

RAILWAY COMMUNICATION IN INDIA.

RETURN to an Order of the House of Commons,
dated 11 — for,

COPIES "of any PAPERS not already laid before Parliament, referring to the general Question of RAILWAY COMMUNICATION in India, together with Copies of any CORRESPONDENCE which may have taken place between the Home Authorities and the Madras Government in reference to the Proposed Railway between Madras and Arcot."

East India House,
4 July 1850.

JAMES C. MELVILL.

Note.—There has been no correspondence with the Madras Government upon the subject of a Railway between Madras and Arcot. The only letter upon the subject of a Railway in the Madras Presidency was addressed by the Court of Directors to the Supreme Government, and is included in the present Return.

Ordered, by The House of Commons, to be Printed, 8 July 1850.

COPY FINANCIAL LETTER to India, No. 9; dated 25 April 1849.

Para. 1. IN order that you may be apprised of the proceedings which have recently taken place on the subject of Railways in India, and that you may turn your attention to the measures which may be necessary for you to adopt, we transmit in the packet, copy of our Correspondence, as noted in the margin,* with the East Indian and the Great Indian Peninsula Railway Companies.

2. The terms and conditions proposed by the East Indian Railway Company having been accepted by the shareholders, we have given directions for the preparation of the requisite deed of Contract, of which we shall forward to you a copy, so soon as it shall have been definitively settled; we shall at the same time address you in reference to the several points upon which it may be necessary that you should be in possession of our views and instructions.

3. We shall adopt a similar course with respect to the Great Indian Peninsula Railway Company, upon our receiving an intimation of the acquiescence of the shareholders of that Company in the terms and conditions.

COPY FINANCIAL LETTER to India, No. 10; dated 14 November 1849.

1. Agreeably to the intimation conveyed to you in our letter of the 25th April last, No. 9, we now forward in the packet the deed of Contract in duplicate between the East India Company and the East Indian Railway Company for the construction of an experimental line of Railway from Calcutta towards the Upper Provinces of India; we forward likewise a copy of a deed of Contract between the East India Company and the Great Indian Peninsula Railway Company for the construction of an experimental line of Railway from Bombay to or near to Callian, with a view to its extension to the Malsej Ghaut.

2. These

* Letter to D. J. Noad, Esq., from J. C. Melvill, Esq., 28 March 1849.—Letter from D. J. Noad, Esq., to J. C. Melvill, Esq., 29 March 1849.—Letter from D. J. Noad, Esq., to J. C. Melvill, Esq., 12 April 1849.

These details are laid upon the "terms and conditions" of which you have already seen, which have been accepted by the Railway Companies. Although the details are so extensive, and appear so fully to meet the views of the parties, you must not fail to comprehend the precise meaning of these Contracts, and that you may the more clearly understand their various provisions, we think it may be worth your trouble in future if we now enter into a detailed explanation of each of the conditions: it is, however, highly satisfactory to find that the Nobleman who now at the head of your Government has already given much attention to Railway subjects, and we anticipate that great benefit will result in the course of your deliberations from his Lordship's experience.

4. The Government of India, deeply interested, both in a financial and political point of view, in the experiments now about to be undertaken, it has been deemed necessary in the arrangement which has been entered into, to insist upon complete supervision and control by the East India Company of the Railway Companies, and their officers, servants, and agents, in all accounts, matters and affairs whatever, both during the construction of the Railway, and after it shall have been opened for the conveyance of passengers and goods, as more particularly specified in the clauses of the deed relating to such supervision and control. The mode in which the power thus given to the East India Company can best be exercised in India will become matter for your early consideration and determination. It is our desire, that, while the supervision and control should be entire and efficient, every facility compatible therewith should be afforded to those who may be employed by the Railway Companies for the purpose of carrying out the undertakings which it is our most anxious wish, and which it is so obviously for the public interest, should be commenced and prosecuted with all practicable expedition. We trust that no difficulty will arise in fulfilment of the covenants mutually entered into on behalf of the East India Company and the Railway Companies; and that our officers and servants, and those of the Railway Companies, will cordially co-operate for the accomplishment, at as early a period, and in as efficient and at the same time economical a manner as may be practicable, of the great object to which the contracting parties are pledged.

5. As the provisions of both Contracts are similar in the main, and differ only as far as it is necessary to apply the same principles to the two different localities, we shall proceed to consider the clauses separately, making such observations thereon, as we think necessary, in order to elucidate more clearly our objects and our understanding with the other contracting parties, in the hope that these observations may be found useful for reference in the future, if differences of opinion should arise as to the true meaning of the said provisions.

6. In the first place, however, it may be useful that we should preface these remarks by an explanation of the essential difference between the "terms and conditions" which we have now accorded to these Companies, and those to which we had formerly consented. It had been proved insufficient to induce the public to embark capital in the undertakings. By the "terms and conditions" formerly offered and accepted by the Railway Companies at the time, it was provided that we should guarantee them an interest of 5 per cent. upon the capital invested. By many it was understood that our proposed guarantee implied that each shareholder should at least receive a dividend of 5 per cent. on his stock; and when it was explained to the public that our guarantee extended only to an interest upon the capital, and that the dividend might be reduced below that rate by any contingency which increased the annual expenditure of the Railway Company above its income, and which would, therefore, require that a portion of the interest received from us should be applied, in order to make up such deficiency, it became manifest that the capital could not be obtained, subject to that risk for an undertaking so perfectly novel to the English capitalists. It was then urged upon us, that we should extend our guarantee so as to secure a dividend of 5 per cent. to the shareholders. To this proposal we could not assent, and chiefly on the ground, that had we done so, it would, so far as that amount of dividend was concerned, have removed all risk whatever from the shareholders, and of course destroyed to a great extent the motives for that strict economy and energetic conduct which are the life of the Railway which could alone secure its success. Recognising, however, the great importance of making this experiment, and finding that it was necessary that the risk to which we have alluded should be

be removed by some means or other, in order to enable private Companies to embark in these undertakings, which we always thought preferable to their being taken up by the Government of India, we at length consented so far to modify our former "terms and conditions," as to introduce a provision, which will be found in Clause 22, the effect of which will be to enable the Railway Company to relinquish and surrender the undertaking to the East India Company, by giving six months' notice at any time after the Railway shall have been finished at least three months, but still limiting our guarantee to an interest of 5 per cent. on the capital. This provision has proved entirely satisfactory to the public, inasmuch as it secures to them the power of receiving back their capital, in the event of any unexpected or unforeseen disaster arising, which had the effect of reducing their dividend below the guaranteed rate of interest; while, on the other hand, it does not interfere with those arrangements which we look for from private enterprise. This is the essential difference between the terms on which these Contracts have been concluded, and those which were formerly proposed as a basis for these undertakings.

7. The introductory clause of the Contracts recites the incorporation of the respective Companies, by Act of Parliament, of which we herewith send you copies. In our public despatch of the 10th October 1847, No. 26, we intimated our intention of consulting with our law officers in regard to the Charter of Incorporation which should be granted to the Railway Companies by the Indian Legislature. We are now advised, that, inasmuch as they are incorporated by Acts of Parliament, no act of incorporation by the Indian Legislature will now be necessary. By this clause you will observe, that in the case of the Great Indian Peninsula Railway Company the sum of 25,000L., and in that of the East Indian Railway Company the sum of 33,500L., have been respectively allowed as having been expended "for the purposes of their undertaking, prior to the 28th day of March in the present year." We are desirous that you should understand that, in fixing upon these amounts to be allowed as preliminary expenditure, we were governed entirely by reference to the actual value of the past labours of the Companies in proceeding with surveys, plans and general information, which would prove useful and necessary for the undertakings now, and not by the sums actually expended. It is to be remarked, however, that we should remark, that, in these estimates of past expenditure, we included the whole of the surveys, plans and documents of every description relating to the proceedings of these Companies, not alone in immediate connexion with the experimental lines to which these Contracts particularly refer, but also in connexion with the more extensive surveys, sections and plans which were deemed necessary to be made.

8. If, therefore, these Railways should ever be transferred to the East India Company under any of the provisions contained in these Contracts for that purpose, all such surveys, plans, and papers of every description whatsoever will be included in the amount of the purchase money provided under the Contract.

9. Clauses 1 and 2 do not call for any particular remark, but sufficiently explain themselves.

10. Clause 3 provides that the East India Company shall furnish the land necessary for the undertakings as soon as the route or direction shall have been fixed which the line shall take between the points indicated in the Contracts. This provision of the Contract will demand your first and immediate consideration, and we request that no time may be lost in making whatever steps may be necessary for putting the Railway Companies respectively in possession of the first portion of the land which will be required for their immediate commencement, and that special care may be taken that the whole of the land may be furnished as quickly as it shall be required. From the minutes which were recorded by some members of your Government on May 1846, it appears that doubts were entertained whether the existing laws would be found sufficient for this purpose. If it be found necessary to pass any special legislative enactment for this purpose, you have our authority to do so. In the exercise of any power which may thus be conferred upon you, we request your observance of great caution and circumspection; so that, while the public interests are duly regarded, no expense may be incurred which is not absolutely necessary. You will observe that this clause contains a provision that the land shall not be permanently required for the use of the said Railway, and that it shall as soon as possible be restored to the East India Company. This clause has been inserted, because

we have been advised that, in the construction of a railway, considerable quantities of land are sometimes required for purposes of a temporary nature for supplying means, in some places, of procuring material for filling up hollows, and in other places for supplying places for the deposit of excavations and cuttings, but which will not permanently be required for the Railway: it will be for you to consider the most economical plan upon which such extra land can be provided; whether it shall be purchased, in the first place, with that which is permanently required, and afterwards re-sold, or otherwise rented for the period for which it is wanted. It is certain, as has been the case whenever railways have been introduced, that they have added greatly to the value of the land through which they pass, not only by offering great facilities for its improvement and cultivation, but also by affording an easy and cheap access to markets for the produce. We hope that such an obvious advantage to the land through which these railways pass will be good reasons for your obtaining the land required for them on much more moderate terms than would be possible if such considerations did not exist.

11. Clause 4, among other objects, confers on the East India Company the power of determining whether these experimental Railways shall consist of single or double lines of rails. Having given this subject our best consideration, we are clearly of opinion, that, although it would be a slight saving of outlay, in the first place, it would be unwise to make the experiment upon a single line. We have come to this conclusion on the following considerations: first, there is unquestionably much greater risk of accidents from collisions and otherwise on single than on double lines of Railways, and in a country like India, where these undertakings are so new, where the talent is scarce, and will be difficult to find at first, it is more needful than in any other possible precaution should be taken against accidents, not only in consideration of the safety of the people, but also for the interest and success of the undertakings, which, it cannot be doubted, would be greatly injured in the estimation of the great masses in India, were serious accidents to happen in their working, and which might interfere greatly with their use by the natives for a long time. Next, as it would undoubtedly be advisable, even though only a single line were laid down in the first place, that all the earthworks for the permanent way, and that all bridges, tunnels, &c. should be constructed for a double line, the real saving of capital would be very little, and would only be the price of the iron rails, chairs, &c., and the laying of the same, which would amount to only more than 1,000*l.* or 1,200*l.* a mile, which, in the contemplated entire expenditure, would form a very small proportion. For these reasons we have come to the decision that it would be wisest to construct these Railways at once with double lines.

12. These remarks have reference to the main lines contemplated in these experiments. With reference to any short branch lines, which may, in the course of the construction of these works, or hereafter, be thought necessary, we might be disposed to sanction the adoption of single lines, especially when the traffic was such that the objects intended could clearly be obtained by working one engine to and fro, so that a collision would be impossible. In such cases the saving of expense is of essential importance, and the whole arrangements of such short auxiliary lines would be directed with a view only to a single line permanently. By the adoption of such unproductive lines, the advantage of railway communication may be extended to many flourishing towns or districts, greatly to their convenience and to the advantage of the main line, to which they would act as profitable feeders of traffic, but which would be unprofitable under the ordinary outlay of a double line.

13. With respect to the weight of rails and the gauge of line to be employed on these Railways, we are disposed to recommend those used by the North-Western Company here, namely, a gauge of 4 feet 8½ inches, and a weight of rails of 84 lbs. to the yard, as combining the greatest utility and economy.

14. With regard to the use of any telegraphs which may be established, we request to call your attention to the necessity of maintaining so strict and immediate control and command of this powerful engine of rapid communication, so important for political and public purposes, as to secure to yourselves all the advantages which, as a Government, you are capable of affording to you. At the same time it is our wish that they shall be permitted to use them on fair terms for all private purposes which in any way interfere with your views. It will be necessary to place under such a control as will secure their faithful administration.

15. Clause

15. Clause 6, amongst other things, provides that the capital of the Railway Companies raised by calls from shareholders reside in India; but we have limited these payments to such sums as shall be required from time to time, in India, in order to meet the necessity of remitting any portion of such sums to this country, which might interfere with the opportunities of transacting their own funds.

16. You will therefore take care that money is paid into your treasury on account of the capital of these companies is needful, from time to time, for expenditure in India.

17. Clause 7 provides for re-drawing from the East India Company for the purpose of prosecuting the works in two cases referred to in the beginning of this clause are, first, where the work has been done by contract, and where the payment is to be made either after the whole work has been completed, or in certain portions, as they are completed. In the first case the necessary monies will be drawn when such works, or parts of works, shall have been completed to the satisfaction of your officers; the second case is intended to be provided for is where the Railway Company undertakes the works, in which case, after the plans and other details and arrangements have been approved by your officers, it will be necessary to permit the Railway Company to draw the sums necessary for their performance during their progress for the payment of wages and other necessary expenses; a vigilant attention being paid to such expenditure, and accurate accounts being required to be kept and rendered of the same. It is provided that such sums of money shall be drawn from our treasuries, either in London or in India; but, of course, reference must always be had to the amount at the credit of the Company in either place at such times. As a general rule, we should object to their drawing monies from the funds standing to their credit in our treasuries in India, because such operations would interfere with our remittances from India for our own purposes; but it will probably be a convenience to all parties that these companies should be permitted to draw money from our treasuries in India against balances due to them by our treasury here, as such operations would facilitate the management of our own funds; it is provided that such operations may take place according to such equitable arrangements as shall be made from time to time with the East India Company for that purpose."

18. Clause 8 refers to the opening of the Railway for traffic, and fixing the fares and tolls for passengers as well as goods. This clause itself fully expresses our views in relation to all the objects to which it refers, except that which refers to the control which you will exercise over the amount of fares, and the circumstances under which you will be entitled to require a reduction of fares. In the first instance the rate of tolls will be proposed by the Companies; but before they are adopted, they must have your approval. This is a portion of the management of these novel undertakings, which will require great caution and consideration, and with reference to which the experience of this country can afford little or no assistance. It has been suggested, that it may be found necessary to have a greater number of "classes" than in England, and to make them very cheap, in order to suit the large masses of natives who travel at particular periods of the year. In the first place, however, we think you will do well to approve of whatever rates of fares may be thought most suitable for the circumstances of the country, only for one year, in order that the subject may again necessarily be brought under your attention at the close of that period. The object which you will have in view will be to arrive at that medium which will afford a fair remuneration to the Railway Company, and enable the public to reap themselves of the advantages which these undertakings will afford to the greatest possible extent consistent with the first-mentioned object. You will observe that this clause provides that you shall have the power to require a reduction of fares when the net receipts shall exceed the rate of 10 per cent. and so forth; by this provision we would not wish it to be understood that it is intended to limit the profits of these undertakings to 10 per cent.; for we feel that any attempt to limit profits, with that object only in view, has but the effect of stifling enterprise, and the hope of large gains, and that the true interests of the public are best promoted where these motives are the strongest, or of producing laxity, carelessness, and want of economy in the management; so that while the share of the public is injured by such a policy, the public

public are not benefited, but, on the contrary, are frequently worse served. We would not, therefore, have it to be understood that the simple fact of the dividends equalling 10 per cent., or any other sum, would call upon you to interfere, and require a reduction of fares, but that such a step required by a due regard to the interests of the public and other considerations induce you to take it. The clause only empowers you to do so, should you think it necessary. It is the intention of this clause that, under such circumstances, any reduction which you would make in the exercise of this power would be such as would not reduce the probable dividend below 10 per cent., and it is clear that you could not safely interfere until the dividend had reached so much above 10 per cent. (say 12 or 13 per cent.), as would afford you a margin on which any reduction which you might make would operate.

19. Clause 10 describes so fully the nature and character of the supervision which you are to exercise with regard to the execution of these undertakings, and the working of the lines when completed, that you will have no difficulty in taking such measures as may be required in order to give full effect to our intentions, by securing that efficient control and supervision provided for. We cannot, however, too strongly impress upon you our desire that the greatest efforts may be used, in order that your officers may work in perfect harmony with the officers appointed by the Railway Companies. Such a harmonious co-operation appears to us to be essential for the successful execution of the undertakings upon the principle which we have adopted.

20. Clause 12 refers to the capital account of the Railway Companies. We attach to this part of the Contract the greatest importance. There is probably nothing in the management of Railways generally in which greater abuses have been committed than by a want of proper discrimination between their capital and current working accounts. As long as the capital account remains unclosed, there are numerous expenses which, though properly payable from the traffic receipts as current expenditure, are not to the capital account, thus increasing the entire cost of the line upon which dividends must ultimately be paid, but in the meantime leaving a large sum to be divided in the form of dividends. We have therefore to request your special attention, in order that under no circumstances any charge whatever may be made to the capital account that is not strictly entitled to be so. This is especially necessary with regard to these undertakings than is usually the case, such as the East India Company can be called upon at any time after the works have been completed for three months, to purchase the same at the first cost. The chief difficulty which you will experience in keeping these accounts separate, will be while only portions of the lines are completed and in operation. When the whole is completed, the capital account will be at once closed, and the distinction will then be simple. Before that time, and while portions only of the lines are open, you will require to exercise great vigilance, in order to see that the current working expenses and repairs properly chargeable against the traffic receipts, are charged to the income account. The net balance of such receipts will be appropriated by us to the credit of the current interest paid by the Railway Companies on the capital received into our treasuries.

21. The additions, alterations, and improvements which are referred to at the close of this clause, as being subject to be added to the capital account after it has been closed, will consist of such corrections of errors which may have been made in the course of construction, or improvements in the construction which you may sanction as being worth the expenditure of additional capital, but will not in any case extend to repairing, renewing or replacing any part of the works or plant which shall have been injured or destroyed by time, wear and tear, or accidents.

22. Clauses 14 and 15 refer to the revenue accounts of the Railway Companies. You will observe that they provide, that, in the first place, all the receipts, without any deduction, are to be paid to you, or in such way as you shall direct; that is, either into your treasuries, or into such bank or banks as you may appoint for the purpose, but from which they shall only be re-drawn with your sanction. It will probably be the easiest plan, imposing less trouble upon you, that you should appoint a certain bank or banks in different places to receive these payments, and that all cheques drawn upon them should require to be countersigned by the officer appointed by you for that purpose, after the payment has been made by you. It is also our wish, that so far

far as it is possible or consistent with the practice of your banks, the Railway Companies shall have any advantage which they can derive from interest allowed on deposits of their receipts. There will, of course, be a certain amount of fixed current expenses for salaries, &c., in working the line, and repairing the works and stock, for which you will make some arrangement most convenient to the Railway Companies.

23. We attach much importance, in the complete separation of the receipt and expenditure accounts; and we desire that they may not be permitted, on any pretext, to be mixed, but that the traffic receipts shall be paid into your account, and all expenditure whatever shall be paid out through the proper officers, and accounted for by them.

24. Clause 17 provides for the expenditure which may be required above the respective sums of 500,000*l.* and 1,000,000*l.*, in order to complete the exact length of line which may be determined. In the first place, our guarantee extends only to those sums; but as it is impossible exactly to define the cost of the undertaking beforehand, and as the route of the line may vary as in neither case is the exact route fixed, and in the case of the East India Company the point of its termination is not even fixed, it was necessary that some provision should be made for any margin either of excess or deficiency. It was necessary to complete these experiments. In the case of the Great Indian Peninsula Company, the two points of Bombay and Callyan are determined. In the case of the East India Railway the starting point (Calcutta) only is determined. You will not only have to determine the exact route of this line, but also the route to which it would be most expedient, with a view to a fair trial of the route, to which it should be carried, always having reference to the sum which is contemplated to be expended. And you will have to determine, in the case of the sum mentioned in the Contract (1,000,000*l.*) appearing sufficient to complete the line to some intermediate point, at which it would be undesirable to stop, whether you will make your terminus at a nearer or more distant point, and to that extent increase or decrease the capital, as the case may be, and the surplus or deficiency will be dealt with as provided for in the 17th and 27th Clauses of the Contract: in the one case the capital will be increased on the basis of the original capital. In the other case the excess will be returned to the shareholders.

25. Clause 19 fully explains the intention of the contracting parties with regard to the application of the profits. As long as the net receipts, after payment of the current expenditure, shall exceed five per cent., they will be appropriated entirely to our reimbursement of the interest on the capital paid under our guarantee. When such receipts are more than is required for this purpose, one-half of the surplus will be appropriated to the repayment of the arrears of interest, with interest thereon at the time be standing from former years, and the other half shall be added to an additional dividend above the guaranteed interest of five per cent. The motive for not appropriating the whole of such surplus at once to the repayment of arrears of interest is, that the directors and shareholders may have the strongest inducement for an active, energetic and economical management of the affairs, by an early participation in any excess of profits above the guaranteed rate of interest. After the arrears of interest due to us shall have been repaid, then the whole of any excess of profits which may arise will be applied to increasing the dividends of the shareholders.

26. Clause 20 sufficiently explains the privileges which you are entitled to in the conveyance of your mails, troops, &c.

27. Clause 21 provides for your redemption of the land at the termination of the lease of 99 years, together with all building, works, fixed machinery, &c., such as usually attach to the freehold, as also for your purchase of the moveable working stock.

28. Clause 22 contains the provision for the optional surrender of the undertaking by the Railway Company any time after it has been finished for three months, the objects and effects of which have already been alluded to. The clause itself is very clear and distinct.

29. Clause 23 contains provisions for the purchase of the Railway, at the option of the East India Company, at any time after 25 or 50 years, which are fully explained in the clause.

30. The remaining eight clauses clearly and fully express their different objects, that they require no remark in order to make our intentions more plain, and

RAILWAY COMMUNICATION IN INDIA.

COPIES of PAPERS referring to the general
Question of RAILWAY COMMUNICATION in
India.

(*Viscount Jocelyn.*)



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8 July 1850.*
