

6309. Mr. Bell explained, in connection with the Railway Board's remark that 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, that this really meant that the predominant partner had the right to reserve control in such directions. He agreed that such a statement might not be applicable in a country like England where companies are entirely separate organisations.

6310. With reference to the frequency of references from railway administrations, Mr. Tomkins mentioned that a large part of the 71,000 communications, to which the Chairman had referred as being received and issued by the Railway Board, would be merely returns and statements of various kinds. He promised that he would furnish subsequently to the Committee details showing how the figure was arrived at.

6311. In reply to Mr. Hiley, Mr. Bell expressed the opinion, in which Mr. Clark concurred, that the President of the Railway Board should not be paramount, and the voice of the majority on the Board should prevail. The question had not, however, been discussed by the Board, and the opinions expressed were personal.

[*P.S.*—The Railway Board subsequently intimated that on reconsideration they are of opinion that the President should be paramount and in a position to give the final decision.]

6312. Mr. Bell said that he did not think there was any inconsistency between the two statements in paragraph 24 of the Railway Board's memorandum, namely,

> "The result has been the withdrawal of a great deal of control in matters of detail and the delegation of extensive powers to companies and State railway agents,"
>
> and
>
> "From an administrative point of view, therefore, a general limiting control over rates, wages, conditions of service, adequacy of transport service and conditions of transport must always be necessary,"

the first statement referring to details and the latter to matters of principle. The Board's view was that the new powers, which they suggested the Government should take, should be exercised only in connection with important questions of principle.

6313. In reply to Sir Henry Burt, Mr. Bell said that the Railway Board had not thought of constituting an Advisory Board for work at the Government of India's headquarters. He agreed that such a body would be desirable. It would presumably have representatives on it, at least of different geographical areas, and he thought it would be desirable for it to include also representatives from certain Government Departments, for instance, the Secretaries in the Departments of Agriculture and of Commerce and Industries. The last in particular should be useful in giving an idea as to what railway facilities and concessions would be necessary for industrial development.

6314. In reply to Sir George Godfrey, Mr. Bell said that the Railway Board's original idea was that the Traffic and Engineering Members should have had experience as Agents. The Chief Mechanical Engineer should be a man of general railway experience capable of giving an authoritative opinion on questions referred to him. He agreed that there should be a Financial Member of the Board, and that one of the Traffic Members should be a man with a commercial bent of mind.

6315. The Railway Board had not considered the suggestion that there should be appointed a Minister of Communications who would take charge of Ports, Harbours, and Inland River Navigation in addition to Railways. Mr. Bell said he would not express any personal opinion on the matter. He was not aware of the recommendations under this head contained in Sir Llewellyn Smith's report. Mr. Bell agreed that there seemed to be something to be said in favour of the co-ordination of the Port and Railway Improvement Schemes, and he was disposed to approve of it as a principle of organisation that railway and port work must be linked up and co-ordinated. His only objection was that it would mean that additional work would devolve upon the Board.

6316. Mr. Bell said he did not sympathise with the view placed before the Committee by some of the witnesses that there would not be enough work for one Member of Council for Railway Department.

6317. The Railway Board had not contemplated that the President of the Board should be responsible directly for any specific section of the work. He would be responsible for discussing matters generally with the several members of the Board, and for co-ordinating the work of all.

6318. In connection with the Broach block-rate case which had been brought prominently to the notice of the Railway Committee, Mr. Clark indicated the substance of the reply which the Railway Board was sending to the special enquiry which the Committee had addressed to the Railway Board in this connection. That reply is quoted as follows:—

> "The views of the Railway Board are as expressed in the last paragraph of their letter No. 511, T-16, dated 30th October, 1917, to the Agent, Bombay, Baroda and Central India Railway, which reads as follows:—
>
> > "With reference to your representation that the withdrawal will lead to a reduction of railway rates between Bombay and Broach and consequent loss of revenue, I am to say that the Railway Board have carefully considered this aspect of the case and regret that they can now see no reason for treating the particular case of Broach exceptionally in this matter. There are many places in India similarly situated, and the railways concerned have not been given any special protection, but have to meet the competition of water traffic by sea and river, and even of steamer lines, within their ordinary powers of charge."

Mr. Clark said that this statement represents the present view of the Railway Board. The Chairman mentioned that in the correspondence relating to the Broach case there was a letter from the Railway Board laying down that the universal practice is to allow of a greater degree of competition between railways and water transport than between railways, and observed that the statement in itself might be true and might fairly have been applied by the Railway Board to defend a reduction of rates in order to retain traffic, but not to justify an increase of rates to prevent traffic reaching a port. He had never heard of such a practice being defended elsewhere.

Mr. Purshotamdas enquired whether when railways are short of wagons as at present, and two routes exist, the Railway Board would approve of traffic being retained for purposes of competition to the longer and therefore less economical route. Mr. Clark stated that each individual case must be decided on its merits. The longer route need not necessarily be the less economical.

FIFTY-FIRST DAY.

(Delhi.)

Thursday, 3rd March, 1921.

PRESENT:

SIR WILLIAM M. ACKWORTH (*Chairman*).

Sir A. R. ANDERSON, KT., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
Mr. J. TUKE.

Mr. T. RYAN (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. S. C. TOMKINS, Joint Secretary, Railway Board, was called, and examined.

6319. The Chairman observed that Mr. Bell had told the Committee on the previous day that the whole machinery of the Railway Board was overstrained, the Board being burdened with an amount of detailed work with which it should not be required to deal, his own impression being that the Board appeared to have upon its staff too few people who could do responsible work of the more important kind. Mr. Tomkins agreed that upper clerical staff of the non-commissioned officer type are too few in number. He did not think that numerically most of the sections in the office are too small, but there were too few responsible assistants who could do independent work.

6320. Taking the Stores Department as an example he said that the head of this section is an Assistant Secretary who is a State Railway Engineer, and under him there is a Superintendent drawing at present Rs. 760 per month. Below the Superintendent there are four Assistants drawing salaries of Rs. 275 to Rs. 350. In his opinion there was too large a gap between the superintendent and the assistants. Generally speaking, the superintendent of a section is a man of brains and capacity, but if he is absent the assistants are thrown too much on their own resources. He would like to see more men of the superintendent class, and there should be an understudy between the superintendent and the existing staff. He mentioned that superintendents are promoted assistants, all the subordinate staff below the assistant secretary having only clerical qualifications, and rising from the bottom of the clerical scale.

6321. In Mr. Tomkins's opinion a weak point of the Railway Board's office organisation was that practically none of the subordinate staff had ever been employed on open line work. The result was that the superintendents and the clerical staff dealing with the papers frequently did not know what the subjects dealt with in them really represented. He explained that, for his own branch, he had already successfully recruited a man from the Bombay-Baroda and Central India Railway, and had got another from the North-Western Railway. He had introduced the practice of deputing the Superintendent of the Statistical Branch, during the slack season every year, to the North-Western Railway for a month or so to familiarise himself with the preparation of the statistics used at headquarters.

6322. As regards the qualifications possessed by the clerks, he said he did not know much of the new system of recruitment which had recently been brought into force, but in the past only those who had passed the entrance examination corresponding to the matriculation examination of a university were engaged. Assistants were merely senior clerks, and, when promoted to this grade, are supposed to be competent to undertake a more responsible class of work. Usually they are capable of dealing with cases, although perhaps not of writing a finished draft. Cases are submitted by the assistants through the superintendents to the assistant secretaries. If the assistants are good a great deal of the work is merely initialled by the superintendents, but assistants vary a good deal in capacity. He would like to see a better class of men interpolated between the superintendent and the assistants, and, in his opinion, it would be better to bring men of this class from outside, though he realised that to do this would cause considerable annoyance to the clerks in the office, who think they are entitled to promotion.

6323. The Chairman observed that the Committee had been told that the Railway Board recruits its officer staff solely from the State railways, and neglects the much larger field of guaranteed railway companies. Mr. Tomkins said that hitherto this had been the case, but he did not think that company men would care to come into the Railway Board's office unless superior inducements were offered. Judging from the numbers of men who had come and gone, it did not look as if the headquarters appointments were looked on as very attractive. Ordinarily officers appointed as assistant secretaries receive Rs. 250 per month in addition to their ordinary pay; while, on the other hand, Simla is an expensive place in which to live. He did not think the special amenities of the Simla climate are a great attraction to the officers concerned as they are so frequently bachelors. State railway men had to take these appointments if ordered to do so. He did not know whether the Railway Board would post a man to any of these appointments against his will; but if they chose to do so there was nothing to prevent this. Many officers did not care to come to headquarters for fear of losing touch with their own regular work. In the Projects Section, for instance, the Railway Board had a man who had been very unwilling to leave construction work and to sit in an office criticising agreements, etc. The same had been the case in the Stores Section, at the head of which there is a civil engineer.

6324. Mr. Tomkins explained that the Assistant Secretary, Projects, is usually an engineer of about ten or twelve years' standing. The Superintendent of the branch, as in the case of other branches, is not a gazetted officer, but only a chief clerk who is at the top of his tree and never gets any further. Such superintendents are not technical experts, but have a special knowledge of the Government of India Secretariat procedure. They are liable to be transferred from one branch of the office to another. Mr. Tomkins thought that the Railway Board has a sufficient number of assistant secretaries, there being at present five, of which the one for the Way and Works Section has been sanctioned as a temporary measure. The Railway Board has asked that this post should be made permanent.

6325. He did not know whether any appointments had actually been offered to company men, but he agreed that it would be an advantage to have company men also upon the Board's staff. Mr. Tomkins did not see any objection to a free interchange with companies' lines, both in the direction of sending men to them to be trained and taking men from them, but he thought this a matter of policy with which the Railway Board could better deal. The clerical staff in the Board's office are local service men who could not be sent to work on railways against their will: they could only be given an option of doing so.

6326. In Mr. Tomkin's opinion, under the existing conditions of work, the only change needed in the Railway Board's office was an improvement in the quality, and not in the number of the men, and the provision of understudies for Superintendents.

6327. Mr. Tomkins considered that, if the Railway Board were given a larger range of duties in big matters of policy, and a larger mileage of lines directly managed by the State to supervise, the Board should be relieved of a good deal of the present routine work, which should devolve upon subordinate authorities. There would be a chief engineer who might deal direct with engineering matters. There is at present no senior officer in the Railway Board's office, other than the Board itself, to deal with important questions of Stores, Projects, Operation, Rates, etc. The chairman enquired, supposing the Board confined itself to decisions on important questions of policy, and generally to the larger matters of railway administration, delegating decisions on individual cases of less importance to senior officers corresponding roughly to the heads of the existing sections in the Board's office, how these heads of departments would fit in with the organisation. Mr. Tomkins thought it difficult to say how they would fit in if they were to give decisions of their own as distinct from those resting on the authority of the Board. The existing chief engineer does not pass personal orders on any cases. He is a technical officer who advises the Board on engineering matters, although in most cases of course the Board acts upon the advice given by him.

6328. The Chairman enquired whether it would not be a practicable scheme for the Railway Board to have under it a number of senior officers such as Director of Engineering, Director of Operation, Director of Commercial Matters, etc., who could deal with matters of minor importance themselves, and refer questions of greater magnitude to the Railway Board. Mr. Tomkins explained that this is already done on a small scale as the Assistant Secretaries deal with a great number of unimportant references which they do not send up for orders although the letters which issue from the office always purport to convey the decisions of the Board.

6329. He admitted that, if a railway agent sends up a project, it ought not to be possible for a relatively junior official to reject it, and that such authority should not be exercised by a man of a lower standing than the agent himself. Mr. Tomkins explained that in important matters the Assistant Secretary puts up his note to the Board making his recommendations, but the orders are passed by a member of the Board. The Assistant Secretary then usually issues a letter on the lines of the decision without referring again to the Board.

6330. Cases submitted to the members of the Board by Assistant Secretaries are either dealt with finally by the individual member to whom they are put up, or may be reserved by them for discussion in Board meetings at which orders are passed. Mr. Tomkins mentioned that the Railway Board meet daily in the morning, and nowadays usually sit until lunch time. Letters which are received in the day's post are opened and discussed, and where possible orders are given at once. Each Member brings up a certain number of cases which he considers require the attention of the full Board, and these are discussed and orders passed.

6331. Mr. Tomkins admitted that it is at present a matter of difficulty to get through the whole of the agenda at these Board meetings. A good deal of time had lately been taken up in discussing the numerous references from the Railway Committee, this representing a temporary addition to the Board's work. Mr. Tomkins did not think that the daily meetings preclude members from touring to any considerable extent, as it is not necessary for all the three members to attend the meetings. Some difficulty is experienced, however, when the President is absent. Mr. Tomkins did not think that in any case a member could tour for any considerable length of time without being flooded out with work on his return.

6332. He did not think that all the cases which are now brought before the Board require the decision of the collective Board, but, under the existing constitution a member may not care to take the onus of responsibility for giving decisions in certain cases.

6333. Mr. Tomkins did not think that State railways send more important cases up to the Railway Board than companies' lines, though they send a good deal of relatively unimportant matter which is always dealt with by a single member and not by the collective Board.

6334. He thought that a Board with five members would take a longer time to come to decisions than a Board of three.

6335. In reply to the Chairman, Mr. Tomkins said, at present, work is divided among the members, the President being in charge of finance and construction projects, Mr. Bell being in charge of way and works and Mr. Clark dealing with traffic and stores questions. References regarding statistics are usually dealt with by Mr. Clark in the first instance. Mr. Tomkins said that the division of work had undergone several changes from time to time; it depends to some extent on the special nature of a member's past experience.

6336. He said that the Projects Branch receives all applications from the public in connection with the construction of new lines. It carries on correspondence, and comes to a conclusion whether a project is worth proceeding with or not, and finally settles the question of the agreements to be entered into. The Railway Board has not before it at present many schemes for large extensions. In considering a new project the file would be referred to the officer in charge of the Traffic Section, who is usually a senior District Traffic Superintendent. The last but one Assistant Secretary (Traffic) was a more senior officer, being now Traffic manager of the Eastern Bengal Railway. There is at present nobody of a higher standing than a District Traffic Superintendent on the Board's headquarters staff who could study a railway project from the railway traffic point of view. The engineering aspect of a project is examined by the Engineering Assistant Secretary. Both the Assistant Secretaries, Traffic and Engineering, note upon the scheme and submit it to the Railway Board. A member of the Board—at present the President—adjudicates upon the case, having before him the opinions of the two branches as well as the advice of the Chief Engineer if the case presents any special technical difficulty.

6337. Sir Rajendra Nath Mookerjee drew attention to the length of time for which the Railway Board meets every day, contrasting this with the practice of the Government of India, in which eight members meet normally only once a week, though they have to deal with much more important matters than railway questions. The Chairman suggested that, in the case of the Government of India, members of Council must exercise very large individual responsibility, whereas in the case of the Railway Board it would seem to be only in matters of minor importance that the individual members of the Board exercise sole responsibility. Mr. Tomkins was doubtful whether this was a correct conclusion, and drew attention to the practice of the Government of India of circulating papers, and thus of considering them collectively, though not actually at a meeting. He thought that if the Government of India practice were followed it would be necessary for the Railway Board to do much more of its work on paper. In the case of the Government of India all the papers are circulated before the meetings, and when the members of the Executive Council assemble, all of them have seen the papers beforehand, whereas in the case of the Railway Board this is not always done.

6338. Sir George Godfrey said it appeared to him that a weak point of the Railway Board was that it is obliged to bear its responsibility collectively under the existing arrangement. The Chairman observed that the Railway Board apparently had not delegated to any member or to any officer any of the powers which they exercise as a Board, except in regard to relatively unimportant things. Mr. Tomkins thought that, if the members did not consult each other in the manner in which they do, and acted only as departmental heads, this would be really a reversion to the ordinary Secretariat procedure. He said that all official letters issuing from the Railway Board are sent by the Secretary or the Assistant Secretary in the name of the Board.

6339. Mr. Tomkins was not sure whether there are any existing orders providing for the extent to which responsibility should be apportioned between the members of the Railway Board. He thought that in a case of dispute the majority view would prevail. The Chairman observed that in the organisation of American railways the duty of each Vice-President was always clearly stated, and he thought it desirable that there should be some similar allocation of responsibility in India.

6340. Regarding the relations of the Railway Board with the Finance Department, Mr. Tomkins said that the present Financial Adviser, Rao Bahadur K. Balarama Iyer, exercises the double function of the Accountant-General, Railways, and of Financial Adviser. As Accountant-General he is the Chief Railway Audit Officer. He did not think it would be correct to say that in that capacity he is independent of the Finance Minister, but he is directly responsible to the Controller and Auditor-General, under whose directions he compiles the railway accounts and budget. In reply to Sir Arthur Anderson, Mr. Tomkins said that the Controller and Auditor-General is independent not only of the Finance Minister, but also in his audit capacity of every other authority in India. The Chairman remarked that in the chart before him, which had been furnished by the Railway Board, both the appointments of Financial Adviser and Accountant-General, Railways, are shown as dependent on the Finance Minister.

6341. Regarding the functions of the Financial Adviser, the Chairman observed that this designation appeared to be something of a misnomer, as he understood he does not advise, but is rather a channel of communication. Mr. Tomkins explained that the Financial Adviser is useful from the point of view of his intimate connection with the Finance Department. No specific powers are delegated to him by that Department, but much is left to his discretion. He deals, within that discretion, with all the numerous cases in which there might be small technical objections involving some deviation from established rules, etc. It was very convenient to be able to refer files on such subjects direct to the Financial Adviser instead of to the Finance Department, as used to be necessary.

6342. With regard to statistics, Mr. Tomkins said that in the Railway Board's office there is a special statistical and technical branch. So far as technical matters are concerned, this branch is responsible to the Chief Engineer; and, so far as relates to statistics, to himself as joint secretary. Technical publications are prepared and got into form by the Chief Engineer personally, and the branch merely deals with the mechanical part of the work, such as papers, printing and issue. In reply to Mr. Hiley, Mr. Tomkins said that these publications are mostly original documents. Some of the papers are written by particular officers of the various raliways, both company and State managed, with relation to particular problems, mostly engineering. There are no publications by which officers in a remote part of India can be kept regularly in touch with what is happening in the railway world. There are, for instance, no means by which information can be given to railway people of the policy of the United States or Germany in connection with such matters as "block-rates."

6343. Mr. Tomkins mentioned that the original form of the railway statistics was fixed about 1880, and that of the present administration report a few years later. No material changes had been made in the main form of the report for the last 35 years, although railway cost accounting and so forth have changed greatly since that time. The Chairman referred to a very excellent annual report which is submitted to the Ministry of Railways and Communications, Peking, by the Standing Committee on the Unification of Railway Accounts and Statistics. He said that the forms of accounts and statistics contained in this report had been drawn up by a Committee with the assistance of a very eminent American railway statistician. He asked whether this publication had appealed to anyone in the Railway Board's statistical office as a model deserving consideration. Mr. Tomkins doubted if it had even been seen by anybody in the Railway Board's office.

6344. Referring to the Railway Board's annual administration report, he said that the inclusion of many half-yearly figures in this was due to the fact that hitherto accounts had been made up half-yearly Future reports will, however, contain only annual figures.

6345. The statistical branch of the Board's office does little beyond compiling the information sent up for incorporation in the report by individual railway administrations.

6346. The Chairman observed that in the administration report precisely the same space is devoted to the statistics of such relatively unimportant lines in the Indian railway system as, for instance, the Jamnagar Railway in Kathiawar, as is given to those of a main trunk line like the East Indian Railway; he thought that this indicated that there was little discrimination exercised. Mr. Tomkins said that the uselessness of publishing such information, as much of the existing statistics, had been recognised by Government, and a proposal was made five years ago to appoint a Committee to overhaul the whole of the statistics, and to eliminate a good deal which is considered unnecessary, but, owing to the war, no progress had been made with this.

6347. The Chairman observed that the whole of the administration report for 1919-20 contains only a single page of collated figures (Appendix X), showing the main results of the Indian railways treated as one system. No comparisons had been worked out between the separate railways showing the number of miles run per wagon, etc., though there is in the report and its Appendices all the information necessary to enable such comparisons to be extracted and furnished.

6348. He referred also to the statistics published by the Ministry of Transport in England, in which much useful information is given, and expressed the opinion that the whole of the railway statistical system in India needs recasting. Mr. Tomkins said that the difficulty was to find a competent man to do the work. A great deal of money could be saved if it were done; it needed attention also in connection with the working statistics used by individual railway administrations.

6349. Mr. Tomkins mentioned that the staff employed on statistical work by the Railway Board was small, but the number employed on individual railways was considerable, and that practically the whole of the compilation work is done by manual labour, few calculating machines having yet been introduced in India. The Chairman agreed, as the Committee had found that the number employed on such a small line, for instance, as the Eastern Bengal Railway was very high.

6350. Mr. Tomkins produced a voluminous book, entitled "Outward and Inward Traffic of Each Station," printed annually by the North Western Railway, the most bulky portion of this statement being the commodity statement, which occupies a large number of pages. In reply to Mr. Purshotamdas, Mr. Tomkins said that companies' railways also produce similar statements. The Railway Board are not benefited by them. Sir George Godfrey observed that much of the information would be useful to the local authorities in the provinces.

6351. He mentioned that Mr. Scott, the deputy-chief auditor of the North Western Railway, had devised great improvements in the railway operating statistics, and a scheme suggested by him is now under the consideration of the Railway Board.

6352. Mr. Tomkins said that operating statistics are not furnished weekly or monthly to the Board. In reply to Mr. Hiley he said that efficiency statistics are not received in the Railway Board's office, though some use can be made of the figures published in the Annual Administration Report. They are used, for instance, in connection with the consideration of the forecasts of capital demands for rolling stock in relation to which the figures of use of rolling stock on the different railways are studied. The Chairman observed that the Committee had worked out these figures for themselves, and it appeared that the three State managed railways are relatively favourably situated in the matter of rolling stock in relation to the volume of traffic handled by them. The Chairman said that Mr. Hadow's attention had been drawn to the fact that the mileage the North Western Railway gets from its wagons is 50 per cent. less than the East Indian Railway, yet the North Western Railway were being supplied with additional wagons while the East Indian Railway were anxious for more.

6353. Mr. Tomkins agreed with the Chairman that a great deal of money is wasted in having statistics got out which are not wanted, and that many are not prepared which would be useful. He agreed that the first thing to be done by any Committee that might be appointed would be to ascertain what had been done elsewhere in the world, and find out how far the experience of other countries could be usefully applied under Indian conditions.

6354. Mr. Tomkins stated that the Railway Board has a small library in charge of its Registrar. The General Library in the Government of India Secretariat has a larger number of technical publications. The Railway Board gets a good number of bulletins from other countries and weekly and monthly publications, all Railway newspapers, Engineering Magazines, etc. These are circulated in the Board's Office, and useful articles are marked and extracted. He admitted that the Railway Board had

done nothing to circulate these to railway officials elsewhere, who in many places are entirely cut off from the railway world. Sir George Godfrey observed in this connection that the principal technical papers are subscribed for by railway administrations themselves, and are circulated to officers interested in them. The Chairman remarked that, while this was good so far as it went, it appeared to depend largely on the initiative of individual railway administrations, the Railway Board doing nothing in this connection even for the State railways. He mentioned that the Ministry of Transport in England has recently started a bulletin containing references to all the technical papers in the important countries. This does not go beyond the Ministry Staff itself, but he thought there was no reason why such a compilation should not be widely circulated. Mr. Tomkins mentioned that a small annual grant was made to the Railway Board to enable it to purchase books.

6355. In reply to Sir Henry Ledgard he said that the Railway Board gets no statistics to enable it to check the way in which railways are currently dealing with traffic: for instance, they would not ask the East Indian Railway to telegraph information day by day of the number of wagons at Howrah which are awaiting despatch to Cawnpore. In the witness's opinion this would be regarded as undue interference with the East Indian Railway Administration, though he agreed that under the Company's contract the Railway Board has authority to demand any information or call for any returns which the Government of India might prescribe. The Chairman said that he did not think that informaton of the kind mentioned could be held to be covered by the word "prescribed" as used in the contracts. Mr. Tomkins said that it would not in any case be possible for the Railway Board to deal with any large quantity of such information as it would practically mean that one Board of Directors would be trying to supervise 13 or 14 railways. He did not think that such a detailed control is exercised by any Board of Directors.

6356. In reply to Sir George Godfrey, Mr. Tomkins said that a good many returns which used formerly to be sent to the Railway Board had been discontinued, as being unnecessary. The powers delegated to railway administrations had been increased and the question of delegating more powers was under consideration.

6357. In reply to Mr. Purshotamdas, Mr. Tomkins said it would be difficult to say what proportion of complaints received by the Railway Board from the public is passed on to the railways concerned for disposal. Complaints relating to working matters are usually passed on to them for settlement by them. Complaints regarding rates, overcrowding, etc., are usually referred for the supply of information or explanation, and if necessary, pressure is brought to bear to have matters set right. In such cases complaints are not merely passed on to the railways for disposal by them.

6358. Mr. Tomkins said he was hardly in a position to say what action is taken by the Railway Board on complaints of bribery being rampant on any particular railway. He did not know whether any complaints of that kind had been received, as they would not in the ordinary course come to his branch.

6359. Sir Rajendranath Mookerjee remarked that he knew of cases where railways were called on for explanations but was not aware what action was taken after the explanations were received in the Railway Board's office.

Mr. B. A. COLLINS, I.C.S., Director of Industries, Bihar and Orissa, was called and examined on two written statements which he had furnished to the Committee.

See Written Statement No. 80, Vol. IV., P. 259.

6360. Mr. Collins said that he was Director of Industries under the Government of Bihar and Orissa. The first written statement submitted by him might be taken as representing the views of the Government of Bihar and Orissa, and any further evidence tendered by him beyond what was contained in that statement should be understood as expressing his personal opinion.

6361. His general view was that there was room for both State and company management in India. He said that the country in general, and Bihar and Orissa in particular, was suffering for lack of railways and railway development. The Chairman asked whether, apart from the coal and metallurgical industries, in respect of which the Committee had already received much evidence, there were any existing or potential industries which were particularly sufferers. Mr. Collins replied that, as a result of the lack of coal, which had been brought about by the present unsatisfactory railway transport conditions, oil seed crushing mills in Bihar and Orissa were in difficulties; some of them used wood and some of them even had to close down altogether. He had received a letter from the management of a mill at Katihar complaining that they had been unable to get coal for three weeks and had to stop work. He promised to furnish a copy of the letter for the Committee's information. The Chairman said that the Committee was anxious to be placed in possession as far as practicable of precise figures as to the number of factories, mills, etc., affected, the quantity of coal they use, and the labour they employ, so that the position might be accurately appreciated. Mr. Collins said he would furnish information of this kind. He mentioned that he had lately heard that a copper smelting and refinery at Rakha, near Jamshedpur, had closed down for about a fortnight for the same reason. In reply to Mr. Hiley he said that he did not know how far the Tata Iron and Steel Works had been affected.

6362. Mr. Collins said that it might be taken that of the total quantity of coal raised in India about two-thirds are mined in Bihar and Orissa. The Raniganj coalfield of Bengal also yields large quantities.

6363. The Chairman said he thought that Mr. Collins put it very fairly when he said "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 constant state of apprehension of failure of supplies." Mr. Collins agreed that coal supply had always been bad, and though the situation varies from time to time it is only a question of the relative degree of badness.

6364. The Chairman referred to the statement that shortage of wagons prevents the development of coal mines. Mr. Collins considered that it would be advantageous if wagons suitable for overhead loading could be introduced, thus enabling the work to be done quicker and setting free for underground work the coolies who at present carry the coal in baskets to the wagons. Mr. Collins said that his opinion as to the relation between the dearth of wagons and coal development was based on the expert advice of Mr. Kirke, which had been corroborated by others.

6365. The practice in English collieries was that if there were no wagons they ceased working, whereas in India coal was raised and stacked and was despatched later when wagons became available. Quite apart from wagon scarcity he agreed that to a certain extent stacking would be necessary in India, as output is not constant owing to fluctuations in the supply of labour.

6366. Mr. Collins said that the labour force available at the collieries would be insufficient to increase the output of coal by 50 per cent., unless mechanical labour saving plant were used. Regarding the Santalis he said that he had done some settlement and survey work among them, but did not know them sufficiently well to say whether they would develop into steady industrial labourers if offered permanent work.

6367. Sir George Godfrey observed that the phrase "wagon famine" which occurred in Mr. Collins's

statement was not quite correct. Mr. Collins agreed that a better phrase would be "lack of supply of wagons," and added that to an outsider it would seem that there was a shortage of stock if no wagons were forthcoming, whatever might be the real cause.

6368. With reference to the recommendation that railways, other than those for the adequate finance of which Government could provide, should be handed over to companies on terms ordinarily associated with commercial ventures of this class, the Chairman asked Mr. Collins whether it was proposed to limit the profits of companies that would be formed to work the railways. Mr. Collins said that their profits would be regulated by the fixation of rates. He considered the need so serious, that, while the State should raise all it can for the railways, companies should also be given every encouragement subject to reasonable regulation.

6369. He would prefer that the companies should be domiciled in India, and believed that much capital could be raised, if suitable terms were offered, as should be done in the interests of India. He did not care to name a sum, but thought that, to start with, possibly three to four crores could be raised annually, and more when people got accustomed to railway issues. The amount suggested would not be only a trifling beginning, as suggested by the Chairman, as he was speaking of what might be done by a single company.

6370. He thought that the domicile of any company to which the working of a line was entrusted would, no doubt, influence the amount and the source of capital. He thought it would not be difficult to form a company to take over an existing line, if such terms were offered as would give a fair return on the ordinary capital, but he did not think that a guarantee should be given. Taking, for instance, the case of the East Indian Railway, in which the Secretary of State had ordered that the management should be transferred to India, the terms offered should give 8 per cent. on the ordinary shares. The Company would have to work as an ordinary commercial concern on the understanding that, if they failed to earn 8 per cent. they would be allowed to adjust the rates so as to enable them to do so. He thought the big landholders and Indian Princes would subscribe to the capital of such a venture, though they might not subscribe as much at first as they would after they gained confidence. He thought, also, that the holders of capital in the existing British Companies would take up the shares of the New Indian Company to a considerable extent.

6371. The Chairman pointed out that, on account of the operation of the English income-tax 8 per cent. would become 5 per cent. Mr. Collins observed that they were already subject to it, and they would be better off by the extent to which the rate is increased.

6372. The Chairman pointed out that there was another difficulty—rates could not be manipulated on one line without disturbing the flow of traffic unless other companies also altered their rates correspondingly. For instance, if rate for merchandise for export from Cawnpore to Calcutta were raised by the East Indian Railway the traffic would be diverted to Bombay by the Great Indian Peninsular Railway. Mr. Collins said he was thinking of the Bengal Nagpur Railway, but here again it was pointed out there was the competition for coal traffic.

6373. The Chairman asked what would happen if the Company earned more than 8 per cent. Mr. Collins said that there would then be a case for reducing the rates, until this was done the profit would go to the Company.

6374. With reference to the allusion, at the end of Mr. Collins's statement, to the dissatisfaction which exists with regard to rates, the Chairman asked for particulars. Mr. Collins said that the paragraph in which this statement was made had been drafted by the Government, and he could not say to what it referred. The Chairman remarked that the Bihar Government had not indicated the form the control of rates should take, and asked Mr. Collins what he would suggest. Mr. Collins thought that some form of Rates Committee would probably be suitable. The Chairman said that this appeared to be generally agreed so that it seemed likely it would be introduced.

6375. The Chairman said that the False Point Harbour Scheme on which Mr. Collins had written a special note was outside the scope of the terms of reference to the Committee. Mr. Collins submitted that this harbour would be the natural outlet for the whole of Orissa, the south of Chota Nagpur and the east of the Central Provinces. Even if Calcutta port could deal with all the traffic by making extensions he would still be in favour of opening this new harbour in the interests of Orissa and Chota Nagpur. It would provide an easy means of exporting coal from Orissa to Bombay, Madras, Burma and elsewhere. It would more or less be a coal and mineral port. Compared to these the other merchandise might not be of great bulk or value.

6376. Mr. Collins said that he would certainly favour confining expenditure to improving the existing open lines before starting to develop the harbour which would take a very long time.

6377. In answer to Mr. Purshotamdas, he did not see any reason why proper boards could not be secured in India in the same way as Presidency Banks had been managed. The Government of Bihar had offered no opinion on the question of Boards of Management.

6378. Mr. Collins added that coal shortage is sometimes due to short wagons supply and sometimes to small raisings. At present there is a shortage in the quantity of coal raised, and of the accumulated stock most of the first class quality had been removed. If coal companies could be sure of wagon supply they would put in labour-saving devices such as electric cutters, and increase the output. There was no doubt some difficulty in getting labour, but more could be done with the existing labour by introducing labour-saving appliances.

P.S.—Mr. Collins subsequently wrote to the Committee as follows:—

As promised, I enclose copies of two letters on the subject of coal shortage. That from the Cape Copper Company shows how serious the situation is. I wrote to the Coal Transportation Officer and asked him whether he could allow wagon allotment to be cumulative, at any rate in certain cases, but he has replied that he is unable to do so because, if he makes this concession in one case, he must make it in all others. The other letter is typical of several others I have received. It is from the manager of a small oil mill employing about 100 persons. When I was in Bhagalpur last rains, too, I found that of the four or five oil mills there one was closed down and three others were only being kept going by the use of wood as fuel. On other occasions I have found mills working with little better than coal dust. . . .

ENCLOSURES.

(*a*) Copy of letter dated the 24th January, 1921, from the Superintendent, Cape Copper Company, Limited, Rakha Hill Mines, to the Director of Industries, Bihar and Orissa.

Shortage of Coal.

I have the honour to report that the Cape Copper Company's Smelting Works are shut down for lack of steam coal, and have been so shut down for 10 days.

The reason for this is that from the 2nd to the 12th January there were restrictions on the traffic via Asansol, and none of the colliery indents on our account were met, then from the 12th to the 15th January the

collieries were shut down owing to local holidays. In consequence of this no coal was loaded for us until the 19th January, and we have been obliged to shut down our works in order to have enough coal to keep the mine pumps at work.

In view of the above, and in order to prevent a probable recurrence of these stoppages, which make economical production impossible, I have the honour to request that you use your influence to make our allotment of wagons cumulative, *i.e.*, if the collieries do not supply us with the number of wagons allotted to us for any one month, they should be allowed to indent in the next month for our monthly allowance, plus the number of wagons short delivered in the previous month.

(*b*) Copy of letter, No. 316, dated the 23rd February, 1921, from Messrs. Shankar Kali Mill & Company, P.O. Katihar, Dist., Purnea, to the Director of Industries, Bihar and Orissa.

We regret very much that since last four months passed we are not getting any steam coal at all. The X class, what the Coal Transportation Officer has passed for our mill, is of no use, because in that class we are not getting any wagons at all. We therefore beg to you that please send us an order to the Coal Transportation Officer to pass our order in the " Super X class " and send us very soon. We have got no coal in our hand, and the mill has stopped since last many days passed.

FIFTY-SECOND DAY.

(Delhi).

Friday, 4th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Colonel W. D. WAGHORN, C.B., C.M.G., R.E., Mr. E. A. S. BELL, C.I.E., and Mr. A. M. CLARK, President and Members of the Indian Railway Board, accompanied by Mr. S. C. TOMKINS, Joint Secretary, and Mr. S. D. MANSON, Assistant Secretary (Traffic); were called and examined with further reference to the written statement furnished by the Railway Board.

See Written Statement No. 79, Vol. IV., P. 215.

6379. The Railway Board handed in the following memorandum which they desired to place on record as explaining their point of view in drafting their memorandum for the use of the Railway Committee:—

> " The Railway Board would like to point out to the Committee that in framing their memorandum and especially Part I thereof they had in view the management of the railways purely as a commercial concern so as to give the best results. They are quite aware that there is a school of thought who argue that as the greater proportion of the railway property is owned by the Indian taxpayer, he should be permitted to work it in the way he thinks best, even if this caused some loss of efficiency and did not show such good results.
>
> " With this point of view the Board have the utmost sympathy, but it is a matter of ' high politics ' which the Board do not consider they should take into consideraton. At the present time the need for more capital is so clamant that it is a matter of the first importance to show good commercial results as otherwise the necessary capital will not be forthcoming."

6380. Referring to certain points which during his earlier examination Mr. Bell had reserved for an expression of the full Railway Board's opinion, Mr. Bell explained that the Board adhered to the view that, even if the London Companies' Boards resisted the proposals of the Railway Board for additional powers to be exercisable by it over company administrations, the existing system of railway administration should still continue in preference to transferring the company managed lines to direct State management. In reply to Mr. Hiley, Mr. Bell stated that the Railway Board's view was that they did not believe that the companies would carry very far their objections to giving the Government of India wider powers, but even if they did so, the Railway Board would prefer to maintain the existing system.

6381. The Chairman said that he thought that the Committee would agree with him that the great bulk of Indian opinion which had been expressed to the Committee was that the railways should be worked so that they should at least be self-supporting to the extent of meeting working expenses as well as depreciation charges and interest on capital. Sir Henry Ledgard observed that the alternative view which the Railway Board had in mind, and which was held by some was that the Indian taxpayer might be prepared to work the railways even at a loss of efficiency. Mr. Purshotamdas Thakurdas said that he did not believe that any responsible witness or body of persons had expressed themselves as disposed to contemplate any sacrifice of efficiency of the railway system. The Chairman agreed that at the most the alternative view alluded to by the Railway Board might have been adumbrated by one or two witnesses, but had not found any considered expression.

6382. Referring to the last sentence of the Railway Board's note quoted above Mr. Purshotamdas questioned whether the Railway Committee should consider only the present and near future, and whether it should not take a longer view of the question of railway policy referred to it. The Chairman observed that the Committee could clearly advise that the ultimate policy should be so an so, but that it might indicate that for specific reasons it would be necessary to move slowly in furtherance of that policy.

6383. Mr. Bell also referred to the other point reserved for the opinion of the entire Board related to the appointment of a " representative " of the Finance Department as a member of the proposed reconstituted Railway Board. Mr. Tomkins explained that the idea was that the Government of India could not be expected to agree, when dividing the administration into two parts and entrusting large responsibility in connection with railway revenue and expenditure to the Railway Board, to do this unless there was a competent financial expert on that Board. The Railway Board agreed that their idea was that the Financial Member of the Board should be nominated by the Finance Department, to ensure a sufficiently able and experienced financial expert being included in the administrative body, but once a person possessing the confidence of the Finance Department had been nominated, he would be wholly and solely a member of the Railway Board and not retaining any special responsibility towards the Financial Member of Council as distinct from any other member of the Government.

6384. In reply to Mr. Hiley it was explained that the Railway Board's view was that this Member should not look for any further advancement to the Finance Department It was remarked, however, that in any case further advancement would hardly be possible for an officer who had attained the status of a Member of the Railway Board unless he were promoted to be a Member of Council. In reply to Sir George Godfrey Mr. Clark explained that the Railway Board had no object in desiring that the appointment of the Financial Member of the Board should be an officer actually of the Finance Department. The Chairman suggested that it was quite conceivable that a suitable member might be obtained from outside, for example he might be nominated by the Governor of the Bank of England or a partner in one of the great accountancy firms.

6385. With reference to the status proposed for the President, Colonel Waghorn said that the view of the Railway Board was that the President should act as a member of the Board, and should have a vote in its proceedings as well as perhaps a casting vote if the other votes were equal. The Chairman suggested that it would be difficult for the President to represent in the Viceroy's council a case in which he had been out-voted by his colleagues on the Railway Board, and that it seemed as if, in consideration of his status, he should exercise controlling powers over the Railway Board, as a Member of Council, and not act merely as senior member of that body.

6386. Sir Rajendra Nath Mookerjee asked whether in view of the existing economical stringency, as illustrated in the recent budget proposals, the Railway Board would be disposed to press for an increase in the number of its members. He mentioned that presumably the President under the Railway Board's proposal would have to be paid the same salary as a Member of Council, and that possibly higher pay would also be necessary for the other members. He asked whether it would not suffice if the Board's numerical strength were kept as at present, and they were furnished with the assistance of more technical experts at the heads of various branches. Colonel Waghorn said in reply that the Board considered it necessary to maintain their proposal for an increase in the number of the members.

6387. Mr. Hiley suggested that any increase in the number of the members of the Railway Board brought into greater prominence the question of the need for empowering the President to decide which expert member should be consulted on any particular question or should be entrusted with the responsibility of dealing with it. He laid stress upon the fact that, with a Board consisting of a number of experts, the best opinion might easily not be that of a majority. For example, if a traffic matter was under consideration, the most reliable opinion might well be that of the Traffic Member and of the President, who might however be out-voted by members who were experts in other branches of railway working but not traffic experts. Colonel Waghorn said that he did not anticipate any practical difficulty. He did not think that a large number of technical questions would come up before the whole Board. Mr. Hiley however pressed his point, urging that, if efficiency were based largely on the expectation that all the members would not have a voice in any particular question, it would be better to face the suggestion that the President should have the power suggested by him. Mr. Tuke agreed entirely with Mr. Hiley in this respect.

6388. Sir Henry Burt also attached much importance in this connection to the desirability of avoiding the delays incidental to the process of securing agreement between the several members of the Board. Sir Arthur Anderson suggested, with regard to the latter point, that it was only a question of securing a majority and not unanimous agreement. Colonel Waghorn agreed with the Chairman that, if a decision rests on the verdict of the majority, the change of one member in five might have the effect of converting the majority into a minority, with the result that the Board would be impotent and its decisions would lack finality. Mr. Hiley urged that under present conditions it appears that the President does not possess the power definitely to delegate responsibility to one member to dispose of a specific subject. He thought that the question is bound to assume great importance if the Board be enlarged.

6389. Sir Henry Ledgard expressed regret that he had not been able to be present during Mr. Bell's examination on the 2nd of March. He said that he was surprised to hear that the Board held meetings every day and that these took the entire morning. He thought it preferable that the members should deal individually with the subjects allotted to them. Colonel Waghorn explained that at the Board's meetings orders are passed at once on receipts in the daily post which admit of this procedure. Apart from this each member usually brings up such cases of special importance as he considers require the deliberation of the whole Board, and orders are passed on these. Mr. Bell mentioned that recently the Board meetings had taken an exceptionally long time, partly owing to the necessity of giving special consideration to the preparation of replies to the numerous questions asked by the Railway Committee. He agreed that this was an exceptional circumstance and believed that it would be possible to attain a stage in which the Board meetings should not take more than one hour daily.

6390. Referring to the Railway Board's allusion to the recommendation of the Mackay Committee for an annual railway capital programme of £12½ millions, the Chairman mentioned that the Chairman of the Mackay Committee himself had recognised that this figure was inadequate. During his recent evidence before the Railway Committee in London, Lord Inchcape had said that he would himself have inserted £20 millions instead of £12½ if he had not been referred to Sir Lionel Abrahams, then Financial Secretary to the India Office on the ground that Sir Lionel's responsibility in the matter was greater than his own.

6391. The Chairman questioned the Railway Board with reference to their statement that the railways had fallen seriously into arrears both in ordinary maintenance and in respect of improvements. Mr. Bell explained that in his view the term ordinary maintenance, used in this paragraph, did not refer to renewals which are also seriously in arrears. He read the term " improvement " as covering special or programme renewals as well as additional works. Colonel Waghorn said that the distinction had been drawn broadly between revenue and capital expenditure. The Chairman commented on the unusual practice in India of distinguishing between " ordinary maintenance " and " special or programme maintenance." He said that in other countries the ordinary practice would be to charge to revenue all expenditure of the nature of the maintenance of the railway including all renewals even when these involved the substitution of improved structures or larger and more costly rolling stock; though in such cases at a later stage a portion of the cost might be written back from revenue to capital.

6392. Turning to the statement in paragraph 28 of the Railway Board's memorandum furnished as evidence of the growth in traffic and the relative

rolling stock provision made to meet the traffic, the Chairman observed that the moral was that the wagon stock which the Mackay Committee had described as inadequate in 1907 was now even less adequate since the traffic had doubled, whereas the increase of wagons had been only about 50 per cent., the position being just as bad in the case of passenger stock.

6393. The Chairman noted that a correction slip had been received from the Railway Board amending the figures given in paragraph 29 of the Board's note relating to the Pennsylvania Railroad Company. (N.B. The correct figures have been reproduced in the Board's memorandum as finally printed.)

6394. With regard to the Railway Board's statement of additional mileage opened in the past ten years, the Board agreed that the mileage was inadequate even before the war. They did not however agree with the Mackay Committee that there is room for so much as 100,000 miles of railway in India at the present time. Mr. Bell said that a figure of 50,000 miles would meet present needs. This figure had been based on a consideration of lines which could usefully be made at the present time. This the Board put at 7,000 or 8,000 additional miles of railway, a similar provision being made for branches. The Chairman observed that even 100,000 miles would be small relatively to the population. Colonel Waghorn observed, however, that the population is very unequally distributed in India, and that large tracts of country are very sparsely populated.

6395. In reply to Sir Rajendra Nath Mookerjee, Mr. Bell explained that there was no question in the Board's mind of the immediate construction of the large additional mileage which had just been mentioned. The Board were speaking only of the position in which they considered that the country *ought* to be at the present time. They had made an allowance in the list of requirements for a continued subsequent increase of 1,000 miles per year. In reply to Mr. Purshotamdas, Mr. Bell promised to furnish a list of the principal lines included in the additional mileage of which the Railway Board considered there is present need, these being arranged in order of importance.

6396. The Chairman said he thought it would be useless to discuss the "lapse" question at length, unless the Railway Board were in a position to mention any advantage in the system; none having so far been brought to the Committee's notice. Colonel Waghorn expressed his inability to say anything in its favour.

6397. Colonel Waghorn promised to furnish for the Committee's information copy of the documents connected with Colonel Gardiner's scheme for the separation of railway finance (alluded to in paragraph 35 of the Railway Board's Memorandum), which had been concurred in, in principle, by Lord Curzon. In this connection, Mr. Tomkins explained that efforts are still being made by the Railway Board and Finance Department to trace the Memorandum on this subject, which Sir John Hewett had informed the Chairman was prepared by Mr. Harvey, then Secretary in the Department of Commerce and Industry, when he was himself Member of Council in charge of that Department. The Chairman said that he would not examine the Railway Board further with regard to the case for separating the railway finance, as this had been fully dealt with in their written statement.

6398. The Chairman questioned the Board with reference to their proposal that the whole of the surplus revenues of the railways after meeting the Government of India's liability for interest on loans should be used to supplement the funds available for capital expenditure. He observed that this suggestion was consonant with the ordinary practice of the Government of India, but suggested that it would be necessary to reserve the surplus revenues to meet the interest charges on additional capital, since this would not itself be immediately remunerative. The Railway Board explained that they recognised the need for making provision for meeting all interest charges before treating any portion of the revenues as surplus for the purpose of direct expenditure on railway construction. The Chairman observed that in ordinary commercial concerns, rather than devote surplus revenues directly to new extensions, it was more usual to spend them in improvement of existing assets.

6399. With reference to the Railway Board's observation in the summary of their scheme that the administration of railways should be handed over to the control of a board "outside the Government of India," Mr. Tomkins explained that the meaning of the words quoted was really "outside the budget of the Government of India," much in the same way as certain local funds are already excluded from the ordinary budget.

6400. Questioned with regard to their willingness to take over liability for the existing military railways as part of the railway system, though not being prepared to undertake the construction of new strategic lines, the Railway Board explained that they regarded the past as no longer open to question and thought that it would be necessary for the railway authorities to continue responsible for the existing railway system as a whole.

6401. With regard to the Railway Board's recommendation for financing the railways in future, the Chairman alluded to the circumstance which had been brought to the Committee's notice that the railway debentures issued in the name of the Indian Railway Companies do not rest upon the guarantee of those companies, and the proceeds are not received by, nor necessarily spent upon, the lines whose names are used. Mr. Bell drew attention to the fact that the Railway Board did not recommend adherence to the latter policy, but considered that money raised in the name of a particular line should be treated as additional resources of the company concerned. He said that the Board would be prepared to allow certain railways to increase their capital stock so as to give them a larger interest in the property administered.

6402. In reply to Mr. Tuke, Mr. Tomkins admitted that the idea underlying the Railway Board's proposals as regards raising of debenture stock is that no change should be made in the existing practice in which the name of particular railway companies is used, although the guarantee upon which the debentures rest is really that of Government. Mr. Tuke observed that he did not think that the London money market realised the fact that the association of a company's name with the existing debenture issues does not imply any direct connection between the borrowing and the needs of security of the company itself. Mr. Tomkins agreed that the only difference in the Railway Board's proposals for the future is that the money raised by the debentures would be earmarked for the railway whose name had been used, as explained by Mr. Bell. He urged that, even though the debentures are not secured by the railway property, they have the best security in the shape of the Government guarantee. The Chairman asked why, in this case, the Government of India did not come into the open and borrow directly in their own name.

6403. With regard to the Railway Board's statement that they have already under consideration a proposal to relieve their immediate necessities by paying for heavy items, such as rolling stock, by means of short term bonds, Mr. Tomkins explained that the idea was that the manufacturer should accept payment in five or ten year terminable bonds. The Chairman remarked that the custom in England and other countries where this method was adopted was for the stock purchased to remain the property of the manufacturer until the last instalment of the purchase price had been paid. Mr. Bell said that this point was still under consideration in relation to the proposals alluded to by the Railway Board.

6404. The Chairman referred to the Board's allusion to funds for new construction being raised in the immediate future by private companies, for which purpose the existing Branch Line Terms are inadequate. He asked whether the Railway Board supported the Branch Line method of finance because of any preference for this method or simply as a concession to the weakness of the Government's financial position. The Board agreed that it is better, if possible, that branches should be constructed by the parent lines, and that the more branch line companies are brought into existence the greater the prospects of difficulties owing to rival claims and demands for the recognition of spheres of influence. They supported the Branch Line system only because they did not expect that money would otherwise be forthcoming.

6405. The Chairman asked the Board's views with regard to the suggestion that even the existing administrations in India are too numerous. Colonel Waghorn said that he would not go so far as to support this view. Mr. Bell thought that there was something to be said for grouping the Bombay lines under one administration. He thought the Eastern Bengal Railway also is a small system to be worked independently. The Board agreed that, if the East Indian Railway management is transferred to India, there would be something to be said for absorbing the O. & R. Railway in it. Colonel Waghorn, in reply to Sir Henry Ledgard, said he saw no reason why a line, working up to 5,000 miles such as the North Western Railway, should not be efficiently managed as a single concern.

6406. Sir George Godfrey drew attention to the difficulty alluded to by the Railway Board in connection with the levy of English Income Tax upon the return from the debentures from the existing English or the suggested affiliated companies. Mr. Tuke explained that the general impression is that the holders of such debentures even if residents in India would be liable for English as well as Indian Income Tax owing to the domicile of the controlling company being in the United Kingdom. This was the difficulty which had been anticipated and upon which an authoritative opinion could only be obtained in London.

6407. In reply to Sir Arthur Anderson, who referred to the Railway Board's statement that ordinary maintenance is seriously in arrears, and who said that he understood from various railway witnesses that ordinary maintenance as distinct from programme renewals is generally speaking up to date, the Railway Board explained that in many respects the arrears even in ordinary maintenance had not yet been made up.

6408. Mr. Hiley drew attention to the contention of the Railway Board that State management and company management as at present constituted are equally efficient and economical and secure equally good results. The Board had, however, expressed the view that the delegation of more powers by London Boards to their agents is desirable; and also that the Government of India, being the predominant partner, should be empowered to over-rule the objections of the Home Boards in respect of questions affecting the working of railways. In view of this, he asked whether it would not be in the interests of efficiency and of India generally, that the control of railways by the London Boards should be terminated when their present contracts expire, in the event of the Boards of the company-managed railways declining to delegate the necessary powers to their agents or to recognise the final authority of the Government of India as desired by the Railway Board. Colonel Waghorn stated that the Railway Board had every reason to expect that the Home Boards would not take the line indicated, but would agree in the views of the Railway Board. But even if the Home Boards refused to agree, the Railway Board still thought that the existing system of management should continue. The Railway Board felt that under it a spirit of emulation is fostered between the State and company-managed lines, whereas if all were managed by the State, the result would be a dead level of mediocrity. The Chairman suggested that it is not really logical to say that one system is as efficient as another, if it is efficient only because of the example of the other, which is itself efficient without any such stimulus. Mr. Tuke said it would seem to follow from the Railway Board's observation that there is a better case for having all the railways managed by companies.

6409. Mr. Hiley asked whether the Board would not be able to replace emulation by comparison between State and company-managed railways by an equally effective competition between the different State railways, provided a proper system of operating statistics were adopted and used as a means of testing efficiency. To contend that the example of company-managed railways was necessary in order to maintain a standard of efficiency on State railways appeared to reflect upon the supervision of the railway working by the Railway Board. Colonel Waghorn maintained, however, that in his opinion the example of company-managed railways was desirable and that this system of management should be continued.

6410. In reply to Mr. Hiley, Colonel Waghorn promised that the Railway Board would endeavour to furnish the Committee with a statement showing the existing shortage of rolling stock, together with an estimate of the rate at which arrears could be caught up and of the future requirements after this had been done, together with an estimate of the annual cost. He promised to supply a similar statement in respect of permanent way also.

6411. With regard to control of rates, the Chairman read the following extract from a clause which appears in the contracts of all the companies with contracts dated 1890 and subsequent years, which include almost all the important guaranteed companies, bearing upon the question of the control exercisable by the Secretary of State:—

> "The Secretary of State shall from time to time authorise maximum and minimum rates within which the company shall be entitled to charge the public for services rendered by way of or in connection with the conveyance of passengers and goods on the undertaking, and shall prescribe 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 maxima and minima so authorised, the company may vary the said rates in respect of the distance of weight or special conditions under which such conveyance takes place or services are rendered."

In this connection, he also read the reply from the Railway Board to an enquiry addressed to them on the subject in which they stated that:—

> "The principle was enunciated by Government in 1887 that when once maxima and minima rates and fares had been fixed there should be no further interference on the part of Government, the railways being allowed to alter their rates within the prescribed maxima and minima, and the Railway Board are of opinion that the clause quoted, which appears in contracts dated 1890 and afterwards, does not and was not intended to convey any greater power to Government in this respect."

6412. The Chairman drew attention to the concluding portion of the clause in the contracts empowering the Secretary of State, after specifying the classification for passengers and goods and the maxima and minima charges for each class, further to specify the extent to which within the maximum and minimum the company may vary rates in respect of distance, weight or special conditions, and asked what the significance of this further provision really is. Mr. Clark explained that this was understood to refer to the special limits which the Secretary of State might prescribe for particular classes of goods. He referred to Mr. Manson who cited a single instance in which Government had prescribed a different classification for certain goods according to the distance the article was transported. Mr. Clark argued that the Secretary of State's powers, which are considerable, can be exercised only by altering the classification which he can do if he so desires with reference to distances or weights concerned. He said he would have no objection to further powers being obtained by Government, as he agreed that the

companies should not have absolute discretion within the prescribed maxima and minima, as this discretion is clearly capable of abuse, and even if not abused, railway administrations would certainly be accused of abusing it. For this reason, he thought that the Railway Board should have powers to interfere.

6413. The Chairman observed that there are many cases in which the Railway Board as administrator of the State railways come into contact with the company-managed lines, and asked whether it would not be considered unreasonable that they should act as a judge in their own case. Mr. Clark submitted that the interests of the State in the company-worked and State-worked railways are almost identical. He agreed, however, that many people would accuse the Railway Board of partiality. He thought that the appointment of an outside tribunal would be cumbersome but could suggest no alternative.

6414. The Chairman said that he believed that everybody who had been consulted had agreed that it would be a good thing to set up an independent tribunal with an impartial chairman and which might include representatives of railway and commercial interests. Mr. Clark said that the Railway Board would have no objection to this, and recognised that it would have the advantage of relieving the Railway Board of accusations of permitting undue preference. Mr. Clark was, however, inclined to fear that the tribunal might be almost as cumbersome as the existing machinery prescribed by the Railway Act. He agreed that it would have plenty of work at the start owing to the widespread misconceptions regarding railway rates; but he thought that when these have been cleared away, there would not be enough work to keep a full-time tribunal going and that it would have to be called specially when required. The Chairman expressed the opinion, however, that such a tribunal would always have plenty to do, if empowered to deal with public complaints in reference to rates, and applications for alterations of classifications, and to take decisions regarding the Owners' Risks and Railway Risk notes conditions, and with regard to the ratio between two rates (which would naturally correspond to the value of the insurance provided under the Railway Risk form). He thought that Mr. Clark's apprehensions would not be fulfilled.

6415. In reply to an enquiry by Colonel Waghorn, the Chairman said that complaints regarding the rates in the countries of which he had information sometimes took the form of specific complaints by one individual against the treatment accorded to another, but more generally were complaints from particular industries or interests. There was no doubt that every witness who has been examined by the Railway Committee was anxious that a convenient machinery should be created to enable complaints to be dealt with. Colonel Waghorn mentioned that general complaints were received from time to time, but were rarely found on enquiry to possess real substance.

6416. Mr. Clark read an extract from a report prepared in the Industries Department in the Punjab for the use of the Industrial Commission, showing that when efforts were made to obtain specific evidence in support of general accusations of unfairness of railways in rate quotations, specific evidence was not forthcoming except in a single case—that of the Ambala Glass Works—in which instance the complaint proved to be unfounded. The Chairman observed that if the proposed tribunal were in existence, such a complaint as that of the Ambala Glass Works could be referred to it, and if those concerned did not make such references, they would obviously have no grievance.

6417. Sir George Godfrey mentioned that although many general complaints had been made to the Committee and there was evidently a strong feeling that rates are manipulated in favour of European interests, specific instances had not generally been forthcoming in support. Mr. Purshotamdas observed that the reason people do not pursue matters beyond the railway administration is the feeling that once the railway administration has refused to redress a grievance, the Railway Board have never been able to get them to reverse their decision.

P.S.—In connection with paragraphs 6394 and 6395 the following note was subsequently furnished by the Railway Board:—

"In regard to the list of lines making up the additional mileage proposed, I am to state that the Railway Board have, on reconsideration, slightly modified their views, and they consider that 45,000 miles of line is all that could be justified in existing conditions.

"I attach to this D.O. a list of these lines—they are not placed in any order of urgency, since this was found to be impossible. But the three lines starting from Hesla which serve the coalfields are at the present moment of the first importance:—

Name of Railway.	Length in Miles.
"Raewind-Lyallpur-Khushab	150
Rupar-Sirhind	43
Magrahat-Kakdwip	29
Nachoul-Rampur Boalia-Gopalpur... ...	51
Purnea and Dinajpur District Railways...	271
Tangla-Borjuli	48
Tangla-Nalbari	50
Alipur-Duars-Kumargram	26
Gadwal-Raichur-Gadag (N.G.S.R.) ...	175
Vizianagram-Raipur (Sections IV.-XIV.)	223
Hesla-Monharpur	145
Hesla-Allahabad	280
Hesla-Jubbalpur	370
Bellarshah-Warangal	149
Karachi-Cawnpore (from Hyderabad) ...	540*
Jhansi-Nandurbar	470
Panruti-Trichinopoly-Ramnad	203
Bombay-Sind	270
Bikanir-Mirpur-Khas	333
Bhawalnagar-Khanpur	250
Raewind-Haveli	73
Karad-Chiplun-Ulva	202
Hooghly-Bridge connection...	10†

Name of Railway.	Length in Miles.
Small branch lines in Assam (say)... ...	200
Badarganj-Mohimaganj	48
Bongong Satkhira	26
Chittagong Akyab	133
Ishurdi-Pabna-Sadhuganj	45
Jessore-Faridpore	58
Mymensingh to Tangail	67
Tangi to Tangail	47
Sainthia to Bhaeramara	91
Sainthia to Naya Dumka	41
Sambualpur to Khurda	190
Muzaffarpore to Durbhanga	38
Sointilla-Sonpur	30
Chinchli Bagalkot	50
Belgaum Saundatti Hubli	50
Deesa Tharad	29
Jamnagar Dwarka	86
Badin Jungshahi	70
Tando Mohamad Khan to Mirpur Bathoro	33
Pandharpur Miraj	83
Vasad Katana	26
Vishnupur Howrah	76
Taungdwingyi to Magwe	51
Tahapalai Namtu	36
Bir Bhopal	107

* New construction.

† This is a very important project although its length is comparatively small.

Name of Railway.	Length in Miles.
Indore Dohad	120
Khandwa Barwani	100
Rajahmundry Sironcha	215
Dindigul Palghat	108
Hassan Mangalore	110
Palni Satyamangalam	101
Shoranur Manantoddy	114
Feeder railways in Kotah	170
Feeder railways in Jhalawar	270
Mirzapore to Maihar	140
	7,520
Other small branches, say	1,500
Existing	36,000
	45,000"

The President and Members of the Railway Board, accompanied by Mr. TOMKINS, Joint Secretary, and Mr. MANSON, Assistant Secretary (Traffic), were recalled and further examined.

6418. The Chairman drew further attention to the clause quoted in the record of the morning's evidence regarding the control by Government of railway rates. Mr. Clark explained further his interpretation of this clause. He thought the first portion implied that Government would fix one maximum and one minimum rate, for instance, a maximum of 1 pie per maund per mile and a minimum of 1-10th of a pie for all commodities. He did not question that as a matter of fact from the beginning it has been the practice of Government to fix maximum and minimum rates for each different class of goods. He thought that the latter portion of the contract clause gave Government a further right to discriminate between different classes of goods and descriptions of passengers. The Chairman said that, as he read the clause in question, the explanation was that the Government can firstly fix a maximum and a minimum for each class of goods, and, secondly, can decide on the class in which a particular commodity should be placed, and, finally, that (if after the foregoing action had been taken Government thought that the railway was still charging unreasonably within the prescribed maxima and minima charges for any particular commodities) they might exercise further control to rectify matters. He suggested that a case in which such action might seem necessary would be if a railway were charging the same mileage rate for goods carried 1,000 miles as for the same kind of goods carried much shorter distances.

6419. Mr. Clark mentioned that the Railway Board's interpretation of the clause was based on legal advice taken when the Committee's reference reached them. The Chairman observed that under the Board's interpretation it would seem that the wording of the clause which had been elaborated in 1890 really gave Government no greater powers than they had formerly exercised. Mr. Clark admitted some difficulty in explaining this. The Chairman said that it appeared to him that the clause gave the Government very wide powers of determining the extent by which the railway companies might vary the charges levied for transport of goods.

6420. The Railway Board agreed with the Chairman's summing up of their views, as

(1) they are in favour of establishing a tribunal to deal with differences relating to rates and fares;

(2) they would leave the existing railway system as at present, partly administered by companies and partly directly by the State;

(3) they would keep the Railway Board very much as it is at present, but would add to the number of its members, and cut it loose from the general finances of the country;

(4) the Board should have a head who would have the right to attend Council meetings to place railway cases directly before His Excellency the Viceroy's Council, though he would have no vote as a Member of Council.

[*P.S.*—It was subsequently decided by the Railway Board that on the whole it would be more advantageous if the President were a full Member of the Viceroy's Council.]

(5) The witnesses also, in partial modification of their original recommendation, were disposed to agree that, instead of having a commercial member on the Board, the interests of traders might more advantageously be represented by a larger advisory council which would meet from time to time under the President of the Railway Board.

6421. The Chairman questioned the Railway Board with regard to the application of railway funds to purposes to which probably they would not have been applied under an ordinary commercial system of management. Referring to the charge to railway revenues of the capital portion of the railway annuities, the witness stated that it was being paid out of revenue for the benefit of the people of India. The Chairman asked Mr. Tomkins to endeavour to supply the Committee with a memorandum showing approximately what amount would be charged by the North Western Railway, if it were in the hands of a commercial company, to the military authorities on account of the military facilities provided by it, both in respect of capital and revenue, having due regard to the special expenditure entailed on the purchase and maintenance of reserves of railway stores and rolling stock.

In this connection Mr. TOMKINS subsequently furnished the Committee with the following statement showing (i) gross earnings, (ii) working expenses, (iii) net earnings, &c., of the Military Section of the North Western Railway.

Years.	Gross earnings.	Working expenses.	Net earnings.	Capital outstanding on account of cost.	Interest on Capital, calculated at the rates shown at beginning of History of Railways, *i.e.*, averages actual on Indian Debt.	Net gain or loss after allowing for interest.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1910	53,52,000	65,57,000	—12,05,000	18,36,16,000	62,00,712	—74,05,712
1911	56,45,000	66,27,000	— 9,82,000	18,41,31,000	62,62,295	—72,44,295
1912	58,56,000	58,65,000	— 9,000	18,44,36,000	64,55.260	—64,64,260
1913–14	64,02,000	63,57,000	45,000	18,47,72,000	62,60,075	—62,15,075
1914–15	72,56,000	69,86,000	2,70,000	18,53,28,000	64,84,627	—62,14,627
1915–16	77,38,000	69,12,000	8,26,000	18,56,78,000	64,47,668	—56,21,668
1916–17	85,46,000	70,71,000	14,75,000	18,60,79,000	61,33,908	—46,58,908
1917–18	1,04,24,000	79,73,000	24,51,000	18,81,89,000	65,35,804	—40,84,804
1918–19	1,25,49,000	1,10,33,000	15,16,000	20,20,64,000	70,35,464	—55,19,464
1919–20	1,49,10,000	1,58,60,000	— 9,50,000	20,59,76,000	75,21,277	—84,71,277

6422. With regard to the doubling of the railway from Lahore to Ambala, Colonel Waghorn considered that this line would in any case have been double tracked, quite apart from the demands of military traffic. He admitted that the traffic over the Grand Chord Railway is doubtless heavier than that over the Lahore-Ambala line. Both he and Mr. Bell, however, questioned whether State railways had been specially favoured in the allotment of funds. Mr. Bell stated that he thought it was more likely to be urged that companies' lines had been so favoured.

6423. Regarding the charge to railway funds of the cost of the Railway works at Delhi, the Chairman referred to a note which had been furnished by the Railway Board, which indicated that the total debit to the Railway Budget was likely to be about Rs. 150 lakhs. The Railway Board agreed that the whole of this money would not be spent at the present time were it not for the construction of the new capital. Colonel Waghorn said that it was right to recognise that considerable extensions would, however, have been necessary in the railway arrangements at Delhi, quite apart from the construction of the new capital, though he agreed that, from the point of view of commercial traffic, these are not the most urgent requirements of the Indian railway system. Mr. Bell mentioned that the Delhi main station was badly blocked, and something would in any case have to be done to relieve the congestion there. He was not aware that the East Indian Railway had tried to be allowed to buy land near the Delhi main line, and had been refused permission.

6424. With regard to the admission of the North Western Railway that it was not so badly supplied with rolling-stock as other railways, Mr. Bell mentioned that there are some 5,000 wagons permanently locked up in Karachi during the grain traffic season. He thought that allowance should be made for this as well as for the stock maintained in view of possible military requirements, before instituting comparisons with purely commercial lines.

6425. Regarding offers of assistance which had been made by outside agencies in regard to railway capital requirements, the Chairman referred to a proposal by an outside firm in regard to the electrification of the suburban lines near Bombay. Mr. Bell mentioned that one difficulty in that proposal was that in addition to receiving a fixed percentage on *the capital outlay* the *firm* expected a share of the profits of the works to which the money was devoted. It would have been very difficult to arrive at an agreement on this basis owing to the difficulty of determining the return earned by the scheme. Apart from this, objection had been taken to the scheme owing to the possible application of English income-tax in respect of the interest on the borrowed money.

6426. With regard to the offer of the same firm to provide their own railway wagons, the Chairman said he had no doubt that every railway man realised the objections to private ownership of wagons, but, in the circumstances, he asked whether it would not be possible to make terms with them. Mr. Clark stated that this matter had been examined, and was still under the consideration of the Railway Board. There were difficulties due to the possibility that if special arrangements were made with one firm for the provision of wagons for its own traffic, facilities might be insufficient to enable the railway concerned to deal with the traffic of other firms in such a way as to obviate the question of undue preference. The matter was, however, still receiving the careful consideration of the Railway Board. He thought that possibly something might be done if a general wagon company were to hire out wagons to railways, or possibly a firm such as Tata's might hire stock to the Bengal Nagpur Railway. The Chairman said he did not think they would do this unless they were sure of wagons being used for their own traffic. In reply to Sir Rajendra Nath Mookerjee, Mr. Clark said that railways would of course have to give a guarantee before any company would undertake to supply wagons on hire. Mr. Bell mentioned that a similar proposal had been rejected previously, but he was not aware for what precise reasons.

6427. With regard to the provision of coal sidings, the Chairman mentioned that in England and elsewhere it is nowadays the usual practice for sidings to be built by and remain the property of the colliery owners, whereas in India the practice is for the colliery owners to construct sidings up to formation level, the railway providing the permanent way. It was agreed that, in these instances, possibly, railways might be relieved of some expense if construction of sidings were left to private enterprise. Mr. Bell, however, did not think the amount involved would be considerable as only second-hand material is used in such sidings. Mr. Bell mentioned as an advantage of the assisted siding terms that they make a provision for extensions to serve other persons, beside those for whose benefit they are first constructed. The Chairman observed, however, that pressure could always be brought to bear upon the original owner to allow of such extensions, by making this a condition of the provision of a junction with the main line. Mr. Hiley observed that this is always done in England. Sir Rajendra Nath Mookerjee mentioned that it is only big firms that are anxious to build their own sidings; small firms would object to being deprived of the advantages of the assisted siding terms. The Chairman observed that it would be possible to work both schemes—allowing larger companies to build for themselves while assisting others. Mr. Clark urged that it would be causing inconvenience to adopt a dual policy. He did not think that there was any justification for departing from the general rule. Mr. Bell mentioned that an advantage of the existing system is that it facilitates the acquisition of land, when necessary, through the operation of the Land Acquisition Act.

6428. In reply to the Chairman, the Railway Board said that they could have no objection to the Government of Bombay acquiring the same powers as are possessed by the Government of Madras to assist Local Boards by either lending them money or permitting them to raise money themselves by means of a railway cess, and by allowing them to own their own railways.

6429. The Chairman referred to the suggestion that some of the money raised by means of the Bombay Development Loan might be devoted to railway purposes in Bombay, and asked what the views of the Railway Board were. Mr. Bell said that he believed he himself had originated this idea as he had made this suggestion in conversation with the Governor of Bombay about the beginning of November last. At first the Governor was opposed to it, but subsequently his attitude became more favourable. The money might be used both for the suburban electrification scheme and for the provision of quarters for railway staff. Asked by Sir Henry Ledgard whether he was prepared to take money for such purposes from local Governments, Mr. Bell stated that in existing conditions he would be prepared to take it wherever he could obtain it. It was proposed that the loan to the Government of India should be made repayable within a period of 15 years.

6430. In reply to Mr. Tuke, Mr. Bell said that the money received from the Government of Bombay out of the Development Loan would be treated as a loan to the Government of India, who would pay the same interest as the Government of Bombay do to the subscribers. Mr. Bell explained that it would not be a loan to the English company at all, and the English income-tax difficulty would therefore not arise.

6431. Alluding to the question of programmes of the various railways, Mr. Bell said that the Railway Board had received several figures from the various railways, and that from such information as they possessed, they calculated that not less than Rs. 30 crores per annum would be required at least for three years for open lines. He thought that it would not be possible to go beyond this figure.

6432. With regard to the question of delays on the part of the Railway Board, the Chairman asked for information about the Ultadanga Station in connection with which a memorial had been addressed to the Railway Board, Mr. Bell stated that his attention had recently been drawn to this matter, and that he would furnish the Committee with information about it when he had an opportunity of looking into the papers.

6433. With regard to the Itarsi-Nagpur Railway, the interest charges of which had already run to something like 40 per cent. of the capital outlay, Mr. Clark mentioned that part of the line has already been opened. The Railway Board agreed that this was a bad case of the effect of the intermittence of the supply of funds. The line would not have been started had it been realised that it would be unfinished for so many years. Mr. Tomkins mentioned that some delay was caused in this case by want of girders, and said that he was sending a note to the Railway Committee in reply to its special enquiry.

6434. With regard to the delay of the Railway Board in dealing with the question of delegating powers to the Branch Line Companies, to which the Railway Board's attention had been invited, Mr. Tomkins mentioned that it was not the case, as had been represented to the Committee, that a definite list of powers which it was proposed should be delegated had been submitted by Messrs. McLeod and Company to the Railway Board in March, 1918. The Chairman observed that the Committee had evidently been incorrectly advised on this point.

6435. Regarding the blocking, in the interests of the revenue of existing railways, of natural outlets, for example, from the Mysore State and the Nizam's Guaranteed State Railways, Colonel Waghorn mentioned that the Railway Board had recently overruled the objections of the G.I.P. Railway Company to the extension of the Nizam's Guaranteed State Railway to Kurnool. In that case the G.I.P. Railway had urged that the extension should be allowed only on condition of a special rate agreement being entered into. With regard to the Mysore State Railway case, the question of the Bangalore-Hosur line was still under discussion. The Chairman commented on the length of time taken in the discussion of cases of this kind.

6436. Arising from this, the Chairman asked whether there is not likely to be an increasing amount of conflict as time goes on with the Indian States so long as their railway administration is quite separate from that of the Government of India. He suggested that it might be possible to improve relations by establishing some system by which the British and the Indian State Governments might deal as between equals with railway problems.

6437. Imagining the existence of a Railway Board with wider powers and with a more comprehensive organisation than at present, the Chairman asked whether it would be possible to deal with railway questions affecting Native States in a broad manner. Mr. Bell thought that there would always be some difficulty in these cases. He agreed, however, that something might be done by inviting representatives of the Indian States to join such a Railway Council as had been proposed by the Committee. The Chairman instanced the case in which the Prussian State came to terms with Hesse and made a joint railway system. Colonel Waghorn did not think that anything of the kind would be possible in India, largely because of the jealousies of the different States of anything touching their independence. Mr. Bell explained that no difficulty had arisen in respect of the trunk lines running through Indian States.

6438. In reply to Sir Rajendra Nath Mookerjee, who enquired whether there was any difference between the attitude of the State-worked railways and those worked by companies towards the question of giving assistance to Indian industries, Mr. Manson mentioned that a few years ago a statement was prepared for the information of the Legislative Council, citing cases in which such assistance had been given by the different administrations. He said that last year, in reply to a question in the Council, the matter had again been reviewed, and it was found that only three complaints had been received in the interim. He promised to bring this information up to date, and to furnish particulars to the Committee.

6439. With regard to the question of bribery, especially to secure the preferential allotment of wagons, the Chairman said that the Committee was convinced that there exists a regular system of payment for wagons, and that the figures run up in some cases to very large amounts. Mr. Clark admitted that this was the case and said that it had been a constant source of worry to railway officials. He felt, however, that it was impossible to stop it so long as people were willing to give bribes, and proof could not be obtained. He said that drastic action was taken in cases in which the railway administration were satisfied of the occurrence of such irregularities. He mentioned that Sir George Godfrey as Agent of the Bengal Nagpur Railway had made these irregularities the subject of an address to all the traffic officers of the railway in 1910-11, and the question of finding means of checking these irregularities was subsequently discussed, but unsuccessfully.

6440. The Chairman said he doubted whether railway men generally appreciated the bitterness of feeling which existed in regard to this matter. He suggested that something might be done by calling a special conference of representatives of the different railways to investigate it specifically. The Chairman referred to the suggestion which had been placed before the Committee by a witness in Lahore who explained that he had himself effectively prevented irregularities in the supply of wagons to himself by means of a systematic record of applications and of despatches. Sir Henry Burt explained that this witness's proposal for action by the railway authorities contemplated linking up the consignment notes with the priority registers, as well as surprise stock-taking at the stations of goods awaiting despatch and comparisons with entries in the priority register, to prevent false entries in the latter. In this connection, he mentioned that it was complained that the priority registers were not always available for public inspection. The witness referred to had also proposed that a notice should be put up daily at all stations showing how the priority register stood at the close of each day and who stood next upon the list.

6440a. It was mentioned that at the meeting of the Committee at which these proposals had been put forward a representative of the Traffic Department said that these proposals deserve careful consideration. Mr. Hiley asked whether the Board agreed with a traffic officer who said that Cawnpore is too big a place to keep up a priority register. Sir Henry Burt explained that he had been told by a traffic officer on the Oudh and Rohilkhand Railway that the traffic at Cawnpore was regulated by the gate entries which thus took the place of ordinary priority register. Mr. Purshotamdas Thakurdas said that the Cawnpore merchants had complained bitterly and that he had himself one afternoon seen some 200 carts waiting at the gate.

6441. The Chairman emphasised that the real point is that it is one of the most bitter complaints, heard practically everywhere the Railway Committee had been, that railway administrations are employing persons who are habitually guilty of criminal offences. He thought that the Railway Board should interest themselves actively in finding a remedy. He did not feel satisfied that the railway officers generally had put their minds to the problem as attentively as they ought to have done. In this connection he read the following answer given by the Railway Board to a reference from the Committee—

> "Official complaints supported by statements sufficiently definite to enable them to take action have not been made direct to the Railway Board. The Railway Board do not employ any staff specifically to investigate complaints of bribery of station staff. The difficulty generally experienced by Railways in dealing with this evil

is in obtaining proof, or definite evidence, in support of allegations. When such evidence is available drastic action is taken. The difficulty in obtaining evidence is due to the fact that usually the only person who can provide the necessary proof is the man who pays the bribe."

6442. Mr. Hiley said that it appeared to him that the Railway Board should make much more strenuous efforts to grapple with this problem. It was clearly useless to expect those who were equally guilty with the persons bribed to come forward to give evidence. Mr. Clark stated that he could not, of course, speak for all railway officials, but so far as his own knowledge went he was sure that traffic officers had devoted great attention to this matter. He was quite ready to accept the Chairman's suggestion that a special conference should be held of representatives of different railways, but he felt bound to say that he was sceptical of the outcome.

6443. Sir Rajendra Nath Mookerjee said that traffic inspectors are to blame as well as station masters, and that these are the officers in whose hands investigations are placed. He considered the entire system wrong.

6444. Sir Henry Ledgard mentioned that it was not merely a question of the station staff, but that the Committee had been told that in many cases there are brokers who book goods for different merchants and who make large sums out of the allotment of wagons for different clients in consideration of payments.

6445. The Honourable Mr. Sastri mentioned that similar complaints used to be made with equal force in respect of Police, Judicial and other Departments, and the people used to be told that this was "the custom of the country" for which no remedy could be found. Government, however, decided that it constituted an intolerable stain on its service that such corruption should prevail, and as a result of their efforts immense improvements had been effected. He thought it most undesirable that it should be allowed to get into the minds of the railway officers that the existing state of affairs could be tolerated. He thought that efforts should be made to secure a better class of staff. Mr. Clark alluded to the question of expense in this consideration, the existing staff being very costly under present conditions.

6446. Sir George Godfrey said that he could not subscribe to the opinion that nothing had been done by the railway officers. He observed that the whole matter turns on shortage of rolling stock and assumes greater prominence at some times than at others. He mentioned that the system of bribery had now been wiped out at the collieries, where a new system has been introduced in connection with wagon allotments. The Chairman mentioned that this was the first time that the Committee's attention had been drawn to the case of the collieries. It seemed to show that methods could be devised which would enable things to be remedied. He mentioned that it was a very regrettable position that the Railway Committee should be told, as it had been in one place, that people "did not know how high this kind of corruption goes."

6447. The Chairman said that it was only fair to recognise that the Railway Board has no competent officer on its headquarters staff who could be sent round to investigate such matters as this, the engineering experts being clearly not qualified in these matters.

6448. Mr. Purshotamdas mentioned that a witness in Lahore had mentioned that the punishments meted out to railway servants in connection with bribery cases were far from being deterrent, and that men had only been reduced by one grade or transferred from one station to another. He enquired whether the Railway Board had called for any information as to what measures railways had adopted in this respect. Sir Arthur Anderson thought that the Railway Board should call for a report on the subject from all railways, and Mr. Hiley agreed that this seemed very desirable.

6449. With regard to the passenger service, Mr. Purshotamdas referred to the proceedings of a conference which was held at Lucknow when Sir Henry Burt was the Agent of the Oudh and Rohilkhand Railway, and the discussions at which led to great satisfaction on the part of the public. In his opinion it would be of great advantage if such conferences were held regularly. Even if all the requests could not be complied with, it gave a feeling of satisfaction to the public to realise that efforts were being made to consider their requirements, and they would more readily appreciate the difficulties of the railways.

6450. Mr. Clark mentioned that if any scheme of privately-owned wagons could be devised which showed promise of success, it would be necessary to refer in the first instance to the several railway administrations for their consideration.

P.S.—In compliance with a request by the Committee the Railway Board subsequently furnished the following list of Technical Papers issued by the Railway Board, in Press, or under preparation, since 1917:—

No.
187 First Report of the Indian Railway Bridge Committee.
188 Relation of Weight of Rail to Axle Load.
189 Schedule of Dimensions (proposed) 2 ft. 0 in. gauge.
190 Screw Spikes *versus* Dog Spikes.
191 Ferro-Concrete in India.
192 Rules for the Preparation of Railway Projects, with Supplement.
193 Oil Fuel Trials on the North-Western Railway.
194 Note on Types of Extensometers.
195 Parsons' Patent Permanent Way.
196 Best Process for Treating Railway Sleepers, with Supplement.
197 Ruling Gradients and Minor Details of Alignment.
198 Second Report of the Indian Railway Bridge Committee.
199 Impact on Railway Bridges.
200 Cement Concrete Blocks for Liquid Fuel Tanks.
201 Locomotive Design in relation to Gradients and Curves.
202 Locomotive Design as it affects the Bridge Engineer.
203 Cast-Iron Sleepers.
204 Possibilities of Steam Railway Electrification.
205 Renewal of Girders, Kiul Bridge.
206 Train Resistances.
207 New Hump Marshalling Yard, Feltham.
208 Notes on Railway Surveys.
209 Control of Railway Traffic by Telephone.
210 Notes on Motor Traction and Road Railways, including Stronach Dutton System.
211 Third Report of the Indian Railway Bridge Committee.
212 Some Aspects of the Gauge Question.
213 Substitute for Track Circuit.

No.
214 Motorising Railway Terminals (reprint).
215 Hardinge Bridge (reprint).
216 Stability of Hill Slopes.
217 Concrete Sleepers (compiled, with Preface).
218 Wheel Dimensions and Crossing Clearances for the Four Gauges.
219 Heavy Steam Ghat Engines (Cole).
Steam *versus* Electric Locomotives for Ghats (Stone).
Steam *versus* Electric Traction for Suburban Traffic (reprint).
Transport and Fuel Organisation, America (Cole).
Technical Training in America (Cole).
Track Stresses, First Report (reprint).
Track Stresses, Second Report (reprint).
Double-headed Rails (Strachey).
Fourth Report, Indian Railway Bridge Committee, Appendix and Provisional Preface.

Under preparation.
- Comparative Economy of Different Types of Rails and Sleepers.
- Preparation of Traffic Density Diagrams.
- Experiments with Long Bogies.

FIFTY-THIRD DAY.

(Delhi).

Saturday, 5th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, KT., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
MR. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
MR. J. TUKE.

MR. T. RYAN, C.I.E. (*Secretary*).
MR. E. R. POLE (*Assistant Secretary*).

The Hon'ble MR. E. M. COOK, C.I.E., I.C.S., attended for the purpose of an informal discussion with the Railway Committee. Mr. Cook explained that he did not appear to give evidence before the Committee but understood that the conversations would be of an informal character. He said he would have no objection, however, to the summary record of the discussion being printed ultimately, together with the other records of the Committee's proceedings, which it is understood will be published in due course.

6451. The Chairman observed that the disadvantage to the railways of the existing system of regulating the railway expenditure by means of annual budget grants, the amount of which is dependent on the general financial position of the Government, needs little demonstration, an example being that of the Itarsi-Nagpur Railway whose construction was agreed to be important in 1907 and funds for which have been forthcoming since its commencement in 1908 only by means of relatively small annual doles. He asked whether Mr. Cook saw any administrative method of preventing such inconvenience to the railway administration, short of a complete separation of the railway finances, and the adoption of a system under which the railways would practically deal with the Finance Department or the Government of India as creditors who have lent a certain amount of money on fixed conditions. Mr. Cook said that he could see no method within the existing administrative framework of attaining the object in view, namely, a guarantee of a steady supply of funds for railway purposes on a scale which would be considered reasonable by the railway authorities. He considered that, so long as the resources of the Government of India as a whole are inadequate, Government must deal with the demands made upon it in the order of importance, and it may consequently be necessary for railway demands to share in the general vicissitudes of the finances of the country. He said that a certain sum might in practice be guaranteed to railways for annual allotment for capital purposes, but any sum to which the Finance Department could commit themselves in this way would certainly not be anything like enough from the point of view of the railways. He recognised that at the present time railways are suffering from the general difficulties experienced by the Government of India in financial matters, this accounting, for instance, for the proposed fixation of the capital grant for the coming year at a figure much below that which might usefully be spent.

6452. The Chairman observed that he could not picture to himself the railway authority as completely independent of the control of the Government of India. There must be some general check by Government on the railway finances, but still the separation of the two financial systems would make a great difference in the direction of freeing the railways from the inconveniences of which they at present complain. As Mr. Cook could suggest no *via media*, it seemed clear that either the present system, possibly with minor changes in detail, must be maintained, or else a scheme must be devised for separating the railway finances.

6453. Turning to another point, the Chairman observed that the Committee had a feeling that the railway budget is charged with expenditure which would not be admitted as fairly chargeable to it on commercial principles. For example, expenditure

appeared to have been incurred on a higher scale on parts of the North Western Railway (even apart from the purely strategic sections) because of the circumstance of this line leading towards the frontier. Mr. Cook said that, generally speaking, he was aware of the existence of such cases. He thought that from the purely departmental point of view, the Finance Department would have no feeling in the matter, as it does not make much difference to it where the expenditure was charged, but he observed that the allocation of expenditure is a question for the Auditor-General. He believed that the general principle observed as a rule of classification was that expenditure should be charged to the Department in which the outlay is incurred without reference to the object of the outlay, and accordingly that, as the expenditure in this case was incurred on, and by, though possibly not for, the railways, it is charged to the railway account. He mentioned that there were similar cases of expenditure in the Military Department which might theoretically be debited to other Departments. He said that the railway practice is thus only the same as prevails in other Government Departments, though doubtless it is on a larger scale in this case.

6454. The Chairman asked whether Mr. Cook could see any difficulty in an arrangement being made for the debit of a reasonable sum to military funds, on the general basis that the capital of the military line should be charged to the army, as well as a reasonable sum on account of the annual loss incurred by the North Western Railway in working unprofitable sections opened and maintained for military purposes. Mr. Cook said that he could see no financial or accounts difficulty in this, but that the result would, of course, be a very large increase in the amount of the military budget.

6455. The Chairman observed that the Railway Board, being evidently thankful for even the hope of small mercies, were willing to accept the responsibility for the existing railway system as a whole including the military lines, holding only that in future military expenditure should be charged with the cost of new strategic railways. Mr. Cook agreed that there would be practical difficulties in re-adjusting past payments, and that it would be best to let by-gones be by-gones in the manner suggested by the Railway Board. The Chairman thought that railway expenditure already incurred for military reasons might be treated in much the same way as contingent assets and liabilities are sometimes included in a commercial firm's accounts. Mr. Cook said that he feared the correct analogy would be that of a bad debt.

6456. Mr. Cook said that he did not think that railways could expect to be relieved of the cost of such items as the construction of a station built for ceremonial purposes. The Chairman agreed that if, for instance, the Great Eastern Railway in England wanted to build a new station at Sandringham, they would themselves bear the cost. He thought, however, that if it were a question of such outlay as is contemplated in connection with New Delhi, where it is proposed to remove a certain railway line purely for the purpose of beautification, such a case is more doubtful. Mr. Cook agreed that such a case is at least on the border line. The Chairman mentioned in this connection that information given by the Railway Board showed that it is proposed to charge only about Rs. 8 lakhs to the Imperial Delhi account on account of the realignment of the Agra-Delhi Chord Railway, for such purposes as mentioned above; but that a sum of Rs. 150 lakhs is to be charged to the railway budget for works largely necessitated by the construction of the new capital.

6457. Mr. Cook said that the financial control of the railways is not on all fours with that of other departments, the powers of the Railway Board being generally speaking much wider than those of other departments of Government. He was not in a position to speak as to the details of control of establishment expenditure, but he understood that the Railway Board have very wide powers in these matters, although such questions as the pay of the highest officers, a general revision of scales of officers' pay, or the improvement of the pensionary status of a class of officials, would still be referred to the Finance Department. The Chairman mentioned as a typical case of restriction of powers the obligation on railway administrations to refer to the Railway Board cases involving increases of salaries above Rs. 250 per mensem. Mr. Cook said that these cases have not to be referred by the Railway Board to the Finance Department.

6458. With regard to budgets, he said that from the Finance Department's point of view it is immaterial how money is spent once it has been allotted. If, for example, an allotment were included in the railway budget for the Itarsi-Nagpur Railway, it would be open to the Railway Board to increase or reduce that provision during the course of the year by counterbalancing changes under other heads. Sir George Godfrey agreed that, once sanction had been accorded to a project and funds had been allotted for expenditure in any year, the Railway Board can alter the allotment, if necessary. Mr. Cook said that the Finance Department only regards the budget figures as a whole, and is not concerned with detailed allotments for individual works. In reply to Sir Henry Burt and Mr. Tuke, he said that the Finance Department exercises control over redistributions of the budget provision between India and England, above a certain limit within which the Railway Board can operate. This was necessary for reasons connected with exchange, and ways and means, but he was not aware that the Department had ever found it necessary to object to the Railway Board's proposals for redistribution.

6459. He did not think that the Finance Department troubles much about the redistribution of budget provision between "ordinary" and "programme revenue" working expenses once these have been fixed. A discussion arose here as to what exactly is meant by "programme revenue" expenditure. It was thought by some present that this refers exclusively to expenditure on revenue account, which is associated also with capital expenditure, as, for instance, the cost of a work which involves a betterment, a part of which being therefore charged to capital. It was believed by others that "programme revenue" is a term applied to all such large measures of renewals as are undertaken as self-contained schemes, capital outlay being almost invariably but not necessarily associated with these.

6460. An opportunity of consulting Mr. A. M. Hayman, Deputy Accountant General of Railways, in this connection, was taken. Mr. Hayman placed before the Committee a draft official definition of "programme revenue expenditure" which is being incorporated in a Code now under revision. It reads as follows:

> "Programme revenue expenditure comprises all revenue expenditure connected with betterments chargeable to capital, all revenue expenditure on renewals (including casual renewals) of rails, sleepers and fastenings, such as fish-plates, fish-bolts, spikes, points and crossings, switches, tongue tails, etc., and revenue expenditure on wholesale renewals or strengthening of bridges and girders involving a debit to capital."

In view of the foregoing definition, Mr. Hayman explained that it was rightly held that capital expenditure is associated with all programme revenue expenditure, except in the case of rail renewals, in which this need not be the case.

6461. In reply to Sir George Godfrey, Mr. Cook explained that the Finance Department is not concerned with the technicalities of railway expenditure estimates. They might challenge a project on the ground that it was not a proper object of expenditure, or that the smallness of the estimated yield did not justify its being financed from loan funds, or that liability for so large an amount as involved could not conveniently be undertaken. They took

no responsibility for ensuring a continuous supply of funds to enable a work, once started, to be carried to completion at an economical rate. The Railway Board had to make the best use of the funds placed at their disposal from year to year.

6462. Referring further to the question of programme revenue expenditure, Mr. Cook explained that what happens in practice is that working expenses proper are admitted as inevitable, apart from any difference between the Railway Board and the Finance Department as regards the reasonableness of estimates, as such, so that the Finance Department does not make any reductions under this head. Programme revenue is, however, regarded as susceptible of reduction. The Chairman urged that, if a railway includes in the programme revenue provision for renewing rails which have passed the accepted reasonable "life," this is really expenditure necessary on revenue account, and, if it is not sanctioned, the railway is practically to that extent living on capital. Mr. Cook urged that the Finance Department may cut down the total provision for programme revenue, but does not reduce the allotment for any specific work. He observed that to some extent the programme revenue depends on capital allotments, and when, as proposed in the coming year, the capital provision is reduced, it is only reasonable to cut down programme revenue also. In fact, this had been done, though only to a much smaller extent than would have seemed justified.

6463. The Chairman pressed the point that, from the accountancy point of view, the Finance Department could have no right to make a reduction in the provision for necessary renewals, quite apart from the question whether it is in a position or not to spend additional capital on improvements. Mr. Cook emphasised his point that, if programme revenue proposals as first put up together with a large capital demand were reasonable, they must be too high for a programme of work in which a considerably smaller capital outlay is proposed. He thought the question of principle taken by the Chairman is affected by the consideration that for many years the Indian taxpayer has contributed largely from revenue to capital purposes. He mentioned that, in the 17 years ending in 1914, on an average about one crore per annum had been provided from general revenues for railway purposes more than the taxpayer had received in the shape of nett yield from railways.

6464. The Chairman agreed that, if it transpired that, on the whole, the taxpayer had contributed more to capital than he had received in this manner, it might alter the force of his criticism, subject always to the consideration that there might have been so large a failure to provide adequately for renewals as to alter the balance. He said that his point would be met if the public were plainly informed, in the event of the Finance Department finding it necessary to underspend on revenue maintenance, the fact that they were doing this and that the nett revenue was correspondingly enhanced at the cost of the property. It might, of course, be quite reasonable to defer revenue maintenance to meet more pressing claims. He thought, for instance, that a company would be willing to defer revenue maintenance if this were the only alternative to failing to meet its debenture claims.

6465. Sir Henry Burt mentioned that programme revenue expenditure may cover revenue outlay which is not in any way connected with renewals, for instance, expenditure on remodelling a railway yard or the reconstruction of a railway building; it might thus happen that a reduction could be made without affecting the renewal programme at all. The Chairman agreed that, provided only programme expenditure of that kind were postponed, the force of his criticism would disappear.

6466. Referring to the modification by the Finance Department of forecasts of receipts and expenses submitted by the Railway Board, Mr. Cook said this was not done to meet the exigencies of the budget, but rather as a matter of better estimating. He said that it was the case that the Finance Department do modify the estimates sent to them by the Railway Board of gross traffic receipts. They did this on the basis of, in some respects, wider knowledge, and also because their staff, who are occupied constantly in matters of estimating, are more expert in this respect. He mentioned the following figures as showing that, generally speaking, the estimates adopted by the Finance Department are nearer the mark than those of the Railway Board:

Year.	Railway Board's Estimate.	Finance Estimate.	Actuals.
1916–17 ...	55	56½	62¾
1917–18 ...	60	62¾	68⅜
1918–19 ...	72	70½	76¼
1919–20 ...	72	80	79
1920–21 ...	81½	84	82 probable.

He observed that usually the Finance Department was nearer the mark than the Railway Board. He mentioned that not only the Railway Board, but all Departments, are usually too pessimistic about their receipts.

6467. Mr. Cook stated that no deferred maintenance account had been kept by Government, apart from the £20,000,000 which had been put aside, but since spent on general ways and means purposes, including railways. He agreed that there must now be a heavier debit to revenue than normally, not only on account of the amount underspent in the past, but because of the greater cost of making up these arrears at current prices. He agreed that arrears should be made up at the cost of revenue, and not by borrowing fresh capital. He believed that the increased ratio of working expenses to receipts in the estimates for the coming year is partly due to special provision being made for making good the arrears. He suggested that the Accountant-General of Railways should be referred to for fuller information in this connection.

6468. In reply to Mr. Tuke he observed that, on account of the railways not having been able to spend money on renewals during the war, the railway receipts were very much swollen, and this no doubt contributed towards the ability of the Finance Department to set aside the £20,000,000, to which he had referred. Mr. Cook said that, though agreeing generally in this, he could not say that the £20,000,000 were provided directly from railway earnings as the Finance Department was concerned with the revenues as a whole.

6469. With regard to the question of modification of the railway budget by the Secretary of State, Mr. Cook explained that the railway figures are included in the budget proposals which are sent to the India Office. The India Office is, of course, entitled to interfere, and does sometimes interfere, with the budget, and this frequently led to much discussion. He could not, however, remember a case in which the capital or revenue railway figures had been altered at the instance of the India Office, though it was, of course, open to them to reduce them. Generally speaking, the India Office do not interfere with the Indian estimates of revenue, but confine themselves to criticising changes from current rates of expenditure, new taxation proposals, etc.

6470. Mr. Cook believed that no adjustment of interest charges is made on account of stores indented for revenue purposes lying for a time at the charge of capital. He suggested, however, that the Accountant-General might be referred to for information on this point.

6471. With regard to the proposed allotment of £15,000,000 for capital purposes in 1921-22, the Chairman observed that the railways had originally asked

for 35.7 crores rupees after having had impressed upon them the necessity for cutting their demands to the utmost. The Railway Board had admitted Rs. 28 crores as being urgently necessary, but the Finance Minister had been unable to make an offer of more than £12,000,000 at the time, which has since been increased to £15,000,000, more than £5,000,000 of this being provided for from the anticipated lapse in the current year. Mr. Cook mentioned in regard to the last point that as the estimates now stand it was expected that there would be no lapse in the current year, otherwise the figures quoted were correct.

6472. With regard to the question of borrowing money, Mr. Cook said that he was not in a position to express any opinion as to the prospects of getting any appreciable sum in sterling on the London Money Market. His purely personal opinion was that the Government of India would probably agree to pay higher rates in America or England to obtain the necessary capital than in India. They were very anxious to receive practical proposals for raising the necessary funds, and would be glad to see worked out some such proposals as that for payment for wagons by means of short term bonds. Mr. Cook thought that there is a good deal to be said in favour of such a method as this of payment for equipment, which, as the Chairman observed, is adopted freely by the most solvent concerns in America and elsewhere, such as the Pennsylvania Railway which obtain equipment practically on the hire purchase system, the ownership of the stock remaining in the supplier until the last instalment is paid. He did not think that this need be regarded as beneath the dignity of the Government of India as had been suggested by one witness before the Railway Committee. Mr. Cook explained that roughly speaking, the financial position is that, if the difficulties of the next nine or ten years can be tided over, then it is highly probable that the present conservatism of the Government of India will meet with a substantial reward.

6473. The Chairman mentioned that there is a strong Indian objection to higher rates being paid for money in America and elsewhere than is offered to Indian subscribers, Indians naturally holding that they should have the same opportunity as the foreigners. Mr. Cook thought that it would not be in the interests of railways or of the Government of India to increase avoidably the rates for loans issued in India. Mr. Cook mentioned that during and since the war larger loans than formerly had been issued, and the rates of interest offered from time to time had been increased until they had now reached the rate of 6 per cent. free of Income Tax. This had caused serious depreciation in other Government securities, and strong representations had been made to the Government of India on the subject. The only way of stopping depreciation would be to stop borrowing altogether, which is not practicable, but the Government had every reason to try to rehabilitate its credit and to pay off its short term debts. There are some Rs. 93¼ crores of short term debt, apart from other liabilities to be redeemed in the next nine years, and the Finance Department also had to take into account the necessity for reducing both its floating debt (in the shape of treasury bills held by the public) and also that portion of the currency note issue which was backed only by its own notes of hand. Mr. Cook agreed that perhaps even Rs. 40 crores might be borrowed this year if Government were willing to offer a very extravagant rate of interest, but this would probably mean that it would have to go on giving higher and higher rates year after year.

6474. The Chairman said that he appreciated the considerations Mr. Cook had in mind, but clearly if the Railway Committee were to suggest borrowing at higher rates elsewhere than in India, they would have to meet the criticism of Indians who laid stress upon the foreign exploitation of India. Mr. Cook referred to recent discussions in the two Chambers of the Legislature on the question of borrowing and said that there had been a practical unanimity amongst Europeans and Indians against increasing the rate of Indian Government loans. Financial experts had been consulted and their feeling in the matter appeared to be all against outbidding in each year the return offered in the previous one.

6475. Mr. Purshotamdas asked whether the Government of India have any control over borrowing by provincial Governments, alluding in this connection to the issue of the Bombay Development Loan at 6½ per cent. free of income-tax. Mr. Cook replied that the Government of India could control the provincial Governments' borrowings, but he could not speak as to the merits of allowing the Bombay Government to raise that loan, though it would undoubtedly tend to reduce the amount available for the Government of India's own borrowings. As regards the Calcutta Corporation loan, which was also raised at a high rate of interest, Mr. Cook explained that it did not matter very much as it was not thrown on the market and was all taken up privately.

6476. Mr. Purshotamdas said that the Indian taxpayer undoubtedly claims that he should have an opportunity of contributing to Government loans at the same rate as is allowed to foreigners. In reply to Mr. Sastri, who asked whether Mr. Cook regarded it as an imaginary or a substantial grievance that the people of the country were not allowed to subscribe at the same rate as foreigners, Mr. Cook said that people might, of course, consider that they had a grievance, but he thought that if it were properly explained to them, they would see that the action taken was in the best interests of the country. He said he readily deferred to the assurance of Mr. Sastri and Mr. Purshotamdas that a feeling of grievance existed in this connection, though it had not previously come to his notice. He agreed with the Chairman that the unanimity to which he had referred amongst those who had been consulted against increasing the return on Government of India loans, might be partly due to the fact that they were not contrasting the possibility of issuing loans at higher rates elsewhere and lower rates in India, but had only been considering the question of increasing the rates payable on Indian loans in general.

6477. In reply to Sir Henry Ledgard, Mr. Cook said he thought there might be something in the suggestion of borrowing from provincial Governments for railway purposes, if the idea were that the local Government, by taking advantage of local patriotism, could in the net result get more than the Government of India could secure by borrowing direct. He thought, however, that it would be necessary to consider the extent to which such local borrowing would compete with the Government of India's loans. He thought the case of Bombay was a bad illustration, as Bombay is in any case the largest market for the Government of India loans. He could give no general reply to the question whether it would be worth obtaining money in this manner or from financial syndicates. He thought the feasibility of accepting such propositions would depend entirely on the details of the actual case put forward. He did not think that a general principle could be laid down.

6478. With regard to the levy of English income-tax in the case of debenture interest paid to Indian holders of these securities Mr. Cook recognised that, if the debentures were issued by a company domiciled in England, the English income-tax would doubtless be leviable. He thought, however, that the questions of English income-taxation could only be answered authoritatively in London.

P.S.—An informal communication was subsequently received from the Finance Department with reference to the extent of the control exercised by that Department over proposals coming up from the Railway Board. It was pointed out that the powers of the Railway Board are so wide that far fewer cases are referred to the Finance Department for sanction than in the case of other Departments. Thus, in the six months ending on the 28th February, 1921, of 14,836 cases referred to the Finance Department by all Departments, only 225, or 1½ per cent. of the total, were from the Railway Board. These included only 39 expenditure branch cases, and 84 cases referred for interpretation of general accounts or service rules. The inference was drawn that it might fairly be said that the detailed control exercised over the Railway Board in such matters as the creation of appointments and the like is not of a very onerous nature

FIFTY-FOURTH DAY.

(Delhi.)

Monday, 7th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

The Honourable Sir MANECKJEE DADABHOY, Kt., C.I.E., was called and examined upon a written statement which he had furnished to the Committee.

6479. Sir Maneckjee Dadabhoy explained that he is a Member of the Council of State. He has large private interests in collieries, manganese mines, ginning and pressing factories, cotton and spinning mills, etc., in the Central Provinces.

6480. The Chairman observed that from Sir Maneckjee's written statement he inclined to favour the management of State-owned railways by companies. In connection with Sir Maneckjee's observations on this point, he mentioned that there are no State-owned railways in the United States of America, all the railway lines in that country being private property. Sir Maneckjee said that in his opinion State management is in no way superior to management by companies, and he was of opinion that the balance, on the whole, is in favour of the latter system of administration. He held this opinion because he considered that railways should be worked on commercial lines, and feared that, if the railways were managed directly by the State, the administration would tend to run in a particular groove as happens in all Government Departments. The Chairman observed that practically all the evidence tendered to the Committee by Indian witnesses tends in the other direction. Sir Maneckjee said that he believed this to be due to the general feeling that Indians are not employed sufficiently in the railways managed by companies. In view of the strong feeling on that point, people are inclined to think that the remedy is direct State-management.

6481. The Chairman mentioned that another reason which had been strongly urged in favour of State management is the feeling that Indian commercial interests are not properly attended to, in such matters, for instance, as the quotation of rates. The witness thought that there is not very much in this point. He considered that company railways have to work on the same basis as State-managed lines, and are not likely to levy higher charges. With regard to the suggestion that State lines are more likely to quote specially favourable rates for the development of new industries, Sir Maneckjee thought that companies would also do this knowing that if they failed to do so they would be liable to have their contracts terminated.

6482. Referring to the East Indian and the Great Indian Peninsula Railway Companies, the working contracts with which expire in 1924 and 1925 respectively, Sir Maneckjee said that he approved of the policy announced by the Secretary of State that the management of the East Indian Railway should be transferred to India. When that takes place, he was of the opinion that the management should be entrusted to a company in India, and not directly to the State, provided suitable personnel could be obtained. He expressed the opinion that for many years it will be impossible to man the higher appointments otherwise than by Europeans, believing that Indians will require a great deal of training before they can fill such posts to any great extent. The Chairman observed that the officers taken over with the railway would no doubt remain on the line, and it seemed to him that the immediate question is whether a competent Board can be found in India. The witness thought that the prospects of this are somewhat problematical. He agreed that capable commercial men can unquestionably be found, but doubted if they would be disposed to devote enough time to railway business. The Chairman observed that in England the directors of similar companies devote only about one day per month to their duties as directors. Sir Maneckjee said that in his experience business men are, generally speaking, disinclined to devote their time to service on such public bodies as the Legislative Councils, Municipal Corporations, etc. The Chairman suggested that this is hardly borne out by the fact that representatives of the Chambers of Commerce in Calcutta and Bombay and similar bodies devote their time to the business of the Legislative Assemblies. Sir Maneckjee, however, said that he was speaking of the generality, and did not think that business men have any inclination to devote their time to public work. He agreed that possibly opinion was changing in this matter, and that it might be possible to obtain suitable personnel for the boards of directors; he thought the experiment was at least worth trying. He was therefore in favour of endeavouring to procure the management of the East Indian Railway after 1924 by means of a company domiciled in India. In the case of the Great Indian Peninsula Railway, he thought it would be best on the whole to renew the existing company's contract, though he would like, if possible, that the Board of Direction, or at least a subsidiary Board of some kind, should be located in Bombay.

6483. Regarding the question of the larger employment of Indians in the higher posts, Sir Maneckjee recognised that a real attempt is now being made by railway administrations in this direction, although not, he thought, to the full extent to which it might

be done. He considered it only right that Indians should be given these opportunities of qualifying to fill the highest posts in the railway service. In Sir Maneckjee's opinion, Indians of higher social status do not take kindly to mechanical engineering, partly because they do not like that class of physical hard work. Questioned further in regard to this point by Mr. Purshotamdas Thakurdas, Sir Maneckjee explained that plenty of Indians of a somewhat lower status would be willing to take up this line, but are deterred by the lack of good prospects.

6484. The Chairman said that he would not examine Sir Maneckjee with regard to the question, about which the Committee had received evidence from many others, of the advantage under State management of retaining in India the share of profits which are now paid to the railway companies. He did not attach great importance to this argument as the amounts involved are relatively small.

6485. The Chairman said that the Committee had been told constantly that the companies' boards in London, and the Railway Board, are not in touch with public opinion, and asked what Sir Maneckjee's views were on this point. The witness thought that public requirements are now so well ventilated in the Press and in the Legislative Assembly that the Railway Board are much more in touch with public opinion than they used to be. He thought that the Companies' Boards are also more *au fait*.

6486. Sir Maneckjee said that he had no faith in Advisory Boards, and therefore was not much in favour of assisting the Railway Boards by means of a body alongside of it comprising representatives of important industries, different localities, the travelling public, and so forth. He favoured rather the altering of the constitution of the Board itself and enlarging it so that it should include a representative of commercial opinion. He was much more in favour of bodies which can themselves take action than of bodies which are merely consultative.

6487. The Chairman observed that the Railway Board had at first rather inclined to the same view, and proposed that there should be a business man amongst their number. He suggested that it might, however, prove that a commercial man included in the Board would be inclined to press the commercial aspect of rates propositions, without paying due regard to the railway side of the question, and that a commercial representative taken, for instance, from Calcutta would naturally tend to demand more consideration for the needs of that locality than of others. The witness disagreed, holding that the right man would take a broader view, and would prove of real assistance to the Railway Board. He suggested that the appointment might be made only for two or three years, and that the holder of it should be selected in turn from different parts of the country. The Chairman suggested that railway rates are a highly technical subject which could hardly be properly administered if the changes were so frequent as this. Sir Maneckjee, however, thought that the system would work well in practice, and that the commercial member of the Board would obtain sufficient guidance as to technicalities from his colleagues.

6488. The Chairman drew attention to Sir Maneckjee's written statement in which he alluded to the steady devolution of authority contemplated under the Reform Scheme, from the Secretary of State to the Government of India. Sir Maneckjee considered that sooner or later, and preferably sooner rather than later, every decision regarding railways must be taken by the Government of India without reference to the Secretary of State. He thought that there was much more force in the objections, taken in India, to the Boards of Directors of the Indian railway companies in London going behind the back of the Government of India to the Secretary of State than there was advantage in that procedure. He considered that the Secretary of State is necessarily largely ignorant of Indian requirements, and that decisions in railway matters should be left to the Government of India.

6489. Questioned with regard to his views on the subject of the appointment of a permanent Chairman nominated by Government, Sir Maneckjee admitted that there is considerable force in the objections to this suggestion. The Chairman observed that, if the Chairman were at once a permanent official, an expert in railway matters and a representative of Government, he must clearly dominate the Board, the rest of which could have little influence. Sir Maneckjee said that he fully appreciated this point, and that he only supported the suggestion for appointing a Government-nominated Chairman because of the importance which seemed to be attached to making provision for greater continuity than might otherwise be secured.

6490. Referring to the witness's recommendation that a percentage of the shares of the existing railway companies should be placed upon the market for the behoof of Indian investors, the Chairman observed that since any Indian purchaser of the shares in an English company has to pay 30 per cent. English income-tax, an investment in shares paying, say, 8 per cent. would not be attractive. The witness agreed that any investment of Indian capital in England is handicapped in the circumstances. He expressed the hope, however, that the existing higher rate of tax might not be permanent. The Chairman feared that it was likely to last for a good many years at best, and asked whether the witness saw any other way of transferring the control of the existing companies to India than by purchase of a majority of the capital. Sir Maneckjee thought not, but believed that new companies might be floated in India. He expressed the opinion that English investors can now do so well in the United Kingdom that they will be reluctant to invest in India, and he thought that Government will in future find it necessary to rely much more upon the Indian money market for its requirements.

6491. In Sir Maneckjee's opinion, the Railway Board should be liberalised. He was inclined to think that only the Chairman and one other member need have technical railway knowledge; the other members should be: one an expert financier, and one a commercial man. There should be a competent Secretary, who would be a trained railway man of high status, and should draw almost the same salary as a Secretary to the Government of India. He thus did not recommend the abolition of the Board system, but would give the President of the Board a seat in the Viceroy's Executive Council. The Chairman suggested that a President of the Board who acted as a member of the Council could hardly go to the Council to represent the view of a case in which he had been in a minority on the Railway Board. Sir Maneckjee, however, thought that this difficulty would have to be faced unless the Railway Board is separated altogether from the Government of India—a step which he thought would be fundamentally opposed to the principles of the Government of India Act, and which he thought impracticable. He agreed, however, that the President need perhaps not be tied down to the decisions of the Board, and that he might be given a position of greater control than he had at first contemplated. He did not think there would be such difficulty in practice, owing to the dual function of the President of the Board, as apprehended by the Chairman.

6492. Sir Maneckjee stated that, in noting in his written evidence that the annual allotments for new construction, far from being inadequate, have erred on the other side, he intended that this should be read with the rest of his note. What he meant to convey was that the present railway system is so defective that it is entirely wrong to spend money in new construction until it has been put in order. He was by no means opposed to further extensions; on the contrary, he is in favour of them, but contended that these should not be undertaken until open lines are brought up to an adequate standard. He considered the action of the Government very wrong in dragging out the construction of the Itarsi-Nagpur Railway, which had been started in 1908 and is not yet completed. He considered that this line, and also the Warora-Ballarshah line, which is under construction, should be completed as soon as possible.

6493. In this connection, the Chairman drew attention to Sir Maneckjee's written statement that the attempt to increase the supply of funds for railway purposes, whether by additional taxation in the shape of increased railway rates or by increased budget allotments, will be viewed with suspicion by the Indian public. Sir Maneckjee explained that the feeling to which he referred is that entertained by many people that railways have been pushed ahead too rapidly at the cost of other important interests, such as education, sanitation, irrigation, and so forth. Subject to this, he thought that on the whole the public generally would probably not object to expenditure on railways even to the extent indicated as necessary by the Railway Board, who had estimated an expenditure of Rs. 30 crores per annum for three years on open lines alone.

6494. The Chairman, referring again to Sir Maneckjee's opinon that advisory councils are not likely to be of much use, said that it might easily occur that the one member whom the witness recommended should be appointed to the Railway Board as a representative of commercial interests, might be a European; he asked in that event how Indian representation would be obtained. Sir Maneckjee thought that Indian opinion is already articulate in the public press and in the councils. He did not think that an advisory committee would add to what the Railway Board at present know or have means of knowing.

6495. Mr. Purshotamdas Thakurdas asked the witness's opinion in connection with his suggestion that there should be a subsidiary Board for the Great Indian Peninsula Ralway Company if he was opposed, as he had stated, to the creation of Advisory Boards. Sir Maneckjee explained that he was not actually opposed to these; he would let them be appointed if it was thought that they would be of any use, though he did not personally anticipate much good from them. Mr. Hiley asked whether Chambers of Commerce which are able to bring effective pressure to bear upon Government are not themselves purely advisory. The witness said that he thought much would depend on whether the advisory council would be permanent or not. He thought that, if it is to be of any use, meetings should be frequent; he did not think that quarterly meetings would be of much use. A good deal would also depend on the personnel of the council. Sir Arthur Anderson observed that it is not uncommon at present for meetings to take place between the Honourable Member in charge of the Railway Department, or the members of the Railway Board, and public bodies such as Chambers of Commerce and Associations. The witness observed that these interviews are not very frequent, and are usually too brief to allow of matters of railway policy being fully discussed. In reply to Mr. Purshotamdas, Sir Maneckjee admitted that, as far as the Central Provinces was concerned, no such interviews had taken place.

6496. In reply to the Chairman, who asked what his personal experience of the railway service had been, Sir Maneckjee said that he had found that the railways were undoubtedly doing their best with the means at their disposal. He was speaking specially of the Bengal Nagpur Railway and the G.I.P. Railway, of which he had most experience. So far as the G.I.P. Railway was concerned, congestion on the Bombay side appeared to be responsible for the difficulties experienced. There were strong complaints against the shortage of wagons for coal and cotton transport, but he thought that, taking all interests into account, the existing distribution of wagons is fair. He had no experence of any such delay in transport, as was mentioned by the Chairman in connection with the despatch of some Punjab-American cotton which had been sold to a firm in Nagpur and which was not delivered there until six months after the purchase. In his own case he found that delays up to six weeks or two months are not uncommon. The probabilities of such delays are taken into account in his business.

6497. Sir Maneckjee stated that at the present moment, large quantities of manganese are awaiting shipment because they cannot be moved to Bombay, the position being that there is plenty of manganese available, plenty of shipping at the port, and a good market in the United Kingdom; but the business was hampered by the impossibility of getting wagons to convey the material from the Central Provinces to the port. He said that 300,000 to 400,000 tons annually of manganese are exported *via* Calcutta and Bombay. Before the war the greater part went *via* Bombay, the distance to that port being shorter and the rates cheaper. Sir Rajendra Nath Mookerjee mentioned that an attempt had been made before the war to equalise rates to Calcutta and Bombay, but the Railway Board had refused to agree. Sir George Godfrey mentioned that the position was that empty coal wagons were running back to Bengal, and the B.N. Railway were anxious to utilise them for the conveyance of manganese; but to secure the traffic it would have been necessary to reduce the rates below the prescribed minimum, to which the Railway Board had refused assent.

6498. In reply to Sir Rajendra Nath Mookerjee, the witness stated that he had direct dealings with the Railway Board, and, so far as his experience had gone, he had obtained satisfaction from them.

6499. Replying to Mr. Hiley, who asked how far the manganese industry is handicapped by the shortage of railway facilities, Sir Maneckjee stated that about 40 per cent. more manganese might be despatched but for this obstacle.

6500. In reply to Mr. Purshotamdas, who asked whether the witness' satisfactory experience in his dealings with the Railway Board might be taken as representative of that of an average Indian merchant, having regard to the high position held by him, and the standing of his business, which is that of a first-class commercial house, the witness said that the question was difficult for him to answer. Mr. Purshotamdas expressed the opinion that the witness held a privileged position, having a special facility of access to the Railway Board and other authorities, in which respect the average Indian merchant is not so fortunate.

6501. In reply to Mr. Purshotamdas in connection with his recommendation for the retention of the Great Indian Peninsula Railway Board in London after 1925, the witness said he saw no special advantage in transferring that Board to India. Mr. Purshotamdas suggested that one advantage would be that it would no longer be 6,000 miles away, and would, therefore, be in better touch with local requirements. The witness thought that, in these days of quick telegraphic communications, a great deal of importance need not be attached to this consideration. He thought that, so far as the question of being in touch is concerned, the Board of Directors are in constant communication with their agent, and, through their agent, with the Railway Board in India. He agreed that the location of the Board so far away is, nevertheless, to some extent a drawback.

6502. His objection to the alternative of setting up Indian boards was that to which he had already referred, namely, the difficulty of securing a suitable expert personnel. Mr. Purshotamdas urged that this difficulty could be got over by the engagement of experts with European qualifications to serve under the direction of the Indian Company's Board. He cited the success of the Tata firm which has an Indian board, and which employs European experts as freely as necessary. The witness thought it an advantage of the existing system that the Boards in London are composed largely of experts of mature experience; the absence of Indians from them is doubtless a disadvantage, but is inevitable.

6503. Mr. Purshotamdas referred to the witness's reply to the Chairman that Indians did not take kindly to mechanical engineering. The witness said that as good prospects do not exist in the mechanical

engineering line as in the civil engineering. The Chairman observed that he had also said that Indians did not like the hard mechanical work. The witness explained that this remark applied only to men of the class of University graduates, who did not like hard manual labour. On the other hand, there was a large class of people who had not passed any examination who were willing to take to this line. In his own mills he had tried to get qualified men for training in mechanical engineering, but did not succeed. Formerly graduates used to apply to Messrs. Tata to be apprenticed in mechanical engineering, but not recently.

6504. The witness stated that the competition between State and company-managed railways was such that reduced rates were necessarily levied. Mr. Purshotamdas asked whether there was any competition at all. The witness thought that each system acted as a wholesome corrective to the other. As regards the wide freedom which the companies' lines have, to levy rates between the maxima and the minima prescribed, the witness said that the general informed opinion was that railway rates were too low in India, considering the rise in wages and the cost of materials, and that it would probably be necessary to revise them. So far as schedule rates were concerned he understood that the railways had to obtain the sanction of the Railway Board before putting up their rates. Mr. Purshotamdas urged that the companies could levy any rates within the maxima and minima, and that if an industry suffered in their manipulation of rates within the limits imposed, nobody could control them. In the same way they might not carry out a recommendation which the Legislative Assembly might pass, that a particular industry should be charged special rates. The witness observed that the resolutions of the Legislative Assembly were in any case only in the nature of recommendations, and it did not follow that they would be carried out even by the Departments of the Government.

6504A. The Chairman remarked that the implication of Mr. Purshotamdas that the companies should carry out all the recommendations of the Legislative Assembly, would mean a negation of company management, and an assertion of entire State control. The witness said that, if the control of all railways were transferred to the State, railways would constitute a Department of Government, and the grievances of the public would then be greater than if they were company managed, the disadvantages of State control being that there would be too much red tape, one man management and frequent transfers.

6505. Sir Maneckjee said that the remark in his written statement that the public are not satisfied with the decisions of the Railway Board was his reading of the public feeling. So far as he was personally concerned he was satisfied with some of the Board's decisions and not with others.

6506. In reply to Sir Henry Ledgard the witness said that the possibilities of the Indian market were revealed by the War Loans. It would be advantageous to the country to borrow in India, even if it were necessary to offer the same rate as would have to be offered in England to secure to the English subscribers the same return, as the money would remain in the country. He thought Indian railways should be worked in Indian interests and that increased terms would attract large sums of money. A large portion, if not the whole, of the Rs.30 crores mentioned by the Railway Board as required for Indian railways would be forthcoming if the issues carried the market rate of interest, and if the people knew that the loans were for railways. The recent flotations in Calcutta, Bombay and Madras proved that there was plenty of money in the country seeking remunerative investment.

6507. Sir George Godfrey asked whether there was a Chamber of Commerce in Nagpur. Sir Maneckjee replied that there was no Chamber at present, but that the establishment of one was under contemplation. To his knowledge no complaint was made by the firms in the Central Provinces to the Government of India about the inadequacy of railway facilities. Sir George observed that it was important that the Government of India should be impressed with the commercial losses resulting from the inability of the railways to take the traffic that offered. The witness thought that the Mining Association had made a representation to Government when the Railway Board's decision was adverse in the matter of manganese transport; they in the Central Provinces had not complained against restrictions on the moving of other goods. He did not think it worth while to complain to Government when it was not possible for it to remedy the difficulties they were labouring under. Sir George remarked that unless they represented their difficulties they could not expect them to be removed.

6508. Sir Maneckjee admitted that there was some misapprehension in the minds of many Indians who considered that railways were being pampered at the expense of irrigation, sanitation, etc., railways being necessary for the carriage of the materials necessary for irrigation schemes, and so on. There was however another side to the case. It was important to protect people from famine, disease and periodical epidemics. Both railways and the other measures of protection ought to receive due consideration.

6509. In answer to Sir Arthur Anderson the witness said that he had not found the Railway Board unwilling to give assistance to his firm, but the experience of the small Indian merchants might be otherwise.

P.S.—In a communication subsequently addressed to the Committee Sir Maneckjee said that he considered that if advisory Boards are to be established these should be of a provincial character; he did not think that an all-India advisory Board would be of much utility. Provincial advisory Boards would be more suitable as they would be in a better position to deal with local matters, being in touch with local conditions.

Rao Bahadur K. Balarama Iyer, B.A., Accountant-General, Railways, and Financial Adviser to the Railway Board, who was accompanied by Mr. A. M. Hayman, Deputy Accountant-General, Railways, was called and examined.

6510. Mr. Iyer stated that his functions as Accountant-General, Railways, are confined to matters of accounts and budgets. He is concerned with such matters as ensuring conformity with the existing rules and advises also on proposals to improve these. Such proposals would, if accepted, be embodied in orders of the Railway Board or the Finance Department.

6511. Mr. Iyer stated that, although audit officers endeavour to pay attention to the spirit rather than to the literal text of rules, there is not much scope for judgment. An audit officer would, for example, be required to ask that formal sanction should be obtained in any case in which an official was appointed on a salary, however slightly above the fixed limit of Rs.250, even if the excess were caused by a wrong estimate of the effect of exchange when the official was engaged in England as a point of principle was involved, namely, that the pay of the officer should have been fixed in rupees. In such cases, reference would be made by a railway administration to the Railway Board within whose power of sanction such appointments would lie.

6512. Speaking of the anticipated increased ratio of working expenses to gross receipts in the coming year, the Chairman observed that the ratio might

be affected either by alterations on the receipt side or the expenditure side. Mr. Iyer explained that the higher ratio in the coming year is due to the increased expenditure. He placed the following figures before the Committee:

STATE RAILWAYS, WORKING EXPENSES.

All Railways, India.

	Actuals.							Revised 1920–21.	Budget 1921–22.
	1913–14.	1914–15.	1915–16.	1916–17.	1917–18.	1918–19.	1919–20.		
Working Expenses—									
Ordinary Expenses	38·7	41·3	40·1	37·9	37·8	39·9	48·6 *	50·8 *	49·7
Fuel (in Abstract B only) ...	7·2	7·4	6·5	6·1	5·8	6·1	6·7	6·8	6·9
Programme Revenue Expenditure.	6·1	5·7	4·6	3·3	2·1	2·4	4·3	5·8	10·0
Total Working Expenses	52·0	54·4	51·2	47·3	45·7	48·4	59·6	63·4	66·6

* Adjusted figures due to arrears of 1919–20 paid in 1920–21.

6513. The Chairman observed as regards programme revenue expenditure that, roughly, about 6 per cent. was the normal expenditure before the war. Expenditure on this head had dropped to an obviously inadequate figure during the war, but an effort has evidently now to be made to catch up the arrears. Mr. Iyer stated that he thought that the increase to 10 per cent. under this head for the ensuing financial year certainly represents an effort to make up arrears, and could not be accounted for merely by the enhanced price of materials. Mr. Iyer explained that he had nothing to do with the reduction of provision for renewals. A certain sum is allotted for special or "programme revenue" purposes by the Finance Department, and the Railway Board are responsible for distributing this amount between the several railways.

6514. He stated that as audit officer he takes no cognisance of internal renewal programmes such as exist on the separate railways, under which rolling stock, engines, rails, etc., are considered as falling due for renewal after fixed periods accepted as the normal "life" of the vehicle, etc., in question. He regarded it as the function of the Government Inspector to bring to notice any failure to carry out renewals which were due. In this connection, he referred to the certificates printed in the half-yearly accounts of the Railway Administrations, in which the head of each department certifies that the plant, permanent way, etc., for which he is responsible has been maintained in good working order and repair during the half-year to which the accounts relate, these certificates being countersigned by the senior Government Inspector of Railways. Mr. Iyer placed before the Committee a specimen copy of the half-yearly accounts of a railway, containing such certificates. It was observed that in certain cases the certificates were qualified; for instance, a case in which it was stated that repairs to fencing were somewhat in arrears due to shortage of supplies of wire from England.

6515. The Chairman said that he thought that in an ordinary commercial concern in which it had been recognised that any particular part of the equipment should be renewed after a specified period, the auditor would be notified of this and would not feel at liberty to pass the accounts unless the renewal had either been effected or funds reserved for it. He observed that under the Indian railway system there appears to be a lack of correlation between the renewal programme and the financial accounts. Mr. Hiley confirmed the Chairman's impression that in English Railway Company accounts the auditor would be bound to write down the book value of the plant in accordance with such an accepted programme. In India, however, apparently the audit officer has no cognisance of these programmes.

6516. Mr. Iyer placed before the Committee the following statement showing the balances at debit of the Stores Suspense account at the end of the year 1919-1920:—

Railways.	Stores balances at 31st Mar., 1920 (in thousands). Rs.
Assam-Bengal	22,18
Bengal-Nagpur	1,14,29
Burma	40,58
Bombay, Baroda and Central India	1,39,73
Eastern Bengal	2,19,52
East Indian	2,42,16
Great Indian Peninsula	2,45,36
Madras and Southern Mahratta ...	1,00,25
North-Western	2,83,64
Oudh and Rohilkhand	65,64
South Indian	56,79
Other Railways	36,71
Total ...	Rs.15,66,85

The Chairman observed that he understood that all stores were taken into the capital account in the first instance and borne at the charge of capital until issued for revenue purposes. He enquired whether interest charges should not be adjusted in order that revenue should bear its due share of this cost. Mr. Iyer explained that revenue bears interest charges on the whole capital, including the amount at the debit of the suspense account, so that, in fact, revenue does bear the charge in question. He mentioned that, if a railway were handed over for working to a company on the basis of a capitalisation of its earnings, the stores and stock are included as part of the capital assets of the property.

6517. Questioned with regard to his functions as Financial Adviser, Mr. Iyer confirmed the Chairman's impression that he is responsible for indicating to the Railway Board the views of the Finance Minister. He facilitates business by settling on behalf of the Finance Department cases of minor importance, with which he deals at his discretion. More important cases he refers to the financial member, and is in a position to represent the Railway Board's point of view. He said that he was also consulted by the Railway Board on cases falling within their own financial powers. He agreed that in practice he is largely a liaison officer between the Railway Board and the Finance Department. He said that he, as Financial Adviser, has a right to see all Railway Board's cases in which financial interests are involved, even though the subjects may be matters in which the powers of control may have been delegated to the Railway Board. Mr. Iyer said that he does not report in any way direct to the railway member of the Council as distinct from the Railway Board, though the railway member has a right to call for his assistance if he so desires. He mentioned that his notes as Financial Adviser are recorded on the Railway Board's files, and would naturally be seen by the railway member when those files are submitted to him.

FIFTY-FIFTH DAY

(Delhi).

Tuesday, 8th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Honourable Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Mr. F. J. PRUCE, representative of the Punjab Chamber of Commerce, Delhi, was called and examined upon two statements which had been furnished to the Committee.

See Written Statement No. 82. Vol. IV., P. 264.

6518. Mr. Pruce stated that he was a Member of the Committee of the Punjab Chamber of Commerce. He had been employed for 35 years in railway audit work on State railways, and, since retirement, had gone into business, being now managing partner of Messrs. James Currie and Company, Importers and Commission Agents. Mr. Pruce stated that the Punjab Chamber of Commerce consists only of wholesale firms, and comprises 72 members divided approximately equally between European and Indian firms. The Chamber had been in existence for about 15 years, and includes the whole of the Punjab.

6519. Mr. Pruce explained that the first statement submitted by the Chamber of Commerce, on the 22nd November, 1920, had been framed by the Committee of the Chamber, but that the Chamber had gone more fully into the subject on receipt of the questionnaire, and the result was the second statement prepared in February, 1921. The Chairman said that he would examine Mr. Pruce on the latter statement, observing that its contents generally agreed with those of the earlier one.

6520. The Chairman observed that 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 upon them. He asked how the latter alternative could be reconciled with the statement made elsewhere in the Chamber's note, that capital funds should be raised entirely by Government, in which case it was not clear how companies' management could be utilised. Mr. Pruce explained that the meaning was that the existing companies which at present have boards of directors in England should be transferred to India, but that the Chamber would not recommend that new companies should be set up in India. He said that the Chamber had not addressed itself to the question how this transfer of domicile of the existing companies could be effected.

6521. On further consideration, he was inclined to think that the only thing Government could do would be either to buy out the existing shareholders or wait until the existing contracts fall in, in which case Government would be the sole owners of the railway concern. He agreed that a company should not be used solely as a working agency without subscribing any capital of its own; and he did not think, for example, that there would be any advantage in substituting a board of directors for the Agent of the North-Western Railway, which is at present under direct management by a State Railway Agent. He thought that if a domiciled Indian company were used to work a railway, it would have to put in some additional capital of its own. On the whole, he thought that his Chamber would agree that no new company should be started, and that when the State had bought out an English company it should itself henceforth work the railway direct. He did not see in the circumstances how an Indian domiciled company could really be utilised.

6522. Mr. Hiley observed that the Chamber of Commerce in their written statement had recognised the alternative of direct management by the State, which the witness said they preferred.

6523. The Chairman observed that there seemed to be some discrepancy between the recommendation of the Chamber of Commerce for the association of experienced commercial men in the Railway Board, and the resolution quoted by them of the Associated Chambers of Commerce in India and Ceylon, which recommended the appointment of only one non-official commercial member on the Board. Mr. Pruce said that the Chamber's statement had been rather loosely worded, the intention was simply to support the proposal that one commercial member should be included in the Railway Board.

6524. The Chairman asked whether, if this recommendation were carried out, the commercial member of the Board would not naturally be inclined to look at matters exclusively from the point of view of the requirements of the traders without due regard to the interests of the railways themselves, and whether, if appointed, for example, from the Punjab he would not naturally be regarded by traders in other parts of India as likely to represent special Punjab interests. Mr. Pruce thought that the member would consider the interests both of traders, on the one hand, and of the railways and the country on the other.

6525. The Chairman suggested that the better place for a commercial representative would be outside the Board, pressing upon its attention the requirements of the interest represented by him and not as a member of the Board itself. If an Advisory Board were set up side by side with the Railway Board, it would have the further advantage of enabling more than one representative of commercial and other interests to be employed upon it.

6526. Mr. Hiley explained that the suggestion was that this Advisory Council should advise the member in charge of the Railway Department who, on the other side, would have the assistance of the Board, an expert technical body, in carrying out the conclusions arrived at, and that commercial representatives would be in a better position to press their views than if there were merely one of them on the Railway Board where he might be out-voted by his colleagues. Mr. Pruce thought this a workable scheme and believed that it would be quite acceptable to the Chamber of Commerce.

6527. The Chairman said that he did not propose to discuss with Mr. Pruce the opinion of the Chamber that the supply of funds for new construction and the improvement of existing railways had not been adequate in the past; that the maximum annual capital outlay recommended by the Finance Committee of 1907 is now out of date; that the lapse system is objectionable, or the recommendation 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; all of these being points in which the views of the Chamber of Commerce were in accordance with those represented to the Committee by practically all the witnesses hitherto examined.

6528. Mr. Pruce said that the Chamber were in favour of capital funds being raised entirely by Government at the best rate obtainable, either in England or in India. They were opposed to the policy of raising capital by means of branch line terms, both because of the diversion by this means to railway construction of money which should be available for industrial enterprise, and also because only a part of the money subscribed for branch line railway companies actually is expended in construction, a considerable portion of it being paid to the promoters of the branch line companies in the shape of commissions and allowances for expenses. Mr. Pruce considered that Government should raise directly the money required for railway purposes, and thought they would be well advised to pay as much as 6 per cent., or, if necessary, 6½ per cent., to secure an adequate supply of funds. He mentioned in this connection that the railways are a valuable property, earning about 8 per cent. The Chairman mentioned that the high return earned by the railways in recent years had largely been procured by postponing the necessary expenditure on renewals. He doubted whether more than about 5 per cent. could be earned normally, with rates and fares at their present level. Mr. Pruce observed that anyhow the railways are a solvent property, and he thought that rates and fares should be raised as recommended by the Chamber of Commerce. Mr. Pruce thought that from the point of view of not diverting Indian money from industrial enterprise to railway construction, there might be an advantage in raising part of the funds necessary for railways by borrowing in England. He agreed, however, that Indian subscribers should have the option of contributing on the same terms as offered outside the country.

6529. In reply to Mr. Hiley, the witness expressed the opinion that a private company would not be disposed to promote a branch line which did not offer prospects of a remunerative return, though it might be very desirable in the public interest. This was one of the arguments in favour of such enterprise being undertaken by the State. He considered it the duty of Government in the first instance to provide funds for railway construction. The Chamber of Commerce were of opinion that the existing branch line companies should be bought out, and thought that this might be done at the present market value of their shares, which is about 60 per cent. of their nominal value. Mr. Pruce said that he was not, however, in favour of undertaking this operation at once while funds for improving the existing railways are so badly needed.

6530. The Chamber of Commerce were of opinion that rates and fares on railways must be enhanced to prevent the lines being a burden on the general tax-payer. The Chairman said that India was the only country in which commercial representatives expressed this opinion. Mr. Pruce considered that an increase of rates and fares is better than putting up with the existing deficiencies on the railway system.

6531. With regard to the Chamber's opinion that no alteration can be made in the existing system of reserving funds to meet English liabilities for stores, but that early intimation should be given of anticipated lapses in England so that the money might, if possible, be utilised in India, Mr. Pruce explained that transfers of budget provision from England to India require the sanction of the Railway Board and that these should be given as early as possible in the year.

6532. An ambiguity in the recommendation of the Chamber 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 was explained by Mr. Pruce as meaning that the development of indigenous industries should be fairly treated in comparison with the expansion of import trade. Mr. Pruce said that he was not in a position to give any precise instance of a particular rate in which the existing treatment of Indian industries is unfair. The Chairman said that he would be glad if the Chamber could quote any definite cases in which different rates were quoted for internal and export or import traffic in cases in which the distances, quantities, and other conditions, affecting the consignments in the cases contrasted, were reasonably comparable. In this connection, Mr. Pruce drew attention to the Chamber of Commerce's endorsement of the principle set forth by the Indian Industrial Commission, who said that "in so far as industries are affected 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." He agreed that the words "and in similar quantities" should be read into that statement of policy, in order to make it completely applicable.

6533. The Chairman said that he had observed that the railway rates on cotton to Bombay for local use and for export, as well as on jute to Calcutta for local manufacture and for export, are the same, so that, as far as these instances went, there is no preference in favour of export over local traffic, such as exists in other countries. Mr. Purshotamdas Thakurdas mentioned that in the evidence recorded by the Indian Industrial Commission, specific cases of unequal treatment were quoted. He referred, for instance, to the fact that the rates for cotton from Khandwa to Navsari and from Khandwa to Bombay are more favourable in the latter case, the mileage and, as far as he knew, the other general conditions being the same.

6534. With regard to the opinion of the Chamber of Commerce that Arbitration Boards should be established for the settlement of disputes between traders and railways, as the provision in the Railways Act for the appointment of Railway Commissions is unworkable, Mr. Pruce said that the Chamber would approve of the suggestion that a tribunal should be set up, presided over by an impartial lawyer Chairman who would be assisted by representatives of railway and commercial interests.

6535. With regard to the recommendation that an adequate supply of rolling stock should be arranged for as early as possible, Mr. Pruce said that the opinion of the Chamber is that a substantial share of the money provided for railway purposes should be devoted to this object.

6536. The Chairman observed that the Committee had heard a great deal about railway staff making improper demands for payment for wagons, and asked if Mr. Pruce could say anything on the subject from his railway experience. Mr. Pruce said that he had heard rumours and believed that the practice prevails. He said it was very difficult to suggest a means of preventing it. The Chairman said that it might be difficult to suggest a cure, but he did not think it should be impossible to do so. Mr. Pruce considered that deterrent punishments should be awarded to those convicted but he observed that not one case in a thousand is brought home. He laid stress on the difficulty of obtaining evidence, as those who paid bribes would naturally not come forward. He did not think that any system of detection exists at present. The Chairman remarked that prevention is better than cure and asked whether instead of inflicting punishments after the offence is committed, it would not be better to devise a system to prevent their occurrence. The witness said that he could not see how the practice could be stopped so long as men

chants were willing to pay for preferential treatment. The Chairman thought that, if the station master could be made to realise that he would lose his post on the railway if he accepted a bribe, it would do away with the temptation.

6537. In reply to Mr. Hiley, the witness said that he had had no experience of the working of stations, his experience being confined to the inspection of station accounts. He had had no traffic experience.

6538. Sir Henry Ledgard asked whether an improvement could not be effected by insisting on the maintenance of priority registers for the despatch of goods at all stations and by making surprise checks to ensure that the despatches are made in accordance with the order of priority assigned to each consignment. Mr. Pruce considered this practicable only in the case of big stations like Howrah or Bombay.

6539. Mr. Hiley remarked that others had told the Committee just the reverse; he suggested that if the priority register were so kept that any departure from the priority order becomes public property, it would be dangerous for the station master to depart from it. Mr. Pruce could not see how this could be ensured in practice. In reply to the Chairman, Mr. Pruce emphasised the difficulty of tracing the existence of corrupt practices on a railway. He did not think that surprise visits would help much.

6540. Sir George Godfrey asked what Mr. Pruce, as a commercial man, could say on the subject. Mr. Pruce said that in practice the traders submit to the practice of making payments as they have no alternative.

6541. In answer to Sir Arthur Anderson, he mentioned that money is usually demanded by the station staff and not voluntarily offered by the traders. The Chairman asked whether in case of such a demand the trader might not reasonably lodge a complaint as he would not himself be implicated in an offence, but Mr. Pruce said that the station master would certainly deny the charge; demands are never made in the presence of witnesses. He thought it impossible for the traders to complain because they would still have to deal with the station master on future occasions, and could not afford to antagonise him.

6542. The Chairman asked if Mr. Pruce would let the Committee know later of any constructive suggestions that might occur to him. Mr. Purshotamdas enquired whether the witness would consult the other members of his Chamber in this connection as he thought there may be some members with practical experience of the problem. The Chairman pointed out that he did not want this to be regarded as a formal request from the Committee, and that it would be sufficient if Mr. Pruce would communicate to the Committee informally any suggestion that he might think worth attention.

6543. In reply to Sir Henry Burt, the witness mentioned that the general opinion was that in respect of such things as delays in the despatch and delivery of consignments, and pilfering on the railways, all the railways that enter Delhi are equally unsatisfactory. He had no differentiation to make in this respect between the State and company managed lines.

6544. Questioned by Sir George Godfrey, the witness said that bribes are usually paid to the station master. He did not know whether the other station staff get any share in it. Generally, each firm has a broker or agent who deals with the station master. The payment to the station master is generally a loss that falls on the broker. Sir Rajendra Nath Mookerjee asked where the broker comes in in the case of business at a small station. Mr. Pruce explained that sometimes an agent is used and sometimes not. He could not speak as to the relations between the brokers and the merchants in connection with such matters.

FIFTY-SIXTH DAY.

(Delhi).

Saturday, 12th March, 1921.

PRESENT:

SIR WILLIAM M. ACWORTH (*Chairman*).

Sir A. R. ANDERSON, Kt., C.I.E., C.B.E.
Sir H. P. BURT, K.C.I.E., C.B.E.
Sir G. C. GODFREY.
Mr. E. H. HILEY, C.B.E.
Sir H. LEDGARD.
Sir R. N. MOOKERJEE, K.C.I.E.
Mr. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E.
The Hon'ble Mr. V. S. SRINIVASA SASTRI.
Mr. J. TUKE.

Mr. T. RYAN, C.I.E. (*Secretary*).
Mr. E. R. POLE (*Assistant Secretary*).

Further evidence of the Indian Railway Board was taken, and is recorded under numbers 6545-6583 in the Volume of Confidential Evidence.

MR. HARCHANDRAI VISHINDAS, M.L.A., and MR. WALI MAHOMED HOSSANALLY, M.L.A., appeared to give evidence on behalf of the Municipality of Karachi.

See Written Statements Nos. 83 & 84, Vol. IV, Pp. 265, 267.

6584. The Chairman stated that the Committee had had an opportunity of reading a written statement submitted by Mr. Harchandrai Vishindas, but that as Mr. Wali Mahomed had only furnished his statement so short a time before the meeting, it had not been possible for it to be considered by the Committee.

6585. Mr. Harchandrai explained that he was President of the Karachi Municipality, and that Mr. Wali Mahomed was a Member of the same body, and they were both Members of the Legislative Assembly. He stated that there had been no opportunity of preparing a joint statement, but that Mr. Wali Mahomed had now read his written statement and was entirely in accord with the views expressed therein, and in reply to the Chairman the witnesses agreed to the Committee taking Mr. Harchandrai's statement for the purpose of the examination.

6586. The Chairman observed that the witnesses were in favour of State management of railways for the fundamental reason that a company has a definite object, namely the earning of profits, which should not be the object of a State railway. Mr. Harchandrai said that, broadly speaking, he was in favour of the proposition that railways should be run on commercial

lines to the extent of paying working expenses and interest on capital, and he had no objection to a relatively small surplus, such as at present earned, so long as the public interests are served by the railway system. He was opposed to existing railway rates being raised, but, on the other hand, he would not, in the absence of any counterbalancing advantage, wish rates to be so low as to make railways work at a loss, necessitating additional taxation in other directions to meet the deficit.

6587. He thought that public grievances were more likely to be redressed by a State management. He admitted that people are not quite satisfied at Karachi with the service of the North Western Railway which is a State-managed line, but he thought there would be still less satisfaction if it were managed by a company.

6588. The Chairman said he thought it very natural that the demand made in Mr. Harchandrai's statement for a wider employment of Indians in superior posts, should be made. He observed that on the State managed lines they are at present employed fairly widely. Mr. Harchandrai referred to the Great Indian Peninsula Railway on which a very large number of appointments are filled by Europeans and Anglo-Indians. It was rather better on the Bombay-Baroda and Central India Railway, where considerable numbers of Parsees are employed. The Chairman referred to the East Indian Railway, because of a reference in Mr. Harchandrai's statement to the views of the Bengal Chamber of Commerce, and stated that the line had recently adopted the policy of appointing more Indians and he thought that at the present time the Bengal Chamber of Commerce would not support the view expressed in 1907, which Mr. Harchandrai had quoted. Mr. Harchandrai said he did not know anything about the East Indian Railway practice in this respect.

6589. Mr. Harchandrai admitted in his written statement that it might conceivably be objected against State management that Government wheels grind slow, and their methods are vitiated by red tape and circumlocution. He was hopeful, however, that there would be an improvement in this respect in future.

6590. He referred to a recent criticism of the Railway Board in the Legislative Assembly, where it was described by one member as a useless and obsolete body which had failed to be of any use to the public. He mentioned that the European Members of the Chamber, though not going so far as to recommend the abolition of the Board, had also criticised it very severely. He said he could not express an opinion from his personal experience, and could only represent what he understood to be the general feeling. He thought it would be an improvement if there was a Railway Minister at the head of the Railway Board, who would have a seat in the Executive Council and the Legislative Assembly.

6591. With reference to the complaint that the Railway Board does not get into touch with public opinion, Mr. Harchandrai said he would be in favour of the establishment of an Advisory Council sitting from time to time, as necessary, at the Government of India headquarters, and comprising representatives of the commercial community, Local Governments, etc., to bring the Railway Board into touch with public requirements. He said it should, of course, be understood that such a council should represent all interests and not only commercial ones. He was also in favour of the establishment of local advisory bodies in touch with and alongside of railway agents. He said he would prefer that the North Western Railway should have separate advisory councils in Lahore and Karachi, and not in Lahore only.

6592. Mr. Harchandrai said that the inadequacy of funds for railway purposes in the past has been so obvious that the answer to the enquiry on this point in the questionnaire was a foregone conclusion. Funds have been inadequate all round. He was strongly of opinion that no railway extensions should be undertaken until open lines have been put in order.

6593. With regard to borrowing money, he said that this should be done wherever it could be got cheapest. It should be borrowed by the Government of India as a loan on the security of the Government of India. He did not think that such borrowing would interfere with other Government of India borrowings, which are confined almost wholly to railway and irrigation requirements, the latter being comparatively small.

6594. Referring to the point made in his answer to question No. 27, that the larger earnings of company-managed lines are due to the richer tracts served by them, he said he would not press the point, as it had been mentioned to him that the Assam-Bengal Railway, which is company managed, is a particularly unprofitable line, while the Eastern-Bengal Railway runs through a rich part of the country.

6595. In reply to Sir George Godfrey, he admitted that the figures quoted in the questionnaire under question No. 27 indicate that Government railway property is a very solvent concern, producing such a margin of profit that it furnishes good security on which to borrow.

6596. With regard to the lapse system he had nothing good to say.

6597. In referring to the need of control over schedules of rates and the prevention of block rates, Mr. Harchandrai said he would welcome the institution of a tribunal consisting of an impartial chairman assisted by a commercial and a railway representative to whom matters relating to rates should be referred for independent settlement. In the matter of quotation of unduly favourable rates for export traffic, he said that he had no personal knowledge of the subject, but would refer the Committee to the Indian Industrial Commission's Report. He could not say whether Karachi, which has a large import and export trade, has any complaints to make about rates.

6598. The Chairman said that he thought everybody agreed that proper accommodation is not provided for third class passenger traffic, and that there is the need for appointing Inspectors and carrying out other improvements which would not cost much. The Chairman mentioned in this connection that the East Indian Railway Agent had informed the Committee that he had definite instructions from the Railway Board not to spend money on conveniences which do not directly help to move traffic. That of course was only a temporary restriction, and everybody agreed that the needs of the lower class passengers require attention. Mr. Harchandrai said he had never seen passenger superintendents such as the Chairman mentioned employed on the North Western Railway. Mr. Wali Mahomed said he was a frequent passenger and had never seen them. He emphasized the need for greater attention to the convenience of third class passengers, and mentioned that on the Rajputana Malwa Railway he had tried to intervene on behalf of some passengers who could not find accommodation, and had been told by the guard that it was none of his business to see to this.

6599. The Chairman mentioned that, in the matter of technical education of Indians for railway work, the Railway Board had agreed that this subject must receive more attention.

6600. Mr. Wali Mahomed stated that he agreed with Mr. Harchandrai in the evidence given by him. He laid great stress upon the grievances of third and even second class passengers which, he added, were long-standing. They had been neglected over the past quarter of a century. He emphasized the lack of convenience even in third class compartments for women, and he thought it wrong that accommodation should be reserved for Europeans and Anglo-Indians. This leads to compartments running quite or practically empty while Indian passengers in the neighbouring third and second class compartments are uncomfortably crowded. In reply to Sir Henry

Ledgard he said that on the North Western Railway usually half of a four-wheeled carriage is so reserved. In answer to the Chairman he said that crowding was not much less on the North Western Railway ten years ago than at present.

6601. At the present time the number of trains run is insufficient. He thought that local opinion should be consulted in connection with the timing of local trains. He referred also to the difficulty in securing coolies at Karachi City station where incoming passengers are subjected to great difficulties.

6602. A special complaint of Karachi is the centralisation of the North Western Railway Superior Officers in Lahore. During the war a Deputy Traffic Manager had been posted to Karachi, but he had been removed subsequently despite a strong protest from the Chamber of Commerce and others, only a District Traffic Superintendent being left there. He thought there was a strong case for decentralisation of the railway control. As an instance of the difficulty in dealing with the railway administration he mentioned the establishment of a school for Railway, Port Trust and Municipal employees' children, which the Karachi Municipality had instituted. The Municipality agreed to contribute 1/3rd of the cost, the Port Trust consented to pay a third, but it had proved impossible to elicit a reply from the North Western Railway for over a year past. The Chairman observed that this was possibly due to the Railway Administration having to refer to the higher authorities.

6603. Mr. Wali Mahomed agreed that many of the grievances he had mentioned might suitably be brought before a local advisory committee such as the one suggested. He drew attention to other difficulties connected with passenger traffic which were outlined in his written statement. He laid special stress upon the inconvenience caused by the lack of through carriages for third class passengers, people, especially women and children, being put to great trouble. He thought that about one in ten of the third class carriages are not provided with lavatories. Sir George Godfrey said that this estimate of 10 per cent. was much under the mark. Mr. Wali Mahomed said that in his opinion every carriage should be so provided. Sir George Godfrey mentioned that there is a standing order of the Railway Board requiring these in the case of long distance trains.

6604. In reply to Sir Henry Ledgard, Mr. Harchandrai admitted that superficially it might appear that company servants would be influenced by considerations leading to more satisfactory service than State railway men, but he did not think that it would be so in practice, the State railway staff having acquired a long experience of the same kind.

6605. He did not think there was anything in the argument that State lines benefit by their association with company management. He thought it wrong that railways should work primarily for profits. A more important object is the development of the country to which the State is bound to pay attention, and, for this reason both the witnesses expressed a strong preference for State management even if the railways had to work at a loss.

6606. Mr. Harchandrai admitted that if he were investing his own money in a business he would prefer that it should be managed by business men than by Government. Such an investment however would be made definitely for the purpose of profit, whereas railways should serve a different purpose. In answer to Sir Arthur Anderson, he could not speak about the past, but he hoped that in future State railways would pay much more attention to the needs of the country.

6607. The Chairman said that it is true that the third class passenger gets much worse accommodation than in England or America, but on the other hand he pays only 1/7th of the fare per mile; and he asked whether third class passengers would be willing to pay more for more comfortable accommodation. Mr. Harchandrai said that he thought more than 50 per cent. of the third class passengers would be willing to pay a little more though not so much as the intermediate class fares. There are certain classes to whom cheap transport is the principal consideration and for these special coolie trains might be run. Mr. Wali Mahomed mentioned that in England third class seats are sometimes numbered so that each passenger had a definite seat allotted to him. Mr. Hiley observed that the other side of the case was that passengers for whom no seats could be allotted were left behind on the platform whereas in India, though the compartments are crowded, they are not kept out of the trains.

FIFTY-SEVENTH DAY.

(Delhi.)

X 415.2 N20t

Sunday, 13th March, 1921.

N20.3

[The concluding evidence of the President and Member of the Railway Board is contained in the volume of confidential evidence, under numbers 6609-6677.]

