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AMIL NADU ARCHIVES

VERNMENT OF TAMIL NADU

P.W.D DEPARTMENT

G.O. No. / B.P. No. 1011 & 1012 Press. / Mis.

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GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

20th April 1881, No. 1,011 W.

Buildings and Roads.
Civil Works.

Read the following paper :—

No. 45. From the Consulting Engineer for Railways, dated Madras, 4th April 1881, No. 85.

From A. M. SAUNDERS, Esq., Agent and Manager, Madras Railway Company, to the Consulting Engineer for Railways, dated Madras, 13th October 1880, No. 778.

REFERRING to Minute No. 88 of the Official Meeting No. 6 of 1880 held in my office on the 6th August last, I have the honor to forward copies of correspondence that has passed between the Traffic Manager, Chief Accountant, and myself on the subject of the depreciation to be charged off the first cost of the 100 harbour works wagons.

2. You may remember that when this question was discussed at the meeting, I informed you that during the whole time we had been taking the laterite traffic for the harbour works we had been running at a loss.

3. This loss during the first year and a half or two years was estimated, as you will see, by the Chief Accountant at the sum of Rs. 552-0-7 a week. Since however the traffic has been charged with the additional three miles as arranged in the special meeting held with Mr. Thorowgood in my office on the 2nd October 1879 (*vide* minute No. 1 of that meeting), this loss has been considerably decreased and the returns for year ending the 30th June last, you will observe, show a net profit on the twelve months' working amounting to Rs. 538-10-9.

4. You will, I think, agree with me that such a profit can hardly be looked upon as a satisfactory result. It will be within your recollection that, when this traffic was first arranged between my predecessor and the harbour authorities, we were given to understand that a great deal of it would come from Tirutani where the lead would have been sufficiently long to give us a reasonable return on the low rates then fixed.

5. Little or none of this laterite has come from Tirutani and nearly the whole of the traffic has since been brought from Ambatúr with the result shown in the Chief Accountant's letter.

6. Mr. Cramp, in his last letter of the 8th October, states the amount of depreciation which he considers the Company should receive to recoup it in some degree for the loss sustained on the traffic. This amount he calculates to be Rs. 73,418-9-2, and I trust that His Grace the Governor in Council, on a full consideration of the whole of the facts connected with this traffic, will be pleased to approve of this sum being placed to the credit of the Company.

From L. S. MOSS, Esq., Deputy Traffic Manager, to the Agent and Manager, Madras Railway Company, dated Madras, 10th February 1879, No. C58,867-906.

Laterite Trains.

Your No. 405 of the 24th ultimo.

The following estimate of the cost of working the laterite traffic as compared with the revenue derived therefrom is based on the number of wagons actually run and the earnings from laterite in one week. It is estimated that each wagon runs not less than 25 miles in making the trip from the harbour works to Ambatúr and back including shunting at both ends, and the Locomotive Superintendent has given me 8 pies per wagon per mile as the average cost of working in his department:—

	RS.	A.	P.	RS.	A.	P.
The revenue actually derived from 839 wagons of laterite was...	......			1,749	12	0
The cost of working these wagons with Locomotive and Traffic Departments was 839 × 25 = 20,975 wagon miles at 8 pies.	874	0	0			
Wages of Guards	21	0	0			
Wages of Pointsmen and proportion of Head Porters, &c.	20	4	0			
Stores, Stationery, &c.	2	5	0			
				917	9	0
Balance				832	3	0

The cost as shown above amounted to 52·46 per cent. of the earnings, but to this figure must be added a proportion of the cost of upholding permanent-way and of general charges which the laterite service should be properly debited with, and the Chief Accountant will no doubt be able to give you the cost under these heads.

The Railway Company may reasonably expect in my opinion a net profit on the laterite traffic of at least 50 per cent. because the wear and tear of rolling stock is very much greater than in working other traffic, and has no doubt had the effect of increasing the average cost of working in the Locomotive Department upon which this estimate is based.

From J. CRAMP, Esq., Chief Accountant, to the Agent and Manager, Madras Railway Company, dated Madras, 13th February 1879, No. 71.

Madras Harbour Traffic.

Your No. 688, dated 11th instant.

The total average cost of working one goods vehicle over one mile may be taken at 21·07 pies, distributed as follows:—

	PIES.
Maintenance of way, works, and stations	5·151
Locomotive expenses	7·767
Carriage and wagon expenses	3·468
Traffic expenses	3·134
General charges	1·550
Total ...	21·070

Accepting the mileage given in the Traffic Manager's letter for the vehicles used in the harbour traffic, the proportion of cost of maintenance and general charges applicable to this traffic will be 20,975 × 6·7 pies = Rs. 731-15-0.

If this outlay is added to the charges shown by the Traffic Manager, we have the result as follows:—

	RS.	A.	P.	RS.	A.	P.
Earnings	......			1,749	12	0
Cost of working—						
Locomotive	874	0	0			
Traffic	43	9	0			
Other charges	731	15	0			
				1,649	8	0
Net earnings				100	4	0

This gives the cost of working as 94·2 per cent. of receipts, which I am of opinion understates what is the actual cost of this traffic.

In the Traffic Manager's letter 8 pies is quoted as the average cost of working in the Locomotive Department one vehicle over one mile; but looking at the figures of the analysis of the Revenue Accounts for the year 1877, which are now before me, it would appear that 8 pies is too little. The cost worked out for the first half of 1877 is 10·7 pies, and during the second half is over 11 pies.

Again, in the estimate of the traffic expenses chargeable to this work, there has surely been some mistake, as a proportion of the cost of supervision even appears to have been omitted.

Basing the cost of working on the total average cost of a vehicle mile, we have the following expenditure against the actual receipts of

	... ... Rs.	1,749	12	0
20,975 × 21·07 = ...	... „	2,301	12	7
or a loss for one week of	... „	552	0	7

When it is considered that the wear and tear of the wagons employed on this work must be much above the average, the above calculation, based on an average, cannot be regarded as excessive.

From A. M. SAUNDERS, Esq., Agent and Manager, to the Chief Accountant, Madras Railway Company, dated Madras, 16th September 1880, No. 4-A 191.

I AM about to make application to the Government in accordance with the views set forth in minute No. 88 of official meeting No. 6 held in my office on the 6th August for a certain amount to be paid for depreciation of stock by the harbour works so as to recoup the Railway Company in some degree for the loss sustained by this traffic.

I have before me your No. 71 of the 13th February 1879, but I should be glad if you would inform me what the average amount of traffic has been, say up to the 30th of June last, and whether the loss which you then estimated at Rs. 552-0-7 per week has in any way altered during the intervening period.

From J. CRAMP, Esq., Chief Accountant, to the Agent and Manager, Madras Railway Company, dated Madras, 21st September 1880, No. 275.

IN reply to your letter No. 4-A 191, dated 16th instant, I beg to send you, herewith, copy of a statement obtained from the Audit Office, which gives particulars of the harbour works traffic for the twelve months ending 30th June last.

From this statement it will be observed that the total receipts during this period amount to—

	RS.	A.	P.	RS.	A.	P.
Dec. 1879	34,002	0	0			
June 1880	39,604	14	0			
				73,606	14	0

To earn the above sum 24,846 vehicles have all run 26 miles, exclusive of shunting, giving a total of 645,996 vehicle miles. The cost of working a vehicle over one mile as brought out in the analysis of the Revenue Account for the half-year ending 31st December 1879 was Pies 21·717, which gives the cost to the Company of the work done for the Madras harbour as Rs. 73,068-3-3, showing a net profit on the twelve months working amounting to Rs. 538-10-9.

This result, though by no means a satisfactory one to the Company, is very different from that reported in my letter No. 71, dated 13th February 1879, and the improvement is, I consider, due to the additional charge of three miles made on all laterite wagons since 1st August 1879 (*vide* minutes of a meeting held in your office on the 2nd October 1879), and to the satisfactory loading of the wagons.

The average load per wagon during the whole period has been 7·488 tons.

During the year ending 30th June last the net profits on the gross traffic of the line were 44·59 per cent. of the working expenses, and if the Company be allowed the same margin of net profits on the harbour works traffic which has been realised on the gross traffic, the claim on this account for one year would amount to Rs. 32,042-7-0, that is, 44·59 per cent. of the working charges, *minus* Rs. 538-10-9 net profit shown above.

With regard to the loss sustained by the Company prior to July 1879, I have already reported in my letter No. 71, dated 13th February 1879 on the figures of this traffic as given in the Traffic Manager's letter No. C 58,867-906, dated 10th idem.

With regard to that report I have only to add that Rs. 552-0-7 represents the loss on the running of 839 wagons, the loss per week being in proportion to the amount of work done.

MADRAS HARBOUR TRAFFIC.

Ambatúr to Ráyapuram, 13 miles, from 27th July 1879.

Date.	Total Number of Wagons.	Total Number of Tons.	Total Amount of Freight.			——
			RS.	A.	P.	
July 1879	2,235	18,748	5,848	13	0	Includes materials carried to Ambatúr, tons 214, amount Rs. 84-15-0.
Aug. „	2,851	23,972	9,723	8	0	
Sept. „	3,286	25,493	10,324	6	0	
Oct. „	1,565	10,872	4,401	6	0	
Nov. „	420	3,299	1,335	12	0	
Dec. „	803	5,849	2,368	3	0	
Total ...	10,960	88,233	34,002	0	0	
Jan. 1880	2,275	17,101	6,922	14	0	Includes materials, tons 17, amount Rs. 6-6-0.
Feb. „	3,638	26,010	10,529	13	0	
Mar. „	2,688	18,056	7,316	13	0	
April „	2,205	15,002	6,073	5	0	
May „	980	6,810	2,757	0	0	
June „	2,100	14,833	6,005	1	0	
Total ...	13,886	97,812	39,604	14	0	

MADRAS,
20th September 1880.

(Signed) J. E. ATKINSON,
for Chief Auditor.

From A. M. SAUNDERS, Esq., Agent and Manager, to the Chief Accountant, Madras Railway Company, dated Madras, 6th October 1880, No. 238 A.

IN reply to your letter of the 21st ultimo, No. 275, I shall be glad to know your opinion as to the amount you think the harbour works people should be called upon to pay for the depreciation of our stock in accordance with the resolution arrived at in minute No. 88 of official meeting No. 6 of this year.

Though we have apparently derived some small profit during twelve months, the loss from this traffic which we at first experienced was so heavy that we might reasonably expect the harbour works to pay a liberal amount towards the depreciation.

I wish to prefer the claim on this account before the departure of the present Governor.

From J. CRAMP, Esq., Chief Accountant, to the Agent and Manager, Madras Railway Company, dated Madras, 8th October 1880, No. 294.

REFERRING to your letter No. A238, dated 6th instant, requesting to know what amount should in my opinion be claimed from the harbour works on account of depreciation in value of Madras Railway wagons employed for bringing laterite from Ambatúr, I beg to inform you that the original cost of the 100 wagons constructed for this traffic and charged in the Company's Revenue Account was Rs. 1,66,860-6-4. The Locomotive Superintendent as you are aware estimates the depreciation of this stock to be 8 per cent. per annum of its value, so that in a period of, say, five and a half years, the depreciation would amount to Rs. 73,418-9-2.

2. As regards the loss the Company has incurred in working the harbour works traffic, I have ascertained that the number of wagons run between Ráyapuram and Ambatúr prior to 1st July 1879 amounted to 35,650, and as the loss on 839 wagons has been shown to be Rs. 552-0-7 (*vide* my letter No. 275, dated 21st ultimo), the total loss on the running of 35,650 wagons will amount to Rs. 23,455.

3. The Company has in my opinion a fair claim to be reimbursed both the amount chargeable for depreciation of the stock and the loss incurred on the traffic; but the resolution of the official meeting No. 88, dated 6th August last, only proposes to claim for the first item, on the ground that it will "recoup the Company in some degree for their loss" on the traffic. Under these circumstances I think the claim made should be for the full amount of depreciation for five and a half years as above, viz., Rs. 73,418-9-2.

From F. N. THOROWGOOD, Esq., M. INST. C. E., Superintendent of the Madras Harbour Works, to the Consulting Engineer for Railways, dated Madras, 15th November 1880, No. 177 R.

I HAVE the honor to return herewith the papers forwarded for perusal with your letter No. 1,185 of the 8th instant, and at the same time I will submit some remarks which bear upon the subject under discussion.

2. First, with reference to the Agent and Manager's statement that the shortness of the distance from Ambatúr to Madras renders the traffic hardly remunerative, while a long lead (as from Tirutani, which was the place originally selected by Mr. Parkes as the site for granite quarries) would have yielded a fair profit at the same rate per ton mile, I am quite prepared to admit the fairness of that argument. There is no doubt whatever that, at the commencement of these works, the Madras Railway Company were led to believe that a heavy traffic would be carried on between either Tirutani or Chinnammápet and Madras, and as a matter of fact only 13,000 tons have been conveyed from Chinnammápet.

3. With regard to the charge for depreciation of value in the rolling stock for laterite traffic, I think one point has been overlooked by the Madras Railway officials, viz., that during the year 1877 the harbour works wagons were employed almost exclusively on ordinary traffic, and that I was directed by G.O., No. 672, 28th February 1877, to use the Madras Railway as little as possible. The words of this Order of Government which bear more directly on the question are "while this pressure (*i.e.*, famine traffic) lasts the rolling stock of the Madras Railway should not be diverted from the grain traffic to bring material for the north pier foundations."

4. It will be observed that the Chief Accountant of the Madras Railway, in arriving at the sum of Rs. 73,418, takes the cost of 100 wagons (Rs. 1,66,860) at 8 per cent. for five and a half years. Now I submit that at this date of writing it is not yet four and a half years since the wagons were made, and even if four and a half years be taken as the time approximately in round numbers, yet for ten months of those four and a half years, the wagons for which I am asked to pay were used more for grain traffic than for laterite traffic. I therefore consider that three and three quarters of a year would more nearly represent the time over which depreciation should be charged up to (say) 31st October 1880.

5. But during the time that these wagons have been running, the harbour works have already paid Rs. 6,101 for repairs, and I think there can be no doubt that this sum should be deducted from the charge for depreciation. It should also be borne in mind that three miles of the twelve charged for, on the journey from Ambatúr, are laid with harbour works material, and cost the Company nothing for maintenance.

6. If, then, the time be taken as three and three quarters of a year instead of five and a half, the sum charged at 8 per cent. per annum would be Rs. 50,058, and, after deducting the Rs. 6,101 mentioned above, this would be reduced to Rs. 43,957 which appears to me to be the utmost that can fairly be demanded.

From A. M. SAUNDERS, Esq., Agent and Manager of the Madras Railway Company, to the Consulting Engineer for Railways, dated Madras, 10th February 1881, No. 104.

IN reply to your No. 960 of the 17th November, I have the honor to forward you copies of the correspondence which has passed on the subject of our claim for depreciation against the Madras Harbour works.

2. I have been demi-officially in communication with Mr. Thorowgood on the subject, and from the copies that I enclose you will observe my reasons for objecting to deduct the sum of Rs. 6,101 for repairs which Mr. Thorowgood suggests he should not be asked to pay again.

3. I am quite willing to accede to Mr. Thorowgood's suggestion that a certain period of time should be deducted while the wagons were engaged for famine traffic, and from inquiries made this period would appear to be nine months.

4. On the other hand my first demand was up to the 31st October last, and had the claim been accepted in its entirety I should not have asked for any further amount

in connection with this depreciation; but as Mr. Thorowgood has fairly remarked that he should not be called upon to pay during the time the wagons were not used for his traffic, I consider we can with equal justice demand that the time up to which the wagons will probably be used, viz., the 31st May next, should be the date of the claim.

5. I have therefore asked the Chief Auditor what the claim of the Company would amount to, supposing on the one hand nine months were to be allowed, and on the other hand seven months were to be claimed, and he now informs me that the sum would be Rs. 67,856-8-11.

6. If therefore the Superintendent of Harbour Works will be good enough to accept this amount as the cost of depreciation and will forward a cheque for that sum at his convenience, I, on the part of the Company, will look upon the claim as being fairly met and settled.

From A. M. SAUNDERS, Esq., Agent and Manager of the Madras Railway Company, to the Superintendent, Madras Harbour Works, dated Madras, 30th November 1880.

CAN you let me know how much longer you are likely to be working laterite over our line I ask this so as to arrive at an equitable settlement of our wagon depreciation question when submitting the point for the consideration of Government through the Consulting Engineer. I meant the demand to be a final one against your harbour works, to recoup us in a small way for our loss of profit on the transaction, and I quite appreciate the fair way in which you have met the proposal. The only point that I cannot admit is the 6,000 for repairs; you might as well exclude the amount paid for oiling the wheels as for the necessary repairs done from time to time. As you rightly say a certain term should be excluded during the time you were not using the wagons. I am quite prepared to exclude the nine months, but then on the other hand, instead of making the 31st October the time that the estimate made should terminate on, we should in fairness be allowed up to the time when the work will probably finish. If you can estimate that now with any degree of certainty we might deduct that period from the nine months I am prepared to knock off, and the question would be settled at once or rather, to be exact, as soon as the cheque was received.

From F. N. THOROWGOOD, Esq., Superintendent of the Madras Harbour Works, to the Agent and Manager of the Madras Railway Company, dated Madras, 30th November 1880.

YOUR demi-official of this date. I hope to shut up the laterite quarries on 31st May 1881, and have made my own arrangements for such an event.

With regard to the charge for repairs being deducted, I think it entirely depends upon the way in which the depreciation of plant as a percentage was arrived at. If the cost of repairing a broken spring, coupling, buffer-plate, &c., goes towards making the percentage you claim, I maintain that by paying your full demand I am paying twice for repairs; but if the depreciation only refers to a gradual wearing out of the working parts, then your claim in full is perfectly fair.

As it is in a measure an unexpected charge of a considerable amount, I cannot possibly settle it before 31st March 1881, for the simple reason that the Government of India will not allow the money.

From A. M. SAUNDERS, Esq., Agent and Manager, to the Chief Auditor and Chief Accountant, Madras Railway Company, dated Madras, 2nd December 1880, No. A367.

IN continuation of previous correspondence ending with your No. 1,476 of the 26th ultimo, on the subject of the depreciation of the harbour works wagons, I have now the pleasure to send you copies of two demi-official letters which have passed between Mr. Thorowgood and myself as well as a copy of a letter No. 3,291-652, dated the 30th ultimo, from the Locomotive Superintendent on the same subject.

I have no desire to increase the demand to be made on the harbour works beyond that already shown as depreciation amounting to Rs. 73,418-9-2, and I shall be happy to set off the nine months proposed by Mr. Thorowgood to be deducted from the depreciation charge, and on the other hand it will be necessary to extend the time for which we shall charge from the 31st of October to the 31st of next May, the period at which Mr. Thorowgood seems to think it likely the traffic will cease.

The settlement therefore of the case would appear to be that we shall adhere to our former demand less nine months and shall have to add to it the additional time of seven months, so that the difference for which we shall have to allow will be two months.

If you have any observation to make on Mr. Trevithick's letter, please favor me with them, and if not let me know what the total sum would be based upon this calculation.

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From F. CHURCH, Esq., Chief Audior, to the Agent and Manager, Madras Railway Company, dated Madras, 6th December 1880, No. 1,518.

IN reply to your letter No. A367, dated 2nd instant, it would not be desirable in my opinion now that the negociations for the settlement of the depreciation of the harbour works wagons have proceeded so far, and the principle and the terms of the settlement of the matter have been so far agreed upon, to re-open the question on the basis of the Locomotive Superintendent's estimate of the loss, as given in his letter No. 3,291-652, dated 30th ultimo, appended to the correspondence.

At the best the proposed adjustment can only be regarded in the light of a compromise, and Mr. Thorowgood met the claim originally put forward by the Company so candidly that it would be a matter for regret if we did anything to cause him to view our proceedings in any other than the same light.

Adopting the claim originally put forward to the counter claim of Mr. Thorowgood for nine months' abatement, and to the time that must elapse between 31st October 1880 and the closing of the laterite quarries, say on 31st May 1881, the revised claim of the Company extending over five years and one month will amount to Rs. 67,856-8-11.

From F. N. THOROWGOOD, Esq., M INST. C. E., Superintendent of the Madras Harbour Works, to the Consulting Engineer for Railways, dated Chepauk, 16th February 1881, No. 229 R.

I HAVE the honor to acknowledge the receipt of your letter No. 132 of the 12th with enclosures, referring to the claim advanced by the Madras Railway on account of loss on the laterite traffic, the claim being represented in the form of depreciation on rolling stock, and the amount now claimed being Rs. 67,856-8-11.

2. I cannot agree to this sum unless it can be clearly shown that the loss on the traffic amounts to so much, for it must be distinctly borne in mind that the original ground for claiming extra payment was that the Company might "recoup itself in some degree for the loss on the traffic." In naming Rs. 43,957 in my letter of 15th November 1880, it seemed to me that that was the maximum that could be demanded, and although I do not lose sight of what is now advanced by the Agent in support of the larger sum, yet before agreeing to it I should like to have a better notion of what the loss on the traffic has been, and whether Rs. 67,856 does not more than cover the loss.

3. It occurs to me that, as the grounds of claim are originally stated as being the short lead from Ambatúr contrasted with the expected long lead from Tirutani, and as Mr. Parkes, the Engineer-in-Chief of these works, had much more to do with the preliminary arrangements with railway than I had, it would be very desirable to have a meeting to settle this matter while he is in Madras. This would save much time and be satisfactory to all parties I believe.

4. Could you kindly arrange for such a meeting, it being understood that Mr. Parkes and I would make our time suit yours and that of the railway officials.

MADRAS RAILWAY.

MINUTES of a Special Meeting held in the Agent and Manager's Office, Ráyapuram, on Friday the 25th day of February 1881.

PRESENT:

A. M. SAUNDERS, Agent and Manager.
G. H. POOLEY, Acting Assistant do.
H. R. P. CARTER, Deputy Chief Engineer.
F. H. TREVITHICK, Locomotive Superintendent.
H. E. CHURCH, Traffic Manager.
F. CHURCH, Chief Auditor.
J. CRAMP, Chief Accountant.

Colonel J. SHAW-STEWART, R.E., Consulting Engineer for Railways.
D. C. GORDON, Government Examiner of Railway Accounts.
W. PARKES, Engineer-in-Chief, Madras Harbour Works.
F. N. THOROWGOOD, Superintendent, do.

Claim for compensation on account of depreciation in value of Harbour Works Wagons.

Read copy of letter from Mr. Parkes addressed to the Consulting Engineer for Railways and dated 18th February 1881, in which he stated that while he quite admitted the principle that the Railway Company should not be subjected to any loss in the carriage of laterite, and that they may fairly claim a fair proportion of profit on the transaction, he did not think the harbour works authorities would be justified in admitting the claim in the form now presented which, in his opinion, was indirect and unsatisfactory.

Mr. Parkes considered there ought not to be any difficulty in ascertaining what is the actual cost of conveying a laterite train from Ambatúr to Ráyapuram without going through the process of taking the average cost of traffic, which has no resemblance to the laterite traffic, and he thought the proportion of maintenance of the ten miles of way in which the harbour works are concerned might be got at more directly than by taking the average of the 858 miles of the system.

Mr. Saunders explained that the claim is for depreciation on the original value of 100 wagons and is calculated at the rate of 8 per cent. per annum on *Rs. 1,66,860-6-4* for five years and one month from August 1875 to May 1881 inclusive, less nine months, and he submitted that only a moderate rate is charged for depreciation taking into calculation the nature of the work, and that more than 100 wagons have actually been employed. He stated that he did not think it would be possible to make out the claim in the way indicated by Mr. Parkes by ascertaining the proportion of the maintenance of the ten miles of way over which the harbour works trains run, and he considered that the only fair measure of the outlay of the cost incurred by the Company in the actual performance of the work will be found in the average cost of working "one wagon over one mile" as published by the Consulting Engineer under the authority of Government. Mr. Saunders said that were a claim to be submitted for the actual loss experienced by the railway on traffic consequent on the very low rate charged of 6 pies per ton per mile and the short lead worked, it would amount to a sum considerably in excess of that now claimed; but that as the arrangement had been entered into between the Railway Company and the harbour works from the commencement he was unwilling to make a claim of this nature, and thought that the demand for compensation on account of depreciation of value of the wagons would meet the merits of the case.

Colonel Shaw-Stewart concurred with Mr. Saunders as to the great difficulty of ascertaining the actual cost as suggested by Mr. Parkes, and stated his opinion that the claim put forward by the railway is a fair and reasonable one.

After some further discussion in which Mr. Parkes stated that, after the explanation afforded he did not wish to press his views, *it was resolved* that the claim for depreciation of harbour works wagons as now rendered by the Madras Railway should be submitted for the approval of Government in the usual course.

SUBMITTED for the consideration and orders of Government.

2. When the conveyance of stone for the harbour works was undertaken by the Madras Railway it was found necessary to construct 100 high-sided wagons to be used exclusively for this traffic. The cost, Rs. 1,66,860-6-4, was charged to Revenue; but in letter embodied in the Proceedings of Government, dated 20th November 1880, No. 674 R., the Government of India finally decided that the present value of these wagons should be transferred to Capital; the depreciation of this stock being estimated at Rs. 73,418-9-2. The balance representing present value has been credited to Revenue in the accounts for the past half-year.

3. In considering the question of depreciation, it was represented by the Railway Authorities that the laterite traffic from Ambatúr was at first worked at a loss, and that a small profit only is now being derived notwithstanding the increased mileage due to the extension of the quarries.

4. When the rate of 6 pies per ton per mile was fixed for the harbour works traffic, it was anticipated that the whole of the stone required would be conveyed by the Madras Railway, and that about 24 per cent. of it would be brought from Tirutani, a distance of 51 miles. Subsequently, the intention of obtaining granite from Tirutani was abandoned, and this material has been brought from Pallávaram by the South Indian Railway, with the exception of a small quantity conveyed by the Madras Railway from Chinnammápet.

5. The gross earnings* from the traffic to be carried by the Madras Railway under the original arrangements were estimated at Rs. 7,78,125, and considering that the lead of a considerable portion would be fifty-one miles, a fair profit was anticipated. The working expenses on the whole were taken at 40 per cent., which would no doubt have proved to be an over sanguine estimate.

* Proceedings of Government, 24th July 1875, No. 2,112.

6. Under the altered conditions it is doubtful if the Railway Company have derived any benefit for the transaction. The receipts up to 30th June 1880 amounted to Rs. 1,80,000 only, and the whole earnings will probably not exceed Rs. 2,40,000. As some measure of recompense to the Company for the change of probable conditions and for the loss actually incurred on a portion of the traffic, it was proposed that the depreciation of the 100 wagons in question should be paid by the harbour works.

7. The proposal being concurred in by this office, the matter was referred for the consideration of the Superintendent, Madras Harbour Works, who, while admitting the validity of the claim on general grounds, was of opinion that a portion of the depreciation should fall on the Railway Company, owing to the wagons having been used during the famine for ordinary traffic purposes. This view was accepted by the Agent and Manager, who considered however that, if the time during which the wagons were withdrawn from the stone traffic was to be deducted, the harbour works might fairly be called upon to make good the depreciation up to the time when the stone traffic may be expected to cease. Mr. Thorowgood having named the end of May as the probable time, a recalculation was made on this basis, with the result that the amount payable by the harbour works now stands at Rs. 67,856-8-11.

8. From the minutes of the special meeting, it will be seen that Mr. Parkes considers the claim to be a fair and reasonable one, and the proposal is recommended for the sanction of Government. Taking the gross earnings from the stone traffic carried by the Madras Railway at Rs. 2,40,000, the effect of the proposal now made would be to increase the rate per ton mile from 6 pies to nearly $7\frac{3}{4}$ pies.

No. 46. ORDER THEREON, 20th April 1881, No. 1,011 W.

THE Government observe that, though the claim is put in the form of payment for depreciation of rolling stock, it is in reality simply a claim for compensation on account of an unprofitable contract.

2. Wear and tear of rolling stock is one of the ordinary expenses of railway working, and there is no reason for making a special charge on this account more than on that of any other of the items which go to make up working expenses.

3. It may be taken for granted that the Company would have no legal claim against a private employer for such a loss as the one under consideration, and inasmuch as the State makes good all deficiencies of income in the shape of guaranteed interest, the Company cannot be said to have really suffered any loss at all.

4. The question is in fact whether a certain sum shall be exhibited in the public accounts as payment on account of guaranteed interest or on account of the Madras Harbour Works; upon this point the opinion of the Government of India will be requested.

(Here enter No. 1,012 W., dated 20th April 1881.)

(True Extract.)

(Signed) R. H. SANKEY, Colonel, R.E.,
Secretary to Govt., P.W.D.

To the Consulting Engineer for Railways.
" Superintendent, Madras Harbour Works.
" Examiner of Public Works Accounts.
" Examiner of Railway Accounts.

Exd. E. C. Shunker.
Spare Copies

4. The question is in fact whether a certain sum shall be exhibited in the public accounts as payment on account of guaranteed interest or on account of the Madras Harbour Works; upon this point the opinion of the Government of India will be requested.

(Here enter No. 1,012 W., dated 20th April 1881.)

(True Extract.)

(Signed) R. H. SANKEY, Colonel, R.E.,
Secretary to Govt., P.W.D.

To the Consulting Engineer for Railways.
" Superintendent, Madras Harbour Works.
" Examiner of Public Works Accounts.
" Examiner of Railway Accounts.

Exd. E. C. Shunker.
Spare Copies

BUILDINGS AND ROADS.
CIVIL WORKS.

Govt. of [1881] Madras.

PUBLIC WORKS.

To

The CONSULTING ENGINEER
for RAILWAYS,
&c., &c., &c.

Dated April, 20th.

Issued

Read.

Read.

G. O., 20th April 1881, No. 1,011 W.

APRIL.
Nos. 45-48.

1011 & 12
7

PUBLIC WORKS DEPARTMENT.

Buildings and Roads.
Civil Works.

No. 1,012 W.

No. 47.

FROM

The SECRETARY to the GOVERNMENT of MADRAS,
Public Works Department,

To

The SECRETARY to the GOVERNMENT of INDIA,
Public Works Department.

Pros., No. 1,011 W., dated 20th April 1881.

SIR,—I am directed to submit, for the consideration of the Government of India, the enclosed papers relative to a claim of Rs. 73,418-9-2 made by the Madras Railway against the Madras Harbour Works on account of depreciation of rolling stock employed in conveying stone for those works.

2. The facts are that when the Harbour Works were just started the Madras Railway agreed to carry stone for them at the rate of 6 pies per ton per mile. At that time it was supposed that the stone would be obtained partly from Tirutani, fifty miles, and partly from Chinnammápet, thirty-six miles from Madras.

3. It was estimated that the total earnings of the line on this account would amount to Rs. 7,78,125, and the lead was sufficient to allow a fair profit.

4. As a fact, however, the greater part of the granite required for the works has been brought from Pallavâram by the South Indian Railway, and the laterite from Ambatúr, ten miles from Madras, only a small quantity of stone having been brought from Chinnammápet, and the actual earnings of the Madras Railway will not exceed Rs. 2,40,000 at the most, while the railway officials, whose opinion is endorsed by the Consulting Engineer, estimate that the traffic will have been carried at an actual loss of about Rs. 70,000.

5. No claim for direct compensation on account of this loss is brought forward, but the claim takes the form of a request for compensation on account of depreciation of rolling stock, built in 1875 for this particular traffic, at a cost of Rs. 1,66,860-6-4.

6. I am to state that the Right Honorable the Governor in Council does not consider that the claim in this form can be accepted, and that any payment to be made must be in the form of direct compensation for loss in carrying out the contract.

7. It appears certain that no claim could be legally enforced on such account against a private employer, and inasmuch as deficiencies in earnings are made good by the State in the form of guaranteed interest the Company cannot be said to have really suffered loss.

8. It is however an open question whether the cost of the Harbour Works would not be more accurately shown by their being debited with the loss admitted to have been sustained in working the traffic, rather than by an equivalent sum being paid by the State in the form of guaranteed interest, and I am therefore to request the instructions of the Government of India, whether any, and if so, what sum should be paid to the Railway Company as compensation for loss on account of the Harbour Works traffic.

9. I am to add that, though there will probably be a small saving on the estimate for the Harbour Works, it is doubtful whether this will be sufficient to meet a charge of Rs. 70,000. I am further to point out that the transfer of earnings from the Madras Railway to the South Indian Railway must have effected a proportionate reduction of the charge against the State for guaranteed interest in the latter case.

I have the honor to be,

Sir,

Your most obedient servant,

(Signed) R. H. SANKEY, Colonel, R.E.,
Secretary to Govt., P.W.D.

OOTACAMUND,
20th April 1881.

Exd. E. C. Shunker.
Spare Copies

BUILDINGS AND ROADS.
CIVIL WORKS.

Govt. of (1881) Madras.

PUBLIC WORKS.

To

THE SECRETARY TO THE
GOVERNMENT OF INDIA.

Dated April, 20th.

Issued

Recd. Encl.

G. O., 20th April 1881, No. 1,012 W.

APRIL.
No. 47.

Claim made by the Madras Railway Company against the Madras Harbour Works on account of depreciation of rolling stock employed in conveying stone for those works.

No 1 [illegible]
Read the following papers

P1

No. 77^8

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,
Madras, 13th October 1880.

10/11/12
9

From Arthur M. Saunders, Esqr.,
Agent and Manager, M. R. Cy.,

To Colonel J. H. M. Shaw Stewart, R.E.,
Consulting Engineer for Railways.

Sir,

Referring to Minute No. 88 of the Official meeting No. 6 of 1880 held in my Office on the 6th August last, I have the honour to forward copies of correspondence that has passed between the Traffic Manager, Chief Accountant and myself on the subject of the depreciation to be charged off the first cost of the 100 Harbour works wagons.

2. You may remember that when this question was discuſsed at the meeting I informed you that during the whole time we had been taking the laterite traffic for the Harbour works we had been running at a loſs.

3. This loſs during the first year and a half or two years was estimated as you will see, by the Chief Accountant at the sum of Rupees 552.0.7 a week. Since however the traffic has been charged with the additional 3 mile as arranged in the special meeting held with Mr. Thorowgood in my Office on the 2d October 1879 (vide minute No. 1 of that meeting) this loſs has been considerably decreased and the returns for year ending the 30th June last, you will observe, shew a net profit on the 12 months working amounting to Rupees 538.10.9

4. You will I think agree with me that such a profit can hardly be looked upon as a satisfactory result. It will be within your recollection that, when this traffic was first arranged between my predeceſsor and the Harbour authorities, we were given to understand that a great deal of it

MADRAS RAILWAY.

From The Agent and Manager.

To The Consulting Engineer for Railways.

Dated 187

Recd.

No.

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would come from Cudumbathoor (Ulginnammapet) where the lead would have been sufficiently long to give us a reasonable return on the low rates then fixed.

5. Little or none of this laterite has come from Cudumbathoor (Tirptane) and nearly the whole of the traffic has since been brought from Umbathoor with the result shewn in the Chief Accountant's letter.

1011 V 12 (1)

6. Mr. Cramp in his last letter of the 8th October states the amount of depreciation which he considers the Company should receive to recoup it in some degree, for the loss sustained on the traffic. This amount he calculates to be Rupees 73418.9.2 and I trust that His Grace the Governor in Council on a full consideration of the whole of the facts connected with this traffic will be pleased to approve of this sum being placed to the

Credit

MADRAS RAILWAY.

From
The Agent and Manager.

To
The Consulting Engineer for Railways,

Dated 187

Recd.

No.

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credit of the Company.

I have the honour to be,
Sir
Your most Obedient Servant,

Arthur M Saunders.
Agent & Manager.

7/69

MADRAS HARBOUR WORKS
NOV 1880

MADRAS RAILWAY.

No 2154/13

From The Agent and Manager.

To The Consulting Engineer for Railways,

Dated 13 Octr 1880 No. 778
Recd. 14 " "

As to the adjustment of the value of 100 Harbour wagons

Vide letter to A M No 960 d/ 17-11-80

11.5

10 My 12 / 13

No. C/ 58867/906.

Madras Railway
Traffic Manager's Office
Madras, 10th February 1879.

The Agent and Manager
Royapuram.

Dear Sir,

Laterite Trains.

Your No. 405 of the 24th ultimo.

The following estimate of the cost of working the Laterite Traffic as compared with the Revenue derived therefrom is based on the number of wagons actually run and the earnings from Laterite in one week – It is estimated that each wagon runs not less than 25 miles in making the trip from the Harbour Works to Umbathoor and back including shunting at both ends, and the Locomotive Superintendent has given me eight (8) pies per wagon per mile as the average cost of working in his Department

				Rs	As	P
2. The Revenue actually derived from 839 wagons of Laterite was	-	-	-	1749	12	"
3. The cost of working these wagons with Loco: & Traffic Departments was						
839 x 25 = 20975 wagon miles @ 8 pies	874	"	"			
Wages of Guards	21	"	"			
" Pointsmen & proportion of Head Porters &c	20	4	"			
Stores, Stationery &ca	2	5	"	917	9	"
			Balance Rs	832	3	"

4. The cost as shewn above amounted

to 52.46 per cent of the earnings, but to this figure must be added a proportion of the Cost of upholding Permanent way and of General Charges which the Laterite service should be properly debited with and the Chief Accountant will no doubt be able to give you the cost under these heads.

5. The Railway Company may reasonably expect in my opinion a nett profit on the Laterite Traffic of at least 50 per cent, because the wear and tear of Rolling stock is very much greater than in working other Traffic and has no doubt had the effect of increasing the average cost of working in the Locomotive Department upon which this estimate is based.

Yours &ca
pdy Louis. S. Moss.
for Traffic Manager.

No 2150/11
12

S.V. 6

No 71

Madras Railway Company
Chief Accountant's Office
Madras, 13th February 1879

1011/12
14

Dear Sir,

Madras Harbour Traffic
Your No 688 dated 11th instant.

The total average cost of working one Goods Vehicle over one mile may be taken at 21.07 pies, distributed as follows.

	pies
Maintenance of way, works and Stations	5.151
Locomotive expenses	7.767
Carriage and wagon expenses	3.468
Traffic expenses	3.134
General Charges	1.550
Total	21.070

Accepting the mileage given in the Traffic Manager's letter for the Vehicles used in the Harbour Traffic the proportion of cost of maintenance and General Charges applicable to this Traffic will be

20,975 × 6.7 pies = Rs 731-15-0

Maint 5.151
G.C. 1.550
6.701

If this outlay is added to the charges shewn by the Traffic Manager we have the result as follows.

Earnings		Rs 1749-12-0
Cost of working		
Locomotive	874-0-0	
Traffic	43-9-0	
Other charges	731-15-0	1649-8-0
Net earnings		Rs 100-4-0

This gives the cost of working as 94.2 per cent of receipts which I am of opinion under-states what is the actual cost of this Traffic.

In the Traffic Managers letter 8 pies is quoted as the average cost of working in the Locomotive Department one Vehicle over one mile, but looking at the figures of the Analysis of the Revenue Accounts for the year 1877, which are now before me, it would appear that 8 pies is too little. The cost worked out for the first half of 1877 is 10.7 pies and during the second half is over 11 pies.

Again in the estimate of the Traffic expenses chargeable to this work there has surely been some mistake as a proportion of the cost of supervision even appears to have been omitted.

Basing the cost of working on the total average cost of a Vehicle mile, we have the following expenditure against the actual receipts of Rs 1749-12-0
20975 × 21.07 equal ______ " 2301-12-7
or a loss for one week of ______ Rs 552-0-7

When it is considered that the wear and tear of the Wagons employed on this work must be much above the average, the above calculation based on an average, cannot be regarded as excessive.

Yours &c
s/d J. Cramp.
Chief Accountant.

To
The Agent and Manager
Madras Railway Company

Madras Railway Company
No. 4/A191 Agent & Manager's Office
Madras, 16th September 1880.

Dear Sir,

I am about to make application to the Government in accordance with the views set forth in Minute No. 88 of Official Meeting No. 6 held in my Office on the 6th August for a certain amount to be paid for depreciation of Stock by the Harbour Works so as to recoup the Railway Company in some degree for the loss sustained by this traffic.

I have before me your No. 71 of the 13th February 1879, but I should be glad if you would inform me what the average amount of traffic has been say up to the 30th of June last, and whether the loss which you then estimated at Rupees 552.0.7 per week has in any way altered during the intervening period.

Yours faithfully,
(Sigd) Arthur M. Saunders,
Agent & Manager.

The Chief Accountant

1011 v 12/17 N.29

Madras Railway Company
Chief Accountant's Office
Madras 21st September 1880.

No. 275

Dear Sir

In reply to your letter No. A 14/991 Dated 16th Instant I beg to send you herewith Copy of a Statement obtained from the Audit Office which gives particulars of the Harbour Works Traffic for the 12 Months ending 30th June last.

From this Statement it will be observed that the total receipts during this period amount to

December 1879 - Rs. 34,002 . 0 . 0
June 1880 — " — 39,604 . 14 . 0 Rs 73,606 . 14 . 0

To earn the above sum 24,846 Vehicles have all run 26 Miles exclusive of shunting giving a total of 645,996 Vehicle Miles. The cost of working a Vehicle over one Mile as brought out in the Analysis of the Revenue Account for the half year ending 31st December 1879, was pies 21.717; which gives the Cost to the Company of the work done for the Madras Harbour at Rs 73,068-3-3, shewing a net profit on the 12 Months Working amounting to Rupees 538=10-9.

This result though by no means a satisfactory one to the Company is very different from that reported in my letter No. 71 dated 13th February /79, and the improvement is I consider due to the additional Charge of 3 Miles made on all Laterite Wagons since 1st August /79 (vide Minutes of a Meeting held in your Office on the 2d October 1879) and to the Satisfactory loading of the wagons.

The average load per wagon during the whole period has been 7.488 tons.

1011·12/18 A.P. 11

During the year ending 30th June last the net profits on the gross Traffic of the line were 44·59 per cent of the Working expenses, and if the Company be allowed the same margin of net profits on the Harbour Works Traffic which has been realized on the gross traffic, the Claim on this Account for one year would Amount to Rs 32,042-7-0 that is 44·59 per cent of the working Charges, minus Rs 538-10-9 net profit shewn above.

With regard to the loss sustained by the Company prior to July 1879. I have already reported in my letter No. 71 dated 13th February 1879 on the figures of this traffic as given in the Traffic Manager's letter No. C 58867/906 dated 10th Idem.

With regard to that report I have only to add that Rs 552-0-7 represents the loss on the running of 839 Wagons, the loss per week being in proportion to the Amount of work done.

Yours &c.
(Sigd) J Cramp
Chief Accountant

To
The Agent & Manager
Madras Rail Co.

Madras Harbour Traffic
Umbatoor to Royapooram 13 Miles from 27th July 1879.

1011 v 12
19

Date	Total No Wagons	Total No Tons	Total Amount of freight			
July 1879 —	2.235	18.748	5,848	13	„	
August — „ —	2851	23972	9723	8	„	
September — „ —	3.286	25.493	10,324	6	„	
October — „ —	1,365	10,872	4,401	6	„	
November — „ —	420	3,299	1,335	12	„	Includes Materials
December — „ —	803	5,849	2,368	3	„	carried to Umbatoor
						Tons 214 Amt. Rs 84 - A 15 - P 0
Total —	10,960	88,233	34,002	„	„	
January 1880 —	2,275	17.101	6,922	14	„	
February — „ —	3.638	26,010	10,529	13	„	
March — „ —	2.688	18.056	7.316	13	„	
April — „ —	2205	15,002	6,073	5	„	Includes Materials
May — „ —	980	6,810	2,757	„	„	Tons 17 Amt Rs 6 „ A 6 „ P 0
June — „ —	2.100	14.833	6.005	1	„	
Total —	13,886	97.812	39.604	14	„	

Madras Railway }
Traffic Audit Office }

Sigd/ J. E. Atkinson
for Chief Auditor
20th September 1880

(True Copy)

Sigd/ J. Cramp
Chief Accountant.

Madras Railway Company
No. A 238. Agent & Manager's Office
Madras, 6th October 1880.

Dear Sir,

In reply to your letter of the 21st ultimo No. 275 I shall be glad to know your opinion as to the amount you think the Harbour Works people should be called upon to pay for the depreciation of our stock in accordance with the resolution arrived at in Minute No. 88 of Official Meeting No. 8 of this year.

Though we have apparently derived some small profit during 12 months the loss from this traffic which we at first experienced was so heavy that we might reasonably expect the Harbour Works to pay a liberal amount towards the depreciation.

I wish to prefer the claim on this account before the departure of the present Governor.

Yours faithfully
(Sigd) Arthur M. Saunders
Agent & Manager

The Chief Accountant.

No: 294.

Madras Railway Company,
Chief Accountant's office,
Madras, 8th October 1880

16/11/12
2/

Dear Sir,

Referring to your letter, No. 9/238 of 6th instant, requesting to know what amount should in my opinion be claimed from the Harbo Works on account of depreciation in value of Madras Railway Wagons employed for bringin laterite from Umbathoor I beg to inform you that the original cost of the 100 wagons Construc for this traffic and charged in the Company' Revenue Account was Rs 166,860 " 6 " 4. The Locomotive Superintendent as you are awa estimates the depreciation of this Stock to b 8 per cent per annum of its value, So that in a period of, say, 5½ years, the depreciation would amount to Rs: 73,418 " 9 " 2.

As regards the loss the Company has incurred in working the Harbour works traffi I have ascertained that the number of wagon run between Royapuram & Umbathoor prio to 1st July 1879 amounted to 35,650, and as the loss on 839 wagons has been shown to be, Rs: 552 " 0 " 7 (Vide my letter No: 275 d/21st ultimo) the total loss on the running of 35,65 wagons will amount to Rs: 23,455 " 0 " 0.

The Company has in my opinion a fair claim to be re-imbursed both the amount chargeable for depreciation of the Stock and the loss incurred on the traffic; but the resolutio of the Official Meeting, No: 88 of 6th August last only proposes to claim for the first ite

on

MADRAS HARBOUR
2 NOV
1880

769

the ground that it will "recoup the Company in degree for their loss" on the traffic. Under these circumstances I think the claim made should be for the full amount of depreciation for 5½ years as above viz: Rs 73418 . 9 . 2.

Yours faithfully
(Sd) I. Cramp
Chief Accountant

M 2157/81

To
The Agent & Manager
M. R. C.

(True Copies)
Arthur M Saunders
Agent & Manager.

No. 171 R

P 14

From
The SUPERINTENDENT,
MADRAS HARBOUR WORKS.

To
Colonel J. H. M. Shaw Stewart, R. E.
Consulting Engineer for Railways

MADRAS, 15th November 1880

Sir

I have the honor to return herewith the papers forwarded for perusal with your letter No 1185 of the 8 instant, and at the same time I will submit some remarks which bear upon the subject under discussion.

2. First, with reference to the Agent and Manager's statement that the shortness of the distance from Ambathoor to Madras renders the traffic hardly remunerative, while a long lead (as from Tiruttany, which was the place originally selected by Mr Parkes as the site for granite quarries) would have yielded a fair profit at the same rate per ton-mile, I am quite prepared to admit the fairness of that argument. There is no doubt whatever that, at the commencement of these works, the Madras Railway Company were led to believe that a heavy traffic would be carried on between either Tiruttany

17

or Chinnamapett and Madras, and as a matter of fact only 13,000 tons have been conveyed from Chinnamapett

3. With regard to the charge for depreciation of value in the rolling stock for laterite traffic, I think one point has been overlooked by the Madras Railway officials, namely that during the year 1877 the Harbour Works wagons were employed almost exclusively on ordinary traffic, and that I was directed by G.O. No 672 February 28th 1877 to use the Madras Railway as little as possible. The words of this Order of Government which bear more directly on the question are:– "while this pressure (i.e. "famine traffic) lasts, the rolling stock "of the Madras Railway should not be "diverted from the grain traffic to "bring ~~to bring~~ material for the North "Pier foundations"–

4. It will be observed that the Chief Accountant of the Madras Railway, in arriving at the sum of Rs 73,418, takes the cost of 100 wagons (Rs 166 860) at 8 per cent for 5½ years. Now, I submit that, at this date of writing, it is not yet 4½ years since the wagons were made, and even if 4½ years be taken as the time

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approximately in round numbers, yet for 10 months of those 4½ years, the wagons for which I am asked to pay were used more for grain traffic than for laterite traffic – I therefore consider that 3¾ years would more nearly represent the time over which depreciation should be charged, up to (say) October 31st 1880.

5. But during the time that these wagons have been running the Harbour Works have already paid Rs 6,101 for repairs, and I think there can be no doubt that this sum should be deducted from the charge for depreciation. It should also be borne in mind that 3 miles of the 12 charged for, on the journey from Ambathoor, are laid with Harbour Works material, and cost the Company nothing for maintenance.

6. If, then, the time be taken as 3¾ years instead of 5½, the sum charged at 8 per cent per annum would be Rs 50,058 and after deducting the Rs 6,101 mentioned above, this would be reduced to Rs 43,957 which appears to me to be the utmost that can fairly be demanded.

I have the honor to be,
Sir,
Your most Obedt Servant

F. N. Thorowgood.
Superintendent
M. H. Works

JRW
Gr 29/6

deducted where the wagons were engaged

PW 2154/81
5

16. 11. 80

Copy sent to A M with letter No 960
of 17-11-80

No 3

No. 104

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

Madras, 10th February 1881

1011×17
24

From

Arthur M. Saunders. Esq.
Agent and Manager.
M. R. C.

To

Colonel J. H. M. Shaw-Stewart. R.E.
Consulting Engineer for Railways.

SIR,

In reply to your No: 960 of the 17th November I have the honour to forward you Copies of the Correspondence which has passed on the Subject of our claim for depreciation against the Madras Harbour Works.

I have been demi-officially in Communication with Mr Thorowgood on the Subject and from the Copies that I enclose you will observe my reasons for objecting to deduct the Sum of Rupees 6101 for repairs which Mr Thorowgood Suggests he Should not be asked to pay again.

I am quite willing to accede to Mr Thorowgood's Suggestion that a Certain period of time Should be deducted while the wagons were engaged

1011/VB
21

for Famine Traffic and from enquiries made this period would appear to be nine months.

On the other hand my first demand was up to the 31st October last and had the claim been accepted in its entirety I should not have asked for any further amount in connection with this depreciation, but, as Mr. Thornygood has fairly remarked that he should not be called upon to pay during the time the wagons were not used for his traffic I consider we can with equal justice demand that the time up to which the wagons will probably be used, namely the 31st May next should be the date of the claim.

I have therefore asked the Chief Auditor what the claim of the Company would amount to supposing on the one hand nine months were to be allowed and on the other hand seven months were to be claimed and he now informs me that the sum would be Rs 67856.

MADRAS RAILWAY.

From
The Agent and Manager.
To
The Consulting Engineer
for Railways,
Dated 187
Recd. No.

P.18

1011 x 12
26

Rs 67856-8-11.

If therefore the Superintendent of Harbour Works will be good enough to accept this amount as the cost of depreciation and will forward a cheque for that sum at his convenience, I, on the part of the Company will look upon the claim as being fairly met and settled.

I have the honour to be,
Sir,
Your most obedient Servt,
Arthur M Saunders
Agent and Manager

No 2154/81
4

MADRAS RAILWAY.

From The Agent and Manager.

To The Consulting Engineer for Railways.

Dated 10th February 1881 No. 104.

Recd. 11 Feb

Regarding the incidences of the Cost of Harbour works wagons.

Vide letter to the Subject of Madras Harbour works No 137 - 12-3-81

10/II/12
27

A.R. 19

D.O.

Madras Railway Company.
Agent & Manager's Office
Madras, 30th November 1880.

My dear Thorowgood,

Can you let me know how much longer you are likely to be working laterite over our line Jack thus so as to arrive at an equitable settlement of our wagon depreciation question. When submitting the point for the consideration of Government through the Consulting Engineer, I meant the demand to be a final one against your Harbour works, to recoup us in a small way for our loss of profit on the transaction, and I quite appreciate the fair way in which you have met the proposal. The only point that I cannot admit is the 6000/. for repairs. You might as well exclude the amount paid for oiling the wheels, as for the necessary repairs done from time to time. As you rightly say a certain term should be excluded during the time you were not using the wagons. I am quite prepared to exclude the nine months but then on the other hand, instead of making the 31st October the time that the Estimate made should terminate on, we should in fairness be allowed up to the time when the work will probably finish

If you can estimate that now with any degree of certainty we might deduct that period from the Nine Months I am prepared to knock off and the Erection would be settled at once or rather, to be exact, as soon as the Cheque was received.

Yours &ca.

(Signed) Arthur M. Saunders.

Harbour Works office,
Madras 30th Nov. 1880

My dear Saunders,

Your D.O. of this date

I hope to shut up the Laterite Quarries on May 31st 1881, and have made my own arrangements for such an event.

With regard to the Charge for repairs being deducted I think it entirely depends upon the way in which the depreciation of plant as a per centage was arrived at. If the Cost of repairing a broken Spring, Coupling, buffer-plate &ca. goes towards making the percentage yr. claim, I maintain that by paying you full demand I am paying twice for repairs but if the depreciation only refers to a gradual

Wearing

wearing out of the working parts then your claim in full is perfectly fair.

As it is in a measure an unexpected Charge of a Considerable Amount I cannot possibly settle it before March 31. 1881 for the simple reason that the Government of India will not allow the Money

Yours &ca.

(Signed) J. H. Thorowgood.

No. A. 364.

Madras Railway Company
Agent & Manager's Office
Madras 2nd December 1880

Dear Sirs,

In Continuation of previous Correspondence ending with your No. 1476 of the 26th ultimo on the Subject of the depreciation of the Harbour Works wagons I have now the pleasure to send you Copies of two demi official letters which have passed between Mr. Thorowgood and myself as well as a Copy of a letter No. $\frac{3291}{652}$ dated the 30th ultimo from the Locomotive Superintendent on the Same Subject.

I have no desire to increase the demand to be made on the Harbour works beyond that already shewn as

J.R.

depreciation

depreciation amounting to Rs 73418-9-2 and I shall be happy to set off the 9 months proposed by Mr Thorowgood to be deducted from the depreciation charge and on the other hand it will be necessary to extend the time for which we shall charge from the 31st of October to the 31st of next May the period at which Mr Thorowgood seems to think it likely the traffic will cease.

The Settlement therefore of the case would appear to be that we shall adhere to our former demand less 9 months and shall have to add to it the additional time of seven months. So that the difference for which we shall have to allow will be 2 months.

If you have any observation to make on Mr Trevithick's letter please favour me with them and if not let me know what the total sum would be based upon this calculation

Yours &ca
(Signed) Arthur M Saunders
Agent & Manager

The Chief Auditor and Chief Accountant

No: 1518.

Madras Railway Company
Chief Auditor's office
Madras 6th Dec. 1880

Dear Sir,

In reply to your letter No A. 367 dated 2nd instant it would not be desirable in my opinion, now that the negociations for the Settlement of the depreciation of the Harbour Works wagons have proceeded so far, and the principle and the terms of the Settlement of the matter have been so far agreed upon, to reopen the question on the basis of the Locomotive Superintendent's estimate of the loss, as given in his letter No 3291/632 dated 30th ultimo appended to the Correspondence.

At the best the proposed adjustment can only be regarded in the light of a Compromise and Mr Thorowgood met the claim originally put forward by the Company so candidly that it would be a matter for regret if we did anything to cause him to view our proceedings in any other than the same light.

Adapting the claim originally put forward to the Counter claim of Mr Thorowgood for nine months abatement and to the time that must elapse between 31st October 1880, and the closing of the laterite quarries, say on 31st May 1881 the revised claim of the Company extending over 5 years and one month will amount. Rs 67856-8-11.

Yours &ca
(Signed) Fitzgerald Church
Chief Auditor

The Agent & Manager, M. R. C.

(True Copies)

Arthur M Saunders

J.R.

P 22

No. 229 R

From

The SUPERINTENDENT,
MADRAS HARBOUR WORKS,

To The Consulting Engineer for Railways
Chepauk

Madras, 16th February 1881.

Sir,

I have the honor to acknowledge the receipt of your letter No 132 of the 12th with enclosures, referring to the claim advanced by the Madras Railway on account of loss on the laterite traffic; the claim being represented in the form of depreciation on rolling stock, and the amount now claimed being Rs 67,856-8-11.

2. I cannot agree to this sum unless it can be clearly shewn that the loss on the traffic amounts to so much, for it must be distinctly borne in mind that the original ground for claiming extra payment was that the company might "recoup itself in some degree for the

"the loss on the traffic" - In naming Rs 43,957 in my letter of November 15th 1880 it seemed to me that that was the maximum that could be demanded, and although I do not lose sight of what is now advanced by the Agent in support of the larger sum, yet ~~demanded~~ before agreeing to it I should like to have a better notion of what the loss on the traffic has been, and whether Rs 67,856 does not more than cover the loss.

3. It occurs to me that, as the grounds of claim are originally stated as being the short lead from Ambathoor contrasted with the expected long lead from Tiruttany, and as Mr Parkes, the Engineer in Chief of these works, had much more to do with the preliminary arrangements with railway than I had, it

it would be very desirable to have a meeting to settle this matter while he is in Madras - This would save much time and be satisfactory to all parties I believe.

4. Could you kindly arrange for such a meeting, it being understood that Mr Parkes and I would make our time suit yours and that of the railway officials.

I have the honor to be,
Sir,
Your most Obdt Servant
F.W. Horowgood.
Superintendent
M.H. Works

Exd [illegible]

M2154/81
22

Vide letter f A M No 146
of 18-2-81

17-2-81.

Private and Confidential.

MADRAS RAILWAY.

MINUTES OF A SPECIAL MEETING

HELD IN THE

AGENT AND MANAGER'S OFFICE, ROYAPURAM,

On Friday the 25th day of February 1881.

PRESENT:

ARTHUR M. SAUNDERS, *Agent & Manager.*
GEORGE H. POOLEY, *Ag. Assistant Do.*
H. R. P. CARTER, *Dy. Chief Engineer.*
F. H. TREVITHICK, *Loco. Superintendent.*
H. E. CHURCH, *Traffic Manager.*
F. CHURCH, *Chief Auditor.*
J. CRAMP, *Chief Accountant.*

COL. J. H. M. SHAW-STEWART, R. E., *Consulting Engineer for Railways.*
D. C. GORDON, *Government Examiner of Railway Accounts.*
W. PARKES, *Engineer-in-Chief, Madras Harbour Works.*
F. N. THOROWGOOD, *Superintendent, Do.*

CLAIM FOR COMPENSATION ON ACCOUNT OF DEPRECIATION IN VALUE OF HARBOUR WORKS WAGONS.

Read copy of a letter from Mr. Parkes addressed to the Consulting Engineer for Railways and dated 18th February 1881, in which he stated that while he quite admitted the principle that the Railway Company should not be subjected to any loss in the carriage of Laterite, and that they may fairly claim a fair proportion of profit on the transaction, he did not think the Harbour Works Authorities would be justified in admitting the claim in the form now presented which in his opinion was indirect and unsatisfactory.

Mr. Parkes considered there ought not to be any difficulty in ascertaining what is the actual cost of conveying a Laterite Train from Umbatoor to Royapuram without going through the process of taking the average cost of traffic, which has no resemblance to the laterite traffic, and he thought the proportion of maintenance of the 10 miles of way in which the Harbour Works are concerned might be got at more directly than by taking the average of the 858 miles of the system.

Mr. Saunders explained that the claim is for depreciation on the original value of 100 wagons and is calculated at the rate of 8 per cent per annum on **Rupees 1,66,860-6-4** for 5 years and 1 month from August 1875 to May 1881, inclusive, less 9 months, and he submitted that only a moderate rate is charged for depreciation taking into calculation the nature of the work, and that more than 100 wagons have actually been employed. He stated that he did not think it would be possible to make out the claim in the way indicated by Mr. Parkes by ascertaining the proportion of the maintenance of the 10 miles of way over which the Harbour Works Trains run, and he considered that the only fair measure of the outlay of the cost incurred by the Company in the actual performance of the work will be found in the average cost of working "one wagon over one mile" as published by the Consulting Engineer under the authority of Government. Mr. Saunders said that were a claim to be submitted for the actual loss experienced by the Railway on traffic consequent on the very low rate charged of 6 pies per ton per mile and the short lead worked, it would amount to a sum considerably in excess of that now claimed; but that as the arrangement had been entered into between the Railway Company and the Harbour Works from the commencement he was unwilling to make a claim of this nature, and thought that the demand for compensation on account of depreciation of value of the wagons would meet the merits of the case.

Col. Shaw-Stewart concurred with Mr. Saunders as to the great difficulty of ascertaining the actual cost as suggested by Mr. Parkes, and stated his opinion that the claim put forward by the Railway is a fair and reasonable one.

After some further discussion in which Mr. Parkes stated that after the explanation afforded he did not wish to press his views—**It was resolved** that the claim for depreciation of Harbour Works Wagons as now rendered by the Madras Railway should be submitted for the approval of Government in the usual course.

ARTHUR M. SAUNDERS,
Agent and Manager,
Madras Railway.

W. PARKES,
Engineer-in-Chief,
Madras Harbour Works.

J. H. M. SHAW-STEWART, Col., R. E.,
Consulting Engineer for Railways.

Public Works Department,
Railway Branch.

Consulting Engineer's Office,
Madras, 4th April 1881.

Letter from Agent and Manager Madras Railway No. 778 dated 13th October 1880, with enclosures.
Letter from Superintendent Madras Harbour Works No. 177 R dated 15th November 1880.
Letter from Agent and Manager Madras Railway No. 104 dated 10th February 1881, with enclosure.
Letter from Superintendent Madras Harbour Works No. 229 R, dated 16th February 1881.
Minutes of special meeting held on 25th February 1881.

No. 85

Submitted for the consideration and orders of Government.

2. When the conveyance of stone for the Harbour Works was undertaken by the Madras Railway it was found necessary to construct 100 high-sided wagons to

Understd. the proposal to be that the Harbour Works shall pay the Rly. Co. Rs. 67,857. on account of depreciation of Rolling Stock. as some compensation for loss on acct. result of agreement. viz: the differ. between Rs. 24000 probable actual earnings & Rs. 78,135 origl. est. of earnings. the lead having been diminished by altered arrangts. - The claim

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Consulting Engineer for Railways.

Public Works Department,
Railway Branch.

Consulting Engineer's Office,
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2. When the conveyance of stone for the Harbour Works was undertaken by the Madras Railway, it was found necessary to construct 100 high-sided wagons

to

1011/12

to be used exclusively for this traffic. The cost, Rs 1,66,860-6-4, was charged to Revenue, but in letter embodied in the Proceedings of Government dated 20th November 1880, No. 674 R, the Government of India finally decided that the present value of these wagons should be transferred to Capital. The depreciation of this stock being estimated at Rs 73,418-9-2. The balance, representing present value, has been credited to Revenue in the Accounts for the past half-year.

3. In considering the

question

may be equitable. but I don't suppose it could be established as a legal liability between the Co. & a private employer inasmuch as the State provides the deficit in con[illegible] in the form of guaranteed interest. The Co. cannot have suffered any loss by the unfavourable result of the working of the agreement altho' it may be expedient to adjust the claim in order to exhibit the cost of the Harbour works fairly. The result will merely be to reduce by a corresponding amt. the deficient earnings wh. the State makes good in its guarantee. So that it comes really to a transfer of charge. Is the

Harbour account in a position to make the adjustment?

If so, I wd. sanction payt. of the agreed amt. of the claim.

If not, I wd. ask Govt. whether they wd. wish done in the way of adjusting Ry. earnings & Harbour cost.

The proposal really is = to compensating a Contractor in a measure for a bad bargain - but the bad result was in a measure if not altogether induced by a change wh. the H.C. Government could not have prevented a private employer from making - ([illegible] as to this) & Government was so far as the guarantee question is concerned. 2 [illegible] extent would be taken by increased earnings or S.I. 2[illegible]. [illegible] 6/4/81

question of depreciation, it was represented by the Railway Authorities that the laterite traffic from Ambatur was at first worked at a loss, and that a small profit only is now being derived notwithstanding the increased mileage due to the extension of the quarries.

4. When the rate of 6 pies per ton per mile was fixed for the Harbour Works traffic, it was anticipated that the whole of the stone required would be conveyed by the Madras Railway; and that about

24 per cent of it would be brought from Tirutani, a distance of 51 miles. Subsequently, the intention of obtaining granite from Tirutani was abandoned, and this material has been brought from Pallivaram, by the South Indian Railway, with the exception of a small quantity conveyed by the Madras Railway from Chinnamniapet.

5. The gross earnings[×] from the traffic to be carried by the Madras Railway under the original arrangements, were estimated at R 7.78.125; and considering that

[×] Proceedings of Government. 24th July 1875 No. 112

that the lead of a considerable portion would be 51 miles, a fair profit was anticipated. The working expenses on the whole were taken at 40 per cent, which would no doubt have proved to be an over-sanguine estimate.

6. Under the altered conditions, it is doubtful if the Railway Company have derived any benefit for the transaction. The receipts up to 30th June 1880, amounted to R 1,80,000 only, and the whole earnings will probably not exceed R 2,40,000. As some measure of recompense

to

to the Company for the change of probable conditions, and for the loss actually incurred in a portion of the traffic, it was proposed that the depreciation of the 100 wagons in question should be paid by the Harbour Works.

7 The proposal being concurred in by this office, the matter was referred for the consideration of the Superintendent, Madras Harbour Works; who, while admitting the validity of the claim on general grounds, was of opinion that a portion of the depreciation should fall on the Railway

Railway

Railway Company, owing to the wagons having been used during the famine for ordinary traffic purposes. This view was accepted by the Agent and Manager, who considered however, that, if the time during which the wagons were withdrawn from the stone traffic was to be deducted, the Harbour Works might fairly be called upon to make good the depreciation up to the time when the stone traffic may be expected to cease. Mr. Thorowgood having named the end of May as the probable time;

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time,

time, a recalculation was made on this basis, with the result that the amount payable by the Harbour Works now stands at R 67,856.8.11.

8. From the Minutes of the special meeting, it will be seen that Mr. Parkes considers the claim to be a fair and reasonable one, and the proposal is recommended for the sanction of Government. Taking the gross earnings from the stone traffic carried by the Madras Railway at R 2,40,000, the effect of the proposal now made would

would

be to increase the rate per ton-mile from 6 pies to nearly 7 $\frac{3}{4}$ pies.

Colonel, R.E.,
Consg: Engr: for Railways.

Form No. 3.

J. B. 20. 830 R. 20-8-78.
" " 987 R. 8. 10. 78.
" " 14 R. 9-1-79.
" " 527 R. 11-9-80.
528 R
" " 674 R. 20.11.80

RAILWAY DEPARTMENT, MADRAS.

P. W. C. No. 2154.

From

THE CONSULTING ENGINEER
FOR RAILWAYS.

No. 85
Dated 4 April 1881
Received 5

No. of Enclosures. 13

Subject.

Regarding the adjustment of the value of 100 Harbour wagons

~~Hon W. Huddleston~~

A/cw

No 1011 W

1011/2 1st Ck 3d 29 e Ck

PUBLIC WORKS DEPARTMENT.

PROCEEDINGS OF THE MADRAS GOVERNMENT.

UNDER date the 20 Apl/81.

Read the following :—

From the Consulting Engineer for Railways } H. E. No. 85 dated 4th April/81.

Print with [illegible]

The Government observe that though the claim is put in the form of payment for depreciation of rolling stock, it is in reality simply a claim for compensation on account of an unprofitable contract.

2. Wear and tear of rolling stock is one of the ordinary expenses of railway working, and there is no reason for making a special charge on this account more than on that of any other of the items which go to make up working expenses.

3. It may be taken for granted that the Company would have no legal claim against a private employer for such a loss as the one under considera-

-tion and inasmuch as the State makes good all deficiencies of income in the shape of guaranteed interest, the Company cannot be said to have really suffered any loss at all.

4. The question is in fact whether a certain sum shall be exhibited in the public accounts as payment on account of guaranteed interest or on account of the Madras Harbour works; upon this point the opinion of the Government of India will be requested.

H. E. No 1012 W dd 20 apl/81

To

The Secretary to the Govt.
of India
P. W. D.

Sir

I am directed to submit for the consideration of the Government of India, the

To The C. E. for Rys ✓
" Supt. M. H. Works ✓
" Exr P. W. A ✓
" Exr Ry accts ✓

Desd
2 – 5 – 81

Pro. No 8

10/11/12
40

enclosed papers relative to a claim of Rs 73,418.9.2 made by the Madras Railway against the Madras Harbour works on account of depreciation of rolling stock employed in conveying stone for those works.

2. The facts are that when the Harbour works were just started the Madras Railway agreed to carry stone for them at the rate of six pies per ton per mile. At that time it was supposed that the stone would be obtained partly from Tirutani, fifty miles, and partly from Chinnamapett thirty six miles from Madras.

3 It was estimated that the total earnings of the line on this account would amount to Rs 7,78,125, and the lead was sufficient to allow a fair profit.

4 As a fact however, the greater part of the granite required for the works has been brought from Palaveram

by the South Indian Railway, and the laterite from Embattoor, ten miles from Madras, only a small quantity of stone having been brought from Chinnamapett, and the actual earnings of the Madras Railway will not exceed Rs 2,40,000 at the most, while the railway officials, whose opinion is endorsed by the Consulting Engineer, estimated that the traffic will have been carried at an actual loss of about Rs 70,000.

5 No claim for direct compensation on account of this loss is brought forward, but the claim takes the form of a request for compensation on account of depreciation of rolling stock, built in 1875 for this particular traffic, at a cost of Rs 166,860-6-4.

6 I am to state that the Right Honorable the Governor in Council does not consider that the claim in this form can be accepted, and that any payment to be made

must be in the form of direct compensation for loss in carrying out the contract.

7. It appears certain that no claim could be legally enforced upon ~~this~~ such account against a private employer, and inasmuch as deficiencies in earnings are made good by the State in the form of guaranteed interest, the Company cannot be said to have really ~~to~~ suffered loss.

8 It is however an open question whether the cost of the Harbour works would not be more accurately shown by their being debited with the loss admitted to have been sustained in working the traffic, rather than by an equivalent sum being paid by the State in the form of guaranteed interest, and I am therefore to request the instructions of the Government of India, whether any and if so, what sum should be paid to the Railway

Company as Compensation for loss on account of the Harbour works traffic.

9. I am to add that though there will probably be a small saving on the estimate for the Harbour works, it is doubtful whether those will be sufficient to meet a charge of Rs 70,000.

D 11/4

Hon'ble [illegible]

The Rt Hon the Governor

I am further to point out that the transfer of earnings from the M. Ry. & the S. I. Ry must have effected a proportionate reduction of the charge agst. the State for guaranteed interest in the latter case -

[illegible] 25-4-87.

[illegible] 8.4.4.

Issue

Cir 13/4 021 4. 13/4

Company as Comm

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Govt. of (1881) 3

PUBLIC WORK

To

21-4

Dated

Issued

Recd

G.O. 20 April 1881, N

Nos.

Depreciation of rol
stock employed in c
stone for the Madra
Harbour Works Pap

Orders on papers rel
to claim of Rs 73,418-9
by the Contr. against
Madras Harbour Wo
on account of —

Claim made by the
against the Madras Har
Works on account of dep
of rolling stock emplo
conveying stone for the