M.R.O. 1—77,006—8-6-37.

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MADRAS RECORD OFFICE.

Government of Madras.

P. W. DEPARTMENT.

G.O. No. 1975 Press / Mis.

71-72.

Dated 3-7- 1867.

Not to be folded or roughly handled

No. 71. Read the following Proceedings of the Government of India, in the Public Works Department, (Account,) dated Simla, 27th May 1867, No. 484 A :—

Payment to the Railway Companies of their moiety of half-yearly profits in excess of guaranteed interest.

Read again :—

Letters No. 2,623 G, dated 23rd November 1866, and No. 2,861 G, dated 21st December 1866, from the Government of Bengal.

Public Works Department letters Nos. 1,198-99½ A, dated 28th December 1866.

Despatch from the Secretary of State, to the Government of Bombay, No. 23, dated 31st October 1866.

Public Works Department letter No. 26 R, dated 7th January 1867.

Letter No. 110, dated 18th January 1867, from the Government of Bombay.

Public Works Department letter No. 124 R, dated 6th February 1867.

Letter No. 440, dated 5th March 1867, from the Government of Bombay.

Read also—

Letter from the Advocate General, dated 25th March 1867.

RESOLUTION.—In the papers quoted above the general question of payment to the guaranteed Railway Companies of their moiety of half-yearly profits in excess of guaranteed interest, and the particular question of the settlement of the claims of the East Indian and Great Indian Peninsula Railways on account of excess profits relating to the half-year ending 30th June 1866, have been discussed.

2. It has been decided that the Government, acting in accordance with the contracts, may pay the moiety of excess profits falling to a Railway Company either in India or in England; but if in England at the rate of exchange of the day; the rate of 1*s.* 10*d.* the rupee fixed for other transactions between the Companies and Government having no application to this payment.

3. It appears to the Governor General in Council desirable to arrange for payment of the moiety of surplus profits in this country, because payment in England would necessitate adjustments on the books of the Government of India and the Secretary of State different from the other Railway items appearing therein, and would cause a delay of several months after the making up of the revenue accounts in India before the Companies could be put in possession of their own moneys, in all probability giving rise to demands on the Government for interest.

4. Besides, as shown below, the moiety can be paid in India with little trouble and many advantages as soon as the revenue accounts are made up by the Railway Companies. By this arrangement the revenue accounts prepared in India will become statements of the working of the half-year complete in every respect; and the declared* object of the Government audit of Railway accounts will be fully attained—the profits of the half-year will be declared by the Government Examiners on accounts accessible to and verified by them in this country.

* Paragraph 13 of Financial Resolution No. 2,558 of 28th September 1866.

5. The Government of India has already decided (paragraph 14 of the Financial Resolution quoted above in the margin) that the proportion of the Home expenditure debitable to the revenue account shall be brought on the Indian books

of the Companies by means of transfer entries, and most of the Railway Companies do this already. The Secretary of State will now be requested to send to the Government of India for Bengal and Punjab Railways, and to the Governments of Madras and Bombay for Railways in those Presidencies, verified copies of the intimations of these transfers forwarded by the Home Boards of the Companies to India. With these statements Consulting Engineers will be able to check the Home charges in the revenue accounts, the other charges arising in this country will of course be audited as heretofore; and the entries on the 'earnings' side of the accounts will be scrutinised in accordance with the instructions contained in Secretary of State's despatch* No. 41 of 7th December 1866, *i. e.*, all earnings not realized and paid over to Government within two months of the end of the half-year to which the account refers will be excluded from the net receipts of the half-year on which apportionment of surplus profits has to be made.

* Public Works Department Resolution Nos. 153-7A, dated 11th February 1867.

6. Having thus arrived at the net revenue of the half-year, it remains to deduct from it the amount of interest paid by Government on account of the half-year. The bulk of the guaranteed interest is paid in England, and in the contracts the dates of payment are fixed for the 30th June and 31st December. The Secretary of State will be requested to transmit to the Government of India for Bengal and Punjab Railways, and to the Governments of Madras and Bombay for Railways in those Presidencies, statements of the amount of interest paid to each Company. To the amounts thus intimated, the Local Governments will at once add payments of interest in India; and there is no reason why the Consulting Engineers should not be always in possession of accurate and complete statements of interest within six weeks of the end of each half-year, a period at which the Railway revenue accounts can never be made up.

7. With reference to the claim of the East Indian Railway Company, the Governor General in Council observes that the Board of Agency has requested the refund in India or in England, at the exchange of the day, which was two shillings the rupee at the date the claim was preferred, of Rupees 5,40,368-0-7 on account of surplus profits for the half-year ended 30th June 1866, and has received Rupees 5,40,000 on account subject to future adjustment.

8. This Company's claim is based on the one hand on the revenue account which appears to be still unaudited as regards Home charges, and earnings not realized and paid over to Government, and on the other hand on a statement of interest which has not been verified by the Secretary of State.

9. The Government of Bengal is hereby requested to cause the revenue account to be re-examined in accordance with the despatch from the Secretary of State quoted in paragraph 5 of this resolution, and all earnings not realized up to the present time to be deducted from the net revenue shown by it, except the portion of the debt of the Commercial Transport Association appearing in it, which will be dealt with specially as may be decided on after receipt of the report promised in letter No. 583 G of 21st March last from the Joint Secretary to the Government of Bengal.

10. The Secretary of State will be addressed in view to a verification of the Home charges appearing in this revenue account and of the statement of interest submitted by the Board of Agency. It has to be observed that, as the Railway Company has received nearly all the money asked by it, and probably more than the net amount due on account of surplus profits of the half-year, there cannot result any demands on Government for interest on account of this reference, to England.

11. It now remains to speak of the claim of the Great Indian Peninsula Railway. This also is for a moiety of excess profits of the half-year ended 30th June 1866. The statement of interest and the Home charges and the unrealized earnings appear from the Secretary of State's despatch No. 23 of 31st October 1866, to the Government of Bombay, and from letter No. 110 of 18th January 1867, from the Secretary to the Government of Bombay, to have been correctly audited; and the moiety of surplus profits, Rupees 3,79,391-7-0, has been duly paid to the Company in India. No further action seems necessary in this case.

ORDER.—Ordered, that this resolution be forwarded to the Governments of Madras, Bombay, Bengal, and Punjab, in the Railway Branch of the Public Works Department, for information and guidance.

Ordered also, that the Advocate General's letter of the 25th March 1867 read, be printed as an enclosure to this resolution.

Ordered also that copy of these papers be forwarded to the Financial Department and to the Accountant General, Public Works Department, for information.

(Signed) W. McCLEERY, C. E., *Offg. Asst. Secy.*,
For Secy. to the Govt. of India.

From T. H. COWIE, Esq., Advocate General, to the Secretary to the Government of India, Public Works Department, dated 25th March 1867.

1. I have now the honour to reply to your letter No. 1,199½ A, on the subject of the payment to the East Indian Railway Company of their moiety of surplus profits.

2. As the principal Office and Board of Direction of the Company are in England, and as the contract does not direct that the payment shall be made in India, I am of opinion that the Government may pay the amount either here or in England. But if payment is made in England it must be at the rate of exchange of the day, as the specified rate of 1*s.* 10*d.* the rupee has no application to the case. It was necessary to fix in the contract some rate of exchange as respects the set-off of drafts drawn at Calcutta against the amount of capital paid into the hands of Government in London—the application of profits in payment of the interest accrued due during the half-year—and in satisfaction of the past interest paid by Government under the guarantee. These are all matters of set-off in account, and it was proper that the accounting should take place on the basis of some agreed uniform rate of exchange.

3. But after all these amounts have been set-off in account there remains a moiety of the surplus profits which belongs beyond all question to the Railway Company, which was made in India in rupees, and which must have been paid in the first instance by the Company to the Government in rupees in India. The Company are entitled, as I take it, to the rupees in India, or the value in pounds sterling of those rupees transmitted to London; in other words to the amount of a bill on London at the rate of the day. You will observe that as regards the moneys which under the contract (Sections 21, 23, 24, 26, and 27) are to be payable to the

Company in London, the contract is silent as to the rate of exchange, the reason being, as I conceive, that such payments would not form matter of account in the same sense as those in regard to which the rate is specified.

4. I return the volume of Railway Contracts.

No. 72. ORDER THEREON, 3rd July 1867, No. 1,975.

RAILWAY, No. 3.

Communicated to the Consulting Engineer for Railways for information and guidance.

(True Extract.)

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

To the Consulting Engineer for Railways.
,, Accountant General.

Exd. S. T. Augustin.

Enclosure to Public Works Resolution Nos. 484—9 *A of* 1867.

Dated 25th March, 1867.

From—T. H. COWIE, Esq., *Advocate General,*
To—*Secretary to Government of India, P. W. Dept.*

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4. I return the volume of Railway Contracts.

No. 484 A.

GOVERNMENT OF INDIA.

PUBLIC WORKS DEPARTMENT.

ACCOUNT.

SIMLA, MAY 27, 1867.

Payment to the Railway Companies of their moiety of half-yearly profits in excess of guaranteed interest.

Read again :—

Letters No. 2623 G, dated 23rd November 1866, and No. 2861 G, dated 21st December 1866, from the Government of Bengal.

Public Works Department letters Nos. 1198—99½ A, dated 28th December 1866.

Despatch from the Secretary of State, to the Government of Bombay, No. 23, dated 31st October 1866.

Public Works Department letter No. 26 R, dated 7th January 1867.

Letter No. 110, dated 18th January 1867, from the Government of Bombay.

Public Works Department letter No. 124 R, dated 6th February 1867.

Letter No. 410, dated 5th March 1867, from the Government of Bombay.

Read also—

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The key to the Govt. of Madras in the P.W. Department Railway.

counts are made up by the Railway Companies. By this arrangement the revenue accounts prepared in India will become statements of the working of the half-year complete in every respect; and the declared* object of the Government audit of Railway accounts will be fully attained,—the profits of the half-year will be declared by the Government Examiners on accounts accessible to and verified by them in this country.

* Para. 13 of Financial Resolution No. 2558 of 28th September 1866.

5. The Government of India has already decided (para. 14 of the Financial Resolution quoted above in the margin) that the proportion of the Home expenditure debitable to the revenue account shall be brought on the Indian books of the Companies by means of transfer entries, and most of the Railway Companies do this already. The Secretary of State will now be requested to send to the Government of India for Bengal and Punjab Railways, and to the Governments of Madras and Bombay for Railways in those Presidencies, verified copies of the intimations of these transfers forwarded by the Home Boards of the Companies to India. With these statements Consulting Engineers will be able to check the Home charges in the revenue accounts, the other charges arising in this country will of course be audited as heretofore; and the entries on the 'earnings' side of the account will be scrutinised in accordance with the instructions contained in Secretary of State's Despatch* No. 41 of 7th December 1866, *i. e.*, all earnings not realized and paid over to Government within two months of the end of the half-year to which the account refers will be excluded from the net receipts of the half-year on which apportionment of surplus profits has to be made.

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William McClary C. E., Offg. Asst. Secy., for Secy. to the Govt. of India.

(6) Exp: of Govt for July £ 23/4

GOVERNMENT OF INDIA.

PUBLIC WORKS DEPARTMENT.

ACCOUNT.

To The Secy to Govt N.W.P.

No. 484A.

Dated SIMLA, *May* 27, 1867.

Received 20 June 67.

Encl

Payment to the Railway Companies of their moiety of half-yearly profits in excess of guaranteed interest.

No 1975. 3d July 1867

William Arden

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No 1975

Commd & the

Consulting Engineer for

Railways for information

and guidance

Under Secy to Govt N.W.P.

3d July 1867

10 Consg Engr for Rys

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e. 24th June/67 Cy. 25th