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MADRAS RECORD OFFICE.

Government of Madras.

Public works DEPARTMENT.

G.O. No. 1759	Press
66	Mis.
Dated 4-6-	1866.

Not to be folded or roughly handled

No. . Read the following letter from the Consulting Engineer for the Irrigation and Canal Company, to the Secretary to Government, Department Public Works, dated Madras, 16th May 1866, No: 9 —

- 1 Extract of letter to Agent, No. 405 of 16th March 1866,
1 Letter from Agent in original No 697 of 26th April 1866.

• With Chief Engineer's letter of the 2nd instant, and Resolution of the Board of Directors, dated 22nd March 1865, attached

1. I have the honor to submit, for the consideration of Government, a letter* No. 697 of the 26th ultimo, from the Agent and Manager Madras Irrigation and Canal Company, on the subject of the retrenchments from the expenditure incurred in the Nagatore Division on the

Main Canal and Jupad Station buildings, which were ordered to be made in Proceedings Madras Government, No. 3,676 of the 4th December, and No. 467 of the 7th February last. The Agent has already appealed against the decision communicated in the former Order, but Government, in their Order of the 20th ultimo, No. 891, declined to cancel the retrenchment.

2. In the letter now forwarded the Agent, first, objects to the arrangements for exhibiting the retrenchments in the accounts which were approved in Proceedings Madras Government, No. 611 of the

Paragraphs 2 to 4.

23rd February last, and he thinks that the great efforts which he has made to get rid of long outstanding debits to a suspense account, will be of no avail if these retrenchments become, as he supposes, permanent entries under the head Inefficient Balance. Mr. Henslowe, however, overlooks the circumstance that the adjustment in the manner referred to was ordered "pending the receipt of instructions from the Board of Directors" as to their permanent adjustment; and, during this interval, I am unable to see any objection to the adjustment of the expenditure on works being effected by the debit of the retrenchments to Inefficient Balance. It is the business of the Board of Directors to furnish the Agent with means for the refund of the expenditure thus temporarily placed under suspense.

3. It is necessary to notice the argument on which, in paragraph 4, Mr. Henslowe bases his request, that the amount retrenched be not removed from the expenditure on works. He says "we have spent the money on sanctioned works." This is really not the case, for the sum retrenched in Government Order, No. 3,676, from the expenditure shown against earthworks of the 4th Section, or Nagatore Division, was confessedly unrepresented by any work done, and money which has been embezzled, or out of which, as the Agent in paragraph 3 expresses it, the Company have been cheated, is not money spent on sanctioned works. As regards the accounts which the Agent considers had been "audited, examined, and passed," it may, as already noticed, be remarked, that such is not the fact, for no expenditure in excess of sanctioned estimates is passed until supplemental sanction is given, although such expenditure is allowed to

Vide paragraphs 14 and 15 of letter No. 56, 3d September 1863, Proceedings Madras Government, No 3,117, 26th October 1863.

be exhibited in the accounts, and separately in a statement of expenditure in excess of sanction. The supplemental es-

timates of the 4th Section were received in October, submitted in November, and the

sanctions for the works of the 4th Section amounted to Rupees 5,21,217, being Rupees 4,16,844 for earthworks and revetments, and Rupees 1,04,373 for masonry works, and out of the Rupees 11,48,272-9-8, shown in the Progress Report as expended upon the 4th and 5th Sections, the outlay on the 4th Section was, the Agent informs me, Rupees 6,96,837-5-10, was the sum remaining unpassed, being excess of the Rupees 1,95,310 shown in paragraph 35 of my letter No. 148 of the 9th February last, Proceedings Madras Government, No. 625, 22nd idem, as the unsanctioned expenditure on the 4th and 5th Sections, so that it is manifest that an amount considerably exceeding the sum retrenched had not been passed in the accounts, as assumed by the Agent. An advance of two lacs for the works was sanctioned, in accordance with the request of the Chief Engineer, in Proceedings Madras Government, No. 1,328, dated 16th May 1865, in anticipation of the sanction of supplemental estimates, then under preparation; but neither this advance nor that of Rupees 50,000, sanctioned in Proceedings Madras Government, 21st September 1865, No. 2,796, could in any way prejudice any decision, which might be arrived at on the examination of the estimates themselves.

* No 16 of 14 h instant.

4. The Agent, in the following paragraphs of his letter, urges a re-consideration of the decision of Government, upon the ground that the operations of the Company have been of great benefit to the people and to the State, and that, therefore, the loss arising from the absence of efficient control of expenditure on the part of the Officers of the Company, should be borne, not by the shareholders of the Company, or, as he calls them, "the capitalists who are working for the good of this country, and who have already achieved incalculable benefits," but by the Government. The argument would be of much force could the Agent show that all these benefits are the direct result of the waste of money, but if, notwithstanding this waste, and the consequently less advanced state of the works, considerable benefits have been derived from the simple expenditure of large sums, how much greater would have been the benefits had the works been more efficiently conducted, and had the people and the country already enjoyed the advantages, long since promised, from the use of the water, which the Company's Canal was designed to afford. The Company have, in fact, done the minimum of good from their outlay, and that too indirectly, and it is certainly not a little remarkable that their representative should take credit for results which have not only naturally followed mere expenditure, but which have fallen so far short of what have always been considered the legitimate expectations of both the Company and the Government. That the Company should object to suffer loss, though due to the default of their own officers, is very natural; but that they should deem the State, rather than themselves, to be the legitimate sufferer, is a view of the matter for which there is no foundation whatever.

5. From the figures given in paragraph 7 of his letter, the Agent concludes that the clear gain to the Government, during the four years ending with Fusly 1274, from the operations of the Company, was Rupees 9,47,478. This deduction is subsequently modified by a reference to Districts, the Godavery, Kistna, and Cuddapah, not affected by the Company's works, in which the revenue increased

during the same period, and it is also pointed out that the revenues of the Presidency generally increased in the aggregate of the four years to the extent of 36 per cent. These figures are not quite correct. Taking the revenue of Fusly 1270 in Kurnool, Rupees 15,83,689, as the standard, and Rupees 9,47,478 as the aggregate increase of the four subsequent years, this amounts to 60 per cent. as mentioned; but, referring to paragraph 12, the aggregate increase of the whole Presidency for the four years is 41 instead of 36 per cent, and were it admitted, therefore, that the increase in Kurnool beyond the average of the Presidency is due entirely to the operations of the Company, this would be $\frac{(60-41) 9,47,478}{60} =$ Rupees 3,00,034-7-0, or a little more than three lacs of Rupees.

6. The expenses incurred by the State must be taken at any rate as a set off against these benefits, for without them there would have been no outlay, and no benefits. Up to the close of Fusly 1274 the State payments amounted

	RS.
For guaranteed* interest to Do. controlling establishments, including those engaged in the transfer of land from July 1862, previous to which no accounts were rendered to this Office	14,86,145
For land compensation	1,33,994
	49,111
	16,69,250
To which must be added the value of land for which Government lands were given in lieu of money compensation	73,390
	17,42,640

* In this, owing to the absence of detailed information, it has been assumed that £ 40,000 was the amount of subscribed capital bearing interest from 1st January 1860 to 30th June 1863.

7. Thus it will be seen that the State has paid quite enough for the benefits which have been received, and were it to bear the losses which the Company's Officers have occasioned, and which the orders of Government directing the retrenchments required the shareholders to bear, the latter would derive nothing but good in the shape of the guaranteed interest, and the Government would suffer all the loss. Where either the Company or the Government must suffer loss, surely it is but right that this loss should fall upon the Company, which might have avoided it, rather than on the Government, which had no means of preventing it.

8. The roguery of the Natives, and the inexperience of the Company's Officers, referred to in paragraphs 15 and 16 of the Agent's letter, do not appear to me to afford any reason for transferring the loss sustained thereby from the Company to the State. It would be quite right to make due allowance for these circumstances at starting, and for a moderate length of time afterwards; but it cannot be denied that every such allowance has been made, and that the Government have been indulgent to the utmost possible extent. Only when after great waste on many works had been repeatedly noticed, and when it had become evident that repeated censure was unavailing, did the Government at last decline to pass an expenditure

Proceedings of the Madras Government, Public Works Department

entirely unrepresented by work, and it is clear that in no other way would it be possible to exercise any effective control over the Company's operations. Even in this very case of the 11th Section of the Main Canal, every allowance is made for all possible and perhaps impossible contingencies. If paragraph 8 of my letter, communicated to the Agent with Proceedings Madras Government, No. 3,674 of the 4th December, be referred to, it will be seen that a sum of Rs. 1,24,581 Rupees has been passed for excesses of various sorts, which could have been only explained, and this might be deemed enough, seeing that Rs. 2,12,270 were the originally estimated cost of the whole of the earthworks. If, however, the 4th paragraph of the same letter be turned to, it will be noticed that 10 per cent. on measurements of efficient work in cutting have been allowed for, and another 10 per cent. on the whole as a margin. There is not a word in the report, therefore, the least doubt that the retrenchment was far in excess of what might justly have been made, and the Company would have had no real ground for complaint had every item of expenditure, which could not be satisfactorily explained, been disallowed.

9. To show that the Government have not been over-indulgent in their dealings with the Company, and that the fact that they have been treated with at least as great indulgence as any Company could expect, may be useful just to glance at the cases of unsatisfactory expenditure on works which have come under notice during the last year.

(1.) *The Soonala Anicut*.—The examination made of this work showed that probably a lac of Rupees had been wasted. Supplemental sanction to the extent of Rupees 1,46,650 was given, the Government remarking that the "necessary by the reckless extravagance and carelessness which" seemed to have characterized the progress of the work up to that time.

(2.) *Hindry Aqueduct*.—Original estimate Rupees 1,45,000. Latest revised estimate Rupees 2,46,029-8-0, in passing which the Government remarked "the Officers, which are forwarded with this estimate, are unsatisfactory, inasmuch as no attempt is made by them to explain the cause of the large excess over the sanctioned amount." Additional sanction will be required.

(3.) *Second Section Main Canal*.—Original estimate Rupees 5,22,253. Last revised estimate Rupees 12,78,993. In this case the Government notice that "works which were subsequently abandoned, and an unnecessary expenditure has been incurred in the unauthorized substitution of walls for embankments, where they were not required."

Proceedings of the Madras Government, Public Works Department

(4) *The Kudrabagh Aqueduct*.—Original estimate Rupees 29,717. Revised Rupees 46,308. This work was built with the foundations of one-half only just below the surface of the ground. Proceedings Madras Government, 19th April 1865, No. 1,025.

It has had to be patched up and buttressed at all points, and is a most unsatisfactory work. In their Order the Government refer to "the series of blunders of which this work has been the subject."

(5) *Third Section Main Canal*.—Original estimate Rupees 1,88,500. Revised estimate Rupees 5,84,210. In this case it was not practicable to decide what part of the great excess might have been avoided, but it was shown how widely in many miles the works had deviated from the sanctioned arrangements.

10. Besides the works thus referred to there has been unauthorized, and, in some cases, wasteful, expenditure on buildings and on stores,* and it may be remarked that supplemental estimates of the 6th and 7th Sections, in each of which the cost of work has largely exceeded the sanctions, have yet to be submitted, and that, moreover, for some of the other sections, for which such large supplemental sanctions have already been given, further sanction will be needed.

11. What measures the Board of Directors may have taken with regard, either to the very far from satisfactory results of the past operations of the Company, or with a view to better management for the future, I do not know, but enough has, I think, been adduced to show that the Government did not resolve to disallow any part of the expenditure, which had been incurred by the Officers of the Company, until it had become evident that it would not be expedient to permit the longer continuance of irregularities, to which perhaps a stop might be put by timely retrenchment, and had not this step been taken the control of the Government would have virtually ceased.

12. It remains to notice the remarks contained in the Chief Engineer's letter of the 23rd instant. In my endorsement of the 6th ultimo, No. 157, I referred to the accounts of the works furnished to this office. It is probably quite true that the divisional records would, had they been compared with the works of the 4th Section, have enabled me to detect that large over-payments had been made, and no doubt I could have carried out such an examination. It has not, however, been the practice for the Consulting Engineer, at his periodical inspections, to do more than ascertain the progress generally of the works, and in his reports to remark on considerable deviations from the sanctioned arrangements, on the rates for work and their apparent correctness, to which has been added some information as to the probable cost of their completion from particulars obtained from the Executive Engineers in charge. To do more would probably occupy too much of the time and attention of the Company's Officers, added to which it is doubtful whether the Chief Engineer would not have objected to a course, which would have implied a want of confidence in his supervision of his subordinates. In the case of the Soonkasa Anicut my predecessor did not consider it his duty to check, personally, the

work of the Company's Officers in detail, but he requested the Chief Engineer to appoint an Officer to that duty, and it was well and properly performed. I must differ from Mr. Latham as to the possibility of obtaining any reliable information on such a point from a ride over the line of the canal without an examination and a

Vide paragraph 3 of Chief Engineer's letter, No 1,909, Proceedings Madras Government, 16th May 1865, No 1,328

comparison of the work with the measurements, and I may add, that the examination made under that Officer's directions occupied a considerable time and involved much labor. Were the correctness of the Chief Engineer's remarks, moreover, admitted, the position of the Government as regards their action in the matter would be in no respect altered, while the blame attaching to the Company's Officers would be greatly increased. Even now, though in November last, I asked for such alterations of the Progress Report, furnished to this Office as would, by the separate entry of expenditure against distinct works, enable me to see that sanctions were not exceeded without due explanation, the latest report, that for February, does not show the outlay on the 2nd and 3rd, and 4th and 5th Sections separately, and until this is done these reports will not fulfil their intention. The Agent has promised that the report for April, the last month of the official year, shall be correctly made out.

From the Agent and Manager Madras Irrigation and Canal Company, to the Consulting Engineer Irrigation and Canal Company, dated Madras, 26th April 1866, No. 697.

1. I have given my most careful consideration to the last paragraph of your letter No 405 of the 16th ultimo, and am unable to arrive at the conclusion that the course pointed out by you is correct or reasonable, I therefore request that you will be good enough once more to bring the matter before Government with a view to its reconsideration.

2. You propose that the sum of Rupees 1,24,872 (for the present I pass by the smaller sum) should be transferred to the debit of "*Inefficient Balance*," and that in Statement J it should appear under a distinct petty head "*Retrenchment*." The first proposal I look upon as simply a matter of account, the second as a matter of principle.

3. First, then, with regard to the question of account, the effect of this transfer will be to render it impossible to remove from our accounts that blot which we have been labouring so perversely to efface, and towards which end we had lately been making such hopeful progress, while I must contend that to enter this large sum under the head of "*Inefficient Balance*" is equally useless and incorrect. If I understand aright the object of the head "*Inefficient Balance*," it is to suspend temporarily charges requiring elucidation, and which will be placed under the proper heads so soon as the necessary information can be obtained, but in this case no further information can be procured. We know perfectly well how the money has been spent; we have probably been cheated to a large and humiliating extent. This is a misfortune respecting which we have no prospect whatever of eliciting from any source such information as may enable us to adjust the charge satisfactorily, and therefore it appears to me that whereas the object and use of "*Inefficient Balance*" is of a temporary character, we should, by introducing this large sum, be converting it into a permanent head, and thus render our accounts incapable of final adjustment.

4. We have spent the money upon sanctioned works, we have submitted our accounts and they have been audited, examined, and passed; it turns out upon investigation that we have spent two Rupees when we could have obtained, and ought to have obtained the same result for one, but it is equally evident that no further light can be thrown upon this expenditure, and therefore I contend that in now cancelling and recanting the decision which was arrived at in passing the accounts, the Government would be stultifying their own act, and needlessly throwing our accounts

into hopeless confusion. Besides, the act and intention of the Government to disallow the charge is recorded in so prominent and unmistakeable a manner, that there can be no necessity to deface our accounts by an additional record. If the Government persevere in their determination to disallow the amount, which I will endeavour presently to show would be an act of needless severity and harshness, it will be quite time enough to deal with the charge as a matter of account when, having expended upon the Nagatore Division all the amount sanctioned, we arrive at that crisis when the question will arise of providing funds to complete the work.

5. But I entertain a sanguine hope that Government will, upon a reconsideration of the whole bearing of the case, perceive the injustice of mulcting the Company as has been proposed, and will rescind the severe order which has been passed, thus relieving us from the necessity of carrying on any further discussion upon the question of accounts.

6. The Government will readily admit that this act of retrenchment is one of a novel character, and one whose damaging force and effect falls upon the wrong parties. It falls upon the capitalists who are working for the good of this country, and who have already achieved incalculable benefits. I appeal to the Government to reflect what had been the condition of the Kurnool District previous to the commencement of our operations. It was notoriously a poor, barren district, where the revenue was collected with difficulty. At the time when our project was first brought to light, the people were absolutely starving, and our Chief Engineer was urged by the Government to commence operations without delay, in order to give food to the starving population. To the benevolent readiness with which he responded to the call is due much of the difficulties with which we have had to contend, and of the vexatious results which have been so severely stigmatized by the Government. The precipitation with which the Company was induced to commence operations led to those incorrect estimates, and that imperfect system which have entailed upon us so much loss and anxiety, and which the Government, who have only benefited by our operations, now propose to visit upon us with so much needless harshness and severity. We are the only sufferers. If we have been robbed and cheated, the loss falls on our share-holders, the Government, as I have already stated, derive nothing but good from our operations. The people of Kurnool have had the benefit of the circulation among themselves of all the capital we have imported into the District—they have been raised from a state of penury to one of opulence and ease. This of itself is a result with which any Government might well be contented and gratified, but it is not only the people of Kurnool who have benefited, the Government has benefited by the facility with which our circulation has enabled them to collect their revenue; the people of the Presidency at large have benefited by the increase of the revenue in that District.

7. The revenue of the District had fallen from 16½ lakhs to about 15½ before our capital was introduced. Our works commenced in 1860 (or Fusly 1270), for which year the revenue amounted to Rupees 15,83,689. The effects of the diffusion of our capital was immediately felt, and the revenue for the next year (Fusly 1271) was Rupees 18,25,865. The Government, therefore, in that year gained by our operations to the extent of nearly two lakhs and a half, a sum I apprehend far more than sufficient to cover the guaranteed interest for that year. In the two following years the revenue remained nearly stationary, and in Fusly 1274 it rose to Rupees 18,65,023. During these four years then there was an aggregate increase of revenue of Rupees 9,47,478 clear gain to the Government.

8. It may be said that this increase was not entirely due to the Company, that a general impetus was given to the prosperity of the country by other causes, and that Kurnool shared in this with the rest, but if it can be shown that the progress of other Districts was not equal to that of Kurnool, then it will be admitted that what I have advanced is supported by strong presumptive evidence.

Proceedings of the Madras Government, Public Works Department,

9 Now if the neighbouring Districts, Kistna, Godavery, and Cuddapah be examined and compared with Kurnool the following will be found to be the result —

	Original Revenue.	Aggregate increase in four years.	Per-centage of increase
Kurnool	Rs 15,83,680	Rs 9,47,173	60
Godavery	41,17,213	1,05,917	25
Kistna	37,58,194	13,22,004	35
Cuddapah	20,79,553	6,74,495	33 nearly

N B—I take the figures from the statements published in the Almanack, and which I take it for granted are correct.

10. From this statement it will be seen that the Godavery District, with all its advantages, remained nearly stationary, and that even in the Cuddapah District, which undoubtedly contains the elements of progress both in material resources and in men of intelligence, means and enterprise, the improvement was far less than in Kurnool.

11. Even if those Districts be taken which have had all the benefits which the neighbourhood of the Railways confers upon them, still Kurnool can bear the comparison. It is true that North Arcot shows an increase of 74 per cent, and so excels Kurnool, but then that District has immense advantages. South Arcot only shows an increase of 53.7 per cent, Trichinopoly 41 per cent, and in Tanjore, which like Godavery has all the benefits of long established irrigation, there is a decrease of nearly two lakhs.

12. Again, taking the whole revenue of the Presidency, it appears to have been as follows:—

For Fusly 1270	Rupees 5,58,69,012
Do. 1271	" 6,02,22,433
Do. 1272	" 6,11,68,022
Do. 1273	" 6,26,80,589
Do. 1274	" 6,23,59,916

Taking, therefore, Fusly 1270 as the starting point, the aggregate increase of the four years comes to Rupees 2,29,54,837, which is not much more than 36 per cent. Assuming then that the general progress of the Presidency is represented by 36 per cent, inasmuch as we can show 60 per cent. for Kurnool, we are, I submit, entitled to claim very nearly half of the increased revenue of Kurnool as due to our operations and the diffusion of our capital.

13. If then we do receive from Government a loan in the shape of guaranteed interest, it must be admitted that we have very largely contributed towards raising the funds which enable the public treasury to advance that money.

14. I trust that I have now shown that while the Company has from various causes suffered severe losses, the Government have derived nothing but good from our operations, and the people in particular, among whom we have worked, have every reason to be thankful for the prosperity to which we have opened for them a road.

15. It next behoves me to show that in carrying out the harsh measure indicated in the G. O. No 3,676, of 4th December 1865, the Government will be adopting an extraordinary course in punishing the capitalists to whom this Presidency owes so much for the roguery of the Natives we employed, and the inexperience of the Company's Officers, which have produced loss to the shareholders.

16. The Company and its Directors exercised the greatest care in the selection of Officers; they have, so far as it was possible, considering the distance which separates them from the field of their labours, taken every precaution to ensure vigilance and economy on the part of their

Copy of letter to Agent
No 405 of 16 March 1866—
with the Agent in
orig. No 697 of 26 April 1866

Consulting Engineer's Office,
Irrigation & Canal Company,
Madras, 16 May 1866.

From,
To,
Captain J. Mullins & Co.
Engineers for I.C.C.
The Secretary to Government,
Department of Pub. Works.—
Sir,

1. I have the honor to submit for the consideration of Government a copy of the letter, No 697 of the 26th ultimo, from the 23rd inst. & Resolution of the Board of Directors the Agent and Manager, Madras Irrigation and Canal Company, on the subject of the retirements, from the expenditure incurred in the Nagavore Division on the Main Canal and Sipad Station Buildings, which were ordered to be made in Proceedings Madras Government No 3,676 of the 4th Dec. 1865, No 1,67 of the 7th February last. The Agent has already appealed against the decision

*with the Agent's letter, No 697 of the 26th ultimo, from the 23rd inst. & Resolution of the Board of Directors the Agent and Manager, Madras Irrigation and Canal Company, on the subject of the retirements, from the expenditure incurred in the Nagavore Division on the Main Canal and Sipad Station Buildings, which were ordered to be made in Proceedings Madras Government No 3,676 of the 4th Dec. 1865, No 1,67 of the 7th February last. The Agent has already appealed against the decision

decision communicated in the former order, but Government, in their order of the 20th ultimo N^o 891, declines to cancel the retrenchment.

2. In the letter now forwarded the Agent directs objects to the arrangements for exhibiting the retrenchments in the accounts, which were approved in Proceedings Madras Government N^o 611 of the 23rd February last, and he thinks that the great efforts, which he has made to get rid of long outstanding debts to a suspense account, will be of no avail if these retrenchments become, as he supposes, permanent entries under the head Inefficient Balance. Mr. Stanlowe however overlooks the circumstance that the adjournment in the manner referred to was ordered "pending the receipt of instructions from the Board of Directors" as to their permanent adjustment, and, during this interval, I am unable to see any objection to the adjournment of the expenditure

on works being affected by the debit of the retrenchments to Inefficient Balance. It is the business of the Board of Directors to furnish the Agent with means for the refund of the expenditure thus temporarily placed under suspense.

3. It is necessary to notice the argument on which - in para: 4 - Mr. Stanlowe bases his report that the amount retrenched be not removed from the expenditure on works - He says "we have spent the money on sanctioned works." This is really not the case, for the sum retrenched in Government Order N^o 3676, from the expenditure shown against earthworks of the 4th section, or Nagatone Division, was confessedly unrepresented by any work done, and money which has been reimbursed, or out of which, as the Agent in para: 3 expresses it, the Company have been cheated, is not money spent on sanctioned works. As regards the accounts which the Agent considers had been "audited, examined, and Passed" it may as already noticed, be remarked, that such is not the fact, for no expenditure in excess of sanctioned estimates is passed until supplemental

supplemental sanction is given, although each expenditure is allowed to be exhibited in the accounts, and separately in a statement of expenditure in excess of sanction. - The supplemental estimates of the 4th section were received in October, submitted in November, and the orders thereon were passed on the 4th December. - Now on the 31st October the sanctions for the works of the 4th section amounted to Rs. 52,127, being Rs. 4,16,000 for earthworks and revetments, and Rs. 10,373 for masonry works, and out of the Rs. 11,48,272-9-8, shown in the Progress Report, as expended upon the 4th and 5th sections, the outlay on the 4th section was, the Agent informs me, Rs. 6,96,897-5-10, so that the difference, Rs. 1,75,680, was the sum remaining unpassed being excess expenditure, and this formed part of the Rs. 1,95,310 shown in para. 35 of my letter N^o 148, of the 9th February last. - Proceedings Madras Government N^o 625-22nd item, as the unauthorised expenditure on the 4th and 5th sections, so that it is manifest that an amount considerably exceeding the sum retrenched had not been passed in the accounts as assumed by the Agent. - An advance of 2 lacs for the works was sanctioned, in accordance with the request of the Chief Engineer, in P.M.G. N^o 7328 dated 16 May 1865, in anticipation of the sanction of supplemental estimates, then under preparation, but neither this advance nor that of Rs. 50,000 sanctioned in P.M. 421 Sept 65 N^o 2796 could in any way prejudice any decision, which might be arrived at.

Side para. 129 of letter N^o 56-35 Sept 65-1865 N^o 217-26 Oct 65

N^o 16 of 14th instant

on the examination of the accounts. - 4th The Agent in the following paragraphs of his letter urges a reconsideration of the decision of Government, upon the ground that the operations of the Company have been of great benefit to the people and to the State, and that therefore the loss arising from the absence of efficient control of expenditure on the part of the officers of the Company should be borne, not by the shareholders of the Company, or, as he calls them, "the capitalists who are working for the good of this country, and who have already achieved incalculable benefits," but by the Government. - The argument would be of much force could the Agent show that all these benefits are the direct result of the waste of money, but if, notwithstanding this waste, and the consequently less advanced state of the works, considerable benefits have been derived from the simple expenditure of large sums, how much greater would have been the benefits had

and had the works been more efficiently conducted,
and had the people and the country already
enjoyed the advantages, long since promised,
from the use of the water, which the
Company's Canal was designed to afford. The
Company have in fact done the minimum
of good from their outlay, and that too in-
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markable that their representatives should
take credit for results which have not
only naturally followed minor expendi-
ture, but which have fallen so far
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both the Company and the Government.
That the Company should object to suffer
loss, though due to the default of their
own officers, is very natural; but that
they should deem the State, rather than
themselves, to be the legitimate sufferer,
is a view of the matter for which there
is no foundation whatever.

From

5. From the figures given in para: 7¹⁵
of his letter, the Agent concludes that the
clear gain to the Government, during the
4 years ending with Cutch 1274, from
the operations of the Company, was Rupees
9,47,478. This deduction is subsequently
modified by a reference to districts - the
Godavary, Krishna, and Cuddapah - not
affected by the Company's works, in which
the Revenue increased during the same
period, and it is also pointed out that
the Revenue of the Presidency generally
increased in the aggregate of the 4 years
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this amounts to 60 per cent as mentioned;
but, referring to para: 12, the aggregate in-
crease of the whole Presidency for the
4 years is 41 instead of 36 per cent, and

increased

were it admitted, therefore, that the increase in Karnool beyond the average of the Presidency is due entirely to the operations of the Company, this would be $(60-41) 747,478 =$ Rspees 3,00,034-7 or a little more than 3 lacs of Rspees.

6. The expenses incurred by the State must be taken at any rate as a set-off against these benefits, for without them there would have been no outlay and no benefits. Up to the close of Decr. 1271 the State payments amounted to Rspees 14,16,145.

For Guaranteed interest to Rspees 14,16,145.
 a Controlling rate of interest, including those engaged in the transfer of land from July 1872, previous to which no accounts were rendered to this office. 13,39,994
 Land improvements. 49,111
 To which must be added the value of land for which 26,69,250
 Govt. land improvements in lieu of money compensation. 7,33,390
 7. Thus it will be seen that the State has paid quite enough for the benefits which have been received, and were it to bear the losses, which the Company have occasioned, and which the orders of Government directing

In this, owing to the absence of the full information, it has been assumed that Rspees 2,40,000 was the amount of interest from 1872 to 1876.

directing the retrenchments required the shareholders to bear, the latter would derive nothing but good in the shape of the Guaranteed interest, and the Government would suffer all the loss. - Where either the Company or the Government must suffer loss, surely it is but right that this loss should fall upon the Company, which might have avoided it, rather than on the Government which had no means of preventing it.

8. The rogues of the natives and the inexperience of the Company's officers, referred to in paras. 15 and 16 of the Agent's letter, do not appear to me to afford any reason for transferring the loss sustained thereby from the Company to the State. - It would be quite right to make due allowance for these circumstances at starting, and for a moderate length of time afterwards, but it cannot be denied that every such allowance has been made, and that the Government have been indulgent to the utmost possible

possible extent. Only when after great
waste on many works had been repeatedly
noticed, and when it had become evident
that repeated remonstrance was unavailing, did
the Government at last decline to pass an
expenditure entirely unrepresented by taxation
and it is clear that in no other way would
it be possible to exercise any effective
control over the Company's operations. Even
in this very case of the 1st Section of the
Main Canal, every allowance has been made
for all possible and perhaps impracticable
contingencies. If para: 8 of my letter, com-
municated to the Agent with Proceedings
Madras Government No 3676 of the 1st Dec-
ember, be referred to, it will be seen that
an outlay of about 124,584 Rupees has been
passed for expenses of various sorts, which
cannot be satisfactorily explained, and this
might be deemed enough, seeing that Rupees
12270 were the originally estimated cost of
the whole of the earthworks. If however
the

the 1st para of the same letter be turned to,
it will be noticed that 10 per cent on ex-
penditures of efficient work in cutting have
been allowed for silting, and another 10 per cent
on the whole as a margin. There is not, and
cannot be, therefore the least doubt that
the retrenchment was far less in extent than
it might justly have been made; and the
Company would have had no real ground of
complaint had every item of expenditure,
which could not be satisfactorily explained,
been disallowed.

9. To show that the Government have
not been excessively strict in their dealings
with the Company, and that the latter should
feel that they have been treated with at
least as great indulgence as any Company could
expect, it may be useful just to glance
at the cases of unsatisfactory expenditure
on works which have come under notice
during the last year. The examination
of the Sankavala Canal. The examination
made.

made of this work shewed that probably a
lot of Rupees had been wasted. - Supplement-
al sanction to the extent of Rupees 1,84,650.
was given, the Government remarking that PM 5 21st 2nd by 15th 507
the greater part of this had "been rendered
necessary by the reckless extravagance and
carelessness which seemed to have character-
ized the progress of the work up to that
time. -

2nd Andry Aqueduct. - Original estimate
Rupees 1,45,000. - Latest revised estimate Ru-
pees 2,46,029-8-4, in passing which the Go- PM 6 12th 2nd by 15th 797
vernment remarked "the letters of the Sirga-
-how Company's Officers, which are forwarded
with this estimate, are unsatisfactory, inas-
-much as no attempt is made by them to ex-
-plain the cause of the large excess over the
sanctioned amount. -

Additional sanction will be required. -

3rd - 2nd Section Main Canal. - Original estimate
Rupees 5,22,253. - Last revised estimate Rupees
12,78,993. - In this case the Government notice
that "large sums appear to have been spent on PM 6 4th 2nd by 15th 321
works

work which was subsequently abandoned, and
an unnecessary expenditure has been incurred
in the unauthorized substitution of walls
for embankments, where they were not re-
quired. -

4th The Madraugh Aqueduct. - Original esti-
-mate Rupees 29,717. - Revised Rupees 46,308. -
PM 6 19th 2nd by 15th 1025
This work was built with the foundations of
one half only just below the surface of the
ground. - It has had to be patched up and
buttressed at all points, and is a most un-
satisfactory work. - In their order the Govern-
-ment refer to the series of blunders of
which this work had been the subject. -

5th 3rd Section Main Canal. - Original estimate
Rupees 1,88,500. - Revised estimate Rupees 5,84,210 PM 6 11th 2nd by 15th 799-17th 2nd by 15th 1025
In this case it was not practicable to divide the
what part of the great excess might have
been avoided, but it was shewn how widely in
many miles the work had deviated from the
sanctioned arrangements. -

Besides the works thus referred to there
has

has been unauthorized, and in some cases wasteful, expenditure on buildings and on stores, and it may be remarked that supplemental estimates of the 6th and 7th sections, in each of which the cost of work has largely exceeded the sanctions, have yet to be submitted; and that moreover for some of the other sections, for which such large supplemental sanctions have already been given, further sanction will be needed.

What measures the Board of Directors have taken with regard, either to the very far from satisfactory results of the past operations of the Company, or with a view to better management for the future, I do not know, but enough has, I think, been adduced to show that the Government did not resolve to disallow any part of the expenditure, which had been incurred by the officers of the Company, until it had become evident that it would not be expedient to permit the longer continuance of irregularities, to which perhaps a stop might be put by ^{timely}

timely retrenchment, and had not this step been taken the control of the Government would have virtually ceased.

It remains to notice the remarks contained in the Chief Engineer's letter of the 28th instant. In my endorsement of the 6th volume, No. 157, I referred to the accounts of the works furnished to this office. It is probably quite true that the Divisional records would, had they been compared with the works of the 6th Section, have enabled me to detect that large overpayments had been made, and would I could have carried out such an examination. It has not however been the practice for the Consulting Engineer, at his periodical inspection, to do more than ascertain the progress generally of the works, and in his reports to remark on considerable deviations from the sanctioned arrangements, on the rates for work and their apparent correctness, to which has been added some information as to the probable cost of their completion from particulars obtained from the

the Executive Engineers in charge. - To do more
would probably occupy too much of the time
and attention of the Company's officers; added
to which it is doubtful whether the Chief
Engineer would not have objected to a course,
which would have implied a want of confidence
in his supervision of his subordinates. - In
the case of the Sontagala Canal my prede-
cessor did not consider it his duty to check
personally the work of the Company's officers
in detail, but he requested the Chief Engineer
to appoint an officer to that duty, and it was
well and properly performed. - I must differ
from Mr. Latham as to the possibility of ob-
taining any reliable information on such a
point from a ride over the line of the canal
without an examination and a comparison of
the work with the measurements, and I may
add, that the examination made under that
officer's directions occupied a considerable time
and involved much labor. - Were the correctness
of the Chief Engineer's remarks moreover ad-
mitted, the position of the Government as regards
their action in the matter would be in no respect
altered.

vide para 3 of Ch. Engr's
letter N. 1900 - P. 11
16 May 65 N. 1328 -

25
altered, while the blame attaching to the Company's
officers would be greatly increased. - Even now,
though in November last I asked for such a
revision of the Progress Reports furnished to
this office as would, by the separate entry of
expenditure against distinct works, enable
me to see that cautions were not exceeded with-
out due explanation, the latest report - that for
February - does not item the outlay on the 2nd and
3rd, and 4th and 5th sections separately, and
until this is done these Reports will not fulfil
their intention. - The Agent has promised
that the Report for April, the last month of
the official year, shall be correctly made out.

I have the honor to be,
Sir,
Your most obedient servant,
Voluntarius Capt. R.
Con Engr for S. H. Co.

Handwritten text in cursive script, likely a letter or journal entry, covering the left page of the spread.

Handwritten text at the top of the right page, possibly a header or a continuation from the left page.

At the top of the right page, there is a handwritten note or signature.

Handwritten text at the bottom of the right page, possibly a signature or a closing.

Fragment of handwritten text visible on the far right edge of the page.

Proceedings of the Madras Government, Public Works Department,
4th June 1866.

staff, and they have cheerfully afforded to Government every opportunity of scrutinizing our operations and controlling our expenditure; but they have failed to attain perfection in the system upon which they have worked, and in the mode in which that system has been carried out; but I may add that strenuous efforts are being made to improve both. They have had to contend against wind and weather, against the capidity and craft of Natives notoriously cunning, and against the inexperience of their Officers, an inexperience, however, for which great allowance should be made, seeing what a new field they have been opening up. Under these circumstances it is surely hard to insist upon the point of flesh for errors committed, while the prosperity upon which the people are fattening is ignored.

17. It is proposed to punish the Company in a very summary manner, because upon a re-measurement in the Nagatore Division a discrepancy, which I admit to be alarming, has been discovered.

18. I believe that this discrepancy may be attributed to a variety of causes; the mode of measurement at different periods and by different persons has been different, and with every possible vigilance and care I believe that, under the circumstances in which they were placed, it was impossible for the Engineers to guard against the cheating of needy contractors; the cheating of Waddahs, of whom we have employed more than 20,000 at a time, the connivance of Native overseers, and other perplexing elements. Then a very great allowance ought to be made for ordinary silt, the more that the two last monsoons have been unusually heavy, and in 1864 there was a very severe storm and flood which carried away a considerable portion of the works in Nagatore.

19. But admitting that by far the larger portion of the loss is due to downright fraud and knavery on the one hand, and neglect or inefficiency on the other, still it is our loss; it is the misfortune of the Company, not their fault, and I trust that the Government will see that to punish the Company for their misfortune would be unjust. It is also if I am rightly informed, unprecedented. I believe that the Railway Company has passed through an ordeal similar to ours and has been cheated in measurements, I know they have been extensive and robbed of stores, one item I may mention, *forty miles of rails*, we have also been defrauded in a similar manner, but it was never yet, so far as I know, proposed to superadd to these losses a retrenchment, which while it would throw our accounts into confusion would, I presume, deprive the share-holders of their guaranteed interest upon the amount retrenched.

20. I may mention a case which appears to me to be very much in point. It will be admitted that the General Store-keeper of the Company is an Officer upon whose skill and judgment very much depends for the proper and economical administration of our funds. The Directors took the greatest pains to select the very best man they could find for this office, and in fact induced a Gentleman who had for twenty years been employed in the Ordnance Store Department in England, to leave the public service in order to come to India and undertake the supervision of their accounts and stores. Their caution could go no further. Yet that Officer allowed himself to be over-reached by a contractor here, and purchased timber both at a high price, and by incorrect measurement, so that when Mr Bidham, our present General Store-keeper, took stock of the timber, he found that we had been saddled with a loss of about Rupees 7,000.

Yet it would have been hard indeed if the Government had "etrenched" that sum, nor was it ever proposed to do so.

21. The present case is precisely similar, and is also similar to the numerous cases of loss sustained both by our Company and by the Railway Company, losses which surely should not be visited upon the shareholders in the manner proposed by Government.

22. I will not here repeat the arguments used in my former letter, No. 603 of 3rd March 1866, to which, however, I beg to refer you, but under all the circumstances of the case, taking especially into consideration the great benefits we have already conferred upon the people of Kurnool and upon the Government, I request you will be good enough to solicit a reconsideration of the case by the Government; and I feel assured that such reconsideration can only result in the rescission of the Order of Government, No. 3,676.

c

forwarded to the
(12)

Copy in a letter to Engineer
of 5th June 1866 of 1866.

Copy in a letter to Engineer
of 5th June 1866 of 1866.
The Secretary to Government
Dated 11th May 1866
No. 222.

circulated for the
orders of Government.

Minister of the Colonies

Secretary to Govt. of India

Unlaid for consideration of
Govt. of India 1866 of 1866.
from Govt. of India 1866 of 1866.
referred to from the expenditure
incurred in the expenditure of the
the Marine (and all payments) with
facilities which are required
to be made in 1866 of 1866.
36th of May 1866 of 1866 of 1866.
for Secretary to Govt. of India
for 17th June 1866 of 1866 of 1866.

The present case has
been upon the same
and the same has
may so have been
see no reason to
if the same is
taken from the
which

Copy in a letter to Engineer
of 5th June 1866 of 1866.

*Proceedings of the Madras Government, Public Works Department,
4th June 1866.*

23. In conclusion, I must state that I am now writing without definite instructions from the Board, though in pursuance of what I know to be their earnest wish. I beg therefore that no argument which I have used may be taken to convey any admission which might affect the rights of the Company under the contract

Dated 23rd April 1866.

24. Since writing the above I have received a letter from Mr. Latham, copy of which I enclose, which seems to support the view I have expressed in my paragraph 4.

Dated 22nd April 1866.

25. A Resolution of the Board of Directors has also been communicated to me in reference to the Order of Government No. 467 of the 7th February. I enclose a copy of that Resolution, and as directed solicit a reconsideration by the Government of the order in question. In support of this request I can add nothing to the arguments adduced in this, and in my former letter.

From the Provisional Chief Engineer, to the Agent and Manager Madras Irrigation and Canal Company, dated Ootacamund, 23rd April 1866.

1. I have the honor to direct your attention to the correspondence printed with the G. O. No. 891 of 20th March last, *Civil Works*.

2. The second paragraph of Captain Mullins' letter, as understood by the Government in their Order, has an appearance of want of candour, which it will be as well to point out, in order that if it really exists it may be removed.

3. Captain Mullins cannot mean that he did not know of the existence of, and that he had not free access to, the Divisional Progress Sheets, of which the Agent's furnished to him are an abridgment. These show the Divisional Record of the earth-work, &c., not only section by section, but mile by mile. I have little doubt that he and his predecessors had seen those Progress Sheets; and if so, they had to the full as much means of detecting the excess of work shown as done, over that visible as done, as the Chief Engineer or Executive Engineer could have from riding over the line; and a ride over the line was amply sufficient to prove a great discrepancy years ago.

(A true Copy)

(Signed) F. H. HENSLOWE,
Agent and Manager.

THE MADRAS IRRIGATION AND CANAL COMPANY,
8 and 9, Queen Street Place, London, E. C.

At a Meeting of the Board of Directors of this Company held at the Offices as above, on Thursday the 22nd day of March 1866, it was unanimously resolved—

That with reference to the Order of Government, No. 467 of the 7th ultimo, under which His Excellency the Governor of Madras in Council has withheld sanction to the sum of Rupees 2,500, stated to have been unnecessarily expended by the Executive Engineer lately in charge of the Nagatore Division, this Board, viewing the circumstances of the case as precisely identical in its features with those which were connected with the sum of Rupees 1,21,872 declined to be sanctioned by the Order of the same Government, No. 3,676 of the 4th December last, and in respect of which disallowance they by letter dated the 19th of January last, instructed their Agent and Manager at Madras to address the Madras Government, and to solicit from that Government a reconsideration of the Order, deem it only necessary now to direct that the Madras Government be similarly communicated with and solicited by the Company's Agent to allow this sum now under consideration to stand as part of the expenditure of the Company's guaranteed capital, for the reasons stated in such letter.

(A true Copy.)

(Signed) F. H. HENSLOWE,
Agent and Manager.

*Proceedings of the Madras Government, Public Works Department,
4th June 1866.*

Extract from a letter to the Agent and Manager Madras Irrigation and Canal Company,
No. 105 of the 16th March 1866.

21. With regard to your letter No. 604 of the 5th instant, I beg to inform you that I am awaiting the orders of Government on your letter No. 603 of the 3rd idem, and in the meantime it is necessary to point out that the instructions contained in my letter of the 1st instant, No. 382, were a transcript of the orders of Government No. 641 of the 23rd ultimo, and should therefore the Government not cancel the retracements ordered to be made, I shall not be able to pass any of the accounts until the requisite adjustments have been effected, and I would remind you that, as a very large amount of expenditure has been incurred without sanction, it is of importance that the information regarding it should be so complete as to admit of the orders of Government on the accounts which exhibit it being obtained.

(True Extract)

(Signed) J. MULLINS, Captain, R. E.,
Consgr. Engr. for I. & C. Company.

No. 66. ORDER THEREON, 4th June 1866, No. 1,759.

ACCOUNT, No. 5.

After a careful consideration of all the circumstances which are set forth by the Manager of the Madras Irrigation and Canal Company, the Government see no reason to modify the views which they have expressed in their Proceedings noted in the margin. Copies of the papers above recorded will, however, be forwarded to the Right Honorable the Secretary of State for India in continuation of previous correspondence.

4th December 1865, No.	3,676.
7th February 1866, "	467.
20th March " "	891.
18th April " "	1,238.

(True Extract.)

(Signed) CHARLES A. ORR, Colonel, R. E.,
Secretary to Government.

To the Consulting Engineer for Irrigation and Canal Company.
.. Manager for do. do.

Exd. S. T. Augustin.

Account

175

Public Works Department

1759

PROCEEDINGS of the MADRAS GOVERNMENT
Under clause the 4th June 1866.
Read the following

From the Consulting Engineer
of the Canal Company

(Here enter No. 9 dated 15 May 1866)

After a careful consideration of all the circumstances which are set forth by the Manager of the Madras Irrigation and Canal Company, the Govt. see no reason to modify the views which they have expressed in their Proceedings noted in the margin. Copies of the papers above recorded will, however, be forwarded to the Right

N.
W.D.

4th Decr 1865 No. 5676
7th July 1866. " 467
20th March " " 891
18th April " " 1208

11 June 1866

W.D.

Right Honorable Mr.
Secretary of State for
India in continuation
of previous correspondence

W.B.

4 To Genl Supr Hth & bukes ✓
4 To Manager Lab. ✓

< leaf 5th done

3

HL

Copy in a Letter to England
A/5: "June 1832 of 1866.

(14)

P. W. 186 D. Department.

Proc. of Govt. of India

No 1759

PROCEEDINGS OF GOVERNMENT of Madras

Dated 4th June 1866

The Consulting Eng. has
informed that no reason can be
seen for modifying the orders
regarding the retrenchments
the expenditure incurred on works
in Magdalen St. of the Madras
Suez Canal Company's Main
Canal and the Home Sec. furnish
ed with copies of certain corre-
pondence on the subject.

J. B. B.

On 18 June 1866