Government of Madras.

MARINE DEPARTMENT.

237

G.O., No. 236, 27th July 1910.

N P

INDEXED.

Coast Lights Fund.

Prescribing revised forms of budget estimates for the —.

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Government of Madras.

MARINE DEPARTMENT.

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G.O., No. 236, 27th July 1910.

N P

ORIGINAL

Coast Lights Fund.

Prescribing revised forms of budget estimates for the —

No. 236, MARINE, 27TH JULY 1910.

GOVERNMENT OF MADRAS.

MARINE DEPARTMENT.

READ—the following paper:—

G.O., No. 333, Marine, dated 19th August 1904.

ABSTRACT.—Directing that the receipts and charges on account of coast lights from the 1st April 1904 be credited to an excluded local fund to be called the Coast Lights fund, prescribing forms for the preparation of the budget estimates and issuing instructions as to the maintenance of the accounts of the fund.

Order—No. 236, Marine, dated 27th July 1910.

The forms of budget estimates prescribed by G.O., No. 333, Marine, dated the 19th August 1904, include a Capital account. The Capital account was intended to receive only contributions for expenditure on new lighthouses and major repairs, and was really of the nature of a reserve fund for meeting extraordinary expenditure on works of considerable magnitude. There has, however, been much confusion hitherto in the debit of expenditure on works and repairs to Capital and to Revenue account, and the Government consider that in some cases charges have been debited to the Capital account which should ordinarily have been taken to "Revenue".

2. With the construction of the lighthouse at Cotta Point the programme of the lighthouse construction is practically complete, and no further capital expenditure is likely to be incurred in the near future except of a very minor description, such as may easily be met from the Revenue account. The necessity for making annual payments into a separate Capital account no longer exists.

3. The ordinary Revenue account should show all current receipts and charges as well as opening and closing balances. The opening and closing balances should be in detail of "Cash" and "Government Securities", the latter representing nominal value. Details of transactions relating to investments in, or sales of, Government securities should be excluded from both sides of the accounts. The total net result to the current account in the way of gain or loss on such transactions in the year should, however, be exhibited under the head provided for the purpose on the receipt or expenditure side of the account as the case may be. There should, moreover, be a subsidiary statement showing the full transactions of the year in respect of Government securities, and another showing for each year the amount of debt outstanding at its opening, the amount repaid (or to be repaid in the case of the budget) and the amount remaining at the close of the year.

4. The forms of budget estimates, as revised and annexed to these proceedings, should be adopted in future.

5. The statement showing the financial position of the Coast Lights fund prescribed by the Government of India for publication in the *Gazette of India*—paragraph 6 of G.O., No. 333, Marine, dated the 19th August 1904—should continue to be submitted as heretofore.

(True Extract.)

W. S. MEYER,
Chief Secretary.

To the Presidency Port Officer.
" Accountant-General.

APPENDIX.

FORMS OF BUDGET ESTIMATES.

General Abstract of Receipts and Expenditure.

Receipts.					Expenditure.					
Items.	Budget estimate.	Revised estimate.	Budget estimate.	Accounts.	Items.	Detailed account number.	Budget estimate.	Revised estimate.	Budget estimate.	Accounts.
1	2	3	4	5	6	7	8	9	10	11
Coast light dues					Refunds					
General administration.					General administration ..	A				
Miscellaneous					Works	B				
Interest on Government securities.					Miscellaneous					
					Equated payment of loan—					
Contributions					Principal					
Profit on investments ..					Interest					
Total ..					Contributions					
					Loss on investments ..					
					Total ..					
Opening balance—					Surplus (+) or Deficit (—)					
Cash										
Government securities.					Closing balance—					
					Cash					
Grand total ..					Government securities.					

DETAILED ACCOUNT A.—General Administration.

——	Number.		Details.	Budget estimate.		Revised estimate.		Budget estimate.		Accounts.	
				RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
Salaries—			Share of the cost of General administration of Port department borne by Coast Lights Dues fund								
			Assistant Superintendent of Lighthouse works								
Establishment—			Lighthouse mechanics ..								
			Lightkeepers								
			Temporary establishment ..								
Allowances—			Provision								
			House-rent								
			Medical aid								
			Travelling								
Supplies and Services—			Stores								
			Oil								
			Conveyance of stores								
			Uniform for lightkeepers ..								
			Boat charges								
			Miscellaneous								
Contingencies—			Postage								
			Telegraph								
			Rents, rates and taxes ..								
			Office furniture								
			Cost of forms and printing charges								
			Petty items								
			Miscellaneous								
Pensions and gratuities—			Pensions								
			Gratuities								
			Total, Detailed Account A ..								

DETAILED ACCOUNT B.—Works chargeable to Revenue.

Serial number.	Work.	Budget estimate.	Revised estimate.	Budget estimate.	Total actuals up to	Actuals for	Original estimate.
1	2	3	4	5	6	7	8
	(a) By Civil Officers.	RS.	RS.	RS.	RS.	RS.	RS.
	(i) New works						
	(ii) Repairs						
	Total Civil Officers ..						
	(b) By Officers of the Public Works Department.						
	(i) New works						
	(ii) Repairs						
	Total, Public Works Department Officers						
	Total, Detailed Account B ..						

STATEMENT showing the transactions in Government Securities.

Transactions in Government paper.	Purchases.			Sales.			Net amount shown in the budget estimate, being the net difference between the profit or loss shown in columns 4 and 7.	
	Nominal value.	Amount paid.	Profit +; loss —.	Nominal value.	Amount realized.	Loss —; profit +.	Profit.	Loss.
1	2	3	4	5	6	7	8	9
	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
During the year								
Do.								
Do.								

STATEMENT showing the indebtedness of the Coast Lights Fund.

Year.	Amount of loan outstanding at the beginning of the year.	Amount of repayment.	Amount of loan outstanding at the close of the year.
1	2	3	4
	RS.	RS.	RS.
1904–1905	..	..	9,38,476
1905–1906	9,38,476	3,944	9,34,532
1906–1907	9,34,532	4,102	9,30,430
1907–1908	9,30,430	4,266	9,26,164
1908–1909	9,26,164	4,436	9,21,728
1909–1910	9,21,728	4,614	9,17,114
1910–1911	9,17,114	4,798	9,12,316

GOVERNMENT OF MADRAS.

MARINE DEPARTMENT.

No. 237.

From

THE HON'BLE SIR WILLIAM MEYER, K.C.I.E., I.C.S.,
Chief Secretary to the Government of Madras,
Marine Department,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
DEPARTMENT OF COMMERCE AND INDUSTRY.

Dated Ootacamund, the 27th July 1910.

SIR,

I am directed to address you on the subject of the more rapid extinction of the debt due by the Madras Coast Lights fund to the Government of India.

2. The balance to credit of this fund at the end of 1910–11 is expected to amount to Rs. 17,699 in cash and Rs. 3,05,000 in Government securities. This accumulation is the growth of the surplus receipts over expenditure, ordinary and extraordinary, since the establishment of the fund in the year 1904–1905. During this period a costly programme of lighthouse construction, involving considerable capital expenditure, has been completed with the execution of the Cotta Point light-house. With the conclusion of this programme there is now no object in accumulating large surplus funds, as the further capital expenditure likely to be incurred is of such a minor character that it can well be met from the current receipts of the fund. His Excellency the Governor in Council is accordingly of opinion that, after reserving a certain portion of the present balance as an insurance against accidents to lighthouses, etc., the remainder might be most suitably utilized in reducing the principal of the large outstanding debt due to the Government of India on which the fund is at present paying interest at the rate of 4 *per cent.* while only drawing $3\frac{1}{2}$ *per cent.* on its investments in Government paper.

3. Of the original loan of Rs. 9,38,476, a sum of Rs. 21,362 has been repaid towards principal up to the end of 1909–1910, leaving a balance of Rs. 9,17,114 to be repaid in 1910–11 and later years. It was apparently with a view to keeping the new dues as low as possible that the repayment of the debt due to the Government of India from the Coast Lights fund was spread over a term of sixty years. The Governor in Council considers that the best use to which the accumulated surplus may be now put is to make a further special instalment of Rs. 2,62,316 in the current year towards the repayment of principal, in addition to the ordinary instalment of Rs. 4,798 already provided in the fund's budget. With the repayment of this special instalment the principal of the loan would be reduced to six and a half lakhs,

while the accumulated balance would fall to Rs. 60,383, which, in the opinion of this Government, is ample as a reserve for any accidents, etc., to lighthouses.

4. The next suggestion which I am to place before the Government of India relates to the acceleration of the amortization of the loan. The amount of the present annual equated payment, namely, Rs. 41,483, would repay the balance of six and a half lakhs above referred to in 25 years. To accelerate the amortization so that the balance may be repaid in twenty years, an annual equated payment of Rs. 47,828 would be required, *i.e.*, an addition of Rs. 6,345 to the existing sum of Rs. 41,483.

5. The average of the fund's ordinary receipts for the four years, 1905–1906 to 1908–1909, comes to 1·64 lakhs, while for the last three of these years it is 1·67 lakhs. In view of the uniformly progressive tendency of the actual receipts *, this latter figure may be safely taken as the minimum amount that might have been expected under the old schedule. The reduction in the rates of coast lights dues, with effect from the 1st December 1909, sanctioned in Mr. Gubbay's letter No. 7502–1, dated the 6th October 1909, was estimated (*vide* Mr. Cardew's letter, No. 261, Marine, dated the 16th August 1909) to reduce the ordinary receipts by Rs. 30,000, which gives a minimum of 1·37 lakhs to be expected under the revised schedule against 1·30 lakhs anticipated in the letter referred to. Later and more reliable figures, however, have shown that this latter figure was an overcautious estimate and as a matter of fact the receipts of the current year are pitched at 1·49 lakhs. The ordinary annual charges under all heads, including amortization at the present rate and future capital expenditure, are estimated at 1·20 lakhs, so that, even taking the receipts at 1·37 lakhs only, there would still be a balance of ·17 lakh each year which affords a safe margin for meeting the additional charge of Rs. 6,345 on account of amortization now proposed.

* Year.	Ordinary actual receipts.
	RS.
1905–1906	1,55,205
1906–1907	1,61,214
1907–1908	1,64,625
1908–1909	1,76,226

6. The Governor in Council is of opinion that in present circumstances it is much more important to reduce the large outstanding debt to the Government of India than to make further reductions in the scale of dues since, so far as he is aware, there have been no complaints of late as to the rates now levied.

7. I am accordingly to recommend, for the favourable consideration of the Government of India, the two proposals made above, viz.—

(1) The acceptance of a special repayment in the current year of Rs. 2,62,316 towards the principal of the debt due by the Coast Lights fund.

(2) The discharge of the outstanding balance of this debt as it will then stand, viz., 6·50 lakhs, by equated annual payments of Rs. 47,828 within twenty years from 1911–12.

I have the honour to be,

Sir,

Your most obedient servant,

W. S. MEYER,
Chief Secretary.

NOTES.

[SUBJECT.—*Utilization of the balances of the Coast Lights fund for reducing the loan liabilities of the fund, and acceleration of the amortization of the balance of the loan.*]

Previous papers :

G.O.,	318,	*Marine*,	10*th Aug.* 1894.	*G.O.*,	438,	*Marine*,	1*st Sept.* 1905.
,,	316–7	,,	29*th Apl.* 1898.	,,	64	,,	30*th Jan.* 1906.
,,	732–3	,,	30*th Aug.* 1898.	,,	50	,,	29*th* ,, 1907.
,,	29–30	,,	10*th Jan.* 1899.	,,	243	,,	7*th June* ,,
,,	495	,,	4*th Aug.* 1903.	,,	479	,,	16*th Dec.* ,,
,,	499–500	,,	9*th Dec.* ,,	,,	57	,,	8*th Feb.* 1908.
,,	4–5	,,	5*th Jan.* 1904.	,,	112	,,	20*th Mar.* ,,
,,	218	,,	21*st May* ,,	,,	342	,,	26*th Dec.* ,,
,,	256–260	,,	22*nd June* ,,	,,	120	,,	30*th Mar.* 1909.
,,	333–4	,,	19*th Aug.* ,,	,,	261	,,	16*th Aug.* ,,
,,	374–5	,,	23*rd Sept.* ,,	,,	332	,,	5*th Nov.* ,,
,,	455	,,	18*th Nov.* ,,	,,	48–49	,,	18*th Feb.* 1910.
,,	3	,,	4*th Jan.* 1905.	,,	121	,,	7*th Apl.* ,,
,,	365	,,	3*rd July* ,,	,,	137	,,	13*th* ,, ,,
,,							

Extracts from the notes to G.O., No. 121, *Marine, dated the 7th April* 1910 [*Budget for* 1910–1911 *of the Madras Coast Lights Fund.*]

With what object, and on what basis, are "revenue" and "capital" transactions discriminated as in the budget abstract?

2. If it be necessary to have such discrimination, one would suppose that holding of Government securites would be a "capital" asset; but at the close of the year "revenue" will hold 1·85 lakhs of these as against 1·2 only held by "capital".

W. S. MEYER—26–3–10.

In 1904 on the Madras Coast Lights Act, IX of 1904, being passed, the Government of India referring to the action which had then become necessary owing to the passing of the Act stated among other things—

Para. 5 of Finance and Commerce Department letter, 2636-S.R., 27th April 1904, on page 3 of G.O., 333, Marine, 19th August 1904.

"It will be necessary to arrange that the accounts of the coast "lights dues shall be kept in such a manner as to show clearly the "total income and total expenditure for each year. A *pro forma* "account containing this information will be published annually in "the *Gazette of India*, as in the case of the Burma Coast light "dues; and the form appended to this letter may probably be found "suitable for the purpose It is considered that the position will be "more readily apprehended by the public if a separate sinking fund "account is also published showing the balance available at the "close of each year for expenditure on major repairs and new works "chargeable to capital. . . ."

Telegram, 342, 4th May 1904, page 3 of G.O., 333, Marine, 19th August 1904.

2. The form of the statement prescribed provided a column for *sinking fund* payment for major repairs and new capital expenditure.

Paras. 3 and 4 of Accountant-General's letter, Dis. T. 27–Genl., 1964, 21st May 1904 (pages 3–4 of G.O., 333 Marine, 19th August 1904).

3. The Accountant-General was requested to report on forms of budget and all account points requiring orders of Government and he submitted elaborate forms of budget and proposed the creation of an excluded local fund to be styled "the Madras Coast Lights "Dues fund" and another one to be styled "the Madras Coast "Light sinking fund for new works and major repairs".

Memo., 2546, Marine, 28th June 1904, pages 5–6 of G.O., 333, Marine, 19th August 1904.

4. The Government thought it doubtful whether it was necessary to create two funds. The sinking fund had for its object not to ensure the repayment of any *debt but simply to form a reserve.* The amount to be credited to the reserve might vary from year to year. It was considered that the maintenance of additional accounts entailed by the creation of a second fund might be avoided by opening a capital account in the Coast Lights fund, the amounts to be reserved being credited to capital and expenditure on major works and repairs being debited to capital. A revised set of simpler forms was prepared and sent to the Accountant-General for opinion.

Para. 2 of Accountant-General's letter, T. 210-Genl., 4064, 9th July 1907 (page 7 *ibid*).

5. The Accountant-General thought that the provision of a separate account in the published accounts of the Coast Lights fund to exibit the transactions on account of major works and repairs would sufficiently meet the requirements of the case. In the account maintained on the Government books the new works and major repairs charges are shown with those of administration and there is only one balance for the fund. The entries regarding the contribution to capital from revenue, charge and receipt, do not appear in the account on the Government books but only in the annual published accounts.

Page 10 of G.O., 333, Marine, 19th August 1904.

6. Among the forms of budget estimates prescribed by Government there is one for a general abstract of receipts and expenditure. In that abstract there is a revenue account and a capital account. Contributions in cash and in the shape of Government securities from revenue to capital are provided for. Similarly the form provides for the sale or purchase of Government securities under either account as also for opening and closing balances under the two accounts.

7. Transfers from revenue to capital are proposed by the Presidency Port Officer with reference to the outlay chargeable to capital and in the annual return of the Coast Lights fund forwarded to the Government of India the revenue and the capital accounts are shown separately. In the revenue account in the place of a column for sinking funds there is a column for transfer to capital account for major works and repairs. The account for 1908–1909 is printed as an annexure to letter No. 49, Marine, dated 18th February 1910.

T.H.R.—26–3–10.

Chief Secretary—

Pages 2–3 of G.O., 333–4, Marine, 19th August 1904.

Chief Secretary's queries, dated 26th March 1910 :—Paragraph 1 is answered by the above note.

2. *Paragraph* 2.—In view of the terms of the Government of India's letter No. 2636-S.R., dated 27th April 1904, a separate capital account is essential. There is no reason, however, why the closing balances of the revenue account should be separately invested in Government securities. It will suffice if the capital balance alone is partly so held. The heads therefore under the revenue account, viz., "Sale of Government securities" under receipts and "purchase of Government securities" under charges may be eliminated and the amount of the closing balance in the revenue account, held in Government securities may be transferred to the capital account.

3. The capital account appears really to be of the nature of a reserve fund for meeting extraordinary expenditure on big works. I cannot find that any limit has ever been laid down as to the dimensions to which this reserve fund should be allowed to grow. It is understood that the old programme of lighthouse construction has been practically completed with the Cotta lighthouse. Perhaps the Presidency Port Officer may be consulted as to what is desirable in the way of a programme of big works for the next five years ahead or so, and if it is to be found that no more lighthouses are to be constructed, it may be possible to reduce the coast light fees still further and diminish the appropriation from revenue to capital.

*Pages 2–3 of G.O., 333–4, Marine, 19th August 1904.

4. I have not been able to find whether the debit of new works and repairs to capital or revenue follows any laid-down rule. Apparently not. As the capital account is intended for major works, *i.e.*, works of considerable magnitude, I submit that no works costing Rs. 5,000 and less should be debited to capital. This is the amount which determines the classification of works as *major* in Public Works department. As regards repairs I don't think these should ever be debited to capital unless they are of very considerable magnitude indeed and on altogether an unusual scale outside of ordinary extensions, maintenance and repairs. If this is done, the only proper, be debited to revenue and so help to reduce the disproportionate surplus in the revenue account which accrues every year

Paras. 18–19 of P.W.D. Code, Vol. II.

5. The present holding in Government securities is 3·05 lakhs. If the limit up to which capital fund should be accumulated be fixed at say 10 lakhs to be accumulated in 10 years, it would be easy to

*A prior *desideratum* would be to clear off the debt to Government and thus relieve the fund of interest and redemption charges.

W.S.M.—7–4–10.

calculate the necessary annual payment into a sinking fund to accumulate this amount. Such a payment would be a fixed charge on the revenue account for the year and it will then be possible to frame some estimate of the amount by which the fees levied might be reduced *. At present the coast light fees appear to be more than is necessary for revenue purposes and for such works as are at present being met from capital account.

C. Reilly—6–4–10.

As regards "capital" and "revenue", the whole thing seems to be in a muddle. Where there is a discrimination between capital and revenue transactions, the latter should obviously meet all current charges including debt amortization, maintenance of works, and new works not of such an abnormal description that they are a legitimate charge on loan funds or on a special reserve accumulated for this purpose. In the present instance the so-called capital account should be a reserve of this nature.

The amount of undischarged debt should be shown as a capital liability.

W.S.M.

2. It follows (*a*) that only such special charges should be debited to capital, (*b*) that revenue should maintain only such balance as is necessary for current purposes, and should credit the rest to capital or rather to "reserve" which is a more appropriate designation in the present case. Interest on moneys invested should however be a revenue receipt, as a set off against the payment which revenue has to make for the debt service.

W. S. Meyer—7–4–10.

P.S.—Please make out a statement showing roughly how the Fund's affairs would stand on the above basis.

W.S.M.

[G.O., No. 121, Marine, dated 7th April 1910.]

Demi-official—from A. Y. G. Campbell, Esq., I.C.S., Private Secretary to His Excellency the Governor.
To—the Chief Secretary to Government.
Dated—Ootacamund, the 28th April 1910.
No.—115–1.

"His Excellency observes from G.O., No. 121, Marine, dated 7th "April 1910, accepting the budget estimates of the Coast Lights "fund for 1910–11, that the Coast Lights fund is accumulating "a considerable balance in Government securities. According to the "revised estimate for 1909–1910, the closing balance of the fund is "expected to be Rs. 2,85,000 in Government securities and Rs. 6,901 "in cash on the 31st March 1910; and according to the budget "estimate it is anticipated that the closing balance on the 31st March "1911 will be Rs. 3,05,000 in Government securities and Rs. 17,699 "in cash. The fund gets about 3½ per cent. on its money in Govern"ment securities, but it is paying 4 per cent. on its loan from Imperial "fund which amounts, I think, to nearly Rs. 9,25,000. No doubt it "is desirable to maintain a certain balance as a sort of insurance "against accidents to lighthouses, but His Excellency doubts whether "it would not be better from the point of view of the Coast Lights "fund to use some of the balance in reducing the loan from the "Government of India; and to prevent the accumulation of large "balances again it may be desirable to pay a somewhat larger "amount annually in repayment of the loan so as to clear off the "loan in a shorter time.

"His Excellency will be glad if you will kindly look into the matter."

Registrar—

Papers and note please. I have some idea that I also noticed the large balance of the Coast Lights fund.

W.S.M.—28–4–10.

Madras office—

I think I gave instructions for a further note on the reduction of the coast light levies. Anyhow I remember this point last season. Please get out papers and put up sharp.

C.R.—28–4–10.

Chief Secretary—

G.O., 121, Marine, 7th April 1910, page 5, column 14—see total closing balance at the foot.

Pages 2–3 of G.O., 3, Marine, 4th January 1905.

In the demi-official above of the Private Secretary to His Excellency the Governor, His Excellency draws attention to the fact that the closing balance on the 31st March 1911 is expected to be Rs. 3,05,000 in Government securities and Rs. 17,699 in cash; that the Coast Light fund gets about 3½ per cent. of its money invested in securities, but that it is paying 4 per cent. on its loan from Imperial which amounts to nearly 9¼ lakhs.

2. He suggests—

(*a*) that only a certain portion of this balance should be maintained as a sort of insurance against accidents to lighthouses,

(*b*) that some of this accumulated balance should be utilized in reducing the loan from the Government of India, and

(*c*) that a somewhat larger amount might be paid annually in repayment of India's loan so as to clear the remaining balance of the loan in a shorter time.

3. The examination of these suggestions has involved that of the original constitution of the fund, and of the object that was intended to be served by the creation of the capital account.

Letter to the Government of India, 317, Marine, 9th April 1898 (para. 7).

Para. 3 of letter to India, 317, Marine, 29th April 1898.

Para. 6 of Government of India (Finance and Commerce) letter, 3285-S.R., 27th July 1898, on page 3 of G.O., 732, Marine, 30th August 1898.

Para. 3 of Government of India (Finance and Commerce) letter, 4778 S.R., 2nd November 1898, on page 2 of G.O., 29, Marine, 10th January 1899.

4. The Madras Coast Lights fund has its origin in the financial straits which this Government experienced in consequence of its endeavour to execute a large programme of lighthouse construction round the coasts of this Presidency This Government was opposed to meeting the cost of the construction and maintenance of lighthouses by the levy of light dues from the shipping community, and wished to execute the scheme from resources at its disposal, *i.e.*, from Government and Port funds. It had, however, to apply to the Government of India for a grant to enable it to pursue the programme of construction. India was of opinion that the charges were properly to be met by a levy upon the shipping interests benefited and that the utilization of Port fund for the purposes of coast lights was illegal. The Madras Coast Lights Act (1904) was accordingly passed.

* From 1st August 1898 to 31st March 1904.

G.O., 374–5, Marine, 23rd September 1904.

5. Finally, the expenditure from Provincial and Port Funds from a certain * date was reimbursed by Imperial, and the amount so recouped to Provincial and Port Funds, Rs. 9,38,476, was treated as a debt due from the new Coast Light Fund to Imperial.

† It was started from 1st July 1904.

Para. 2 of Marine note, 9th June 1904, on page 2 of notes to G.O., 333–4, Marine, 19th August 1904, and para. 6 (ii) of letter 500, Marine, 9th December 1903.

6. As the programme of lighthouse construction was still incomplete when the fund was being †started, it was thought necessary to provide also for what was first called a "sinking fund" into which was to be paid Rs. 15,000 *per annum* for the purpose of accumulating capital in order to complete the remaining items of the lighthouse construction programme. The rates of the fees levied were pitched therefore to cover—

(*a*) Service of the debt to Imperial,

(*b*) Cost of maintenance and administration, and

(*c*) Annual payment into a sinking fund for future capital expenditure.

7. In view apparently to keeping the new dues as low as possible, the repayment of the debt was spread over 60 years. The Government of India also, when sanctioning ‡ the first schedule of rates, directed that, after two years of actual working, the position of the fund should be examined as to whether the fees should be raised or lowered with a view to maintaining equilibrium between receipts and charges.

There was a certain amount of opposition from steamship companies, and it was apparently to placate these interests that an endeavour was made to keep the levies low.

C.R.

(Pages 4–7 of G.O., 499, Marine, dated 9th December 1903.)

‡Para. 2 of Government of India (Finance and Commerce) letter 2636-S.R., dated 27th April 1904, on page 2 of G.O., 333, Marine, dated 19th August 1904.

Government of India (Commerce and Industry) letter 2640–1, dated 21st March 1907, on page 2 of G.O., 243, Marine, dated 7th June 1907.

Government of India (Commerce and Industry) letter 4258–1 dated 21st May 1907, on page 3 of G.O., 243, Marine, dated 7th June 1907.

Para. 3 of letter to India, 261, Marine, dated 16th August 1902, and G.O., 332, Marine, dated 5th November 1909.

8. In 1907 the Government of India mooted the question of the revision of rates at which the Coast Light dues were levied, but at the instance of this Government the consideration of the question was deferred until the programme of lighthouse erection was completed, *i.e.*, until the new lighthouse on Sacrifice Rock had been built and the cost of its maintenance ascertained.

9. On the completion of this lighthouse, now called Cotta Point lighthouse, which closed the scheme of lighthouse construction, the fees were reduced with effect from the 1st December 1909, so as to bring about a total estimated reduction of Rs. 30,000 in the annual income.

10. The following statement exhibits the transactions of the Madras Coast Lights Fund as a whole, omitting the distinction between the Revenue and Capital accounts, since its creation :—

—	Opening balance, Government Securities.	Opening balance, cash.	Ordinary receipts.	Total columns 3 and 4.	Ordinary charges.	Loans repaid.
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1904–1905 (actuals) .. .. .. G.O., No. 64, Marine, dated 30th January 1906.	..	..	1,14,458	1,14,458	54,851	..
1905–1906 (actuals) .. .. .. G.O., No. 50, Marine, dated 29th January 1907.	..	59,607	1,55,641	2,15,248	93,624	3,944
1906–1907 (actuals) .. .. .. G.O., No. 479, Marine, dated 16th December 1907.	25,000	92,585	1,62,348	2,54,933	92,227	4,102
1907–1908 (actuals) .. .. G.O., No. 342, Marine, dated 26th December 1908.	1,15,000	71,115	1,68,639	2,39,754	1,24,974	4,266
1908–1909 (actuals) .. .. G.O., No. 48, Marine, dated 18th February 1910.	1,40,000	86,202	1,81,550	2,67,752	1,18,933	4,436
1909–1910 (revised estimate) .. .. .. G.O., No. 121, Marine, dated 7th April 1910.	1,85,000	1,01,235	1,73,474	2,74,709	1,66,793	4,614
1910–1911 (budget estimate) .. .. .. G.O., No. 121, Marine, dated 7th April 1910.	2,85,000	6,901	1,59,225	1,66,126	1,24,129	4,798

	Government Securities purchased.	Totals, columns 6, 7 and 8.	Closing balance cash, column 5 *minus* column 9.	Closing balance Government Securities.	Loan outstanding.
	8	9	10	11	12
	Rs.	Rs.	Rs.	Rs.	Rs.
1904–1905 (actuals) .. .. .. G.O., No. 64, Marine, dated 30th January 1906.	..	54,851	59,607	..	9,38,476
1905–1906 (actuals) .. .. .. G.O., No. 50, Marine, dated 29th January 1907.	25,095	1,22,663	92,585	25,000	9,34,532
1906–1907 (actuals) .. .. .. G.O., No. 479, Marine, dated 16th December 1907.	87,489	1,83,318	71,115	1,15,000	9,30,430
1907–1908 (actuals) .. .. .. G.O., No. 342, Marine, dated 26th December 1908.	24,312	1,53,552	86,202	1,40,000	9,26,164
1908–1909 (actuals) .. .. .. G.O., No. 48, Marine, dated 18th February 1910.	43,148	1,66,517	1,01,235	1,85,000	9,21,728
1909–1910 (revised estimate) .. .. .. G.O., No. 121, Marine, dated 7th April 1910.	96,401	2,67,808	6,901	2,85,000	9,17,114
1910–1911 (budget estimate) .. .. .. G.O., No. 121, Marine, dated 7th April 1910.	19,500	1,48,427	17,699	3,05,000	9,12,316

11. There is no doubt that the original estimate of the yield from the levy of coast lights dues was very much under estimated and that the receipts were considerably in excess of the requirements of the fund. It has not only been able to meet a considerable capital expenditure in the way of completing the programme of lighthouse construction in addition to ordinary charges, but has also been able to accumulate a considerable surplus which by the end of 1910–11 is estimated to stand at 3·23 lakhs. Even the reduction of fees made last year will not prevent further large surpluses as the data on which the reduction was made were to some extent based on probable figures and not on actuals.

12. Turning now to the *Capital* account of this fund, the object for which such an account was opened in the Coast Lights fund will be seen from paragraph 2 of the note on page 2 of Notes to G.O., Nos. 333-4, Marine, dated the 19th August 1904. It was intended to receive only contributions for expenditure on new lighthouses and major repairs, and the original idea was to set aside Rs. 15,000 * a year till the Sacrifice Rock lighthouse (now Cotta Point) had been built. That lighthouse was estimated to cost Rs. 94,000. After six or seven years it was thought that it would probably be possible to reduce the amount to be transferred to Capital. The object of passing such sums into this account was to avoid the necessity for further loans or advances in the future.

* The actual appropriations to Capital from Revenue have, however, been very much larger, as the income was much greater than was anticipated.

C.R.

13. The following statement exhibits the transactions of the *Capital* account from its commencement up to date including the budget for 1910–11 :—

Capital Account of the Coast Lights Fund.

Items.	1904–1905.	1905–1906.	1906–1907.	1907–1908.	1908–1909.	1909–1910 (Revised).	1910–1911 (Budget).
I. Opening Balance.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Government securities	..	..	..	40,000	40,000	60,000	1,20,000
Cash	..	4,221	19,021	47,019	68,275	77,036	146
Total	..	4,221	19,021	87,019	1,08,275	1,37,036	1,20,146
II. Receipts.							
(*a*) Appropriation from—							
Revenue { Government securities	..	..	25,000	..	..	25,000	..
Revenue { Cash	5,000	15,000	45,000	55,000	55,000	25,000	..
(*b*) Interest on Government securities	..	..	262	1,397	1,397	2,712	25,000
(*c*) Sale of Government securities	..	..	..	..	..	..	4,200
Total of (*a*), (*b*) and (*c*)—							
Government securities	..	..	25,000	..	..	25,000	..
Cash	5,000	15,000	45,262	56,397	56,397	27,712	29,200
III. Total of I and II.							
Government securities	..	..	25,000	40,000	40,000	85,000	1,20,000
Cash	5,000	19,221	64,283	1,03,416	1,24,672	1,04,748	29,346
IV. Expenditure.							
(*d*) New works	779	..	1,990	35,101	28,730	70,861	16,535
(*e*) Repairs	..	200	410	40	15	..	2,000
(*f*) Purchase of Government securities	..	..	14,864	..	18,891	33,741	..
Total of (*d*), (*e*) and (*f*)	779	200	17,264	35,141	47,636	1,04,602	18,535
V. Closing Balance.							
III *minus* IV { Government securities	..	..	40,000	40,000	60,000	1,20,000	1,20,000
III *minus* IV { Cash	4,221	19,021	47,019	68,275	77,036	146	10,811
Total	4,221	19,021	87,019	1,08,275	1,37,036	1,20,146	1,30,811

14. It will be seen that the Capital account has now served the purpose for which it was originally created. The programme of lighthouse construction has been completed with the Cotta Point lighthouse, and, so far as this department is aware, there is now no

further capital expenditure to be incurred, except of a very minor description for the substitution of Argand lights by incandescent lights. Expenditure of this character however, it is submitted, can easily be met from the Revenue account in the future, and the necessity for making an annual payment into a separate Capital account seems no longer to exist.

15. *Reduction of present swollen balances to a figure sufficient to meet accidents.*—With these preliminary remarks we may now turn to the suggestions in the Private Secretary to His Excellency the Governor's demi-official. Of the estimated closing balance of 3·23 * lakhs in Government securities and cash for 1910–11, 1·92 lakhs belongs to the Revenue account and 1·31 to the Capital account. The loan due to Imperial † is repayable under the orders of the Government of India in annual equated payments with interest at 4 *per cent. per annum*. Of the original loan of Rs. 9,38,476, a sum of Rs. 21,362 ‡ has been paid towards the principal up to the end of 1909–1910 leaving a balance of Rs. 9,17,114 to be repaid in 1910–11 and later years. In the current year a further special instalment towards principal may, with the consent of the Government of India, be paid of Rs. 2,62,316 in addition to the ordinary budgeted repayment of Rs. 4,798. With the repayment of this special instalment the principal of the loan would be reduced to 6½ lakhs, while the accumulated balance would be reduced to Rs. 60,383. This balance, it is submitted, is ample as a reserve for any accident, etc., to lighthouses.

Para. 2 of letter 261, Marine, 16th August 1909.

* Column 14 on page 5 of G.O., 121, Marine, 7th April 1910.

† G.O., 374, Marine, 23rd September 1904 (para. 2), and page 3 of G.O., 3, Marine, 4th January 1905.

‡

Year.	Rs.
1905–1906	3,944
1906–1907	4,102
1907–1908	4,266
1908–1909	4,436
1909–1910	4,614
	21,362

Rs.	Rs.
	9,38,476
	— 21,362
	9,17,114
4,798	9,17,114
+ 2,62,316	— 2,67,114
2,67,114	6,50,000
Closing balance—	
Government securities of 1910–1911 ..	+ 3,05,000
Cash	+ 17,699
	+ 3,22,699
Deduct special repayment of loan	— 2,62,316
	+ 60,383

§ Page 2 of G.O., 3, Marine, 4th January 1905.

‖ If the equated payment for a loan of 6·50 lakhs is Rupees 41,483,

for a loan of Re. 1 it is $\frac{41,483}{6,50,000} = .06382$ which relates nearly to a period of 25 years (*vide* page 71 of Archer's tables).

¶ See Civil Account Code, Volume I, article 129 (*a*).

** For a loan of Re. 1 repayable in 20 years, the equated payment = ·07358175 (page 71 of Archer's tables);
∴ for a loan of 6·50 lakhs the equated payment
= 6,50,000 × ·07358175 = Rs. 47,828 nearly.

16. *Acceleration of amortization.*—The amount of the present annual § equated payment, viz., Rs. 41,483, would repay the balance of 6½ lakhs in 25 ‖ years. To accelerate the amortization so that the balance may be repaid in 20 years ¶ an annual equated payment of Rs. 47,828 ** would be required, *i.e.*, an addition to the existing sum, Rs. 41,483, of Rupees 6,345. The following statement shows that if it were desired to accelerate the amortization to this extent the additional sum could easily be provided from the annual Revenue account.

Year.	Total receipts.	Interest on Government securities.	Ordinary receipts, *i.e.*, column 2 *minus* column 3.
1	2	3	4
	Rs.	Rs.	Rs.
1904–1905 (9 months)	1,14,458	*Nil.*	1,14,458
1905–1906	1,55,641	436	1,55,205
1906–1907	1,62,087	873	1,61,214
1907–1908	1,67,243	2,618	1,64,625
1908–1909	1,80,153	3,927	1,76,226

Page 2 of Notes to G.O., 261, Marine, 16th August 1909.

Column 6 on page 4 of G.O., 121, Marine, 7th April 1910.

†† For which alone we possess actuals.

(*a*) It will be seen that the average of ordinary receipts for the four years 1905–1906 to 1908–1909 †† is Rs. 1,64,317, while that for the three years 1906–1907 to 1908–1909 is Rs. 1,67,355. In view of the uniformly progressive tendency of the actual receipts, this latter

G.O., 332, Marine, 5th November 1909.

Para. 3 of letter to Government of India No. 261, Marine, 16th August 1909.

figure may be safely taken as the minimum receipts that might have been expected under the old schedule. The reduction of the rates with effect from 1st December 1909 was estimated to reduce the ordinary receipts by Rs. 30,000, which gives a minimum of Rupees 1,37,355 to be expected under the revised schedule. Against this is to be taken an estimated expenditure, capital and revenue, under all heads, of Rs. 1,20,000 leaving a balance of Rs. 17,355 every year which would go to swell the surplus year by year. That this is a cautious estimate is, I submit, borne out by the fact that the receipt estimates of the current year are pitched at 1·49 * lakhs. It seems therefore safe to take an extra 6,000 and odd from the revenue account to accelerate amortization.

* Column 3 on page 4 of G.O., 121, Marine, 7th April 1910.

Against Rs. 1,30,000 on the data accepted in G.O., 261, Marine, 16th August 1909.

17. It will be seen—

(*a*) that, setting aside a sum of Rs. 60,000 and odd as an insurance against accidents etc., a sum which would rapidly grow even with the present reduced rates of coast lights dues, it would be possible to repay at once, in addition to the ordinary repayments, a sum of Rs. 2,60,000 † and odd against the present outstanding loan to Imperial ;

† No doubt this would prove a not unacceptable windfall to India.

(*b*) that the present annual rate of equated payments would liquidate the reduced balance of the Imperial loan in 25 years ; and

(*c*) that an addition of Rs. 6,345 *per annum* to the present amount of the equated payment would liquidate the loan in 20 years.

18. It is submitted that there will be little difficulty in getting India to consent to accept this windfall of over 2½ lakhs and to agree to the increase in the amount of the equated payment with a view to quicker amortization of the loan. As pointed out by the ‡ Chief Secretary this would be better than reducing the fees still further, as Rs. 6,000 and odd would effect a very inappreciable reduction in the rate of the dues at present levied.

See Chief Secretary's marginal note on page 3 *ante*.

19. *Alteration in the form of the Budget and the Accounts (Chief Secretary's note on page 3 ante.* With regard to the future form of exhibiting the transactions in the budget of the Coast Lights Fund, I submit that, in view of the completion of the programme of lighthouse construction, the distinction between capital and Revenue accounts may be abolished. Apart from the expenditure on the construction of the Cotta Point light-house, the so-called capital expenditure debited against the capital account hitherto has been such as would ordinarily be debited against the Revenue account under "new works" or "repairs". The present heads under Revenue might be retained with the exception of the heads "purchase of Government securities" and "sale of Government securities." In lieu of these heads which merely go to swell the transactions unnecessarily, it will suffice if only the loss or gain on purchase or sale of Government securities is shown. This is the procedure adopted in the budget of the Madras Port Trust—*vide* paragraphs 1 and 2 of G.O., No. 438, Marine, dated 1st September 1905.

20. As the so-called capital account is really, as observed by Chief Secretary, a reserve account and not a true capital account, I submit that the outstanding liabilities which are practically only the balance of loans need not be exhibited in it. Such a liability is in the case of some Local funds, *e.g.*, Municipal funds, exhibited in an assets and liabilities statement attached to the annual statement of accounts. It is submitted that there is no necessity for such a statement in the case of the Coast Lights fund. A statement is at present appended to the annual accounts showing the undischarged debt.

Para. 467 on page 88 of Municipal Account Code.

If, however, it is thought desirable to retain the capital account its title, as suggested in the Chief Secretary's note, dated 7th April 1910, page 3 *ante*, may be changed to reserve account. Redistributing the items as suggested by the Chief Secretary in the same note, the budget for the current year would be exhibited as follows :—

BUDGET ESTIMATES FOR 1910-1911.

Revenue Account.

Receipts.		Charges.	
	RS.		RS.
Opening Balance (Cash)	6,755	Refunds	2,000
Coast Light dues	1,49,000	General Administration	60,909
Miscellaneous	250	Works	6,000
Interest on Government Securities.	5,775 4,200	New Works	13,000
		Repairs	2,000
		Equated payment of loan Principal.	4,798
		Interest	36,685
		Appropriated to Capital	25,000
		Total ..	1,50,392
Total ..	1,59,225	Closing balance	15,588
Grand total ..	1,65,980	Grand total ..	1,65,980

Reserve Account.

Receipts.		Charges.	
	RS.		RS.
Opening Balance (Cash)	146	New works .. .. .. (Closing capital expenditure on the last lighthouse (Cotta point).	3,535
Government Securities ..	1,20,000 1,65,000		
Total ..	2,85,146		
Appropriated from Revenue ..	25,000	Repairs Loss on the purchase or sale of Government Securities ..	
Gain on the purchase or sale of securities (purchase of securities of the face value of Rs. 20,000).	500	Closing Balance	
		Cash	2,111
		Government Securities	3,05,000
Total ..	25,500	Total ..	3,07,111
Grand total ..	3,10,646	Grand total	3,10,646
Total opening balance of Revenue and Reserve Accounts Cash.	6,901	Total, closing balance of Revenue and Reserve Accounts Cash ..	17,699
Government Securities (par value).	2,85,000	Government Securities (par value).	3,05,000

I submit, however, that it will suffice to have a single account now that the special programme of construction is completed.

C. REILLY—15-6-10.

H. M.—

H. E. the Governor—

Submitted with reference to the Private Secretary to His Excellency the Governor's demi-official of 28th April.

2. It will be seen from my notes on page 1 *ante* that the idea of utilizing the present large balances of the Coast Lights fund towards accelerating the debt due by the fund to the Government of India had independently occurred to me, and that I had also noticed the huge muddle in which the so-called capital and revenue accounts of the fund now are.

3. Mr. Reilly has now put up a full and careful note on the subject, and I agree with him that, in view of the fund's present satisfactory financial condition, we ought to ask India—

Page 5 of G.O., 121, Marine, 7th April 1910.

Pages 2 and 3 of G.O., 3, Marine, 4th January 1905.

(*a*) To accept this year a large advance repayment on account of the loan. The ordinary equated payment due is Rs. 41,483, of which in the current year Rs. 36,685 goes to interest charges and Rs. 4,798 to redemption of debt. I would pay, as suggested by Mr. Reilly, a further sum of Rs. 2,62,316, which will reduce the debt to 6½ lakhs.

(*b*) To allow the outstanding balance to be defrayed by equated annual payments within twenty years.

Page 2 of G.O., 332, Marine, 5th November 1909.

4. With reference to Commerce letter of 6th October 1909, No. 7502–1, I would tell India that in present circumstances we think it much more important to reduce the large debt than to make further reductions in the scale of dues. So far as I know, there have been no complaints of late as to the rates.

5. I agree with Mr. Reilly that in present circumstances we do not want any special Capital account for the fund at all. The ordinary revenue account should show all current receipts and charges, as well as opening and closing balances, and only net figures should be exhibited in respect of investments in or sales of Government paper. There should, however, be an appendix showing the full transactions of the year in respect of Government securities. There should likewise be an appendix showing for each year the amount of debt outstanding at its opening, the amount repaid (or to be repaid in the case of the budget) and the amount remaining at the close.

W. S. MEYER—16–6–10.

I agree with the Chief Secretary.

V. S. R[ANGA RAO]—28–6–10.

I accept all the proposals made by the Chief Secretary.

A. L[AWLEY]—5–7–10.

Vide para. 3 of Chief Secretary's note, 16th June 1910.

A draft letter to the Government of India suggesting—

(1) that they should accept a special repayment of 2·62 lakhs in the current year towards the loan due from the Madras Coast Lights fund to Imperial, and

(2) to allow the outstanding balance of 6·50 lakhs to be repaid in twenty years from 1911–12

is submitted.

2. In the matter of capital account it is to be noted that the Government of India have themselves prescribed a "statement "showing the receipts and charges on account of the Madras Coast "lights for the year ." Column 7 of this statement shows "sinking fund payment for major repairs and new capital expenditure." This *pro-forma* account is for publication * in the *Gazette of India*. The Government have † asked the Presidency Port Officer to include in his administration report the above statement. For the latest statement please see letter No. 49, Marine, dated 18th February 1910. In this statement instead of the term "sinking "fund payment for major repairs and new capital expenditure," the term "transfer to capital account for major works and repairs" is used, as there is no sinking fund. The statement called for by the Government of India will continue to be submitted to them with the alteration ‡ of the word "capital" into "reserve" with reference to the orders of Government in this case abolishing the capital account. The entries under "reserve" will be *nil*.

Finance and Commerce department letter, 2636-S.R., 27th April 1904 (page 3 of G.O., 333, Marine, 19th August 1904).

* Para. 5 of G.O., 333, Marine, 19th August 1904.

† Para. 6 of G.O., 333, Marine, 19th August 1904.

‡ *Vide* para. 3 of Chief Secretary's note, 7th April 1910, and para. 5 of note, 16th June 1910.

C.R.

3. The forms of budget estimates prescribed in G.O., No. 333, Marine, dated 19th August 1904, now need amendment. There is to be no special capital account. The ordinary revenue account is to show all current receipts and charges as well as opening and closing balances and only net figures in respect of investments in or sales of Government paper. There is to be a subsidiary statement showing the transactions of the year in respect of Government securities and another showing the indebtedness of the fund.

Para. 5 of Chief Secretary's note, 16th June 1910.

That is to say the "par value" in the opening and closing balances, the difference in value between "par" and "actual" in the case of sales or purchases of securities appearing as "profit or loss on investment" on the receipt or charge side of the accounts.

C.R.—16–7–10.

4. Perhaps the Accountant-General, who was consulted* when the existing budget forms were prescribed, and the Presidency Port Officer may be consulted as to the proposed change in the forms. A draft order is submitted which may go u.o. to the two officers for perusal before issue.

S.D.S.—14–7–10. T.H.R.—14–7–10.

* *E.g.*, Telegram 342, 4th May 1904, and Memorandum 2546, Marine, 28th June 1904, on pages 3 and 5 to 7 of G.O., 333, Marine, 19th August 1904.

Chief Secretary— C. REILLY—18–7–10.

Let me see a fair copy of the letter to India as altered.

There is no need to consult the Accountant-General and Presidency Port Officer as regards the alteration in form of accounts. The Accountant-General is not specially concerned, and I doubt if Mr. Newmarch would help us much. Nor would we get much assistance from the Presidency Port Officer in a matter of this sort.

W. S. MEYER—20–7–10.

The draft letter has been retyped and the file resubmitted.

A.H.—21–7–10. C.R.—22–7–10.

Issue.

W.S.M.—24–7–10.

[G.O., Nos. 236, 237, Marine, dated 27th July 1910.]

BACK PAPERS.

G.O. No.	Department.	Date.	G.O. No.	Department.	Date.

PRESS COPY.

Marine DEPARTMENT.

[G. / 5.]

7,000—10-10-06

Coast lights fund - Prescribing revised forms of budget estimates for the —.

9/8/17

READ

B — G.O.No. 333 — abstract attached, Marine, dated 19th August 1904 (P)

28

ORDER No. 236, dated 27 July 1909.

P.S.

P.N

(B)

Para 12 on page 19 of notes file.

The forms of budget estimates prescribed by G.O.No. 333, Marine dated the 19th August 1904, include a Capital account. The Capital account was intended to receive only contributions for expenditure on new lighthouses and major repairs, and was really of the nature of a reserve fund for meeting extraordinary expenditure on works of considerable magnitude. There has, however, been much confusion hitherto in the debit of expenditure on works and repairs to Capital and to Revenue-accounts, and the Govt. considered that to the Capital account ~~has been~~ in some cases charges have been debited which should ordinarily have been taken to the Revenue Accts.

2.

3B 2

Para 14 on page 12 of notes file

2. With the construction of the lighthouse at Cotta Point the programme of the lighthouse construction is practically complete, and ~~the Govt. consider that there will be~~ no further capital expenditure likely to be incurred except of a very minor description such as may easily be met from the Revenue account ~~in the future~~. The necessity for making ~~an~~ annual payments into a separate capital account ~~thus~~ no longer exists.

in the meantime

Para 5 of C.S.'s note on page 22 of notes file

3. The ordinary Revenue account should show all current receipts and charges as well as opening and closing balances. The opening and closing balances should be in detail of "Cash" and "Govt. Securities", the latter representing nominal value. ~~Receipts should be credited in respect of~~ Details of transactions relating to investments in, or sales of, Govt. securities should be excluded from both sides of the accounts. The total gain or loss on such transactions in the year should, however, be exhibited under the head provided for the ~~purpose~~ purpose on the receipt or expenditure side of the account as the case may be. There should, however, be a subsidiary statement showing the full transactions of the year in

not result to the current account in the year in question

to

purpose

eg by purchase instead of redemption when investments are below par

in respect of Govt. securities, and another showing for each year the amount of debt outstanding at ~~which~~ its opening, the amount repaid, (or to be repaid in the case of the Budget) and the amount remaining at the close of the year.

4. The forms of budget estimates as revised, ~~are~~ and annexed to these proceedings, ~~and these~~ should be adopted in future. ~~In this statement~~

5. The statement showing the financial position of the Coast-Lights fund prescribed by the Govt. of India for publication in the Gazette of India--para 6 of G.O.No.333, Marine, dated the 19th August 1904-should continue to be submitted as heretofore.

18.7.10

[P.T.O. for forms]

DESPATCHED 27 JUL 1910

Flag B

Done in mss first

For Typing on 16.7.10

To

The P.P.O.

" A. & G.

NOT FOR E.T.

27.7.10

DESPATCHED 17 AUG 1910

Appendix I

Forms of Budget Estimates

General abstract of receipts & Expenditure

Receipts					Expenditure					
Items	Budget estimate	Revised estimate	Budget estimate	Accounts	Items	Detailed accounts No.	Budget estimate	Revised estimate	Budget estimate	Accounts
1	2	3	4	5	6	7	8	9	10	11
~~Revenue~~					Refunds					
Coast light dues					General Administration					
General Administration					Works					
Miscellaneous					Miscellaneous					
Interest on Govt. Securities					Equated payment of loan					
~~Contributions~~					Principal					
~~Profit~~ on investments					Interest					
Total.					~~Contributions~~ Loss on investments.					
Opening balance					Total					
Cash					Surplus (+) or					
Govt. Securities					~~Deficit~~ (-)					
Grand Total					~~Govt. Securities~~					
					Closing Balance.					
					Cash					
					Govt. Securities					

C.11/18.7.10

6 5

Details Account A – General Administration

	Number	Details	Budget estimate		Revised estimate		Budget estimate		Accounts	
			Rs	b	Rs	b	Rs	b	Rs	b
		Share of the Cost of General administration	2	4	3	4	3	4	3	4
Salaries		of Port Department borne by Coast								
		Light dues fund								
		Assistant Superintendent of								
		Lighthouse works								
Establishment		Lighthouse mechanics								
		Light keepers								
		Temporary Establishment								
		Provision								
Allowances		House-rent								
		Medical aid								
		Travelling								
		Stores								
Supplies & Services		Oil								
		Conveyance of stores								
		Uniforms for lightkeepers								
		Boat charges								
		Miscellaneous								
		Postage								
Contingencies		Telegraph								
		Rents, rates & taxes								
		Office furniture								
		Cost of forms & printing charges								
		Petty items								
		Miscellaneous								
Pensions & gratuities		Pensions								
		gratuities								
		Total, Details Account A								

92/1870

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6

Detailed Account B – Works chargeable to Revenue

Serial No.	Work	Budget estimate	Revised estimate	Budget estimate	Total actuals up to	Actuals for	Original estimate
1	2	3	4	5	6	7	8
		Rs	Rs	Rs	Rs	Rs	Rs
	(a) By Civil Officers						
	(i) New works						
	(ii) Repairs						
	Total Civil Officers						
	(b) By Officers of the Public Works Department						
	(i) New works						
	(ii) Repairs						
	Total Public Works Department Officers						
	Total, Detailed Account B						

4 | 16/2 | 5 | 5 | 5 | 5 | 5 | 5

N.
15.7.0

7

Statement showing the transactions in Govt Securities

9

Transactions in Government paper	Purchases			Sales			Net amount shown in the budget estimate, being the difference between Columns 4 & 7	
	Nominal value	Amount paid	Profit + Loss −	Nominal value	Amount realized	Loss − Profit +	Profit	Loss
1	2	3	4	5	6	7	8	9
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
During the year								
Do								
Do								
	5	5	5	5	5	5	5	5

The Profit or Loss shown in

12/1

Cf. the Statement printed on page 31 of Go. No. 137 Marine dt 13-4-10 Flag 10

CA / 15.7.10

9 8

Statement showing the indebtedness of the Coast-lights Fund.

Year	Amount of loan outstanding at the beginning of the year.	Amount of repayment.	Amount of loan outstanding at the close of the year.
1	2	3	4
	Rs	Rs	Rs
1904-05	..	..	9,38,476
1905-06	9,38,476	3,944	9,34,532
1906-07	9,34,532	4,102	9,30,430
1907-08	9,30,430	4,266	9,26,164
1908-09	9,26,164	4,436	9,21,728
1909-10	9,21,728	4,614	9,17,114
1910-11	9,17,114	4,798	9,12,316
	9	9	9

CR.
1917.W

Four of letter typed & returned to me 31/8/10. (Sunday).

Dme Sir.

To be checked & then issued

H.O.

DESPATCHED
1 AUG 1910

DESPATCHED on
17 AUG 1910

[Vide Cols.10 & 11 of statement on p. 8 of notes file]

[Para-9 of note on page 7 of notes file]
or
[Para-14 on page 12 of note file]

107
Marine Department

LETTER 237 dt 27-7-10

To

The Secy. to the Govt. of India,

Dept. of Com: & Industry.

Sir,

I am directed to address you on the subject of the more rapid extinction of the debt due by the Madras Coast Lights fund to the Govt. of India.

2. The balance to credit of this fund at the end of 1910-11 is expected to amount to Rs. 17,699 in Cash and Rs.3,05,000 in Govt. Securities. This accumulation is the growth of the surplus receipts over expenditure, ordinary and extraordinary, since the establishment of the fund in the year 1904-05. During this period a costly programme of lighthouse construction, involving considerable capital expenditure, has been completed with the execution

execution of the Cotta Point Lighthouse. With the conclusion of this programme there is now no object ~~served~~ in accumulating large surplus funds, as the further capital expenditure likely to be incurred is of such a minor character that it can well be met from the current receipts of the fund. H. E. the Governor in Council is accordingly of opinion that, after reserving a certain portion of the present balance as an insurance against accidents to lighthouse &c, the remainder might be most suitably utilized in reducing the principal of the large outstanding debt due to the ~~Imperial~~ Govt. of India on which the fund is at present paying interest at the rate of 4 per cent. ~~which~~ while only drawing 3½ per cent on its investments in Govt. paper.

[Para 15 on page 12 of notes file.]

[Para 15 on page 12 of notes file.]

3. Of the original loan of Rs. 9,38,476 ~~due to Imperial~~ a sum of Rs. 21,362 has been repaid towards principal up to the end of 1909-10, leaving

[Para 7 on page 7 of notes file.]

[Para 3(a) of C.S.'s note on page 21 of notes file.]

[Para 15 on pages 12-13 of notes file.]

leaving a balance of Rs.9,17,114 to be repaid in 1910-11 and later years. It was apparently with a view to keeping the new dues as low as possible that the repayment of the debt due to the ~~Imperial~~ Govt. from the Coast Lights fund was spread over a term of sixty years. The Governor in Council considers that the best use to which the accumulated surplus may be now put is to make a further special instalment of Rs.2,62,316 in the current year towards the repayment of principal, in addition to the ordinary instalment of Rs.4,798 provided in the budget ~~for the current year~~. With the repayment of this special instalment the principal of the loan would be reduced to six and a half lakhs, while the accumulated balance would be ~~reduced~~ to Rs.60,383 which, in the opinion of this Govt, is ample as a reserve for any accidents &c to lighthouses.

4. The next suggestion which I am to place before the Govt. of India

[Para 16 on page 13 of notes file.]

" "

[Para 16(a) on page 14 of notes file.]

Year	ordinary Actual receipts. Rs.
1905-06	1,55,205
1906-07	1,61,214
1907-08	1,64,625
1908-09	1,76,226

vide col. 4 of statt. on page 14 of notes file

Sanctioned in Mr. Jellicoe's Commerce & Industry Dept. letter No. 7502-1, dated the 6th October 1909.

(G.O. 332 Marine, 25.11.09)
Rog P

India relates to the acceleration of the amortization of the loan. The amount of the present annual equated payment, namely Rs. 41,483, would repay the balance of six and a half lakhs above referred to in 25 years. To accelerate the amortization, so that the balance may be repaid in twenty years, an annual equated payment of Rs.47,828 would be required, i.e. an addition of Rs. 6,345 to the existing sum of Rs. 41,483.

5. The average of the fund's ordinary receipts for the four years, 1905-06 to 1908-09, comes to 1.64 lakhs, while for the last 3 of these years it is 1.67 lakhs. In view of the uniformly progressive tendency of the actual receipts, this latter figure may be safely taken as the minimum amount that might have been expected under the old schedule. The reduction in the rates of Coast Lights dues with effect from the 1st December 1909 was estimated

flag O

[Para 16(a) on page 14 of notes file.]

[vide P.P.O's note on page 1 of note book 261 Mar., 3/16·8·09]
flag O

[vide ... of para 4 on page 4 ante]

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estimated in Mr. Cardew's letter No. 261, Marine, dated the 16th August 1909, to reduce the ordinary receipts by Rs. 30,000, which gives a minimum of 1.37 lakhs to be expected under the revised schedule against 1.30 lakhs anticipated in the letter referred to. Later and more reliable figures, however, have shown that this latter figure was an over-cautious estimate and as a matter of fact the receipts of the current year are pitched at 1.49 lakhs. The ordinary annual charges under all heads, including amortization at the present rate and future capital expenditure, are estimated at 1.20 lakhs, so that even taking the receipts at 1.37 lakhs only, there would still be a balance of .17 lakh each year which affords a safe margin for meeting the additional charge of Rs. 6,345 on account of amortization now proposed.

6. The Governor in Council is of opinion that in present circumstances it is much more important to reduce

the

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the large outstanding debt to the Govt. of India than to make further reductions in the scale of dues, since, so far as he is aware, there have been no complaints of late as to the rates now levied.

7. I am accordingly to recommend for the favourable consideration of the Govt. of India the two proposals made above viz.-

(1) The acceptance of a special repayment in the current year of Rs.2,62,316 towards the principal of the debt due by the Coast Lights Fund ~~to the Imperial Govt~~.

(2) The ~~repayment~~ discharge of the outstanding balance of this debt as it will then stand, viz. 6.50 lakhs, by equated annual payments of Rs.47,828 within twenty years from 1911-12.

[Para 3 on page 3 ante]

[Para 4 on page 4 ante.]

No. 236, Marine, 27th July 1910.

GOVERNMENT OF MADRAS.

MARINE DEPARTMENT.

Read—the following paper :—

G.O., No. 333, Marine, dated 19th August 1904.

Abstract.—Directing that the receipts and charges on account of coast lights from the 1st April 1904 be credited to an excluded local fund—the Coast Lights fund, prescribing forms for the preparation of the budget estimates and issuing instructions as to the maintenance of the accounts of the fund.

Order—No. 236, Marine, dated 27th July 1910.

The forms of budget estimates prescribed by G.O., No. 333, Marine, dated the 19th August 1904, include a Capital account. The Capital account was intended to receive only contributions for expenditure on new lighthouses and major repairs, and was really of the nature of a reserve fund for meeting extraordinary expenditure on works of considerable magnitude. There has, however, been much confusion hitherto in the debit of expenditure on works and repairs to Capital and to Revenue account, and the Government consider that in some cases charges have been debited to the Capital account which should ordinarily have been taken to "Revenue".

2. With the construction of the lighthouse at Cotta Point the programme of the lighthouse construction is practically complete, and no further capital expenditure is likely to be incurred in the near future except of a very minor description, such as may easily be met from the Revenue account. The necessity for making annual payments into a separate Capital account no longer exists.

3. The ordinary Revenue account should show all current receipts and charges as well as opening and closing balances. The opening and closing balances should be in detail of "Cash" and "Government Securities", the latter representing nominal value. Details of transactions relating to investments in, or sales of, Government securities should be excluded from both sides of the accounts. The total net result to the current account in the way of gain or loss on such transactions in the year should, however, be exhibited under the head provided for the purpose on the receipt or expenditure side of the account as the case may be. There should, moreover, be a subsidiary statement showing the full transactions of the year in respect of Government securities, and another showing for each year the amount of debt outstanding at its opening, the amount repaid (or to be repaid in the case of the budget) and the amount remaining at the close of the year.

4. The forms of budget estimates, as revised and annexed to these proceedings, should be adopted in future.

5. The statement showing the financial position of the Coast Lights fund prescribed by the Government of India for publication in the *Gazette of India*—paragraph 6 of G.O., No. 333, Marine, dated the 19th August 1904—should continue to be submitted as heretofore.

(True Extract.)

W. S. Meyer,
Chief Secretary.

To the Presidency Port Officer.
" Accountant-General
Forwarded to

(By Order.)

Registrar,
Local and Munl. Dept.

[Appendix.

G.O., No. 236, 27th July 1910.

Coast Lights Fund.

Prescribing revised forms of budget estimates for the —.

APPENDIX I.

Forms of budget estimates—General abstract of receipts and expenditure.

Receipts.					Expenditure.					
Items.	Budget estimate.	Revised estimate.	Budget estimate.	Accounts.	Items.	Detailed account number.	Budget estimate.	Revised estimate.	Budget estimate.	Accounts.
1	2	3	4	5	6	7	8	9	10	11
Coast light dues					Refunds					
General administration.					General administration ..					
Miscellaneous					Works					
Interest on Government securities.					Miscellaneous					
Contributions ..					Equated payment of loan—					
Profit on investments ..					Principal					
Total ..					Interest					
					Contributions					
Opening balance—					Loss on investments ..					
Cash					Total ..					
Government securities.					Surplus (+) or Deficit (−)					
					Closing balance—					
Grand total ..					Cash					
					Government securities.					

Detailed Account A.—General Administration.

—	Number.	Details.	Budget estimate.	Revised estimate.	Budget estimate.	Accounts.
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salaries—		Share of the cost of General administration of Port department borne by coast Lights Dues fund								
		Assistant Superintendent of Lighthouse works								
Establishment—		Lighthouse mechanics ..								
		Lightkeepers								
		Temporary establishment ..								
Allowances—		Provision								
		House-rent								
		Medical aid								
		Travelling								
Supplies and Services—		Stores								
		Oil								
		Conveyance of stores								
		Uniform for lightkeepers ..								
		Boat charges								
		Miscellaneous								
Contingencies—		Postage								
		Telegraph								
		Rents, rates and taxes ..								
		Office furniture								
		Cost of forms and printing charges.								
		Petty items								
		Miscellaneous								
Pensions and gratuities—		Pensions								
		Gratuities								
		Total, Detailed Account A ..								

No. 236, Marine, 27th July 1910.

Detailed Account B.—Works chargeable to Revenue.

Serial number.	Work.	Budget estimate.	Revised estimate.	Budget estimate.	Total actuals up to	Actuals for	Original estimate.
1	2	3	4	5	6	7	8
	(a) By Civil Officers.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	(i) New works						
	(ii) Repairs						
	Total Civil Officers ..						
	(b) By Officers of the Public Works Department.						
	(i) New works						
	(ii) Repairs						
	Total, Public Works Department Officers						
	Total, Detailed Account B ..						

Statement showing the transactions in Government Securities.

Transactions in Government paper.	Purchases.			Sales.			Net amount shown in the budget estimate, being the net difference between the profit or loss shown in columns 4 and 7.	
	Nominal value.	Amount paid.	Loss —; profit +.	Nominal value.	Amount realized.	Loss —; profit +.	Profit.	Loss.
1	2	3	4	5	6	7	8	9
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
During the year								
Do.								
Do.								

Statement showing the indebtedness of the Coast Lights Fund.

Year.	Amount of loan outstanding at the beginning of the year.	Amount of repayment.	Amount of loan outstanding at the close of the year.
1	2	3	4
	Rs.	Rs.	Rs.
1904–1905	..	..	9,38,476
1905–1906	9,38,476	3,944	9,34,532
1906–1907	9,34,532	4,102	9,30,430
1907–1908	9,30,430	4,266	9,26,164
1908–1909	9,26,164	4,436	9,21,728
1909–1910	9,21,728	4,614	9,17,114
1910–1911	9,17,114	4,798	9,12,316

PRESS COPY.

GOVERNMENT OF MADRAS.
MARINE DEPARTMENT.
No. 237.

From

THE HON'BLE SIR WILLIAM MEYER, K.C.I.E., I.C.S.,
Chief Secretary to the Government of Madras,
Marine Department,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
DEPARTMENT OF COMMERCE AND INDUSTRY.

Dated Ootacamund, the 27th July 1910.

SIR,

I am directed to address you on the subject of the more rapid extinction of the debt due by the Madras Coast Lights fund to the Government of India.

2. The balance to credit of this fund at the end of 1910–11 is expected to amount to Rs. 17,699 in cash and Rs. 3,05,000 in Government securities. This accumulation is the growth of the surplus receipts over expenditure, ordinary and extraordinary, since the establishment of the fund in the year 1904–1905. During this period a costly programme of lighthouse construction, involving considerable capital expenditure, has been completed with the execution of the Cotta Point lighthouse. With the conclusion of this programme there is now no object in accumulating large surplus funds, as the further capital expenditure likely to be incurred is of such a minor character that it can well be met from the current receipts of the fund. His Excellency the Governor in Council is accordingly of opinion that, after reserving a certain portion of the present balance as an insurance against accidents to lighthouses, etc., the remainder might be most suitably utilized in reducing the principal of the large outstanding debt due to the Government of India on which the fund is at present paying interest at the rate of 4 *per cent.* while only drawing $3\frac{1}{2}$ *per cent.* on its investments in Government paper.

3. Of the original loan of Rs. 9,38,476, a sum of Rs. 21,362 has been repaid towards principal up to the end of 1909–1910, leaving a balance of Rs. 9,17,114 to be repaid in 1910–11 and later years. It was apparently with a view to keeping the new dues as low as possible that the repayment of the debt due to the Government of India from the Coast Lights fund was spread over a term of sixty years. The Governor in Council considers that the best use to which the accumulated surplus may be now put is to make a further special instalment of Rs. 2,62,316 in the current year towards the repayment of principal, in addition to the ordinary instalment of Rs. 4,798 already provided in the fund's budget. With the repayment of this special instalment the principal of the loan would be reduced to six and a half lakhs, while the accumulated balance would fall to Rs. 60,383, which, in the opinion of this Government, is ample as a reserve for any accidents, etc., to lighthouses.

4. The next suggestion which I am to place before the Government of India relates to the acceleration of the amortization of the loan. The amount of the present annual equated payment, namely, Rs. 41,483, would repay the balance of six and a half lakhs above referred to in 25 years. To accelerate the amortization so that the balance may be repaid in twenty years, an annual equated payment of Rs. 47,828 would be required, *i.e.*, an addition of Rs. 6,345 to the existing sum of Rs. 41,483.

5. The average of the fund's ordinary receipts for the four years, 1905–1906 to 1908–1909, comes to 1·64 lakhs, while for the last three of these years it is 1·67 lakhs. In view of the uniformly progressive tendency of the actual receipts *, this latter figure may be safely taken as the minimum amount that might have been expected under the old schedule. The reduction in the rates of coast lights dues, with effect from the 1st December 1909, sanctioned in Mr. Gubbay's letter

Year.	Ordinary actual receipts. Rs.
1905–1906	1,55,205
1906–1907	1,61,214
1907–1908	1,64,625
1908–1909	1,76,226

No. 7502-1, dated the 6th October 1909, was estimated (*vide* Mr. Cardew's letter, No. 261, Marine, dated the 16th August 1909) to reduce the ordinary receipts by Rs. 30,000, which gives a minimum of 1·37 lakhs to be expected under the revised schedule against 1·30 lakhs anticipated in the letter referred to. Later and more reliable figures, however, have shown that this latter figure was an overcautious estimate and as a matter of fact the receipts of the current year are pitched at 1·49 lakhs. The ordinary annual charges under all heads, including amortization at the present rate and future capital expenditure, are estimated at 1·20 lakhs, so that, even taking the receipts at 1·37 lakhs only, there would still be a balance of ·17 lakh each year which affords a safe margin for meeting the additional charge of Rs. 6,345 on account of amortization now proposed.

6. The Governor in Council is of opinion that in present circumstances it is much more important to reduce the large outstanding debt to the Government of India than to make further reductions in the scale of dues since, so far as he is aware, there have been no complaints of late as to the rates now levied.

7. I am accordingly to recommend, for the favourable consideration of the Government of India, the two proposals made above, viz.—

(1) The acceptance of a special repayment in the current year of Rs. 2,62,316 towards the principal of the debt due by the Coast Lights fund.

(2) The discharge of the outstanding balance of this debt as it will then stand, viz., 6·50 lakhs, by equated annual payments of Rs. 47,828 within twenty years from 1911-12.

I have the honour to be,
Sir,
Your most obedient servant,
W. S. MEYER,
Chief Secretary.

Proof submitted to the Registar for approval.
(The G.O. & letter have already been issued in Mss)

PRESS SLIP.

Received from Press ... Rs. a.
Cost as ... Mar ... Rs. a.

NOTES.

[SUBJECT.—*Utilization of the balances of the Coast Lights fund for reducing the loan liabilities of the fund, and acceleration of the amortization of the balance of the loan.*]

Previous papers :

G.O.,	318,	Marine,	10*th Aug.* 1894.
,,	316–7	,,	29*th Apl.* 1898.
,,	732–3	,,	30*th Aug.* 1898.
,,	29–30	,,	10*th Jan.* 1899.
,,	495	,,	4*th Aug.* 1903.
,,	499–500	,,	9*th Dec.* ,,
,,	4–5	,,	5*th Jan.* 1904.
,,	218	,,	21*st May* ,,
,,	256–260	,,	22*nd June* ,,
,,	374–5	,,	23*rd Sept.* ,,
,,	455	,,	18*th Nov.* ,,
,,	3	,,	4*th Jan.* 1905.
,,	365	,,	3*rd July* ,,
,,	438	,,	1*st Sept.* ,,
,,	64	,,	30*th Jan.* 1906.
,,	50	,,	29*th* ,, 1907.
,,	243	,,	7*th June* ,,
,,	479	,,	16*th Dec.* ,,
,,	57	,,	8*th Feb.* 1908.
,,	112	,,	20*th Mar.* ,,
,,	342	,,	26*th Dec.* ,,
,,	120	,,	30*th Mar.* 1909.
,,	261	,,	16*th Aug.* ,,
,,	332	,,	5*th Nov.* ,,
,,	48–49	,,	18*th Feb.* 1910.
,,	121	,,	7*th Apl.* ,,
,,	137	,,	13*th* ,, ,,

Extracts from the notes to G.O., No. 121, *Marine, dated the 7th April* 1910 [BUDGET FOR 1910–1911 *of the Madras Coast Lights Fund.*]

With what object, and on what basis, are "revenue" and "capital" transactions discriminated as in the budget abstract?

2. If it be necessary to have such discrimination, one would suppose that holding of Government securites would be a "capital" asset; but at the close of the year "revenue" will hold 1·85 lakhs of these as against 1·2 only held by "capital".

W. S. MEYER—26–3–10.

In 1904 on the Madras Coast Lights Act, IX of 1904, being passed, the Government of India referring to the action which had then become necessary owing to the passing of the Act stated among other things—

Para. 5 of Finance and Commerce Department letter, 2636-S.R., 27th April 1904, on page 3 of G.O., 333, Marine, 19th August 1904.

"It will be necessary to arrange that the accounts of the coast "lights dues shall be kept in such a manner as to show clearly the "total income and total expenditure for each year. A *pro forma* "account containing this information will be published annually in "the *Gazette of India*, as in the case of the Burma Coast light

Pages 2-3 of G.O., 333-4, Marine, 19th August 1904.

2. *Paragraph* 2.—In view of the terms of the Government of India's letter No. 2636-S.R., dated 27th April 1904, a separate capital account is essential. There is no reason, however, why the closing balances of the revenue account should be separately invested in Government securities. It will suffice if the capital balance alone is partly so held. The heads therefore under the revenue account, viz., "Sale of Government securities" under receipts and "purchase of Government securities" under charges may be eliminated and the amount of the closing balance in the revenue account, held in Government securities may be transferred to the capital account.

3. The capital account appears really to be of the nature of a reserve fund for meeting extraordinary expenditure on big works. I cannot find that any limit has ever been laid down as to the dimensions to which this reserve fund should be allowed to grow. It is understood that the old programme of lighthouse construction has been practically completed with the Cotta lighthouse. Perhaps the Presidency Port Officer may be consulted as to what is desirable in the way of programme of big works for the next five years ahead or so, and if it is to be found that no more lighthouses are to be constructed, it may be possible to reduce the coast light fees still further and diminish the appropriation from revenue to capital.

Pages 2-3 of G.O., 333-4, Marine, 19th August 1904.

4. I have not been able to find whether the debit of new works and repairs to capital or revenue follows any laid-down rule. Apparently not. As the capital account is intended for major works, *i.e.*, works of considerable magnitude, I submit that no works costing Rs. 5,000 and less should be debited to capital. This is the amount which determines the classification of works as *major* in Public Works department. As regards repairs I don't think these should ever be debited to capital unless they are of very considerable magnitude indeed and on altogether an unusual scale outside of ordinary extensions, maintenance and repairs. If this is done, the bulk of the works ordinarily debited to capital at present will, as is only proper, be debited to revenue and so help to reduce the disproportionate surplus in the revenue account which accrues every year.

Paras. 18-19 of P.W.D. Code, Vol. II.

5. The present holding in Government securities is 3·05 lakhs. If the limit up to which capital fund should be accumulated be fixed at say 10 lakhs to be accumulated in 10 years, it would be easy to calculate the necessary annual payment into a sinking fund to accumulate this amount. Such a payment would be a fixed charge on the revenue account for the year and it will then be possible to frame some estimate of the amount by which the fees levied might be reduced†. At present the coast light fees appear to be more than is necessary for revenue purposes and for such works as are at present being met from capital account.

C. REILLY—6-4-10.

† A prior *desideratum* would be to clear off the debt to Government and thus relieve the fund of interest and redemption charges.

W.S.M.—7-4-10.

As regards "capital" and "revenue", the whole thing seems to be in a muddle. Where there is a discrimination between capital and revenue transactions, the latter should obviously meet all current charges including debt amortization, maintenance of works, and new works not of such an abnormal description that they are a legitimate charge on loan funds or on a special reserve accumulated for this purpose. In the present instance the so-called capital account should be a reserve of this nature.

2. It follows (*a*) that only such special charges should be debited to capital, (*b*) that revenue should maintain only such balance as is necessary for current purposes, and should credit the rest to capital or rather to "reserve" which is a more appropriate designation in the present case. Interest on moneys invested should however be a revenue receipt, as a set off against the payment which revenue has to make for the debt service.

The amount of undischarged debt should be shown as a capital liability.

W.S.M.

W. S. MEYER—7-4-10.

P.S.—Please make out a statement showing roughly how the Fund's affairs would stand on the above basis.

W.S.M.

[G.O., No. 121, Marine, dated 7th April 1910.]

"dues; and the form appended to this letter may probably be found "suitable for the purpose. It is considered that the position will be "more readily apprehended by the public if a separate sinking fund "account is also published showing the balance available at the "close of each year for expenditure on major repairs and new works "chargeable to capital. . . ."

Telegram, 342, 4th May 1904, page 3 of G.O., *ibid.*

Paras. 3 and 4 of Accountant-General's letter, Dis. T. 27-Genl., 1904, 21st May 1904 (pages 3-4 of G.O., 333 Marine, 19th August 1904).

2. The form of the statement prescribed provided a column for *sinking fund* payment for major repairs and new capital expenditure.

3. The Accountant-General was requested to report on forms of budget and all account points requiring orders of Government and he submitted elaborate forms of budget and proposed the creation of an excluded local fund to be styled "the Madras Coast Lights "Dues fund" and another one to be styled "the Madras Coast "Light sinking fund for new works and major repairs".

Memo., 2546, Marine, 28th June 1904, pages 5-6 of G.O., 333, Marine, 19th August 1904.

4. The Government thought it doubtful whether it was necessary to create two funds. The sinking fund had for its object not to ensure the repayment of any *debt but simply to form a reserve.* The amount to be credited to the reserve might vary from year to year. It was considered that the maintenance of additional accounts entailed by the creation of a second fund might be avoided by opening a capital account in the Coast Lights fund, the amounts to be reserved being credited to capital and expenditure on major works and repairs being debited to capital. A revised set of simpler forms was prepared and sent to the Accountant-General for opinion.

Para. 2 of Accountant-General's letter, T. 210-Genl., 4064, 9th July 1907 (page 7 *ibid*).

5. The Accountant-General thought that the provision of a separate account in the published accounts of the Coast Lights fund to exibit the transactions on account of major works and repairs would sufficiently meet the requirements of the case. In the account maintained on the Government books the new works and major repairs charges are shown with those of administration and there is only one balance for the fund. The entries regarding the contribution to capital from revenue, charge and receipt, do not appear in the account on the Government books but only in the annual published accounts.

Page 10 of G.O., 333, Marine, 19th August 1904.

6. Among the forms of budget estimates prescribed by Government there is one for a general abstract of receipts and expenditure. In that abstract there is a revenue account and a capital account. Contributions in cash and in the shape of Government securities from revenue to capital are provided for. Similarly the form provides for the sale or purchase of Government securities under either account as also for opening and closing balances under the two accounts.

7. Transfers from revenue to capital are proposed by the Presidency Port Officer with reference to the outlay chargeable to capital and in the annual return of the Coast Lights fund forwarded to the Government of India the revenue and the capital accounts are shown separately. In the revenue account in the place of a column for sinking funds there is a column for transfer to capital account for major works and repairs. The account for 1908-1909 is printed as an annexure to letter No. 49, Marine, dated 18th February 1910.

T.H.R.—26-3-10.

Chief Secretary—

Chief Secretary's queries, dated 26th March 1910 :—Paragraph 1 is answered by the above note.

22/8/10

4 4 4

Demi-official—from A. Y. G. CAMPBELL, Esq., I.C.S., Private Secretary to His Excellency the Governor.

To—the Chief Secretary to Government.

Dated—Ootacamund, the 28th April 1910.

No.—115-1.

"His Excellency observes from G.O., No. 121, Marine, dated 7th "April 1910, accepting the budget estimates of the Coast Lights "fund for 1910–11, that the Coast Lights fund is accumulating "a considerable balance in Government securities. According to the "revised estimate for 1909–1910, the closing balance of the fund is "expected to be Rs. 2,85,000 in Government securities and Rs. 6,901 "in cash on the 31st March 1910; and according to the budget "estimate it is anticipated that the closing balance on the 31st March "1911 will be Rs. 3,05,000 in Government securities and Rs. 17,699 "in cash. The fund gets about 3½ per cent. on its money in Govern-"ment securities, but it is paying 4 per cent. on its loan from Imperial "fund which amounts, I think, to nearly Rs. 9,25,000. No doubt it "is desirable to maintain a certain balance as a sort of insurance "against accidents to lighthouses, but His Excellency doubts whether "it would not be better from the point of view of the Coast Lights "fund to use some of the balance in reducing the loan from the "Government of India; and to prevent the accumulation of large "balances again it may be desirable to pay a somewhat larger "amount annually in repayment of the loan so as to clear off the "loan in a shorter time.

"His Excellency will be glad if you will kindly look into the matter."

Registrar—

Papers and note please. I have some idea that I also noticed the large balance of the Coast Lights fund.

W.S.M.—28-4-10.

Madras office—

I think I gave instructions for a further note on the reduction of the coast light levies. Anyhow I remember this point last season. Please get out papers and put up sharp.

C.R.—28-4-10.

Chief Secretary—

In the demi-official above of the Private Secretary to His Excellency the Governor ~~demi-official~~ above, His Excellency draws attention to the fact that the closing balance on the 31st March 1911 is expected to be Rs. 3,05,000 in Government securities and Rs. 17,699 in cash; that the Coast Light fund gets about 3½ per cent. of its money invested in securities, but that it is paying 4 per cent. on its loan from Imperial which amounts to nearly 9½ lakhs.

2. He suggests—

(*a*) that only a certain portion of this balance should be maintained as a sort of insurance against accidents to lighthouses,

(*b*) that some of this accumulated balance should be utilized in reducing the loan from the Government of India, and

(*c*) that a somewhat larger amount might be paid annually in repayment of India's loan so as to clear the remaining balance of the loan in a shorter time.

3. The examination of these suggestions has involved that of the original constitution of the fund, and of the object that was intended to be served by the creation of the capital account.

4. The Madras Coast Light fund has its origin in the financial straits which this Government experienced in consequence of its endeavour to execute a large programme of lighthouse construction round the coasts of this Presidency. This Government was opposed to meeting the cost of the construction and maintenance of light-houses by the levy of light dues on the shipping community, and wished to execute the scheme from resources at its disposal, *i.e.*, from Government and Port funds. It had, however, to apply to the Government of India for a grant to enable it to pursue the programme of construction. India was of opinion that the charges were properly to be met by a levy upon the shipping interests benefited and that the utilization of Port fund for the purposes of coast lights was illegal. The Madras Coast Lights Act (1904) was accordingly passed.

G.O., 121, Marine, 7th April 1910, page 5, column 14—see total closing balance at the foot.

Pages 2-3 of G.O., 3, Marine, 4th January 1905.

Letter to the Government of India, 317, Marine, 9th April 1898 (para. 7).

Para. 3 of letter to India, 317, Marine, 29th April 1898.

Para. 6 of Government of India (Finance and Commerce) letter, 3285-S.R., 27th July 1898, on page 3 of G.O., 732, Marine, 30th August 1898.

Para. 3 of Government of India (Finance and Commerce) letter, 4773 S.R., 2nd November 1898, on page 2 of G.O., 22, Marine, 10th January 1899.

There was certain amount of opposition from steamship companies, and it was apparently to placate these interests that an endeavour was made to keep the levies low.

C.R.

(Pages 4–7 of G.O., 499, Marine, dated 9th December 1903.)

5. Finally, the expenditure from Provincial and Port Funds from a certain * date was reimbursed by Imperial, and the amount so recouped to Provincial and Port Funds, Rs. 9,38,476 was treated as a debt due frum the new Coast Light Fund to Imperial.

6. As the programme of lighthouse construction was still incomplete when the fund was being †started, it was thought necessary to provide also for what was first called a "sinking fund" into which was to be paid Rs. 15,000 *per annum* for the purpose of accumulating capital in order to complete the remaining items of the lighthouse construction programme. The rates of the fees levied were pitched therefore to cover—

(*a*) Service of the debt to Imperial,
(*b*) Cost of maintenance and administration, and
(*c*) Annual payment into a sinking fund for future capital expenditure.

7. In view apparently to keeping the new dues as low as possible, the repayment of the debt was spread over 60 years. The Government of India also, when sanctioning the first schedule of rates, directed that, after two years of actual working, the position of the fund should be examined as to whether the fees should be raised or lowered with a view to maintaining equilibrium between receipts and charges.

8. In 1907 the Government of India mooted the question of the revision of rates at which the Coast Light dues were levied, but at the instance of this Government the consideration of the question was deferred until the programme of lighthouse erection was completed, *i.e.*, until the new lighthouse on Sacrifice Rock had been built and the cost of its maintenance ascertained.

9. On the completion of this lighthouse, now called Cotta Point lighthouse, which closed the scheme of lighthouse construction, the fees were reduced with effect from the 1st December 1909, so as to bring about a total estimated reduction of Rs. 30,000 in the annual income.

10. The following statement exhibits the transactions of the Madras Coast Lights Fund as a whole, omitting the distinction between the Revenue and Capital accounts, since its creation :—

* From 1st August 1898 to 31st March 1904.
G.O., 374 and letter 376, Marine, 23rd September 1904.

† It was started from 1st July 1904.

Para. 2 of Marine note, 9th June 1904, on page 2 of notes to G.O., 333–4, Marine, 19th August 1904, and para. 6 (ii) of letter to India on page 24 of G.O., 500, Marine 9th December 1903.

* Para. 2 of Government of India (Finance and Commerce) letter 26361 S.R., dated 27th April 1904, on page 2 of G.O., 333, Marine, dated 19th August 1904.
Government of India (Commerce and Industry) letter 2640–1, dated 21st March 1907, on page 2 of G.O., 243, Marine, dated 7th June 1907.
Government of India (Commerce and Industry) letter 4258–1, dated 21st May 1907, on page 3 of G.O., 243, Marine, dated 7th June 1907.
Para. 3 of letter to India, 261, Marine, dated 16th August 1909, and G.O., 332, Marine, dated 5th November 1909.

—	Opening balance, Government Securities.	Opening balance, cash.	Ordinary receipts.	Total columns 3 and 4.	Ordinary charges.	Loans repaid.
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1904–1905 (actuals)	..	..	1,14,458	1,14,458	54,851	..
G.O., No. 64, Marine, dated 30th January 1906.						
1905–1906 (actuals)	..	59,607	1,55,641	2,15,248	93,624	3,944
G.O., No. 50, Marine, dated 29th January 1907.						
1906–1907 (actuals)	25,000	92,585	1,62,348	2,54,933	92,227	4,102
G.O., No. 479, Marine, dated 16th December 1907.						
1907–1908 (actuals)	1,15,000	71,115	1,68,639	2,39,754	1,24,974	4,266
G.O., No. 342. Marine, dated 26th December 1908.						
1908–1909 (actuals)	1,40,000	86,202	1,81,550	2,67,752	1,18,933	4,436
G.O., No. 48, Marine, dated 18th February 1910.						
1909–1910 (revised estimate)	1,85,000	1,01,235	1,73,474	2,74,709	1,66,799	4,614
G.O., No. 121, Marine, dated 7th April 1910.						
1910–1911 (budget estimate)	2,85,000	6,901	1,59,225	1,66,126	1,24,129	4,798
G.O., No. 121, Marine, dated 7th April 1910.						

	Government Securities purchased.	Totals, columns 6, 7 and 8.	Closing balance cash, column 5 *minus* column 9.	Closing balance Government Security.	Loan outstanding.
	8	9	10	11	12
	Rs.	Rs.	Rs.	Rs.	Rs.
1904–1905 (actuals)	..	54,851	59,607	..	9,38,476
G.O., No. 64, Marine, dated 30th January 1906.					
1905–1906 (actuals)	25,095	1,22,663	92,585	25,000	9,34,532
G.O., No. 50, Marine, dated 29th January 1907.					
1906–1907 (actuals)	87,489	1,83,318	71,115	1,15,000	9,30,430
G.O., No. 479, Marine, dated 16th December 1907.					
1907–1908 (actuals)	24,312	1,53,552	86,202	1,40,000	9,26,164
G.O., No. 342, Marine, dated 26th December 1908.					
1908–1909 (actuals)	43.148	1,66,517	1,01,235	1,85,000	9,21,728
G.O., No. 48, Marine, dated 18th February 1910.					
1909–1910 (revised estimate)	96,401	2,67,308	6,901	2,85,808	9,17,114
G.O., No. 121, Marine, dated 7th April 1910.					
1910–1911 (budget estimate)	19,500	1,48,427	17,699	3,05,000	9,12,316
G.O., No. 121, Marine, dated 7th April 1910.					

11. There is no doubt that the original estimate of the yield from the levy of coast lights dues was very much under estimated and that the receipts were considerably in excess of the requirements of the fund. It has not only been able to meet a considerable capital expenditure in the way of completing the programme of lighthouse construction in addition to ordinary charges, but has also been able to accumulate a considerable surplus which by the end of 1910–11 is estimated to stand at 3·23 lakhs. Even the reduction of fees made last year will not prevent further large surpluses as the data on which the reduction was made were to some extent based on probable figures and not on actuals.

12. Turning now to the *Capital* account of this fund, the object for which such an account was opened in the Coast Lights fund will be seen from paragraph 2 of the note on page 2 of Notes to G.O., Nos. 333–34, Marine, dated the 19th August 1904. It was intended to receive only contributions for expenditure on new lighthouses and major repairs, and the original idea was to set aside Rs. 15,000 * a year till the Sacrifice Rock lighthouse (now Cotta Point) had been built. That lighthouse was estimated to cost Rs. 94,000. After six or seven years it was thought that it would probably be possible to reduce the amount to be transferred to Capital. The object of passing such sums into this account was to avoid the necessity for further loans or advances in the future.

* The actual appropriations to Capital from Revenue have, however, been very much larger, as the income was much greater than was anticipated.

C.R.

13. The following statement exhibits the transactions of the *Capital* account from its commencement up to date including the budget for 1910–11 :—

Capital Account of the Coast Lights Fund.

Items.	1904–1905.	1905–1906.	1906–1907.	1907–1908.	1908–1909.	1909–1910 (Revised).	1910–1911 (Budget).
I. Opening Balance.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Government securities	..	..	..	40,000	40,000	60,000	1,20,000
Cash	..	4,221	19,021	47,019	68,275	77,036	146
Total ..	..	4,221	19,021	87,019	1,08,275	1,37,036	1,20,146
II. Receipts.							
(*a*) Appropriation from—							
Revenue { Government securities ..	..	..	25,000	..	..	25,000	..
Revenue { Cash	5,000	15,000	45,000	55,000	55,000	25,000	25,000
(*b*) Interest on Government securities..	..	..	262	1,397	1,397	2,712	4,200
(*c*) Sale of Government securities ..	..	..	..	..	..	..	..
Total of (*a*), (*b*) and (*c*)—							
Government securities..	..	..	25,000	..	..	25,000	..
Cash	5,000	15,000	45,262	56,397	56,397	27,712	29,200
III. Total of I and II.							
Government securities	..	..	25,000	40,000	40,000	85,000	1,20,000
Cash	5,000	19,221	64,283	1,03,416	1,24,672	1,04,748	29,346
IV. Expenditure.							
(*d*) New works	779	..	1,990	35,101	28,730	70,861	16,535
(*e*) Repairs..	..	200	410	40	15	..	2,000
(*f*) Purchase of Government securities.	..	..	14,864	..	18,891	33,741	..
Total of (*d*), (*e*) and (*f*) ..	779	200	17,264	35,141	47,636	1,04,602	18,535
V. Closing Balance.							
III minus IV { Government securities ..	..	..	40,000	40,000	60,000	1,20,000	1,20,000
III minus IV { Cash	4,221	19,021	47,019	68,275	77,036	146	10,811
Total ..	4,221	19,021	87,019	1,08,275	1,37,036	1,20,146	1,30,811

14. It will be seen that the Capital account has now served the purpose for which it was originally created. The programme of lighthouse construction has been completed with the Cotta Point lighthouse, and, so far as this department is aware, there is now no further capital expenditure to be incurred, except of a very minor description for the substitution of Argand lights by incandescent lights. Expenditure of this character however, it is submitted, can easily be met from the Revenue account in the future, and the necessity for making an annual payment into separate Capital accounts seems no longer to exist.

15. *Reduction of present swollen balances to a figure sufficient to meet accidents.*—With these preliminary remarks we may now turn to the suggestions in the Private Secretary to His Excellency the Governor's demi-official. Of the estimated closing balance of 3·23 lakhs in Government securities and cash for 1910–11, 1·92 lakhs belongs to the Revenue account and 1·31 to the Capital account. The loan due to Imperial is repayable under the orders of the Government of India in annual equated payments with interest at 4 *per cent. per annum*. Of the original loan of Rs. 9,38,476, a sum of Rs. 21,362 has been paid towards the principal up to the end of 1909–1910 leaving a balance of Rs. 9,17,114 to be repaid in 1910–11 and later years. In the current year a further special instalment towards principal may, with the consent of the Government of India, be paid of Rs. 2,62,316 in addition to the ordinary budgeted repayment of Rs. 4,798. With the repayment of this special instalment the principal of the loan would be reduced to 6½ lakhs, while the accumulated balance would be reduced to Rs. 60,383. This balance, it is submitted, is ample as a reserve for any accident, etc., to lighthouses.

Para. 2 of letter 261, Marine, 16th August 1909.

Column 14 on page 5 of G.O., 121, Marine, 7th April 1910. G.O., 374, Marine, 23rd September 1904 (para. 2), and page 3 of G.O., 3, Marine, 4th January 1905.

Year.	Rs.
1905–1906	3,944
1906–1907	4,102
1907–1908	4,266
1908–1909	4,436
1909–1910	4,614
	21,362
	9,38,476
	21,362
	9,17,114

Page 8 of G.O., 3, Marine, 4th January 1905.

Rs.	Rs.	
4,798	9,17,114	
2,62,316	2,67,114	
2,67,114	6,50,000	
Closing balance—Government securities of 1910–1911 ..		+ 3,05,000
Cash		+ 17,699
		+ 3,22,699
Deduct special repayment of loan		— 2,62,316
		+ 60,383

Page 2 of G.O., 2, Marine, 4th January 1905.

* If the equated payment for a loan of 6·50 lakhs is Rupees 41,483;

for a loan of Re. 1 it is $\frac{41,483}{6,50,000} = \cdot 06382$ which relates nearly to a period of 25 years (*vide* page 71 of Archer's tables).

† See Civil Account Code, Volume I, article 129 (*a*).

‡ For a loan of Re. 1 repayable in 20 years, the equated payment = ·07358175 (page 71 of Archer's tables); ∴ for a loan of 6·50 lakhs the equated payment = 6,50,000 × ·07358175 = 47,828 nearly.

16. *Acceleration of amortization.*—The amount of the present annual equated payment, viz., Rs. 41,483, would repay the balance of 6½ lakhs in 25 * years. To accelerate the amortization so that the balance may be repaid in 20 years †, an annual equated payment of Rs. 47,828 ‡ would be required, *i.e.*, an addition to the existing sum, Rs. 41,483, of Rupees 6,345. The following statement shows that if it were desired to accelerate the amortization to this extent the additional sum could easily be provided from the annual Revenue account.

Page 2 of Notes to G.O., 261, Marine, 16th August 1909.

Column 6 on page 4 of G.O., 121, Marine, 7th April 1910.

Year.	Total receipts.	Interest on Government securities.	Ordinary receipts, *i.e.*, column 2 *minus* column 3.
1	2	3	4
	Rs.	Rs.	Rs.
1904–1905 (9 months)	1,14,458	*Nil.*	1,14,458
1905–1906	1,55,641	436	1,55,205
1906–1907	1,62,087	873	1,61,214
1907–1908	1,67,243	2,618	1,64,625
1908–1909	1,80,153	3,927	1,76,226

§ For which alone we possess actuals.

(*a*) It will be seen that the average of ordinary receipts for the four years 1905–1906 to 1908–1909 § is Rs. 1,64,317, while that for the three years 1906–1907 to 1908–1909 is Rs. 1,67,355. In view of the uniformly progressive tendency of the actual receipts, this latter

G.O., 332, Marine, 5th November 1909.

~~Statement on page 8 *ante* and~~ paragraph 3 of letter to Government of India No. 261, Marine, 16th August 1909.

Column 3 on page 4 of G.O., 121, Marine, 7th April 1910.

Against Rs. 1,30,000 on the data accepted in G.O., 261, Marine, 16th August 1909.

figure may be safely taken as the minimum receipts that might have been expected under the old schedule. The reduction of the rates with effect from 1st December 1909 was estimated to reduce the ordinary receipts by Rs. 30,000, which gives a minimum of Rupees 1,37,355 to be expected under the revised schedule. Against this is to be taken an estimated expenditure, capital and revenue, under all heads, of Rs. 1,20,000 leaving a balance of Rs. 17,355 every year which would go to swell the surplus year by year. That this is a cautious estimate is, I submit, borne out by the fact that the receipt estimates of the current year are pitched at 1·49 lakhs. It seems therefore safe to take an extra 6,000 and odd from the revenue account to accelerate amortization.

17. It will be seen—

(*a*) that, setting aside a sum of Rs. 60,000 and odd as an insurance against accidents, etc., a sum which would rapidly grow even with the present reduced rates of coast lights dues, it would be possible to repay at once, in addition to the ordinary repayments, a sum of Rs. 2,60,000 * and odd against the present outstanding loan to Imperial ;

(*b*) that the present annual rate of equated payments would liquidate the reduced balance of the Imperial loan in 25 years ; and

(*c*) that an addition of Rs. 6,345 *per annum* to the present amount of the equated payment would liquidate the loan in 20 years.

* No doubt this would prove a ~~not~~ unacceptable windfall to India.

18. It is submitted that there will be little difficulty in getting India to consent to accept this windfall of over 2½ lakhs and to agree to the increase in the amount of the equated payment with a view to quicker amortization of the loan. As pointed out by the † Chief Secretary this would be better than reducing the fees still further, as Rs. 6,000 and odd would effect a very inappreciable reduction in the rate of the dues at present levied.

† See Chief Secretary's marginal note on page 3 *ante*.

19. *Alteration in the form of the Budget and the Accounts* (*Chief Secretary's note on page 3 ante*. With regard to the future form of exhibiting the transactions in the budget of the Coast Lights Fund, I submit that, in view of the completion of the programme of light house construction, the distinction between capital and Revenue accounts may be abolished. Apart from the expenditure on the construction of the Cottah Point light-house, the so-called capital expenditure debited against the capital account hitherto has been such as would ordinarily be debited against the revenue account under "new works" or "repairs". The present heads under revenue might be retained with the exception of the heads "purchase of Government securities" and "sale of Government securities." In lieu of these heads, which merely go to swell the transactions unnecessarily, it will suffice if only the loss or gain on purchase or sale of Government securities is shown. This is the procedure adopted in the budget of the Madras Port Trust—*vide* paragraphs 1 and 2 of G.O., No. 438, Marine, dated 1st September 1905.

20. As the so-called capital account is really, as observed by Chief Secretary, a reserve account and not a true capital account, I submit that the outstanding liabilities which are practically only the balance of loans need not be exhibited in it. Such a liability is in the case of some Local funds, *e.g.*, Municipal funds, exhibited in an assets and liabilities statement attached to the annual statement of accounts. It is submitted that there is no necessity for such a statement in the case of the Coast Lights fund.

Para. 467 on page 88 of Municipal Account Code.

A statement is at present appended to the annual accounts showing the undischarged debt.

If, however, it is thought desirable to retain the capital account its title, as suggested in the Chief Secretary's note, dated 7th April 1910, page 3 *ante*, may be changed to reserve account. Redistributing the items as suggested by the Chief Secretary in the same note, the budget for the current year would be exhibited as follows :—

Budget Estimates for 1910-1911.

Revenue Account.

Receipts.		Charges.	
	Rs.		Rs.
Opening Balance (Cash)	6,755	Refunds	2,000
Coast Light dues	1,49,000	General Administration	60,909
Miscellaneous	250	Works	6,000
Interest on Government Securities.	5,775 4,200	New Works	13,000
		Repairs	2,000
		Equated payment of loan Principal.	4,798
		Interest	36,685
		Appropriated to Capital	25,000
Total ..	1,59,225	Total ..	1,50,392
		Closing balance	15,588
Grand total ..	1,65,980	Grand total ..	1,65,980

Reserve Account.

Receipts.		Charges.	
	Rs.		Rs.
Opening Balance Cash	146	New works .. .. .. (Closing capital expenditure on the last lighthouse (Cotta point).	3,535
Government Securities ..	1,20,000 1,65,000		
Total ..	2,85,146		
Appropriated from Revenue ..	25,000	Repairs	
		Loss on the purchase or sale of Government Securities ..	
Gain on the purchase or sale of securities (purchase of securities of the face value of Rs. 20,000).	500	Closing Balance	
		Cash	2,111
		Government Securities	3,05,000
Total ..	25,500	Total ..	3,07,111
Grand total ..	3,10,646	Grand total	3,10,646
Total opening balance of Revenue and Reserve Accounts Cash.	6,901	Total, closing balance of Revenue and Reserve Accounts Cash ..	17,699
Government Securities (par value).	2,85,000	Government Securities (par value).	3,05,000

I submit, however, that it will suffice to have a single account now that the special programme of construction is completed.

C. Reilly—15-6-10.

H. M.—

H. E. the Governor—

Submitted with reference to the Private Secretary to His Excellency the Governor's demi-official of 28th April.

2. It will be seen from my notes on page 1 *ante* that the idea of utilizing the present large balances of the Coast Lights fund towards accelerating the debt due by the fund to the Government of India had independently occurred to me, and that I had also noticed the huge muddle in which the so-called capital and revenue accounts of the fund now are.

3. Mr. Reilly has now put up a full and careful note on the subject, and I agree with him that, in view of the fund's present satisfactory financial condition, we ought to ask India—

(*a*) To accept this year a large advance repayment on account of the loan. The ordinary equated payment due is Rs. 41,483, of which in the current year Rs. 36,685 goes to interest charges and Rs. 4,798 to redemption of debt. I would pay, as suggested by Mr. Reilly, a further sum of Rs. 2,62,316, which will reduce the debt to 6½ lakhs.

(*b*) To allow the outstanding balance to be defrayed by equated annual payments with in twenty years.

4. With reference to Commerce letter of 6th October 1909, No. 7502–1, I would tell India that in present circumstances we think it much more important to reduce the large debt than to make further reductions in the scale of dues. So far as I know, there have been no complaints of late as to the rates.

5. I agree with Mr. Reilly that in present circumstances we do not want any special Capital account for the fund at all. The ordinary revenue account should show all current receipts and charges, as well as opening and closing balances, and only net figures should be exhibited in respect of investments in or sales of Government paper. There should, however, be an appendix showing the full transactions of the year in respect of Government securities. There should likewise be an appendix showing for each year the amount of debt outstanding at its opening, the amount repaid (or to be repaid in the case of the budget) and the amount remaining at the close.

W. S. MEYER—16-6-10.

I agree with the Chief Secretary.

V. S. R[ANGA RAO]—28-6-10.

I accept all the proposals made by the Chief Secretary.

A. L[AWLEY]—5-7-10.

FINANCIAL DEPARTMENT.

Vide para. 3 of Chief Secretary's note, 16th June 1910.

A draft letter to the Government of India suggesting—

(1) that they should accept a special repayment of 2·62 lakhs in the current year towards the loan due from the Madras Coast Lights fund to Imperial, and

(2) to allow the outstanding balance of 6·50 lakhs to be repaid in twenty years from 1911–12.

is submitted.

Page 5 of G.O., 12, 7th April 1910.

Pages 2 and 3 of G.O., 3, Marine, 4th January 1905.

Page 2 to, G.O., 332, 5th November 1909.

2. In the matter of capital account it is to be noted that the Government of India have themselves prescribed a "statement "showing the receipts and charges on account of the Madras Coast "lights for the year ." Column 7 of this statement shows "sinking fund payment for major repairs and new capital expenditure." This *pro-forma* account is for publication * in the *Gazette of India*. The Government have asked the Presidency Port Officer to include in his administration report the above statement. For the latest statement please see letter No. 49, Marine, dated 18th

Finance and Commerce department letter, 2636-S.R., 27th April 1904 (page 3 of G.O., 333, Marine, 19th August 1904).

*Para. 5 of G.O., 333, Marine, 19th August 1904.

Para. 6 of G.O., 333, Marine, 19th August 1904.

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February 1910. In this statement instead of the term "sinking fund payment for major repairs and new capital expenditure," the term "transfer to capital account for major works and repairs" is used, as there is no sinking fund. The statement called for by the Government of India will continue to be submitted to them with the alteration of the word "capital" into "reserve" with reference to the orders of Government in this case abolishing the capital account. The entries under "reserve" will be *nil*.

Vide para. 3 of Chief Secretary's note, 7th April 1910, and para. 5 of note, 16th June 1910.

C.R.

Para. 5 of Chief Secretary's note, 16th June 1910.

That is to say the "par value" in the opening and closing balances, the difference in value between "par" and "actual" in the case of sales or purchases of securities appearing as "profit or loss on investment" on the receipt or charge side of the accounts.

C.R.—16-7-10.

E.g., Telegram 342, 4th May 1904, and Memorandum 2546, Marine, 28th June 1904, on pages 3 and 5 to 7 of G.O., 333, Marine, 19th August 1904.

8. The forms of budget estimates prescribed in G.O., No. 333, Marine, dated 19th August 1904, now need amendment. There is to be no special capital account. The ordinary revenue account is to show all current receipts and charges as well as opening and closing balances and only net figures in respect of investments in or sales of Government paper. There is to be a subsidiary statement showing the transactions of the year in respect of Government securities and another showing the indebtedness of the fund.

4. Perhaps the Accountant-General, who was consulted when the existing budget forms were prescribed, and the Presidency Port Officer may be consulted as to the proposed change in the forms. A draft order is submitted which may go u.o. to the two officers for perusal before issue.

S.D.S.—14-7-10.

T.H.R.—14-7-10.

Chief Secretary—

C. REILLY—18-7-10.

Let me see a fair copy of the letter to India as altered.

There is no need to consult the Accountant-General and Presidency Port Officer as regards the alteration in form of accounts. The Accountant-General is not specially concerned, and I doubt if Mr. Newmarch would help us much. Nor would we get much assistance from the Presidency Port Officer in a matter of this sort.

W. S. MEYER—20-7-10.

The draft letter has been retyped and the file resubmitted.

A.H.—21-7-10.

C.R.—22-7-10.

Issue.

W.S.M.—24-7-10.

[G.O., Nos. 236 237, Marine, dated 27th July 1910.]

Proof submitted to the Registrar for approval.

10.8.10.

[Y. / 7]

500—29-1-10.

PRESS SLIP.

~~ORDINARY.~~ PREFERENCE. [redacted]

Marine DEPARTMENT.

Current No....., dated.....19

G.O., No 226, 227 dated 27 Jan 10 19 10.

Number of MS. pages sent { Correspondence (b) 13 / Notes (b1) 27

Brief subject Coast Lights fund.

	(a) Number of copies required when struck off (*not including copies for volumes and editors' table which are retained in the Press*)	E. T. copies to supply requisitions for purchase by the public.	Complete correspondence and orders.	Notes
FOR RECORD.				
Madras Records		4	21	11
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For filing with original ...			1	1
Total ...		[redacted]	25	15

FOR ISSUE.†	Letter only.	Complete G.O.	Special issue copies of G.O. (b) No.	Special issue copies of G.O. (b) Papers.	Notes.
Signature copies					
India Office					
Govt. of India.... Con. Dn. ....Dept.	35				
Revenue Department					
Public Works Department					
Local and Municipal Department					
Educational Department					
.....Dept.					
Public Dept. / Judicial Dept. / Political / Financial Dept. / Marine Dept. / Ecclesiastical Dept. } Total					
Spare copies				Total ...	
The P.C.O		6			
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Total ...	35	16			

‡ Copies distributed on.....‡(Press Clerk.)

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‡ To be initialled and dated.

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(*a*) If a paper is marked to be printed urgently, the Superintendent of the section concerned should sign the Press slip. The Superintendent should exercise a careful discretion in the matter.

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(*b*1) For rules regarding printing of notes, see rule 315 of the Office Manual.

(*c*) The number of copies and the details of distribution should be filled in by the Superintendent or Referencer concerned.

(*d*) In the absence of special instructions to the Press to keep matter standing for a specified period, ordinary papers of 8 pages and under will be kept standing for *one* week, and larger papers for *two* weeks only. *The type of notes and of all confidential papers is distributed immediately after striking.*

(*e*) This slip, properly and completely filled in, should accompany every paper sent to Press; it will be returned by the Press when proofs are furnished; it should be sent to the Press when a call is made for revised proofs or when a corrected proof is sent for striking. When finally returned by Press it should be filed with the original order or letter.

INSTRUCTIONS FOR THE PRESS.

(*a*) If, in the opinion of the Superintendent of the Press, a paper has been marked urgent unnecessarily, he should send the Press slip to the Registrar with a remark to that effect.

(*b*) Unless a note to the contrary is made against the matter, pencil entries should not be printed. The Superintendent of the Press may bring to the notice of the Registrar any instance of incomplete or careless editing.

(*c*) Signature copies of letters to the Secretary of State or to the Government of India should be printed on hand-made paper.

(*d*) This slip should be returned by the Press to the Secretariat when proofs are furnished; it will be sent back to the Press when proofs are returned corrected and should be finally returned to the Secretariat when struck-off copies are supplied.

C. REILLY,
Registrar,
Chief Secretariat.

16 Corr 26 Lett 35 Corr 18

[P.T.O.

Returned for Rev Ord in Diff Type

TO PRESS, MADRAS, ~~CITY~~.

A	B	C
Please send proof in triplicate. The papers have been carefully edited.	Proof returned corrected. Please strike off and send number of copies as indicated.	As the matter is in clear manuscript and has been carefully edited, (*b*) proof need not be sent. Please print and supply number of copies as indicated.
Sol 1.8.'10	Type may be released ~~after usual interval~~ / at once.	Type may be released after usual interval.
.....*Referencer.*	.....*Referencer.*	.....*Referencer.*
.....*Supdt.*	.....*Supdt.*	.....*Supdt.*

SPECIAL INSTRUCTIONS

TO BE FILLED IN BY THE PRESS.

Diary.	Initials of Press official.
Received in Press on..... 2.8.10	AP
First proof furnished on..... 6.8.10	AP
Call for revised proof received on.....	.....
Revised proof furnished on.....	.....
Corrected proof received for striking on.....	.....
Final copies supplied on.....	.....

Account of copies.	Complete copies.	Notes.	Issue copies.	Special E.T. edition.
Supplied to Secretariat for Record.....	.....	.....	.....	.....
" " " Issue.....	.....	.....	.....	.....
" " " Extra E.T. copies to supply requisitions for sale to the public.	.....	.....	.....	.....
For Volumes.....	.....	.....	.....	4
For supply to newspapers and institutions admitted to the privileges of the E.T,	.....	.....	.....	.....
Total ...				

Date taken out.	For what purpose.			Initials of clerk taking the paper or of attender.	Date returned.	Initials of attender.
	Department.	C. No.	Year.			