Public Works (1898) Department.

RAILWAY BRANCH.

G.O., No. 1275/A Rys

DATED. 17th Octr 1898.

120/2

[Despatch Abstract.]

Surplus profits of the Sur Rys, for the half year ending 30th June 1898.

Recording correspondence on the subject of a proposal made by the Examiner of Guaranteed Rly Accounts, Madras, for withholding from distribution part of the Sur Rly Co's share of surplus profits for the half year ending 30th June 1898

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RAILWAY.

Government {1898} of Madras.

PUBLIC WORKS.

Recd. }1898. *Enclosures*

Regd. *Spare copies*

G.O., No. $\frac{1275}{A}$ Ry., 17th October 1898.

OCTOBER.

Surplus Profits of the Madras Railway, for the half-year ending 30th June 1898

Recording correspondence on the subject of a proposal made by the Examiner of Guaranteed Railway Accounts, Madras, for withholding from distribution part of the Madras Railway Company's share of surplus profits for the half-year ending 30th June 1898.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway.

Read the following papers :—

From—The Agent and Manager, Madras Railway.
To—The Consulting Engineer for Railways, Madras.
Dated—Madras, 6th September 1898, No. 10390/845.

I have the honour to forward, herewith, nine copies each of the accounts of the Madras Railway, Kolar Gold Fields Railway, and the Madras-Ennur section of the Bezwada-Madras Railway for the half-year ending 30th June 1898.

2. I also forward in manuscript the office and Board's copies of the revenue accounts and shall be obliged if you will kindly return them together with two printed copies of each, duly countersigned by yourself and the Examiner of Railway Accounts in time to be despatched to the Board by the mail of the 15th instant.

3. A printed copy of the Kolar Gold Fields Railway accounts is also forwarded herewith for transmission to the Mysore Government.

Capital and Revenue Accounts, Madras Railway, and branches for the half-year ended 30th June 1898.

From—The Consulting Engineer for Railways.
To—The Agent and Manager, Madras Railway.
Dated—Ootacamund, 6th September 1898, No. 139/O.

I have the honour to forward, for favour of very early comments and explanation, a copy of an urgent letter from the Government Examiner, No. 451, dated the 2nd September 1898, on the subject of the necessity or otherwise for withholding from distribution to shareholders a part of the past half year's surplus profits, with a view to covering the probable excess expenditure on certain items of working expenses in next half year.

Enclosure.

From—The Examiner, Guaranteed Railway Accounts, Madras.
To—The Consulting Engineer for Railways, Madras.
Dated—2nd September 1898, No. 451.

I have the honour to forward, herewith, two statements comparing (1) the total expenditure under Abstracts B and C of the revenue accounts and (2) the expenditure under the sub-heads B-VI and C-II of these abstracts for the half-year ended 30th June 1898, with the provision made in the working estimates for the half year, and with the average expenditure of the corresponding periods of the three preceding years, and to offer the following remarks thereon.

2. From the first statement it will be seen that the expenditure under these abstracts has greatly fallen short both of the provision in the estimates and of the three years' average; and, from the second statement, that this saving has been entirely effected under the sub-heads B-VI Maintenance and Renewals of locomotive engines and C-II Repairs and Renewals of vehicles.

3. The actual expenditure under Maintenance and Renewals of Engines has fallen short of the estimates by Rs. 76,340, and of the three years' average by Rs. 73,290. The actual expenditure on Repairs and Renewals of Vehicles has fallen short of the estimates by Rs. 89,898, and of the three years' average by Rs. 63,866. If to these figures we add the saving effected in loss by exchange by the short issues of stores for repairs and renewals, we find that the total expenditure on repairs and renewals of rolling-stock falls short of both the estimates and three years' average by about two lakhs of rupees or more than 35 per cent.

4. Of course the strike of workmen which took place at the Perambore shops during the month of May 1898 is partly accountable for the short outlay, but an analysis of the monthly figures shows that the restriction on expenditure on repairs and renewals of rolling-stock has persisted throughout the last three or four months of the half year, the greatest shortage appearing in the month of April before the strike began.

5. What appears to have taken place is as follows: The gross earnings for the half-year ended 30th June 1898, amounting to Rs. 56,34,736-6-7, show a deficiency of Rs. 1,54,825-8-4 as compared with the first half of 1897 when surplus profits to the extent of Rs. 1,71,937 were earned. Had the expenditure continued at or about the normal rate during the first half of 1898, it would have been expected that little or no surplus profits would have been earned. The Company, however, seeing the great falling off in earnings that was taking place, and the small prospect of earning surplus profits under normal circumstances, have met this by restricting or deferring repairs and renewals to rolling-stock to about the same extent. In this way, with a deficiency of gross earnings of Rs. 1,54,825-8-4 as compared with the first half of 1897, surplus profits to an even greater extent or * Rupees 2,00,000 have still been earned. Broadly speaking it may be said that these profits are unreal, and produced only by the postponement of necessary repairs and renewals of rolling-stock.

* Approximate estimate accounts not yet passed.

6. Had the savings been effected under running or other working expenses of a like nature, there would have been nothing to say against the working results brought out; but short outlay on repairs and renewals of rolling-stock is not savings, but merely expenditure deferred to the following half year.

7. The earnings of the Madras Railway still show a heavy decline; so that, as far as can be seen at present, there appears to be no prospect of surplus profits being again earned during the current half year. In this case any expenditure on repairs and renewals of rolling-stock which should have been carried out last half year, but which has been deferred to the current half year, will fall wholly on Government.

8. To prevent the injury to the financial interests of Government by the payment to the Company of a half share of surplus profits which have been earned entirely by the postponement of necessary outlay which will fall wholly on Government in the succeeding half year, I would recommend that a sum of from 1¾ to 2 lakhs of rupees should be reserved from the net earnings of the past half year to make good the deficiency in the repairs and renewals of rolling-stock during that half year, and in this connection I would beg to invite your attention to the instructions contained in the Secretary of State's despatch † No. 7 of the 10th March 1881 to the Bombay Government which bear upon the subject.

† S.O. Manual, page 221.

9. If you concur with me in thinking that some special action of this nature is called for in the interests of Government, I would suggest that a copy of this report, with any specific recommendations which you may see fit to make, should be submitted for the orders of the Government of India, since the course proposed to be taken, although clearly in accordance with the instructions of the Secretary of State, is somewhat unusual, at least so far as the Madras Railway is concerned, and is certain to be strongly opposed by the Company.

10. As the accounts for the past half year will shortly be closed, early instructions on the point are requested.

MADRAS RAILWAY.

Total Locomotive Expenses—Abstract B.

Months.	First half of 1898.	First half of 1897.	First half of 1896.	First half of 1895.	Three years' average, 1895–97.	1898, less than average.	Provision in estimate for first half of 1898.	Actuals less than estimate.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	1,64,358	1,54,975	1,58,497	1,55,332	1,56,268	8,090	..	..
February	1,60,381	1,41,249	1,54,170	1,49,741	1,48,387	11,994	..	..
March	1,61,097	1,74,099	1,70,961	1,59,518	1,65,193	7,096	..	..
April	1,62,436	2,14,113	2,10,329	1,45,540	1,89,994	27,558	..	..
May	1,53,228	1,63,798	1,61,427	1,58,922	1,61,382	8,154	..	..
June	1,55,748	1,90,565	1,94,885	2,53,212	2,12,887	57,139	..	..
Total, Locomotive Expenditure ..	9,57,248	10,38,799	10,50,269	10,22,265	10,37,111	79,863	10,44,995	87,747

Total Carriage and Wagon Expenses—Abstract C.

	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	47,435	52,982	37,215	46,721	45,639	1,796	..	..
February	63,799	51,423	36,226	50,758	46,136	17,663	..	..
March	48,841	51,048	44,950	43,493	46,497	2,344	..	..
April	20,880	49,383	45,876	45,979	47,079	26,199	..	..
May	16,880	44,113	45,781	45,180	45,025	28,145	..	..
June	32,207	40,487	1,00,381	69,752	70,207	38,000	..	..
Total, Carriage and Wagon Expenditure.	2,30,042	2,89,436	3,10,429	3,01,883	3,00,583	70,541	3,28,314	98,272
Grand Total ..	11,87,290	13,28,235	13,60,698	13,24,148	13,37,694	1,50,404	13,73,309	1,86,019

Maintenance and Renewals of Locomotive Engines—Abstract B-VI.

Months.	First half of 1898.	First half of 1897.	First half of 1896.	First half of 1895.	Three years' average, 1895—97.	1898, less than average.	Provision in estimate for first half of 1898.	Actuals less than estimate.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	36,122	30,128	30,190	37,987	32,768	3,354	..	..
February	43,822	23,276	29,361	40,420	31,019	12,803	..	..
March	24,070	41,929	38,978	45,074	41,994	17,924	..	..
April	35,566	87,833	87,540	35,819	70,397	34,831	..	..
May	20,531	37,769	32,835	39,892	36,852	16,301	..	..
June	27,549	30,665	35,404	77,751	47,940	20,391	..	..
Total, B-VI ..	1,87,660	2,51,600	2,54,308	2,76,943	2,60,950	73,290	2,64,000	76,340

Repairs and Renewals of Vehicles—Abstract C-II.

	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	35,634	42,999	27,141	36,718	35,619	15	..	..
February	51,862	41,170	27,408	41,031	36,537	15,325	..	..
March	37,201	40,747	35,049	33,612	36,469	732	..	..
April	9,407	39,589	36,437	36,087	37,371	27,964	..	..
May	6,436	33,754	36,069	35,273	35,032	28,596	..	..
June	16,462	16,899	66,780	35,840	39,840	23,378	..	..
Total, C-II ..	1,57,002	2,15,158	2,28,884	2,18,561	2,20,868	63,866	2,46,900	89,898
Total ..	3,44,662	4,66,758	4,83,192	4,95,504	4,81,818	1,37,156	5,10,900	1,66,238
Add—Loss by Exchange on English stores ..	25,104	70,916	81,574	98,157	83,549	58,445	70,000	44,896
Grand Total ..	3,69,766	5,37,674	5,64,766	5,93,661	5,65,367	1,95,601	5,80,900	2,11,134

From—The Agent and Manager, Madras Railway Company.
To—The Consulting Engineer for Railways, Madras.
Dated—Madras, 13th September 1898, No. 11287/875.

With reference to your letter No. 139/0 of the 6th instant, I have the honour to submit, for your information, copy of a letter which I have to-day received from the Company's Locomotive Superintendent explaining the causes which have led to the lower expenses under Abstracts B and C during the past half-year.

I have no reason to believe that any new engines will be received from home during the current half-year, but if any arrive we shall continue, as we have done in past years, to charge them to Revenue at the rate of two in each half-year.

Had it not been for the restrictions imposed by Government at plague-examining stations, I think there is no doubt we should have earned surplus profits again for the current half-year; but with the passenger traffic falling off largely on the Bangalore branch and on the North-West line, I am afraid our coaching receipts will be very seriously interfered with.

Paragraph 5 of the Examiner's note is not a statement of facts. No orders have been issued by me to curtail expenditure with the view of obtaining surplus profits at the expense of Government, and it cannot, I contend, be placed against the management that the Indian Executive is in any way responsible for the engineers' strike at home, a strike which, I understand, is solely the cause of the short shipment of engines for other Railways besides the Madras Railway.

There can be no question that the way and works and rolling-stock of the Railway were fully maintained during the past half-year, and this being so, despatch No. 7 of the 10th March 1881 from the Secretary of State, to which the Examiner refers, has no application. I regret that the Examiner has thought fit in his memorandum to charge the management of the Madras Railway with disingenuousness.

Enclosure.

From—The Locomotive Superintendent, Madras Railway.
To—The Agent and Manager, Madras Railway.
Dated—Perambur Works, 12th September 1898, No. B. 2574/941.

[Your No. 8760 of the 8th instant.]

The deductions drawn by the Government Examiner do not appear to be correct, and this for the following reasons.

2. With regard to Abstract B, the Government Examiner has overlooked the fact that, during the half-year under reference, owing to their non-receipt from England, no new engines were charged off to Revenue as has been done in each half-year for some three years past. A sum of Rs. 51,000 was provided in the estimates to meet this charge but was not spent, and deducting this amount from the total saving under B. VI, viz., Rs. 73,290, leaves a balance of Rs. 22,290. A credit of Rs. 10,464, which has also apparently escaped the notice of the Government Examiner, was further passed to this sub-head in March and April 1898 on account of old engines sold by auction. This again reduces the balance to Rs. 11,826. The strike, as is explained in my half-yearly report which is now in the printer's hands, accounts for a further sum of Rs. 6,200, so that the actual amount of saving which has been effected on engine repairs is reduced to a sum of Rs. 5,626 only.

3. Referring to the reduction under sub-head II of Abstract C to which the Government Examiner alludes, I cannot, I think, do better than quote paragraphs Nos. 14 to 16 of my half-yearly report in which the saving is fully explained:—

> "14. *Carriage and wagons—Repairs.*—The number of vehicles repaired during the half-year was 2,883 as compared with 2,665 dealt with during the first half of 1897. These were also renewed at the cost of Revenue:—covered goods wagons 60, travelling water trucks one and two trucks for carrying gas holders, were built at the cost of Capital.
>
> 15. The total expenditure, both in wages and material, was, it will be noted, considerably lower than that for the corresponding half year, and this is due to the fact that, the bulk of the renewals having been finished, the carriage shop was working for the greater part of the time on the construction of the new stock for the Bezwada-Madras Railway. As stated in the preceding paragraph, 60 covered goods wagons were actually turned out of the works, but 59 of these had been in great measure finished during the latter half of 1897 and had only not been handed over to the traffic owing, as is explained in other correspondence, to our having run out of the stock of buffer and draw springs. This is also referred to in paragraph 12 of the report for last half year.

16. The renewal of the old open wagons as covered goods wagons is now practically completed, the last 12 being now in the shops, and the heavy expenditure which has for so many years been incurred on this account may now be considered to be at an end. There are still a few odd ballast and fuel wagons and other vehicles awaiting renewal, but in view of the proposal to convert the West Coast section of the Company's system to metre gauge, it is probable that these renewals need not be carried out, since the conversion of the gauge will of course set free a certain proportion of broad gauge stock which can be utilized elsewhere, and which will therefore take the place of the vehicles now condemned and removed from the inventory."

4. The renewal of covered goods wagons has, as you are aware, been going on for the last 8 or 10 years at the rate of from 100 to 150 per annum. The average number turned out in each half-year since 1895 has been 46, and the cost of these 46 wagons may be put down at Rs. 73,600.

5. As is also explained in my half-year's report, a saving of Rs. 9,160 in carriage and wagon repairs was brought about by the strike; and this, added to the cost of the covered goods wagons which as is explained above were not built, a good deal more than accounts for the reduction in expenditure of Rs. 63,866 as compared with the three years' average quoted by the Government Examiner.

6. It will also be noted, from the quotation from my report which I give, that 218 more vehicles were passed through the shops for repairs than during the corresponding half of 1897; so that the Government Examiner's assumption that the profits have been produced by the postponement of necessary repairs of rolling-stock is not supported by facts, more vehicles having been, as a matter of fact, repaired than in the second half of 1897.

7. I would also point out that, as regards paragraph 6 of the Government Examiner's note, the mileage worked during the half year was 15,624 in excess of the corresponding half-year's; and, this being so, no saving could under any circumstances be looked for or expected under running expenses of either engines or vehicles; since, if trains run, drivers must be found, engines must have coal, and vehicles must be oiled and looked after. The debits under running charges are absolutely and entirely dependent upon the mileage run and work done, and, excepting within certain narrow limits, cannot be affected one way or the other, excepting by reduction or increase in mileage.

8. The saving in loss by exchange is, it is probably hardly necessary to explain, due to the non-issue of locomotive engines which were not received from England and consequently not erected, and non-issue of English material for the construction of covered goods wagons which also, as explained, were not built.

Note—By the Examiner, Guaranteed Railway Accounts, Madras.
To—The Consulting Engineer for Railways, Madras.
Dated—17th September 1898.

The sanctioned working estimates for the half-year provided for the renewal of two engines at a cost of Rs. 51,000. These two engines were not renewed during the half-year. In addition, Rs. 21,000 were sanctioned for the renewal of three boilers at the cost of Revenue, while nothing has been charged to Revenue against this sanction on account of boiler renewals during the half-year.

Under carriage and wagon stock, the working estimates provided for the renewal of five third-class carriages at a cost of Rs. 16,000, but these have not been carried out. While out of the 35 covered goods wagons and 20 timber or rail trucks for the renewal of which during the half year provision was made in the estimates, only 10 covered goods wagons have actually been renewed at the cost of Revenue during the half year.

Of course I have no knowledge of the actual requirements in the way of renewals, I only presume that as renewals to the extent mentioned above were included in the estimates they were carefully considered and held to be necessary at the time; and I am unable to follow the Locomotive Superintendent in his technical explanations why the renewals of wagon stock considered necessary when the estimates were passed were afterwards found not to be required and not carried out; for at one place (paragraph 3) he appears to explain that 60 covered goods wagons were renewed during the half year, at another place (paragraph 4) that 46 covered goods wagons were renewed at a cost of Rs. 73,600, and again (paragraphs 5 and 8) that no covered goods wagons were renewed as this was not necessary—paragraph 3 (16).

It is only for me to point out (1) that there has been a reduction of about 2 lakhs in the outlay on repairs and renewals of rolling-stock as compared with the working estimates and with the average expenditure of the past three years, (2) that this reduction has arisen from almost the whole of the renewals provided for in the estimates not having been carried out, (3) that owing to the sanctioned renewals not having been undertaken, a surplus profit of about 2 lakhs has been brought out which would otherwise not have been earned, and (4) that if the renewals which were not carried out in the first half of 1898 (a surplus profit half year) are thrown into the second half of 1898 (which will be a non-surplus half year), this will seriously affect the financial interests of Government.

In thus drawing attention to the significance of the figures in the accounts; to the deductions to be fairly made from them; and to their bearing on the financial interests of Government, I consider that I am not doing more than my duty to Government requires. It is for Government to decide whether any steps are necessary to protect their interests in the matter.

Note—By the Consulting Engineer for Railways, Madras.
To—The Examiner, Guaranteed Railway Accounts, Madras.
Dated—21st September 1898.

I fully appreciate the importance of your letter and note, but could not deal with the first of them in the sense suggested, viz., that the Government of India's orders should be taken, without allowing the Agent an opportunity of saying what he had to say. I took your letter down to Mettupalaiyam, and there showed it to the Agent and we had a long talk about the state of things referred to.

2. The Agent assures me not only that there will be no demand in any future half years for a larger debit than for two locomotives to Revenue, in spite of the omission to debit two, as intended, during the past half year, but also that one important result of the Perambore strike will have been a permanent reduction of locomotive expenses.

3. The average locomotive expenditure in three half years has been $10\frac{1}{3}$ lakhs per half year. The average carriage and wagon expenditure has been 3 lakhs. These are the figures for the normal half years you refer to, the figures for last half year having been $9\frac{1}{2}$ and $2\frac{1}{3}$ lakhs. Comparing the estimate for the now current half year with the above we find that abstract B totals to 10·60 lakhs and abstract C to 2·60 lakhs. The latter figure is smaller than that for any of the three half years that you refer to. The former figure is higher, but not so high as to warrant the assumption that the management want to make up in the current half year, at the expense of Government, for the failure to debit to Revenue the cost of the two engines which did not arrive last half year.

4. Then, going further into detail, I see that the average three half-years' figures taken by you for maintenance and renewals of locomotive engines was 2·61 lakhs, while that for repairs and renewals of vehicles was 2·21 lakhs. The corresponding figures for the current half-year, as given in the working estimates, are 2·57 lakhs and 2·29 lakhs.

5. These figures seem to me to confirm the Agent's contention that he contemplates no excessive expenditure on account of what was short-spent last half-year.

6. I would not go so far as to say that the omission to debit two engines to Revenue in one half-year (in which their debit was at first intended, but this intention frustrated through their non-arrival) must necessarily mean that four must be debited in some half-year in the near future. I would rather say that the management have been moving rather too fast with their renewals, and are well advised to take the opportunity of the English strike, and of the non-arrival of two engines, to draw back a bit.

7. The same remarks would apply to the renewal of boilers. My impression is that, since his return from leave, Mr. Moss has personally been bent on economy; and that while so long as the Company had no surplus profits there was no sufficient spur to ensure economy, this spur is now applied, and they mean to do all they can to be economical and to show surplus profits during their remaining few years. It will of course be the Consulting Engineer's duty, with your assistance given in the form now afforded in your letter and note under reference, to see that maintenance is not scamped.

8. I think that, in the matter of repairs and renewals of vehicles, you were misled by the somewhat slovenly drafting of Mr. Phipps' letter. In paragraphs 3 (16) and 4 he speaks first of *the renewal of the old open wagons as covered goods wagons*, and again of

the renewal of covered goods wagons. I understand him in both cases to mean the self-same thing, viz., *the conversion of our old open wagons into covered goods wagons.*

9. In paragraph 3 (16) he says that this very heavy job which has been costing so much is now practically finished, the last twelve being in the shops. In paragraph 4 he explains that this job has heretofore cost about Rs. 73,600 per half-year. I understand you to have understood him to be writing of two different things. Had he not made 4 a separate paragraph, and had he used the same expression in both cases, you would not have been misled.

10. I do not feel at all sure that it must be accepted that, because certain renewals were, in December last, put into the estimates, they had been carefully considered and were believed to be necessary. I believe that things were going too fast, and that Mr. Moss had not then had time to look into things and enforce economy.

11. The heavy falling off of traffic, due to the plague regulations, will have to be recognised now, I fear, as something likely to last a considerable time, and an effort will have to be made to meet it by cutting down some of the expenses dependent on train mileage. It seems to me that this is the direction in which to seek to enforce economy. But I do not think that the Company's officers have been deliberately attempting to secure a false show of economy with a view to earning surplus profits which would otherwise not have been earned this half-year with the deliberate intention of foisting the cost of the neglected maintenance on Government in the coming non-surplus half-years.

12. The Agent certainly has not in his letter dealt with the matter sufficiently seriously, nor has he given us any of the assurances to which we are entitled. He has done little more than endorse the Locomotive Superintendent's letter. We must get a fuller reply from him before going up to the Government of India with a proposal to stop 2 lakhs worth of surplus profits for a purpose for which, so far as I can judge with the figures now before me, they will probably not be required.

Note—By the Examiner, Guaranteed Railway Accounts, Madras.
To—The Consulting Engineer for Railways, Madras.
Dated—23rd September 1898.

The requirements in regard to renewals are so much out of my province that if you are satisfied from the Agent's explanations that the Company are doing what is necessary in this respect, and that the non-execution of the renewals sanctioned for 1898/1 will not lead to enhanced expenditure in the next half-year, then I have no grounds whatever for pressing that any special action should be taken.

So far as the information available to me went, I saw that the renewal of 35 covered goods wagons and 20 timber or rail trucks was provided for during 1898/1, while the renewal of 10 covered goods wagons and 20 timber trucks was provided for during 1898/2, the latter estimate being prepared at a time when the lapse on the former estimate would not be known.

I also knew that the Company had recently submitted an estimate for 200 additional wagons on the grounds that they could not deal with the traffic offering with their existing stock.

From the latter circumstance I assumed (1) that it is necessary for the Company to renew each wagon as soon as ever it is known to require renewal, and, therefore, (2) that since only 10 out of the 55 wagons were renewed in 1898/1, the balance would have to be carried out as an addition to the wagons to be renewed in 1898/2.

If, however, as now appears from the Locomotive Superintendent's report, with which you agree, that the number of wagons requiring renewal in 1898/1 was not carefully considered when the estimates were passed, then the assumption on which I have been going is not valid and I have nothing more to say.

As I said, it is for me merely to point out the large reduction of 2 lakhs, or 35 per cent. on the previous average expenditure and on the estimates together with the causes which have led to it, while it is entirely for you to decide whether the Company are doing all that is now necessary in the way of renewals. If you are satisfied on this point, there is no need for a reference to the Government of India.

From—The Consulting Engineer for Railways, Madras.
To—The Agent and Manager, Madras, Railway.
Dated—Ootacamund, the 21st September 1898, No. 164/O.

The Government Examiner's letter, No. 451, dated the 2nd September 1898, which is dealt with in your letter, No. 11287/875, dated the 13th September 1898, contained, as you will recollect, a suggestion that, in view of what appeared to him to be short expenditure on revenue account during last half year, and of the apparent certainty that such shortage must be made up for in future half years, the Government of India should be advised to take the course indicated in a certain Secretary of State's Despatch, No. 7 of the 10th March 1881, viz., to withhold a considerable sum from distribution in the form of surplus profits for the past half year in order that adequate provision may be made in the next for what seems to be inevitable, viz., excess expenditure beyond what might be normally expected to be requisite on revenue account.

2. Your letter under reply appears to me to scarcely adequately meet the situation. I cannot find in it a sufficiently clear assurance that that will not happen which the Government Examiner fears may happen, viz., that short revenue expenditure in a surplus half year will have to be made up for in a non-surplus half year, at the cost, of course, of Government.

3. I find that while the average expenditure during the previous three corresponding half years was for *Maintenance and Renewals of Locomotive Engines* Rs. 2·61 lakhs, and for *Repairs and Renewals of Vehicles* Rs. 2·21 lakhs, your actual expenditure on these sub-heads during last half year was Rs. 1·88 lakhs and 1·57 lakhs, respectively. But though the Examiner's fears lest these figures should indicate the probability of its being necessary in the coming or following half years to spend perhaps 1½ lakhs on account of these particular sub-heads in excess of the normal, I find that the current half-year's estimate contemplates no such excess expenditure, for the figures of that estimate under the sub-heads in question are respectively Rs. 2·57 and Rs. 1·58 lakhs. Still the latter figures are only an estimate, and I have no estimate yet of future half years, and I can see the reasonableness of the Government Examiner's fears lest the short expenditure of last half year should have to be sooner or later overtaken at the cost, perhaps, of Government.

4. I seem to read in your letter under reply an assurance that notwithstanding the fact of no engines for renewal purposes having arrived from home last year, and the probability of none arriving during the current half year, nevertheless it is not expected that it will be found necessary to renew in any half year in the near future at a faster rate than two locomotives per half year. Am I right in thus reading your intention? Should I correctly interpret you, the deduction would obviously be that renewals of engines were, as a matter of fact, proceeding at a somewhat faster rate than circumstances warranted, and that therefore the effect of the English engineering strike, so far as the interests of the Madras Railway are concerned, was rather beneficial than detrimental.

5. Next, turning to *Repairs and Renewals of Vehicles*, your Locomotive Superintendent's letter is not very lucid. Do I rightly understand that when in paragraph 3 (16) he writes of "*the renewal of the old open wagons as covered goods wagons*," and when in paragraph 4 he writes of "*the renewal of covered goods wagons*" he is referring to one and the same thing, *viz.*, "*the conversion of old open wagons into covered goods wagons.*" Should I rightly interpret his meaning as above elucidated, I read him to mean that expenditure under this sub-head, on account of this particular job, which during the last 16 or 20 half years has averaged some three-quarter lakh half-yearly, has now practically ceased, and that indeed in the last half-year now under reference it had practically come to an end. Am I to understand that this is the case?

6. In the absence of any admission on your part to the contrary I am only justified in assuming that the provision which was deliberately made in the working estimates of the half year under reference, viz., that ended on the 30th June last, for certain renewals of rolling-stock, was only made after due consideration of the real

needs of the railway. I must, therefore, assume that it was at that time believed to be necessary for proper upkeep of stock, 1st to replace two engines by new ones, 2nd to supply two new boilers, 3rd to renew five third-class carriages, 4th to renew 20 rail or timber trucks, 5th to renew 25 more covered goods wagons than were actually renewed, all at the cost of Revenue. When I find that none of this programme was carried out, whatever the causes may have been, whether strikes at home or at Perambore, I can only assume, in the absence of any assurance from you to the contrary, that in some half year in the near future all these things must be done, over and above what would ordinarily be necessary. The only alternative seems to be that I should believe that renewal requirements had been over-estimated, and that recognizing this you are trying to ensure better co-ordination of actual renewals with those that you believe now to be necessary.

7. It may be, indeed I have your verbal assurance that it is so, that an effect of the Perambore strike has been to show that considerable permanent economies can now be, and will certainly be, effected in the Locomotive Department. But I see no indication in your letter that you contemplate anything of the sort. I shall be glad of some assurance from you to this effect. Should such permanent economy be safely to be counted on, the fact has, evidently, an intimate bearing upon the subject under reference.

8. It is next to impossible, without minute inspection of the whole of the stock at the hands of a special expert, to decide whether maintenance and renewals of rolling-stock is or is not being neglected, by any other method than that adopted by the Government Examiner, viz., by a comparison of current expenditure with that which for many past half-years has been found by experience to have been necessary.

9. In the light of these remarks I feel sure that you will agree with me that I am entitled to expect that the facts and figures, which have led the Government Examiner to propose that so serious and unusual a step should be recommended to Government, are such as to draw from you a very much fuller and more elucidatory reply than that contained in your letter now under reference.

10. It only now remains for me to refer to the subject of your 3rd paragraph, viz., the undoubtedly serious effect on your traffic of the restrictions which Government has been driven to impose on the travelling public generally, with a view to the prevention of the spread of plague. There seems to be no doubt but that these restrictions have had the effect of preventing people from travelling, and also of stopping to a considerable extent the movement of produce. This unfortunately is as inevitable as floods or hurricanes, and the only question for us to consider is whether it cannot to some extent be met by curtailing train mileage, and by so securing economy in working expenses. If experience shows that on certain sections third-class vehicles are day after day running half empty, and if there seems reasonable probability of this state of things continuing for a considerable time, it seems to me that it may be found possible to economise in train mileage by substituting goods vehicles for half empty passenger vehicles, and perhaps by knocking off some goods trains, if not an occasional mixed train. This question of the falling off of traffic, owing to the fear which the native public entertain of plague restrictions, need not be brought into your explanation of the short locomotive expenditure brought to notice by the Government Examiner. It obviously demands separate and careful consideration, and this I have no doubt it is already receiving at your hands and at those of your Traffic officers.

From—The Agent and Manager, Madras Railway.
To—The Consulting Engineer for Railways, Ootacamund.
Dated—Madras, 29th September 1898, No. 11287/927.

Referring to your letter No. 164/O of the 21st instant, I have the honour to state that it is not anticipated that it will be necessary to alter the programme already laid down with regard to the renewal of locomotive engines or to renew at a faster speed than that agreed to, viz., 2 engines in each half-year. The effect of the engineering

strike in England has been to postpone for 12 months the final completion of the total renewal of locomotives contemplated and to necessitate that, in order to keep things going, we should continue for 12 months longer the policy of patching up and temporarily repairing certain engines which, had the new ones been delivered at due date, would have been condemned and sold.

I may say that, in connection with this latter remark, I warned the Locomotive Superintendent some weeks ago that I objected very strongly to the engine stock being allowed to run down owing to the late despatch of new engines from home, and I verbally authorized him to spend money upon the engines put aside to be condemned, rather than allow the efficient working of the line to be interfered with.

When the present arrangement of debiting Revenue with the cost of two new engines half-yearly was agreed to in 1894, it was explained and understood that the engines then existing could, if it was considered desirable, be patched up and renewed in parts for some years to come; but I decided against this policy and have, since that date, steadily faced the new charge half-year by half-year, and this policy will be continued so long as I am here.

Mr. Phipps writes with reference to your paragraph 6:

"The non-renewal of the two engines has been explained; the two boilers were issued from Stores and charged off. Work would have been commenced upon the five 3rd-class carriages had the strike at Perambur not thrown out our calculations, and postponed the completion of the Bezwada-Madras Railway stock and so prevented our finding shop room for these. Work was, as is mentioned in my No. B. 2171/914 of the 3rd September 1898, commenced on the 20-rail trucks, and had it not been for the proposal to convert the gauge of the West Coast section of the Company's system their actual construction would, ere this, have been put in hand.

With regard to the covered goods wagons, when the estimates were being prepared it was understood that the balance of these wagons that remained to be built to complete the total was 35 wagons, and the necessary funds for the construction of this number were therefore provided. Later on, when work was about to be commenced, it was discovered that, owing to a clerical error, the outstanding balance had been wrongly calculated and that the total stock required to bring the list up to sanction was 22 only. The workshop order was therefore altered, and, as is reported in my report for last half-year, 10 wagons of this total were built; the remaining 12 having been crowded out, were not completed within the period covered by the estimate, but are now practically finished."

With reference to your paragraph 5, Mr. Phipps says:

"The Consulting Engineer's deduction is correct, the phrases "renewal of the old open wagons as covered goods wagons" and "renewal of covered goods wagons" refer to the same operation, viz., the conversion by renewal of the old open wagons to covered goods wagons. He is also correct in understanding that this work is practically complete as the whole of the old open wagons will, when the 12 covered wagons now in the shops have been turned out, have been renewed as covered wagons."

So far as your paragraph 7 can be answered I beg to say that we took advantage of the strike, knowing that we were practically at the end of all special work, to get rid of old and useless men who had been with us throughout a long number of years and whose dismissal under other circumstances would have been difficult. All men re-engaged too have been required to sign contract notes and they understand that by defying legitimate authority they have forfeited gratuities which they might otherwise have claimed under existing rules.

I referred in my last letter to our heavy loss in traffic from plague and plague restrictions, simply and purely because the Examiner assumed that we were purposely holding over, until an unfavourable half-year, expenditure which was legitimately chargeable to last half-year. Two months ago I was of opinion we should earn surplus profits for both halves of 1898, but we certainly cannot stand a steady loss of Rs. 30,000 and Rs. 40,000 a week from plague operations and still hope to maintain our record of good management; but you have my assurance that no advantage will be taken of plague troubles to debit either the current or any future half-year with extraordinary or special charges which do not legitimately belong to the half-year they are charged against.

Order—No. $\frac{1275}{A}$ Ry., dated 17th October 1898.

Recorded.

(True Extract.)

Francis J. E. Spring,
Joint Secretary.

To the Examiner of Guaranteed Railway Accounts, Madras.
" Consulting Engineer for Railways.

Exd. T. K. Narayana Aiyangar.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway.

Read the following papers :—

From—The Agent and Manager, Madras Railway.
To—The Consulting Engineer for Railways, Madras.
Dated—6th September 1898, No. 10390/845.

I have the honour to forward, herewith, nine copies each of the accounts of the Madras Railway, Kolar Gold Fields Railway, and the Madras-Ennur section of the Bezwada-Madras Railway for the half-year ending 30th June 1898.

2. I also forward in manuscript the office and Board's copies of the revenue accounts and shall be obliged if you will kindly return them together with two printed copies of each, duly countersigned by yourself and the Examiner of Railway Accounts in time to be despatched to the Board by the mail of the 15th instant.

3. A printed copy of the Kolar Gold Fields Railway accounts is also forwarded herewith for transmission to the Mysore Government.

Capital and Revenue Accounts, Madras Railway, and branches for the half-year ended 30th June 1898.

From—The Consulting Engineer for Railways.
To—The Agent and Manager, Madras Railway.
Dated—Ootacamund, 6th September 1898, No. ~~139-C~~.

I have the honour to forward, for favour of very early comments and explanation, a copy of an urgent letter from the Government Examiner, No. 451, dated the 2nd September 1898, and also of a note prepared in this office on the subject of the necessity or otherwise for withholding from distribution to shareholders a part of the past half year's surplus profits, with a view to covering the probable excess expenditure on certain items of working expenses in next half year.

Enclosures.

From—The Examiner, Guaranteed Railway Accounts, Madras.
To—The Consulting Engineer for Railways, Madras.
Dated—2nd September 1898, No. 451.

I have the honour to forward, herewith, two statements comparing (1) the total expenditure under Abstracts B and C of the revenue accounts and (2) the expenditure under the sub-heads B-VI and C-II of these abstracts for the half-year ended 30th June 1898 with the provision made in the working estimates for the half year, and with the average expenditure of the corresponding periods of the three preceding years, and to offer the following remarks thereon.

2. From the first statement it will be seen that the expenditure under these abstracts has greatly fallen short both of the provision in the estimates and of the three years' average, and from the second statement, that this saving has been entirely effected under the sub-heads B-VI Maintenance and Renewals of locomotive engines and C-II Repairs and Renewals of vehicles.

3. The actual expenditure under Maintenance and Renewals of engines has fallen short of the estimates by Rs. 76,340 and of the three years' average by Rs. 73,290. The actual expenditure on repairs and renewals of vehicles has fallen short of the estimates by Rs. 89,898, and of the three years' average by Rs. 63,866. If to these figures we add the saving effected in loss by exchange by the short issues of stores for repairs and renewals, we find that the total expenditure on repairs and renewals of rolling-stock falls short of both the estimates and three years' average by about two lakhs of rupees or more than 35 per cent.

4. Of course the strike of workmen which took place at the Perambore shops during the month of May 1898 is partly accountable for the short outlay, but an analysis of the monthly figures shows that the restriction on expenditure on repairs and renewals of rolling-stock has persisted throughout the last three or four months of the half year, the greatest shortage appearing in the month of April before the strike began.

5. What appears to have taken place is as follows: The gross earnings for the half-year ended 30th June 1898 amounting to Rs. 56,34,736-6-7 show a deficiency of Rs. 1,54,825-8-4 as compared with the first half of 1897 when surplus profits to the extent of Rs. 1,71,937 were earned. Had the expenditure continued at or about the normal rate during the first half of 1898, it would have been expected that little or no surplus profits would have been earned. The Company, however, seeing the great falling off in earnings that was taking place, and the small prospect of earning surplus profits under normal circumstances, have met this by restricting or deferring repairs and renewals to rolling-stock to about the same extent. In this way with a deficieney of gross earnings of Rs. 1,54,825-8-4 as compared with the first half of 1897, surplus profits to an even greater extent or * Rupees 2,00,000 have still been earned. Broadly speaking it may be said that these profits are unreal, and produced only by the postponement of necessary repairs and renewals of rolling-stock.

* Approximate estimate accounts not yet passed.

6. Had the savings been effected under running or other working expenses of a like nature, there would have been nothing to say against the working results brought out; but short outlay on repairs and renewals of rolling-stock is not savings but merely expenditure deferred to the following half year.

7. The earnings of the Madras Railway still show a heavy decline, so that, as far as can be seen at present, there appears to be no prospect of surplus profits being again earned during the current half year. In this case any expenditure on repairs and renewals of rolling-stock, which should have been carried out last half year, but which has been deferred to the current half year, will fall wholly on Government.

8. To prevent the injury to the financial interests of Government by the payment to the Company of a half share of surplus profits which have been earned entirely by the postponement of necessary outlay which will fall wholly on Government in the succeeding half year, I would recommend that a sum of from $1\frac{3}{4}$ to 2 lakhs of rupees should be reserved from the net earnings of the past half year to make good the deficiency in the repairs and renewals of rolling-stock during that half year, and in this connection I would beg to invite your attention to the instructions contained in the Secretary of State's despatch † No. 7 of the 10th March 1881 to the Bombay Government which bear upon the subject.

† S.O. Manual, page 221.

9. If you concur with me in thinking that some special action of this nature is called for in the interests of Government, I would suggest that a copy of this report, with any specific recommendations which you may see fit to make, should be submitted for the orders of the Government of India, since the course proposed to be taken, although clearly in accordance with the instructions of the Secretary of State, is somewhat unusual, at least so far as the Madras Railway is concerned, and is certain to be strongly opposed by the Company.

10. As the accounts for the past half year will shortly be closed, early instructions on the point are requested.

MADRAS RAILWAY.

Total Locomotive Expenses—Abstract B.

Months.	First half of				Three years' average, 1895–97.	1898, less than average.	Provision in estimate for first half of 1898.	Actuals less than estimate.
	1898.	1897.	1896.	1895.				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	1,64,358	1,54,975	1,58,497	1,55,332	1,56,268	8,090	..	..
February	1,60,381	1,41,249	1,54,170	1,49,741	1,48,387	11,994	..	..
March	1,61,097	1,74,099	1,70,961	1,59,518	1,68,193	7,096	..	..
April	1,62,436	2,14,113	2,10,329	1,45,540	1,89,994	27,558	..	..
May	1,53,228	1,63,798	1,61,427	1,58,922	1,61,382	8,154	..	..
June	1,55,748	1,90,565	1,94,885	2,53,212	2,12,887	57,139	..	..
Total, Locomotive Expenditure ..	9,57,248	10,38,799	10,50,269	10,22,265	10,37,111	79,863	10,44,995	87,747

Total Carriage and Wagon Expenses—Abstract C.

	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	47,435	52,982	37,215	46,721	45,639	1,796	..	..
February	63,799	51,423	36,226	50,758	46,136	17,663	..	..
March	48,841	51,048	44,950	43,493	46,497	2,344	..	..
April	20,880	49,383	45,876	45,979	47,079	26,199	..	..
May	16,880	44,113	45,781	45,180	45,025	28,145	..	..
June	32,207	40,487	1,00,381	69,752	70,207	38,000	..	..
Total, Carriage and Wagon Expenditure.	2,30,042	2,89,436	3,10,429	3,01,883	3,00,583	70,541	3,28,314	98,272
Grand Total ..	11,87,290	13,28,235	13,60,698	13,24,148	13,37,694	1,50,404	13,73,309	1,86,019

Maintenance and Renewals of Locomotive Engines—Abstract B-VI.

Months.	First half of				Three years' average, 1895—97.	1898, less than average.	Provision in estimate for first half of 1898.	Actuals less than estimate.
	1898.	1897.	1896.	1895.				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	30,122	30,128	30,190	37,987	32,768	3,354	..	..
February	43,822	23,276	29,361	40,420	31,019	12,803	..	..
March	24,070	41,929	38,978	45,074	41,994	17,924	..	..
April	35,566	87,833	87,540	35,819	70,397	34,831	..	..
May	20,531	37,769	32,835	39,892	36,832	16,301	..	..
June	27,549	30,665	35,404	77,751	47,940	20,391	..	..
Total, B-VI ..	1,87,660	2,51,600	2,54,308	2,76,943	2,60,950	73,290	2,64,000	76,340

Repairs and Renewals of Vehicles—Abstract C-II.

	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	35,634	42,999	27,141	36,718	35,619	15	..	..
February	51,862	41,170	27,408	41,031	36,537	15,325	..	..
March	37,201	40,747	35,049	33,612	36,469	732	..	..
April	9,407	39,589	36,437	36,087	37,371	27,964	..	..
May	6,436	33,754	36,069	35,273	35,032	28,596	..	..
June	16,462	16,899	66,780	35,840	39,840	23,378	..	..
Total, C-II ..	1,57,002	2,15,158	2,28,884	2,18,561	2,20,868	63,866	2,46,900	89,898
Total ..	3,44,662	4,66,758	4,83,192	4,95,504	4,81,818	1,37,156	5,10,900	1,66,238
Add—Loss by Exchange on English stores ..	25,104	70,916	81,574	'98,157	83,549	58,445	70,000	44,896
Grand Total ..	3,69,766	5,37,674	5,64,766	5,93,661	5,65,367	1,95,601	5,80,900	2,11,134

From—The Agent and Manager, Madras Railway Company.
To—The Consulting Engineer for Railways, Madras.
Dated—Madras, 13th September 1898, No. 11287/875.

With reference to your letter No. 139/0 of the 6th instant, I have the honour to submit, for your information, copy of a letter which I have ~~to-day~~ received from the Company's Locomotive Superintendent explaining the causes which have led to the lower expenses under Abstracts B and C during the past half-year.

I have no reason to believe that any new engines will be received from home during the current half-year, but if any arrive we shall continue, as we have done in past years, to charge them to Revenue at the rate of two in each half-year.

Had it not been for the restrictions imposed by Government at plague-examining stations, I think there is no doubt we should have earned surplus profits again for the current half-year, but with the passenger traffic falling off largely on the Bangalore branch and on the North-West line, I am afraid our coaching receipts will be very seriously interfered with.

Paragraph 5 of the Examiner's note is not a statement of facts. No orders have been issued by me to curtail expenditure with the view of obtaining surplus profits at the expense of Government, and it cannot, I contend, be placed against the management that the Indian Executive is in any way responsible for the Engineers' strike at home, a strike which, I understand, is solely the cause of the short shipment of engines for other Railways besides the Madras Railway.

There can be no question that the way and works and rolling-stock of the Railway were fully maintained during the past half-year, and this being so, despatch No. 7 of the 10th March 1881 from the Secretary of State, to which the Examiner refers, has no application. I regret that the Examiner has thought fit in his memorandum to charge the management of the Madras Railway with disingenuousness.

Enclosure.

From—The Locomotive Superintendent, Madras Railway.
To—The Agent and Manager, Madras Railway.
Dated—Perambur Works, 12th September 1898, No. B. 2574/941.

[Your No. 8760 of the 8th instant.]

The deductions drawn by the Government Examiner do not appear to be correct, and this for the following reasons.

2. With regard to Abstract B, the Government Examiner has overlooked the fact that, during the half-year under reference, owing to their non-receipt from England, no new engines were charged off to Revenue as has been done in each half-year for some three years past. A sum of Rs. 11,000 was provided in the estimates to meet this charge but was not spent, and deducting this amount from the total saving under B. VI, viz., Rs. 73,290, leaves a balance of Rs. 22,290. A credit of Rs. 10,464, which has also apparently escaped the notice of the Government Examiner, was further passed to this sub-head in March and April 1898 on account of old engines sold by auction. This again reduces the balance to Rs. 11,826. The strike, as is explained in my half-yearly report which is now in the printer's hands, accounts for a further sum of Rs. 6,200, so that the actual amount of saving which has been effected on engine repairs is reduced to a sum of Rs. 5,626 only.

3. Referring to the reduction under sub-head II of Abstract C to which the Government Examiner alludes, I cannot, I think, do better than quote paragraphs Nos. 14 to 16 of my half-yearly report in which the saving is fully explained :—

"(14.) *Carriage and wagons—Repairs.*—The number of vehicles repaired during the half-year was 2,883 as compared with 2,665 dealt with during the first half of 1897. These were also renewed at the cost of Revenue :—

Covered goods wagons	60
Travelling water trucks	1
Total ...	61

and two trucks for carrying gas holders were built at the cost of Capital.

15. The total expenditure, both in wages and material, was, it will be noted, considerably lower than that for the corresponding half year, and this is due to the fact that the bulk of the renewals having been finished, the carriage shop was working for the greater part of the term on the construction of the new stock for the Bezwada-Madras Railway. As stated in the preceding paragraph 60 covered goods wagons were actually turned out of the works, but 50 of these had been in great measure finished during the latter half of 1897 and had only not been handed over to the traffic owing, as is explained in other correspondence, to our having run out of the stock of buffer and draw springs. This is also referred to in paragraph 12 of the report for last half year.

16. The renewal of the old open wagons as covered goods wagons is now practically completed, the last 12 being now in the shops, and the heavy expenditure which has for so many years been incurred on this account may now be considered to be at an end. There are still a few odd ballast and fuel wagons and other vehicles awaiting renewal, but in view of the proposal to convert the West Coast section of the company's system to metre gauge, it is probable that these renewals need not be carried out, since the conversion of the gauge, will of course set free a certain proportion of broad gauge stock which can be utilized elsewhere and which will therefore take the place of the vehicles now condemned and removed from the inventory."

4. The renewal of covered goods wagons has, as you are aware, been going on for the last 8 or 10 years at the rate of from 100 to 150 per annum. The average number turned out in each half-year since 1895 has been 46, and the cost of these 46 wagons may be put down at ~~Rupees~~ 73,600.

5. As is also explained in my half-year's report, a saving of Rs. 9,160 in carriage and wagon repairs was brought about by the strike, and this added to the cost of the covered goods wagons which, as is explained above, were not built, a good deal more than accounts for the reduction in expenditure of Rs. 63,866 as compared with the three years' average quoted by the Government Examiner.

6. It will also be noted from the quotation from my report which I give that 218 more vehicles were passed through the shops for repairs than during the corresponding half of 1897, so that the Government Examiner's assumption that the profits have been produced by the postponement of necessary repairs of rolling-stock is not supported by facts, more vehicles having been, as a matter of fact, repaired than in the second half of 1897.

7. I would also point out that, as regards paragraph 6 of the Government Examiner's note, the mileage worked during the half year was 15,624 in excess of the corresponding half-year's, and this being so no saving could, under any circumstances, be looked for or expected under running expenses of either engines or vehicles since, if trains run, drivers must be found and engines must have coal, while vehicles must be oiled and looked after. The debits under running charges are absolutely and entirely dependent upon the mileage run and work done and, excepting within certain narrow limits, cannot be affected one way or the other, excepting by reduction or increase in mileage.

8. The saving in loss by exchange is, it is probably hardly necessary to explain, due to the non-issue of locomotive engines which were not received from England and consequently not erected, and non-issue of English material for the construction of covered goods wagons which also, as explained, were not built.

9. The Consulting Engineer in his note suggests that it is possible the Madras Railway may have received a double payment on account of the Bezwada-Madras Railway stock built during the year. This is not, however, the case, all monies paid by the Bezwada-Madras Railway having been paid into the company's Capital Account and held by the Chief Auditor as an advance, debits being passed to this account only as bills for work done and accepted by the Bezwada-Madras Railway are submitted. Neither debits nor credits for work done for the Bezwada-Madras Railway come, in any way, it should be remembered, into our Revenue abstracts, being all dealt with through the workshop (Capital) account.

Note by the Examiner, Guaranteed Railway Accounts,

The sanctioned working estimates for the half-year provided for the renewal of two engines at a cost of Rs. 51,000. These two engines were not renewed during the half-year. In addition, Rs. 21,000 were sanctioned for the renewal of three boilers at the cost of Revenue, while nothing has been charged to Revenue against this sanction on account of boiler renewals during the half-year.

Under carriage and wagon stock, the working estimates provided for the renewal of five third-class carriages at a cost of Rs. 16,000, but these have not been carried out. While out of the 35 covered goods wagons and 20 timber or rail trucks for the renewal of which during the half year provision was made in the estimates, only 10 covered goods wagons have actually been renewed at the cost of Revenue during the half year.

Of course I have no knowledge of the actual requirements in the way of renewals, I only presume that as renewals to the extent mentioned above were included in the estimates they were carefully considered and held to be necessary at the time; and I am unable to follow the Locomotive Superintendent in his technical explanations why the renewals of wagon stock considered necessary when the estimates were passed were afterwards found not to be required and not carried out, for at one place (paragraph 3) he appears to explain that 60 covered goods wagons were renewed during the half year, at another place (paragraph 4) that 46 covered goods wagons were renewed at a cost of Rs. 73,600, and again paragraphs 5 and 8 that no covered goods wagons were renewed as this was not necessary—paragraph 3 (16).

It is only for me to point out (1) that there has been a reduction of about 2 lakhs in the outlay on repairs and renewals of rolling-stock as compared with the working estimates and with the average expenditure of the past three years, (2) that this reduction has arisen from almost the whole of the renewals provided for in the estimates not having been carried out, (3) that owing to the sanctioned renewals not having been undertaken, a surplus profit of about 2 lakhs has been brought out which would otherwise not have been carried, and (4) that if the renewals which were not carried out in the first half of 1898 (a surplus profit half year) are thrown into the second half of 1898 (which will be a non-surplus half year, this will seriously affect the financial interests of Government.

In thus drawing attention to the significance of the figures in the accounts; to the deduction to be fairly made from them; and to their bearing on the financial interests of Government, I consider that I am not doing more than my duty to Government requires. It is for Government to decide whether any steps are necessary to protect their interests in the matter.

Note by the Consulting Engineer for Railways.
To—The Examiner, Guaranteed Railway Accounts.
Dated—21st September 1898.

I fully appreciate the importance of your letter and note, but could not deal with the first of them in the sense suggested, viz., that India's orders should be taken, without allowing the Agent an opportunity of saying what he had to say. I took your letter down to Metupollium, and then showed it to the Agent and we had a long talk about the state of things referred to.

2. The Agent assures me not only that there will be no demand in any future half years for a larger debit than for two locomotives to Revenue, in spite of the omission to debit two, as intended, during the past half year, but also that one important result of the Perambore strike will have been a permanent reduction of locomotive expenses.

3. The average locomotive expenditure in three half years has been 10⅓ lakhs per half year. The average carriage and wagon expenditure has been 3 lakhs. These are the figures for the normal half years you refer to, the figures for last half year having been 9½ and 2⅓ lakhs. Comparing the estimate for the new current half year with the above we find that abstract B totals to 10·60 lakhs and abstract C to 2·60 lakhs. The latter figure is smaller than that for any of the three half years that you refer to. The former figure is higher, but not so high as to warrant the assumption that the management want to make up in the current half year, at the expense of Government, for the failure to debit to Revenue the cost of the two engines which did not arrive last half year.

4. Then, going further into detail, I see that the average three half-years' figures taken by you for maintenance and renewals of locomotive engines was 2·61 lakhs, while that for repairs and renewals of vehicles was 2·21 lakhs. The corresponding figures for the current half-year, as given in the working estimates, are 2·57 lakhs and 2·29 lakhs.

5. These figures seem to me to confirm the Agent's contention that he contemplates no excessive expenditure on account of what was short-spent last half-year.

6. I would not go so far as to say that the omission to debit two engines to Revenue in one half-year (in which their debit was at first intended, but this intention frustrated through their non-arrival) must necessarily mean that four must be debited in some half-year in the near future. I would rather say that they were going rather too fast with their renewals, and are well advised to take the opportunity of the English strike, and of the non-arrival of two engines, to draw back a bit.

7. The same remarks would apply to the renewal of boilers. My impression is that, on his return from leave, Mr. Moss personally is bent on economy, and that while so long as the Company had no surplus profits there was no sufficient spur to ensure economy, this spur is now applied, and they mean to do all they can to be economical and to show surplus profits during the remaining few years. It will of course be the Consulting Engineer's duty, with your assistance given in the forms now afforded in your letter and note under reference, to see that maintenance is not scamped.

If my considered when the estimates were passed, then the assumption on which I have been going is not valid and I have nothing more to say.

As I said, it is for us merely to point out the large reduction of 2 lakhs, or 35 per cent. on the previous average expenditure and on the estimates together with the causes which have led to it, while it is entirely for you to decide whether the Company are doing all that is now necessary in the way of renewals. If you are satisfied on this point, there is no need for a reference to India.

8. I think that, in the matter of repairs and renewals of vehicles, you were misled by the somewhat slovenly drafting of Mr. Phipps' letter. In paragraphs 3 (16) and 4 he speaks first of *the renewal of the old open wagons as covered goods wagons*, and a[fter] *the renewal of covered goods wagons*. I understand him in both cases to mean the self-same thing, viz., *the conversion of our old open wagons into covered goods wagons*.

9. In paragraph 3 (16) he says that this very heavy job which has been costing so much is now practically finished, the last twelve being in the shops. In paragraph 4 he explains that this job has heretofore cost about Rs. 73,600 per half-year. I understand you to have understood him to be writing of two different things. Had he not made 4 a separate paragraph, and had he used the same expression in both cases, you would not have been misled.

10. I do not feel at all sure that it must be accepted that, because certain renewals were, in December last, put into the estimates, they had been carefully considered and were believed to be necessary. I believe that things were going too fast, and that Mr. Moss had not then had time to look into things and enforce economy.

11. The heavy falling off of traffic, due to the plague regulations, will have to be recognised now, I fear, as something likely to last a considerable time, and an effort will have to be made to meet it by cutting down some of the expenses dependent on train mileage. It seems to me that this is the direction in which to seek to enforce economy. But I do not think that the Company's officers have been deliberately attempting to secure a false show of economy with a view to ~~securing~~ surplus profits which would otherwise not have been earned this half-year with the deliberate intention of foisting the cost of the neglected maintenance on Government in the coming non-surplus half-years.

12. The Agent certainly has not in his letter dealt with the matter sufficiently seriously, nor has he given us any assurances to which we are entitled. He has done little more than endorse the Locomotive Superintendent's letter. We must get a fuller reply from him before going up to India with a proposal to stop 2 lakhs worth of surplus profits for a purpose for which, so far as I can judge with the figures now before me, they will probably not be required.

13. I put up a draft of the letter that I propose issuing, and shall be glad if after perusal you will insert anything in it which you think will probably elucidate things and will get it issued as urgent in Madras over Mr. Wilson's signature "for Consulting Engineer," if he will kindly do so.

P.S.—On reconsideration I think the letter I have now drafted had better issue at once from here without delay. So I issue it, and send on this first to you.

Note. By the Secretary Government of India.
To the Chief Engineer, Bombay.
Dated 23rd September 1898.

The requirements in regard to renewals are so much out of my province that if you are satisfied from the Agent's explanations that the Company are doing what is necessary in this respect, and that the non-execution of the renewals sanctioned for $\frac{1898}{1}$ will not lead to enhanced expenditure in the next half-year, then I have no grounds whatever for pressing that any special action should be taken.

So far as the information available to me went, I saw that the renewal of 35 covered goods wagons and 20 timber or rail trucks was provided for during $\frac{1898}{1}$, while the renewal of 10 covered goods wagons and 20 timber trucks was provided for during $\frac{1898}{2}$, the latter estimate being prepared at a time when the lapse on the former estimate would not be known.

I also knew that the Company had recently submitted an estimate for 200 additional wagons on the grounds that they could not deal with the traffic offering with their existing stock.

From the latter circumstance I assumed (1) that it is necessary for the Company to renew each wagon as soon as ever it is known to require renewal, and, therefore, (2) that since only 10 out of the 55 wagons were renewed in $\frac{1898}{1}$, the balance would have to be carried out as an addition to the wagons to be renewed in $\frac{1898}{2}$.

If, however, as now appears from the Locomotive Superintendent's report, with which you agree, that the number of wagons requiring renewal in $\frac{1898}{1}$ was not carefully considered when the estimates were passed, then the assumption on which I have been going is not valid and I have nothing more to say.

As I said, it is for us merely to point out the large reduction of 2 lakhs, or 35 per cent. on the previous average expenditure and on the estimates together with the causes which have led to it, while it is entirely for you to decide whether the Company are doing all that is now necessary in the way of renewals. If you are satisfied on this point, there is no need for a reference to India.

for proper upkeep of stock, 1st to replace two engines by new ones, 2nd
4th to renew 20 rail

From—The Consulting Engineer for Railways, Madras.
To—The Agent and Manager, Madras, Railway.
Dated—Ootacamund, the 21st September 1898, No. 164/O.

The Government Examiner's letter, No. 451, dated the 2nd September 1898, which is dealt with in your letter, No. 11287/875, dated the 13th September 1898, contained, as you will recollect, a suggestion that, in view of what appeared to him to be short expenditure on revenue account during last half year, and of the apparent certainty that such shortage must be made up for in future half years, the Government of India should be advised to take the course indicated in a certain Secretary of State's Despatch, No. 7 of the 10th March 1881, viz., to withhold a considerable sum from distribution in the form of surplus profits for the past half year in order that adequate provision may be made in the next for what seems to be inevitable, viz., excess expenditure beyond what might be normally expected to be requisite on revenue account.

2. Your letter under reply appears to me to scarcely adequately meet the situation. I cannot find in it a sufficiently clear assurance that that will not happen which the Government Examiner fears may happen, viz., that short revenue expenditure in a surplus half year will have to be made up for in a non-surplus half year, at the cost, of course, of Government.

3. I find that while the average expenditure during the previous three corresponding half years was for *Maintenance and Renewals of Locomotive Engines* Rs. 2·61 lakhs, and for *Repairs and Renewals of Vehicles* Rs. 2·21 lakhs, your actual expenditure on these sub-heads during last half year was Rs. 1·88 lakhs and 1·57 lakhs, respectively. But though the Examiner's fears lest these figures should indicate the probability of its being necessary in the coming or following half years to spend perhaps 1½ lakhs on account of these particular sub-heads in excess of the normal, I find that the current half-year's estimate contemplates no such excess expenditure, for the figures of that estimate under the sub-heads in question are respectively Rs. 2·57 and Rs. 1·58 lakhs. Still the latter figures are only an estimate, and I have no estimate yet of future half years, and I can see the reasonableness of the Government Examiner's fears lest the short expenditure of last half year should have to be sooner or later overtaken at the cost, perhaps, of Government.

4. I seem to read in your letter under reply an assurance that notwithstanding the fact of no engines for renewal purposes having arrived from home last year, and the probability of none arriving during the current half year, nevertheless it is not expected that it will be found necessary to renew in any half year in the near future at a faster rate than two locomotives for half year. Am I right in thus reading your intention? Should I correctly interpret you the deduction would obviously be that renewals of engines were, as a matter of fact, proceeding at a somewhat faster rate than circumstances warranted, and that therefore the effect of the English engineering strike [redacted] so far as the interests of the Madras Railway are concerned rather beneficial than detrimental.

5. Next, turning to *Repairs and Renewals of Vehicles*, your Locomotive Superintendent's letter is not very lucid. Do I rightly understand that when in paragraph 3 (16) he writes of "*the renewal of the old open wagons as covered goods wagons*," and when in paragraph 4 he writes of "*the renewal of covered goods wagons*" he is referring to one and the same thing, *viz.*, "*the conversion of old open wagons into covered goods wagons.*" Should I rightly interpret his meaning as above elucidated, I read him to mean that expenditure under this sub-head, on account of this particular job, which during the last 16 or 20 half years has averaged some three-quarter lakh half-yearly, has now practically ceased, and that indeed in the last half year now under reference it had practically come to an end. Am I to understand that this is the case?

6. In the absence of any admission on your part to the contrary I am only justified in assuming that the provision which was deliberately made in the working estimates of the half year under reference, viz., that ended on the 30th June last, for certain renewals of rolling-stock, was only made after due consideration of the real needs of the railway. I must, therefore, assume that it was at that time believed

[redacted] that I objected very strongly to the Engine stock being

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No. 11297

to be necessary for proper upkeep of stock, 1st to replace two engines by new ones, 2nd to supply two new boilers, 3rd to renew five third-class carriages, 4th to renew 20 rail or timber trucks, 5th to renew 25 more covered goods wagons than were actually renewed, all at the cost of Revenue. When I find that none of this programme was carried out, whatever the causes may have been, whether strikes at home or at Perambore, I can only assume, in the absence of any assurance from you to the contrary, that, in some half year in the near future, all these things must be done over and above what would ordinarily be necessary. The only alternative seems to be that I should believe that renewal requirements had been over-estimated, and that recognizing this you are trying to ensure better co-ordination of actual renewals with those that you believe now to be necessary.

7. It may be, indeed I have your verbal assurance that it is so, that an effect of the Perambore strike has been to show that considerable permanent economies can now be, and will certainly be, effected in the Locomotive Department. But I see no indication in your letter that you contemplate anything of the sort. I shall be glad of some assurance from you to this effect. Should such permanent economy be safely to be counted on, the fact has, evidently, an intimate bearing upon the subject under reference.

8. So far as maintenance is concerned of Way, Works, Stations, &c., I am personally satisfied that it is neither being neglected nor unduly deferred. Indeed my impression has been that you were renewing your rails somewhat faster than was really necessary. I therefore find no fault with the short renewals of the half year under review, because I do not consider the state of the road to be such as to make it essential, in the interests either of safe running or of keeping up the value of the railway, that the short renewals in question should at once be overtaken.

9. But the question of the sufficiency of renewals of rolling-stock is a less easy one; for it is next to impossible, without minute inspection of the whole of the stock at the hands of a special expert, to decide whether maintenance is or is not being neglected, by any other method than that adopted by the Government Examiner, viz., (a) by comparison of current expenditure with that which for many past half-years has been found by experience to have been necessary.

10. In the light of these remarks I feel sure that you will agree with me that I am entitled to expect that the facts and figures which have led the Government Examiner to propose that so serious and unusual a step should be recommended to Government, are such as to draw from you a very much fuller and more elucidatory reply than that contained in your letter now under reference.

11. It only now remains for me to refer to the subject of your 3rd paragraph, viz., the undoubtedly serious effect on your traffic of the restrictions which Government has been driven to impose on the travelling public generally, with a view to the prevention of the spread of plague. There seems to be no doubt but that these restrictions have had the effect of preventing people from travelling, and also of stopping to a considerable extent the movement of produce. This unfortunately is as inevitable as floods or hurricanes, and the only question for us to consider is whether it cannot to some extent be met by curtailing train mileage, and by so securing economy in working expenses. If experience shows that on certain sections third-class vehicles are day after day running half empty, and if there seems reasonable probability of this state of things continuing for a considerable time, it seems to me that it may be found possible to economise in train mileage by substituting goods vehicles for half empty passenger vehicles, and perhaps by knocking off some goods train, if not an occasional mixed train. This question of the falling off of traffic, owing to the fear which the native public entertain of plague restrictions, need not be brought into your explanation of the short locomotive expenditure brought to notice by the Government Examiner. It obviously demands separate and careful consideration, and this I have no doubt it is already receiving at your hands and at those of your Traffic officers.

had the new ones been delivered at due date, would have been

condemned and sold.

I may say that in connection with this latter re-

-mark I warned the Locomotive Superintendent some weeks ago

that I objected very strongly to the Engine stock being allow

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(No. I.)

No. 11287.

Ref. Thanks be given. Book 30 folder 927

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

Madras, 23th September, 188 98.

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From

Print

To The *Agent and Manager.*

Madras Railway.

The *Consulting Engineer for Railways.*

Sir, ~~Madras.~~

S

Referring to your letter No. 164/0 of the 21st inst-
-ant, I have the honor to state that it is not anticipated
that it will be necessary to alter the programme already
laid down with regard to the renewal of Locomotive Engines
or to renew at a faster speed than that agreed to, viz 2 En-
-gines in each half year. The effect of the Engineering
Strike in England has been to postpone for 12 months the
final completion of the total renewal of Locomotives contem-
-plated and to necessitate that in order to keep things
going we should continue for 12 months longer the policy of
patching up and temporarily repairing certain Engines which,
had the new ones been delivered at due date, would have been
condemned and sold.

I may say that in connection with this latter re-
-mark I warned the Locomotive Superintendent some weeks ago
that I objected very strongly to the Engine stock being allow

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-ed to run down owing to the late despatch of new Engines from home and I verbally authorised him to spend money upon the Engines put aside to be condemned, rather than allow the efficient working of the line to be interfered with.

When the present arrangement of debiting revenue with the cost of two new Engines half yearly was agreed to in 1894 it was explained and understood that the Engines then existing could, if it was considered desirable, be patched up and renewed in parts for some years to come, but I decided against this policy and have since that date steadily faced the new charge half year by half year and this policy will be continued so long as I am here .

Mr. Phipps writes with reference to your para 6:-

" The non-renewal of the 2 Engines has been explained; the
" two boilers were issued from Stores and charged off. Work
" would have been commenced upon the 5 III Class Carriages had
" the Strike at Perambur not thrown out our calculations, and
" postponed the completion of the Bezwada- Madras Railway Stock
" and so prevented our finding Shop room for these. Work was, as
" is mentioned in my No.E.2171/914 of the 3rd September 1898,
" commenced on the 20 Rail Trucks and had it not been for the
" proposal to convert the gauge of the West Coast Section of
" the Company's system their actual construction would ere this
" have been put in hand.

" With regard to the Covered Goods Wagons, when the estimates
" were being prepared it was understood that the balance of
" these wagons that remained to be built to complete the total
" was 35 wagons and the necessary funds for the construction
" of this number were therefore provided. Later on when work
" was about to be commenced it was discovered that owing to a
" clerical error the outstanding balance had been wrongly cal-

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MADRAS RAILWAY.

From

The Agent and Manager.

To

The Consulting Engineer

for Railways.

Dated

Read.

No. 188

"-culated and that the total stock required to bring the list
" up to sanction was 22 only. The Workshop order was therefore
" altered, and as is reported in my report for last half year
" 10 wagons of this total were built, the remaining 12 having
" been crowded out, were not completed within the period
" covered by the estimate but are now practically finished".

With reference to your Para 5 Mr. Phipps says:-

" The Consulting Engineer's deduction is correct, the phra-
"-ses " renewal of the old Open Wagons as Covered Goods Wagons"
" and "renewal of Covered Goods Wagons" refer to the same opera
" -tion, viz, the conversion by renewal of the old Open Wagons
" to Covered Goods Wagons. He is also correct in understand-
" -ing that this work is practically complete as the whole of
" the old Open Wagons will, when the 12 Covered Wagons now in
" the Shops have been turned out, have been renewed as Cover-
" -ed Wagons."

So far as your para 7 can be answered I beg to say that we took advantage of the strike, knowing that we were practically at the end of all special work, to get rid of old and useless men who had been with us throughout a long number of years and whose dismiss-
-al under other circumstances would have been difficult.

All men re-engaged too have been required to sign contract notes and they understand that by defying legitimate authori
-ty they have forfeited gratuities which they might otherwise have claimed under existing rules.

In your previous letter you did not touch upon En -
-gineering Expenses, nor was any reference made to these expenses in the extract from the Examiner's letter which you sent to me with

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your

your letter of the 6th September.

It does not therefore seem necessary for me to comment upon Para 8 of your letter under reply.

I referred in my last letter to our heavy loss in traffic from plague and plague restrictions, simply and purely because the Examiner assumed that we were purposely holding over until an unfavourable half year, expenditure which was legitimately chargeable to last half year. Two months ago I was of opinion we should earn surplus profits for both halves of 1898 but we certainly cannot stand a steady loss of Rs.30000 & Rs.40000 a week from plague operations and still hope to maintain our record of good management, but you have my assurance that no advantage will be taken of plague troubles to debit either the current or any future half year with extraordinary or special charges which do not legitimately belong to the half year they are charged against.

I have the honor to be,

Sir,

Your most Obedient Servant,

Agent and Manager.

A →

ORDER—No. Ry., dated September 1898.

The Capital and Revenue Accounts of the Madras Railway and Branches will be forwarded to the Government of India, for orders, with reference to the suggestion raised by the Examiner, Guaranteed Railway Accounts, Madras, in the correspondence and notes read above, with an expression of this Government's opinion that, in the light of the explanations afforded by the Agent, it will not be necessary to reserve surplus profits from partition.

(True Extract.)

~~Under~~ Secretary.

(No. 1.)

No.

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

Madras, 188

From

Agent and Manager.

To

SIR,

Consulting Engineer for Railways.

MADRAS RAILWAY.

From

The Agent and Manager.

To

The Consulting Engineer

for Railways.

Dated 188

Reed.

No.

1-13

RAILWAY.

Government {1898} of Madras.

PUBLIC WORKS.

Recd. } 1898. *Enclosures*

Regd. } *Spare copies*

G.O., No. 1275/A Ry., 17th October 1898.

OCTOBER.

Surplus Profits of the Madras Railway, for the half-year ending 30th June 1898

Ordered that the suggestions raised by the Examiner of Guaranteed Railway Accounts, Madras, on the subject of the necessity or otherwise for withholding from distribution to shareholders a part of the —, with a view to covering the probable excess expenditure on certain items of working expenses in next half-year, be forwarded for the orders of the Government of India, with an expression of this Government's opinion that, in the light of the explanations afforded by the Agent, it will not be necessary to reserve surplus profits from distribution.

Recording correspondence on the subject of a proposal made by the Examiner of Guaranteed Ry. Acct. Madras for withholding from distribution part of the Madras Ry Co's share of Surplus profits for the half year ended 30th June 98.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway.

Read the following papers :—

From—The Agent and Manager, Madras Railway.
To—The Consulting Engineer for Railways, Madras.
Dated—Madras, 6th September 1898, No. 10390/845.

I have the honour to forward, herewith, nine copies each of the accounts of the Madras Railway, Kolar Gold Fields Railway, and the Madras-Ennur section of the Bezwada-Madras Railway for the half-year ending 30th June 1898.

2. I also forward in manuscript the office and Board's copies of the revenue accounts and shall be obliged if you will kindly return them together with two printed copies of each, duly countersigned by yourself and the Examiner of Railway Accounts in time to be despatched to the Board by the mail of the 15th instant.

3. A printed copy of the Kolar Gold Fields Railway accounts is also forwarded herewith for transmission to the Mysore Government.

Capital and Revenue Accounts, Madras Railway, and branches for the half-year ended 30th June 1898.

From—The Consulting Engineer for Railways.
To—The Agent and Manager, Madras Railway.
Dated—Ootacamund, 6th September 1898, No. 139/O.

I have the honour to forward, for favour of very early comments and explanation, a copy of an urgent letter from the Government Examiner, No. 451, dated the 2nd September 1898, on the subject of the necessity or otherwise for withholding from distribution to shareholders a part of the past half year's surplus profits, with a view to covering the probable excess expenditure on certain items of working expenses in next half year.

Enclosure.

From—The Examiner, Guaranteed Railway Accounts, Madras.
To—The Consulting Engineer for Railways, Madras.
Dated—2nd September 1898, No. 451.

I have the honour to forward, herewith, two statements comparing (1) the total expenditure under Abstracts B and C of the revenue accounts and (2) the expenditure under the sub-heads B-VI and C-II of these abstracts for the half-year ended 30th June 1898, with the provision made in the working estimates for the half year, and with the average expenditure of the corresponding periods of the three preceding years, and to offer the following remarks thereon.

2. From the first statement it will be seen that the expenditure under these abstracts has greatly fallen short both of the provision in the estimates and of the three years' average; and, from the second statement, that this saving has been entirely effected under the sub heads B-VI Maintenance and Renewals of locomotive engines and C-II Repairs and Renewals of vehicles.

3. The actual expenditure under Maintenance and Renewals of Engines has fallen short of the estimates by Rs. 76,340, and of the three years' average by Rs. 73,290. The actual expenditure on Repairs and Renewals of Vehicles has fallen short of the estimates by Rs. 89,898, and of the three years' average by Rs 63,866. If to these figures we add the saving effected in loss by exchange by the short issues of stores for repairs and renewals, we find that the total expenditure on repairs and renewals of rolling-stock falls short of both the estimates and three years' average by about two lakhs of rupees or more than 35 per cent.

4. Of course the strike of workmen which took place at the Perambore shops during the month of May 1898 is partly accountable for the short outlay, but an analysis of the monthly figures shows that the restriction on expenditure on repairs and renewals of rolling-stock has persisted throughout the last three or four months of the half year, the greatest shortage appearing in the month of April before the strike began.

5. What appears to have taken place is as follows: The gross earnings for the half-year ended 30th June 1898, amounting to Rs. 56,34,736-6-7, show a deficiency of Rs. 1,54,825-8-4 as compared with the first half of 1897 when surplus profits to the extent of Rs. 1,71,937 were earned. Had the expenditure continued at or about the normal rate during the first half of 1898, it would have been expected that little or no surplus profits would have been earned. The Company, however, seeing the great falling off in earnings that was taking place, and the small prospect of earning surplus profits under normal circumstances, have met this by restricting or deferring repairs and renewals to rolling-stock to about the same extent. In this way, with a deficiency of gross earnings of Rs. 1,54,825-8-4 as compared with the first half of 1897, surplus profits to an even greater extent or * Rupees 2,00,000 have still been earned. Broadly speaking it may be said that these profits are unreal, and produced only by the postponement of necessary repairs and renewals of rolling-stock.

* Approximate estimate accounts not yet passed.

6. Had the savings been effected under running or other working expenses of a like nature, there would have been nothing to say against the working results brought out; but short outlay on repairs and renewals of rolling-stock is not savings, but merely expenditure deferred to the following half year.

7. The earnings of the Madras Railway still show a heavy decline; so that, as far as can be seen at present, there appears to be no prospect of surplus profits being again earned during the current half year. In this case any expenditure on repairs and renewals of rolling-stock which should have been carried out last half year, but which has been deferred to the current half year, will fall wholly on Government.

8. To prevent the injury to the financial interests of Government by the payment to the Company of a half share of surplus profits which have been earned entirely by the postponement of necessary outlay which will fall wholly on Government in the succeeding half year, I would recommend that a sum of from 1¾ to 2 lakhs of rupees should be reserved from the net earnings of the past half year to make good the deficiency in the repairs and renewals of rolling-stock during that half year, and in this connection I would beg to invite your attention to the instructions contained in the Secretary of State's despatch † No. 7 of the 10th March 1881 to the Bombay Government which bear upon the subject.

† S.O. Manual, page 221.

9. If you concur with me in thinking that some special action of this nature is called for in the interests of Government, I would suggest that a copy of this report, with any specific recommendations which you may see fit to make, should be submitted for the orders of the Government of India, since the course proposed to be taken, although clearly in accordance with the instructions of the Secretary of State, is somewhat unusual, at least so far as the Madras Railway is concerned, and is certain to be strongly opposed by the Company.

10. As the accounts for the past half year will shortly be closed, early instructions on the point are requested.

MADRAS RAILWAY.

Total Locomotive Expenses—Abstract B.

Months.	First half of 1898.	First half of 1897.	First half of 1896.	First half of 1895.	Three years' average, 1895–97.	1898, less than average.	Provision in estimate for first half of 1898.	Actuals less than estimate.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	1,64,358	1,54,975	1,58,497	1,55,332	1,56,268	8,090	..	..
February	1,60,381	1,41,249	1,54,170	1,49,741	1,48,387	11,994	..	..
March	1,61,097	1,74,099	1,70,961	1,59,518	1,68,193	7,096	..	..
April	1,62,436	2,14,113	2,10,329	1,45,540	1,89,994	27,558	..	..
May	1,53,228	1,63,798	1,61,427	1,58,922	1,61,382	8,154	..	..
June	1,55,748	1,90,565	1,94,885	2,53,212	2,12,887	57,139	..	..
Total, Locomotive Expenditure ..	9,57,248	10,38,799	10,50,269	10,22,265	10,37,111	79,863	10,44,995	87,747

Total Carriage and Wagon Expenses—Abstract C.

	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	47,435	52,982	37,215	46,721	45,639	1,796	..	..
February	64,799	51,423	36,226	50,758	46,136	17,663	..	..
March	48,841	51,048	44,950	43,493	46,497	2,344	..	..
April	20,880	49,383	45,876	45,979	47,079	26,199	..	..
May	16,880	44,113	45,781	45,180	45,025	28,145	..	..
June	32,207	40,487	1,00,381	69,752	70,207	38,000	..	..
Total, Carriage and Wagon Expenditure.	2,30,042	2,89,436	3,10,429	3,01,883	3,00,583	70,541	3,28,314	98,272
Grand Total ..	11,87,290	13,28,235	13,60,698	13,24,148	13,37,694	1,50,404	13,73,309	1,86,019

Maintenance and Renewals of Locomotive Engines—Abstract B-VI.

Months.	First half of 1898.	First half of 1897.	First half of 1896.	First half of 1895.	Three years' average, 1895—97.	1898, less than average.	Provision in estimate for first half of 1898.	Actuals less than estimate.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	30,122	30,128	30,190	37,987	32,768	3,354	..	..
February	43,822	23,276	29,361	40,420	31,019	12,803	..	..
March	24,070	41,929	38,978	45,074	41,994	17,924	..	..
April	35,566	87,833	87,540	35,819	70,397	34,831	..	..
May	20,531	37,769	32,835	39,892	36,832	16,301	..	..
June	27,549	30,665	35,404	77,751	47,940	20,391	..	..
Total, B-VI ..	1,87,660	2,51,600	2,54,308	2,76,943	2,60,950	73,290	2,64,000	76,340

Repairs and Renewals of Vehicles—Abstract C-II.

	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
January	35,634	42,999	27,141	36,718	35,619	15	..	..
February	51,852	41,170	27,408	41,031	36,537	15,325	..	..
March	37,201	40,747	35,049	33,612	36,469	732	..	..
April	9,407	39,589	36,437	36,087	37,371	27,964	..	..
May	6,436	33,754	36,069	35,273	35,032	28,596	..	..
June	16,462	16,899	66,780	35,840	39,840	23,378	..	..
Total, C-II ..	1,57,002	2,15,158	2,28,884	2,18,561	2,20,868	63,866	2,46,900	89,898
Total ..	3,44,662	4,66,758	4,83,192	4,95,504	4,81,818	1,37,156	5,10,900	1,66,238
Add—Loss by Exchange on English stores ..	25,104	70,916	81,574	98,157	83,549	58,445	70,000	44,896
Grand Total .	3,69,766	5,37,674	5,64,766	5,93,661	5,65,367	1,95,601	5,80,900	2,11,134

From—The Agent and Manager, Madras Railway Company.
To—The Consulting Engineer for Railways, Madras.
Dated—Madras, 13th September 1898, No. 11287/875.

With reference to your letter No. 139/0 of the 6th instant, I have the honour to submit, for your information, copy of a letter which I have to-day received from the Company's Locomotive Superintendent explaining the causes which have led to the lower expenses under Abstracts B and C during the past half-year.

I have no reason to believe that any new engines will be received from home during the current half-year, but if any arrive we shall continue, as we have done in past years, to charge them to Revenue at the rate of two in each half-year.

Had it not been for the restrictions imposed by Government at plague-examining stations, I think there is no doubt we should have earned surplus profits again for the current half-year; but with the passenger traffic falling off largely on the Bangalore branch and on the North-West line, I am afraid our coaching receipts will be very seriously interfered with.

Paragraph 5 of the Examiner's note is not a statement of facts. No orders have been issued by me to curtail expenditure with the view of obtaining surplus profits at the expense of Government, and it cannot, I contend, be placed against the management that the Indian Executive is in any way responsible for the engineers' strike at home, a strike which, I understand, is solely the cause of the short shipment of engines for other Railways besides the Madras Railway.

There can be no question that the way and works and rolling-stock of the Railway were fully maintained during the past half-year, and this being so, despatch No. 7 of the 10th March 1881 from the Secretary of State, to which the Examiner refers, has no application. I regret that the Examiner has thought fit in his memorandum to charge the management of the Madras Railway with disingenuousness.

Enclosure.

From—The Locomotive Superintendent, Madras Railway.
To—The Agent and Manager, Madras Railway.
Dated—Perambur Works, 12th September 1898, No. B. 2574/941.

[Your No. 8760 of the 8th instant.]

The deductions drawn by the Government Examiner do not appear to be correct, and this for the following reasons.

2. With regard to Abstract B, the Government Examiner has overlooked the fact that, during the half-year under reference, owing to their non-receipt from England, no new engines were charged off to Revenue as has been done in each half-year for some three years past. A sum of Rs 51,000 was provided in the estimates to meet this charge but was not spent, and deducting this amount from the total saving under B. VI, viz., Rs. 73,290, leaves a balance of Rs. 22,290. A credit of Rs. 10,464, which has also apparently escaped the notice of the Government Examiner, was further passed to this sub-head in March and April 1898 on account of old engines sold by auction. This again reduces the balance to Rs. 11,826. The strike, as is explained in my half-yearly report which is now in the printer's hands, accounts for a further sum of Rs. 6,200, so that the actual amount of saving which has been effected on engine repairs is reduced to a sum of Rs. 5,626 only.

3. Referring to the reduction under sub-head II of Abstract C to which the Government Examiner alludes, I cannot, I think, do better than quote paragraphs Nos. 14 to 16 of my half-yearly report in which the saving is fully explained :—

"14. *Carriage and wagons—Repairs.*—The number of vehicles repaired during the half-year was 2,883 as compared with 2,665 dealt with during the first half of 1897. These were also renewed at the cost of Revenue :—covered goods wagons 60, travelling water trucks one and two trucks for carrying gas holders, were built at the cost of Capital.

15. The total expenditure, both in wages and material, was, it will be noted, considerably lower than that for the corresponding half year, and this is due to the fact that, the bulk of the renewals having been finished, the carriage shop was working for the greater part of the time on the construction of the new stock for the Bezwada-Madras Railway. As stated in the preceding paragraph, 60 covered goods wagons were actually turned out of the works, but 50 of these had been in great measure finished during the latter half of 1897 and had only not been handed over to the traffic owing, as is explained in other correspondence, to our having run out of the stock of buffer and draw springs. This is also referred to in paragraph 12 of the report for last half year.

16. The renewal of the old open wagons as covered goods wagons is now practically completed, the last 12 being now in the shops, and the heavy expenditure which has for so many years been incurred on this account may now be considered to be at an end. There are still a few odd ballast and fuel wagons and other vehicles awaiting renewal, but in view of the proposal to convert the West Coast section of the Company's system to metre gauge, it is probable that these renewals need not be carried out, since the conversion of the gauge will of course set free a certain proportion of broad gauge stock which can be utilized elsewhere, and which will therefore take the place of the vehicles now condemned and removed from the inventory."

4. The renewal of covered goods wagons has, as you are aware, been going on for the last 8 or 10 years at the rate of from 100 to 150 per annum. The average number turned out in each half-year since 1895 has been 46, and the cost of these 46 wagons may be put down at Rs. 73,600.

5. As is also explained in my half-year's report, a saving of Rs. 9,160 in carriage and wagon repairs was brought about by the strike; and this, added to the cost of the covered goods wagons which as is explained above were not built, a good deal more than accounts for the reduction in expenditure of Rs. 63,866 as compared with the three years' average quoted by the Government Examiner.

6. It will also be noted, from the quotation from my report which I give, that 118 more vehicles were passed through the shops for repairs than during the corresponding half of 1897; so that the Government Examiner's assumption that the profits have been produced by the postponement of necessary repairs of rolling-stock is not supported by facts, more vehicles having been, as a matter of fact, repaired than in the second half of 1897.

7. I would also point out that, as regards paragraph 6 of the Government Examiner's note, the mileage worked during the half year was 15,624 in excess of the corresponding half-year's; and, this being so, no saving could under any circumstances be looked for or expected under running expenses of either engines or vehicles; since, if trains run, drivers must be found, engines must have coal, and vehicles must be oiled and looked after. The debits under running charges are absolutely and entirely dependent upon the mileage run and work done, and, excepting within certain narrow limits, cannot be affected one way or the other, excepting by reduction or increase in mileage.

8. The saving in loss by exchange is, it is probably hardly necessary to explain, due to the non-issue of locomotive engines which were not received from England and consequently not erected, and non-issue of English material for the construction of covered goods wagons which also, as explained, were not built.

Note—By the Examiner, Guaranteed Railway Accounts, Madras.
To—The Consulting Engineer for Railways, Madras.
Dated—17th September 1898.

The sanctioned working estimates for the half-year provided for the renewal of two engines at a cost of Rs. 51,000. These two engines were not renewed during the half-year. In addition, Rs. 21,000 were sanctioned for the renewal of three boilers at the cost of Revenue, while nothing has been charged to Revenue against this sanction on account of boiler renewals during the half-year.

Under carriage and wagon stock, the working estimates provided for the renewal of five third-class carriages at a cost of Rs. 16,000, but these have not been carried out. While out of the 35 covered goods wagons and 20 timber or rail trucks for the renewal of which during the half year provision was made in the estimates, only 10 covered goods wagons have actually been renewed at the cost of Revenue during the half year.

Of course I have no knowledge of the actual requirements in the way of renewals, I only presume that as renewals to the extent mentioned above were included in the estimates they were carefully considered and held to be necessary at the time; and I am unable to follow the Locomotive Superintendent in his technical explanations why the renewals of wagon stock considered necessary when the estimates were passed were afterwards found not to be required and not carried out; for at one place (paragraph 3) he appears to explain that 60 covered goods wagons were renewed during the half year, at another place (paragraph 4) that 46 covered goods wagons were renewed at a cost of Rs. 73,600, and again (paragraphs 5 and 8) that no covered goods wagons were renewed as this was not necessary—paragraph 3 (16).

It is only for me to point out (1) that there has been a reduction of about 2 lakhs in the outlay on repairs and renewals of rolling-stock as compared with the working estimates and with the average expenditure of the past three years, (2) that this reduction has arisen from almost the whole of the renewals provided for in the estimates not having been carried out, (3) that owing to the sanctioned renewals not having been undertaken, a surplus profit of about 2 lakhs has been brought out which would otherwise not have been earned, and (4) that if the renewals which were not carried out in the first half of 1898 (a surplus profit half year) are thrown into the second half of 1898 (which will be a non-surplus half year), this will seriously affect the financial interests of Government.

In thus drawing attention to the significance of the figures in the accounts; to the deductions to be fairly made from them; and to their bearing on the financial interests of Government, I consider that I am not doing more than my duty to Government requires. It is for Government to decide whether any steps are necessary to protect their interests in the matter.

Note—By the Consulting Engineer for Railways, Madras.
To—The Examiner, Guaranteed Railway Accounts, Madras.
Dated—21st September 1898.

I fully appreciate the importance of your letter and note, but could not deal with the first of them in the sense suggested, viz., that the Government of India's orders should be taken, without allowing the Agent an opportunity of saying what he had to say. I took your letter down to Mettupalaiyam, and there showed it to the Agent and we had a long talk about the state of things referred to.

2. The Agent assures me not only that there will be no demand in any future half years for a larger debit than for two locomotives to Revenue, in spite of the omission to debit two, as intended, during the past half year, but also that one important result of the Perambore strike will have been a permanent reduction of locomotive expenses.

3. The average locomotive expenditure in three half years has been $10\frac{1}{3}$ lakhs per half year. The average carriage and wagon expenditure has been 3 lakhs. These are the figures for the normal half years you refer to, the figures for last half year having been $9\frac{1}{2}$ and $2\frac{1}{3}$ lakhs. Comparing the estimate for the now current half year with the above we find that abstract B totals to 10·60 lakhs and abstract C to 2·60 lakhs. The latter figure is smaller than that for any of the three half years that you refer to. The former figure is higher, but not so high as to warrant the assumption that the management want to make up in the current half year, at the expense of Government, for the failure to debit to Revenue the cost of the two engines which did not arrive last half year.

4. Then, going further into detail, I see that the average three half-years' figures taken by you for maintenance and renewals of locomotive engines was 2·61 lakhs, while that for repairs and renewals of vehicles was 2·21 lakhs. The corresponding figures for the current half-year, as given in the working estimates, are 2·57 lakhs and 2·29 lakhs.

5. These figures seem to me to confirm the Agent's contention that he contemplates no excessive expenditure on account of what was short-spent last half-year.

6. I would not go so far as to say that the omission to debit two engines to Revenue in one half-year (in which their debit was at first intended, but this intention frustrated through their non-arrival) must necessarily mean that four must be debited in some half-year in the near future. I would rather say that the management have been moving rather too fast with their renewals, and are well advised to take the opportunity of the English strike, and of the non-arrival of two engines, to draw back a bit.

7. The same remarks would apply to the renewal of boilers. My impression is that, since his return from leave, Mr. Moss has personally been bent on economy; and that while so long as the Company had no surplus profits there was no sufficient spur to ensure economy, this spur is now applied, and they mean to do all they can to be economical and to show surplus profits during their remaining few years. It will of course be the Consulting Engineer's duty, with your assistance given in the form now afforded in your letter and note under reference, to see that maintenance is not scamped.

8. I think that, in the matter of repairs and renewals of vehicles, you were misled by the somewhat slovenly drafting of Mr. Phipps' letter. In paragraphs 3 (16) and 4 he speaks first of *the renewal of the old open wagons as covered goods wagons*, and again of

the renewal of covered goods wagons. I understand him in both cases to mean the self-same thing, viz., *the conversion of our old open wagons into covered goods wagons.*

9. In paragraph 3 (16) he says that this very heavy job which has been costing so much is now practically finished, the last twelve being in the shops. In paragraph 4 he explains that this job has heretofore cost about Rs. 73,600 per half-year. I understand you to have understood him to be writing of two different things. Had he not made 4 a separate paragraph, and had he used the same expression in both cases, you would not have been misled.

10. I do not feel at all sure that it must be accepted that, because certain renewals were, in December last, put into the estimates, they had been carefully considered and were believed to be necessary. I believe that things were going too fast, and that Mr. Moss had not then had time to look into things and enforce economy.

11. The heavy falling off of traffic, due to the plague regulations, will have to be recognised now, I fear, as something likely to last a considerable time, and an effort will have to be made to meet it by cutting down some of the expenses dependent on train mileage. It seems to me that this is the direction in which to seek to enforce economy. But I do not think that the Company's officers have been deliberately attempting to secure a false show of economy with a view to earning surplus profits which would otherwise not have been earned this half-year with the deliberate intention of foisting the cost of the neglected maintenance on Government in the coming non-surplus half-years.

12. The Agent certainly has not in his letter dealt with the matter sufficiently seriously, nor has he given us any of the assurances to which we are entitled. He has done little more than endorse the Locomotive Superintendent's letter. We must get a fuller reply from him before going up to the Government of India with a proposal to stop 2 lakhs worth of surplus profits for a purpose for which, so far as I can judge with the figures now before me, they will probably not be required.

Note—By the Examiner, Guaranteed Railway Accounts, Madras.
To—The Consulting Engineer for Railways, Madras.
Dated—23rd September 1898.

The requirements in regard to renewals are so much out of my province that if you are satisfied from the Agent's explanations that the Company are doing what is necessary in this respect, and that the non-execution of the renewals sanctioned for 1898/1 will not lead to enhanced expenditure in the next half-year, then I have no grounds whatever for pressing that any special action should be taken.

So far as the information available to me went, I saw that the renewal of 35 covered goods wagons and 20 timber or rail trucks was provided for during 1898/1, while the renewal of 10 covered goods wagons and 20 timber trucks was provided for during 1898/2, the latter estimate being prepared at a time when the lapse on the former estimate would not be known.

I also knew that the Company had recently submitted an estimate for 200 additional wagons on the grounds that they could not deal with the traffic offering with their existing stock.

From the latter circumstance I assumed (1) that it is necessary for the Company to renew each wagon as soon as ever it is known to require renewal, and, therefore, (2) that since only 10 out of the 55 wagons were renewed in 1898/1, the balance would have to be carried out as an addition to the wagons to be renewed in 1898/2.

If, however, as now appears from the Locomotive Superintendent's report, with which you agree, that the number of wagons requiring renewal in 1898/1 was not carefully considered when the estimates were passed, then the assumption on which I have been going is not valid and I have nothing more to say.

As I said, it is for me merely to point out the large reduction of 2 lakhs, or 35 per cent. on the previous average expenditure and on the estimates together with the causes which have led to it, while it is entirely for you to decide whether the Company are doing all that is now necessary in the way of renewals. If you are satisfied on this point, there is no need for a reference to the Government of India.

From—The Consulting Engineer for Railways, Madras.
To—The Agent and Manager, Madras, Railway.
Dated—Ootacamund, the 21st September 1898, No. 164/O.

The Government Examiner's letter, No. 451, dated the 2nd September 1898, which is dealt with in your letter, No. 11287/875, dated the 13th September 1898, contained, as you will recollect, a suggestion that, in view of what appeared to him to be short expenditure on revenue account during last half year, and of the apparent certainty that such shortage must be made up for in future half years, the Government of India should be advised to take the course indicated in a certain Secretary of State's Despatch, No. 7 of the 10th March 1881, viz., to withhold a considerable sum from distribution in the form of surplus profits for the past half year in order that adequate provision may be made in the next for what seems to be inevitable, viz., excess expenditure beyond what might be normally expected to be requisite on revenue account.

2. Your letter under reply appears to me to scarcely adequately meet the situation. I cannot find in it a sufficiently clear assurance that that will not happen which the Government Examiner fears may happen, viz., that short revenue expenditure in a surplus half year will have to be made up for in a non-surplus half year, at the cost, of course, of Government.

3. I find that while the average expenditure during the previous three corresponding half years was for *Maintenance and Renewals of Locomotive Engines* Rs. 2·61 lakhs, and for *Repairs and Renewals of Vehicles* Rs. 2·21 lakhs, your actual expenditure on these sub-heads during last half year was Rs. 1·88 lakhs and 1·57 lakhs, respectively. But though the Examiner's fears lest these figures should indicate the probability of its being necessary in the coming or following half years to spend perhaps 1½ lakhs on account of these particular sub-heads in excess of the normal, I find that the current half-year's estimate contemplates no such excess expenditure, for the figures of that estimate under the sub-heads in question are respectively Rs. 2·57 and Rs. 1·58 lakhs. Still the latter figures are only an estimate, and I have no estimate yet of future half years, and I can see the reasonableness of the Government Examiner's fears lest the short expenditure of last half year should have to be sooner or later overtaken at the cost, perhaps, of Government.

4. I seem to read in your letter under reply an assurance that notwithstanding the fact of no engines for renewal purposes having arrived from home last year, and the probability of none arriving during the current half year, nevertheless it is not expected that it will be found necessary to renew in any half year in the near future at a faster rate than two locomotives per half year. Am I right in thus reading your intention? Should I correctly interpret you, the deduction would obviously be that renewals of engines were, as a matter of fact, proceeding at a somewhat faster rate than circumstances warranted, and that therefore the effect of the English engineering strike, so far as the interests of the Madras Railway are concerned, was rather beneficial than detrimental.

5. Next, turning to *Repairs and Renewals of Vehicles*, your Locomotive Superintendent's letter is not very lucid. Do I rightly understand that when in paragraph 3 (16) he writes of "*the renewal of the old open wagons as covered goods wagons,*" and when in paragraph 4 he writes of "*the renewal of covered goods wagons*" he is referring to one and the same thing, *viz*, "*the conversion of old open wagons into covered goods wagons.*" Should I rightly interpret his meaning as above elucidated, I read him to mean that expenditure under this sub-head, on account of this particular job, which during the last 16 or 20 half years has averaged some three-quarter lakh half-yearly, has now practically ceased, and that indeed in the last half-year now under reference it had practically come to an end. Am I to understand that this is the case?

6. In the absence of any admission on your part to the contrary I am only justified in assuming that the provision which was deliberately made in the working estimates of the half year under reference, viz., that ended on the 30th June last, for certain renewals of rolling-stock, was only made after due consideration of the real

needs of the railway. I must, therefore, assume that it was at that time believed to be necessary for proper upkeep of stock, 1st to replace two engines by new ones, 2nd to supply two new boilers, 3rd to renew five third-class carriages, 4th to renew 20 rail or timber trucks, 5th to renew 25 more covered goods wagons than were actually renewed, all at the cost of Revenue. When I find that none of this programme was carried out, whatever the causes may have been, whether strikes at home or at Perambore, I can only assume, in the absence of any assurance from you to the contrary, that in some half year in the near future all these things must be done, over and above what would ordinarily be necessary. The only alternative seems to be that I should believe that renewal requirements had been over-estimated, and that recognizing this you are trying to ensure better co-ordination of actual renewals with those that you believe now to be necessary.

7. It may be, indeed I have your verbal assurance that it is so, that an effect of the Perambore strike has been to show that considerable permanent economies can now be, and will certainly be, effected in the Locomotive Department. But I see no indication in your letter that you contemplate anything of the sort. I shall be glad of some assurance from you to this effect. Should such permanent economy be safely to be counted on, the fact has, evidently, an intimate bearing upon the subject under reference.

8. It is next to impossible, without minute inspection of the whole of the stock at the hands of a special expert, to decide whether maintenance and renewals of rolling-stock is or is not being neglected, by any other method than that adopted by the Government Examiner, viz., by a comparison of current expenditure with that which for many past half-years has been found by experience to have been necessary.

9. In the light of these remarks I feel sure that you will agree with me that I am entitled to expect that the facts and figures, which have led the Government Examiner to propose that so serious and unusual a step should be recommended to Government, are such as to draw from you a very much fuller and more elucidatory reply than that contained in your letter now under reference.

10. It only now remains for me to refer to the subject of your 3rd paragraph, viz., the undoubtedly serious effect on your traffic of the restrictions which Government has been driven to impose on the travelling public generally, with a view to the prevention of the spread of plague. There seems to be no doubt but that these restrictions have had the effect of preventing people from travelling, and also of stopping to a considerable extent the movement of produce. This unfortunately is as inevitable as floods or hurricanes, and the only question for us to consider is whether it cannot to some extent be met by curtailing train mileage, and by so securing economy in working expenses. If experience shows that on certain sections third-class vehicles are day after day running half empty, and if there seems reasonable probability of this state of things continuing for a considerable time, it seems to me that it may be found possible to economise in train mileage by substituting goods vehicles for half empty passenger vehicles, and perhaps by knocking off some goods trains, if not an occasional mixed train. This question of the falling off of traffic, owing to the fear which the native public entertain of plague restrictions, need not be brought into your explanation of the short locomotive expenditure brought to notice by the Government Examiner. It obviously demands separate and careful consideration, and this I have no doubt it is already receiving at your hands and at those of your Traffic officers.

From—The Agent and Manager, Madras Railway.
To—The Consulting Engineer for Railways, Ootacamund.
Dated—Madras, 29th September 1898, No. 11287/927.

Referring to your letter No. 164/O of the 21st instant, I have the honour to state that it is not anticipated that it will be necessary to alter the programme already laid down with regard to the renewal of locomotive engines or to renew at a faster speed than that agreed to, viz., 2 engines in each half-year. The effect of the engineering

strike in England has been to postpone for 12 months the final completion of the total renewal of locomotives contemplated and to necessitate that, in order to keep things going, we should continue for 12 months longer the policy of patching up and temporarily repairing certain engines which, had the new ones been delivered at due date, would have been condemned and sold.

I may say that, in connection with this latter remark, I warned the Locomotive Superintendent some weeks ago that I objected very strongly to the engine stock being allowed to run down owing to the late despatch of new engines from home, and I verbally authorized him to spend money upon the engines put aside to be condemned, rather than allow the efficient working of the line to be interfered with.

When the present arrangement of debiting Revenue with the cost of two new engines half-yearly was agreed to in 1894, it was explained and understood that the engines then existing could, if it was considered desirable, be patched up and renewed in parts for some years to come; but I decided against this policy and have, since that date, steadily faced the new charge half-year by half-year, and this policy will be continued so long as I am here.

Mr. Phipps writes with reference to your paragraph 6:

"The non-renewal of the two engines has been explained; the two boilers were issued from Stores and charged off. Work would have been commenced upon the five 3rd-class carriages had the strike at Perambur not thrown out our calculations, and postponed the completion of the Bezwada-Madras Railway stock and so prevented our finding shop room for these. Work was, as is mentioned in my No. B. 2171/914 of the 3rd September 1898, commenced on the 20-rail trucks, and had it not been for the proposal to convert the gauge of the West Coast section of the Company's system their actual construction would, ere this, have been put in hand.

With regard to the covered goods wagons, when the estimates were being prepared it was understood that the balance of these wagons that remained to be built to complete the total was 35 wagons, and the necessary funds for the construction of this number were therefore provided. Later on, when work was about to be commenced, it was discovered that, owing to a clerical error, the outstanding balance had been wrongly calculated and that the total stock required to bring the list up to sanction was 22 only. The workshop order was therefore altered, and, as is reported in my report for last half-year, 10 wagons of this total were built; the remaining 12 having been crowded out, were not completed within the period covered by the estimate, but are now practically finished."

With reference to your paragraph 5, Mr. Phipps says:

"The Consulting Engineer's deduction is correct, the phrases "renewal of the old open wagons as covered goods wagons" and "renewal of covered goods wagons" refer to the same operation, viz, the conversion by renewal of the old open wagons to covered goods wagons. He is also correct in understanding that this work is practically complete as the whole of the old open wagons will, when the 12 covered wagons now in the shops have been turned out, have been renewed as covered wagons."

So far as your paragraph 7 can be answered I beg to say that we took advantage of the strike, knowing that we were practically at the end of all special work, to get rid of old and useless men who had been with us throughout a long number of years and whose dismissal under other circumstances would have been difficult. All men re-engaged too have been required to sign contract notes and they understand that by defying legitimate authority they have forfeited gratuities which they might otherwise have claimed under existing rules.

I referred in my last letter to our heavy loss in traffic from plague and plague restrictions, simply and purely because the Examiner assumed that we were purposely holding over, until an unfavourable half-year, expenditure which was legitimately chargeable to last half-year. Two months ago I was of opinion we should earn surplus profits for both halves of 1898, but we certainly cannot stand a steady loss of Rs. 30,000 and Rs. 40,000 a week from plague operations and still hope to maintain our record of good management; but you have my assurance that no advantage will be taken of plague troubles to debit either the current or any future half-year with extraordinary or special charges which do not legitimately belong to the half-year they are charged against.

Order—No. 1275/A Ry., dated 17th October 1898.

The Capital and Revenue Accounts of the Madras Railway and Branches will be forwarded to the Government of India, for orders, with reference to the suggestion raised by the Examiner, Guaranteed Railway Accounts, Madras, in the correspondence and notes read above, with an expression of this Government's opinion that, in the light of the explanations afforded by the Agent, it will not be necessary to reserve surplus profits from distribution.

[Here enter No. Ry., dated October 1898.]

(True Extract.)

Francis J. E. Spring,
Joint Secretary.

Recorded.

To the Examiner of Guaranteed Railway Accounts, Madras.
" ~~Agent and Manager, Madras Railway.~~
" Consulting Engineer for Railways.

Despatched on 26/10/98

Exd. T. K. Narayana Aiyangar.

Read. letter from Agent M.Ry. No. 10340/878. dated 6th Sept 98.

2 S.P. Capital & Rev. Accts Madras Ry. & Branches for the half year ended 30th June 98.

Read. Letter from Examr G.R. Accts. No. 451. dated 2nd Sept 98.

" to Agent M.Ry. No. 139/0. 6th Sept 98

" from Agent M.Ry. No. 11287/875. 13th Sept 98 & enclosures

Note by C.R. 17-9-98

Letter to Agent M.Ry. No. 169/0. dated 21st Sept 98

Note by Cn. Ry. 21-9-98.

" " C.R. 23-9-98

Agent's M.Ry. reply & cm No. 169/0. 21-9-98 - when received

Press will print all the above in the usual form jointly to a G.O.

Then joint a draft G.O. as follows. Order No. dated

The Capital & Revenue Accounts of the M.Ry. & Branches will be forwarded to the Govt of India, for orders with reference to the suggestion raised by the Examr G.R. Accts Madras in the correspondence & notes read above, with an expression of this Govt's opinion that in the light of the explanations afforded by the Agent it will not be necessary to reserve surplus profits from distribution.

FJS
26/10/98

Letter from the Agent and Manager, Madras Railway to the Consulting Engineer for Railways
No. 10390/845 dated 6th September 1878.

I have the honour to forward herewith 9 copies each of the Accounts of the Madras Railway, Kolar Gold Fields Railway, and the Madras Extension section of the Bezwada Madras Railway, for the half year ending 30th June 1878.

2. I also forward in manuscript the Revenue Office and Board's copies of the Accounts and shall be obliged if you will kindly return them together with two printed copies of each, duly countersigned by yourself and the Examiner of Railway Accounts in time to be despatched by the Board's mail of the 15th instant.

3. A printed copy of the Kolar Gold Fields' Railway account is also forwarded herewith for transmission to the Mysore Government.

FORM No. 2.

[250—18-4-98.]

Urgent

GOVERNMENT OF INDIA. P. W. DEPARTMENT.

RAILWAY BRANCH.

4093
12.9.98

No. 451. Madras, 2nd September 1898.

From

THE EXAMINER, GUARANTEED RAILWAY ACCOUNTS,

Madras,

To The Consulting Engineer for Railways
Madras

CONSULTING ENGINEER FOR RAILWAYS
RECEIVED
2 - SEP 1898
MADRAS.

SIR,

I have the honor to forward herewith two statements comparing (1) the total expenditure under Abstracts B & C of the Revenue Account and (2) the expenditure under the subheads B VI and C (1) of these abstracts for the Half year ended 30th June 1898 with the provision made in the Working Estimates for the Half year, and with the Average expenditure of the corresponding periods of the 3 preceeding years, and to offer the following remarks thereon.

2. From the first statement it will be seen that the expenditure under these abstracts has greatly fallen short both of the provision in the Estimates and of the 3 years average; and from the second statement, that this saving has been entirely effected under the subheads B VI Maintenance and renewals of Locomotive Engines and C II. Repairs and renewals.

renewals of vehicles.

3. The actual expenditure under Maintenance and Renewals of Engines has fallen short of the estimates by Rs 76,340 and of the three years average by Rs 73,290. The actual expenditure on Repairs and Renewals of Vehicles has fallen short of the estimates by Rs 89,898 and of the three years average by Rs 63,866. If to these figures we add the saving effected in loss by Exchange by the short issues of stores for repairs and renewals, we find that the total expenditure on Repairs and Renewals of Rolling Stock falls short of both the Estimates and three years — average by about two lakhs of rupees or more than 35%.

4. Of Course the strike of workmen which took place at the Perambore Shops during the month of May 1898, is partly accountable for the short outlay, but an analysis of the monthly figures shews that the restriction on expenditure on repairs and renewals of Rolling Stock has persisted throughout the last three or four months of the Half year, the greatest shortage appearing in the months of April before the strike began.

5. What appears to have taken place is as follows:— The Gross Earnings for the Half year ended 30th June 1898 amounting to

588

to Rs 5634,736-6-7 shew a deficiency of Rs 154,825-8-4 as compared with the first half of 1897 when surplus profits to the extent of Rs 171,937 were earned. Had the expenditure continued at or about the normal rate during the first half of 1898, it would have been expected that little or no surplus profits would have been earned. The Company, however, seeing the great falling off in earnings that was taking place, and the small prospect of earning surplus profits under normal circumstances, have met this by restricting or deferring repairs and renewals to Rolling Stock to about the same extent. In this way with a deficiency of gross earnings of Rs 154,825-8-4 as compared with the first half of 1897, — surplus profits to an even greater extent or Rs 200,000 have still been earned. Broadly speaking it may be said that these profits are unreal, and produced only by the postponement of necessary repairs and renewals of Rolling Stock.

× Approximate estimate Accounts not yet passed

6. Had the savings been effected under Running or other working expenses of a like nature, there would have been nothing to say against the working results brought out, but short outlay on repairs and renewals of Rolling Stock is not saving

but

but merely expenditure deferred to the follow-
ing half year.

7. The earnings of the Madras Railway
still shew a heavy decline, so that, as far
as can be seen at present, there appears to
be no prospect of surplus profits being
again earned during the current half
year. In this case any expenditure
on repairs and renewals of Rolling Stock,
which should have been carried out last
half year, but which has been deferred
to the current half year, will fall wholly
on Government.

8. To prevent the injury to the financial
interests of Government by the payment
to the Company of a half share of surplus
profits which have been earned entirely
by the postponement of necessary
outlay which will fall wholly on Govern-
-ment in the succeeding half year, I
would recommend that a sum of from
1 3/4 to 2 lakhs of rupees should be re-
-served from the net earnings of the
past half year to make good the de-
-ficiency in the repairs and renewals
of Rolling Stock during that half year,
and in this Connection, I would beg to
invite your attention to the instructions
contained in the Secretary of State's

Despatch

S.O Manual Page 221 Flag Z

Despatch No 7 of the 10th March 1881 to the Bombay Government which bear upon the subject.

9 If you concur with me in thinking that some special action of this nature is called for in the interest of Government, I would suggest that a copy of this report, with any specific recommendations which you may see fit to make, should be submitted for the orders of the Government of India, since the Course proposed to be taken, although clearly in accordance with the instructions of the Secretary of State, is somewhat unusual, at least so far as the Madras Railway is concerned, and is certain to be strongly opposed by the Company.

× Copies not yet received

10 As the Accounts for the past half year will shortly be closed, early instructions on the point are requested.

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

Edwards Major R.E.
Examiner, Railway Accounts
Madras

I.D. 1.9.81
2.9.81

From

THE EXAMINER,

GUARANTEED RAILWAY ACCOUNTS,

To

No.

Dated 189 .

No. of Enclosures

SUBJECT.

Madras Railway

Total Locomotive Expenses - Abstract B.

Months	First half of				3 years' average 1895-1897	1898 less than average	Provision in Estimate for first half of 1898	Actuals less than Estimate.
	1898	1897	1896	1895				
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
January	1.64.358	1.54.975	1.58.497	1.55.332	1.56.268	8.090		
February	1.60.381	1.41.249	1.54.170	1.49.741	1.48.387	11.994		
March	1.61.097	1.74.099	1.70.961	1.59.518	1.68.193	7.096		
April	1.62.436	2.14.113	2.10.329	1.45.540	1.89.994	27.558		
May	1.53.228	1.63.798	1.61.427	1.58.922	1.61.382	8.154		
June	1.55.748	1.90.565	1.94.885	2.53.212	2.12.887	57.139		
Total Locomotive Exps.	9.57.248	10.38.799	10.50.269	10.22.265	10.37.111	79.863	10.44.995	87.747

Total Carriage and Wagon Expenses - Abstract C.

January	47.435	52.982	37.215	46.721	45.639	1.796		
February	63.799	51.423	36.226	50.758	46.136	17.663		
March	48.841	51.048	44.950	43.493	46.497	2.344		
April	20.880	49.383	45.876	45.979	47.079	26.199		
May	16.880	44.113	45.781	45.180	45.025	28.145		
June	32.207	40.487	1.00.381	69.752	70.207	38.000		
Total Carriage & Wagon Exps.	2.30.042	2.89.436	3.10.429	3.01.883	3.00.583	70.541	3.28.314	98.272
Grand Total	11.87.290	13.28.235	13.60.698	13.24.148	13.37.694	1.50.404	13.73.309	1.86.019

Madras
2nd September 1898.

Edwards Major R.E.,
Examiner Railway Accounts,
Madras.
2/9/98

Exc. No. 2 to E.P. No. 4093 8
No. 451 2.9.98
CR

Madras Railway.

Maintenance and Renewals of Locomotive Engines Abstract B. VI.

Months.	First half of				3 years' average 1895–1897	1898 less than average	Provision in Schedule for first half of 1898	Actuals less than Schedule
	1898	1897	1896	1895				
	₹	₹	₹	₹	₹	₹	₹	₹
January	36,122	30,128	30,190	37,987	32,768	3,354		
February	43,822	23,276	29,361	40,420	31,019	12,803		
March	24,070	41,929	38,978	45,074	41,994	17,924		
April	35,566	87,833	87,540	35,819	70,397	34,831		
May	20,531	37,769	32,835	39,892	36,832	16,301		
June	27,549	30,665	35,404	77,751	47,940	20,391		
Total B. VI	1,87,660	2,51,600	2,54,308	2,76,943	2,60,950	73,290	2,64,000	76,340

Repairs and Renewals of Vehicles Abstract C II.

January	35,634	42,999	27,141	36,718	35,619	15		
February	51,862	41,170	27,408	41,031	36,537	15,325		
March	37,201	40,747	35,049	33,612	36,469	732		
April	9,407	39,589	36,437	36,087	37,371	27,964		
May	6,436	33,754	36,069	35,273	35,032	28,596		
June	16,462	16,899	66,780	35,840	39,840	23,378		
Total C II	1,57,002	2,15,158	2,28,884	2,18,561	2,20,868	63,866	2,46,900	89,898
Total	3,44,662	4,66,758	4,83,192	4,95,504	4,81,818	1,37,156	5,10,900	1,66,238
Add – Loss by Exchange on English stores	25,104	70,916	81,574	98,157	83,549	58,445	70,000	44,896
Grand Total	3,69,766	5,37,674	5,64,766	5,93,661	5,65,367	1,95,601	5,80,900	2,11,134

Madras,
2nd September 1898.

E Walters Major R.E.,
Examiner Railway Accounts,
Madras.
2.9.98

Form No. 1 G.R.C. No. 4093 '98
457 2.9.98
From CR

Form No. 1/A.

No. 139
O

Madras, the 6th Sept. 1898.

From

THE CONSULTING ENGINEER FOR RAILWAYS,

MADRAS,

I^st Reminders. No. 139 dt 12/9/98
I.O

To

THE AGENT AND MANAGER, M. RY.

Reply No.

dated

SIR,

I have the honour to forward for favour of very early comment and explanation a copy of an Urgent letter from the Govt. Examiner No. 451. dated the 2nd Sept. 98, and also of a Note prepared in this office, on the subject of the necessity or otherwise for withholding from distribution to shareholders a part of the first half year's surplus profits, with a view to covering the probable heavy expenditure on certain items of working expenses in next half year.

I have &

FWS

6/9/98

Despatched on 8/9/98

Form No. 29.

Letter from

No.

Dated

To E. R.

9 S 8

Maintenance & other working expenses on the Madras Railway.

As requested I put up a note on the above. I have not read C. R's note to do not know if he deals with the expenses by subheads. Maintenance of Way, Works, & Stations Maintenance & Renewal of Permanent Way. The following gives the renewals of rails during the last four half years.

I. Half year ending 31st Dec. 196.

13.85 miles of bull headed steel 75 lb rails laid.
4.65 " 2nd hand 75 lb double headed steel rails "
8.12 " 2nd hand 65 lb " " iron " "
26.62 miles Total

II Half year ending 30th June 197

7.78 miles bull headed steel rails laid
9.08 " raw & 2nd hand d.h 20 ft steel rails laid
0.25 " " " " flat bottomed " " " "
10.47 " 2nd hand D.H 20 ft iron " "
27.58 miles Total

III Half year ending 31st Dec. 1897

7.91 miles new B.H steel rails laid
7.80 " new & 2nd hand D.H steel rails laid
9.44 " 2nd hand D.H iron " "
25.15 miles Total

IV Half year ending 30th June 1898

5.01 miles B.H 30 ft. steel rails laid
5.66 " new & 2nd hand D.H " " "
6.70 " 2nd hand D.H iron rails "
17.37 miles Total

The renewals of sleepers are up to the average.

The work of blinding with stone ballast appears as well as I can judge, figures are not given accurately in previous reports, to have been pushed.

~~So far~~ From the above & notes it appears that the only renewals which are below the average are the renewals of rails & this may be accounted for by the complaints which have been received about & the uncertainty which exists as to the efficiency of the bull headed steel rails procured made to the State Rs pattern.

It would, however ~~I think~~ be a good thing to find out what the system the Railway are adopting now for

Form No. 29.

Letter from
No.
Dated

To E. R.

10 S.P

renewing their ~~sleepers~~ rails.

~~I suggest~~, If we have not got the information; ~~that we ask them~~ In reply might be asked them

(i) what number of steel rails State Rs section they have got either in the line or in stock.

(ii) what they propose doing with these.

(iii) what section of rail they now propose to adopt for future renewals.

(iv) what number of new rails are under supply from England & of what section

(v) what number of rails they propose to indent for half yearly.

"Locomotive Expenses" and "Carriage & Wagon Expenses"

Under these subheads two influences may have tended to reduce expenses.

(i) the Penambur Strike, which perhaps enabled the Company to get full Value in work out of the men who did not go out on strike

& may also have enabled the Co to get rid of non-efficients.
and
(iii) the fact that the B. N. R's rolling stock is being erected at Perambur, which should ensure the Locomotive Dept getting full work out of all their hands & in addition gives them, I think, 15 % profit on all labour & stores supplied. Payments for the erection of this stock is made in advance, there was, however, some delay & misunderstanding & it is possible that the M. R. C received a double payment during the half year under reference.
As the B. N. R's is only concerned with the period embracing the Official financial year, they would not greatly concern themselves about when these payments were ~~made~~ made, so long as they were in the proper year. But I suggest the Loco Supt keeping his hours on the ~~fact that~~ the payments ~~should~~ being made so as to be dealt with in the proper half-year's accounts

JA
5.9.98.

(No. III.) 5,000—15-3-88.

No. 11287.

875

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

MADRAS, 13th September, 1898.

C. No. 4285
Rec'd 14.9.98

CONSULTING ENGINEER FOR RAILWAYS RECEIVED 14 SEP. 1898 MADRAS.

From

The Agent and Manager,
M. R. Co.,

To

The Consulting Engineer for Railways.

Madras.

SIR,

With reference to your letter No. 139/0 of the 6th instant I have the honour to submit for your information copy of a letter which I have today received from the Company's Locomotive Superintendent explaining the causes which have led to the lower expenses under Abstracts B & C during the past half year.

I have no reason to believe that any new Engines will be received from home during the current half year but if any arrive we shall continue, as we have done in past years, to charge them to revenue at the rate of two in each half year.

Had it not been for the restrictions imposed by Government at plague examining stations I think there is no doubt we should have earned surplus profits again for the current half year but with the Passen-ger traffic falling off largely on the Bangalore Branch and on the North West Line I am afraid our Coaching receipts will be very seriously inter-fered with.

Para 5 of the Examiner's note is not a statement of facts.

I may also have enabled the Co-

MADRAS RAILWAY.

From

The Agent and Manager,

M. R. Co.,

To

The Consulting Engineer

for Railways.

Dated 188

Recd.

No.

Madras Railway.

No. B2074/941

Loco: Superintendent's Office,

Perambur Works, 12th Sept: 1898.

The Agent and Manager.

My dear Sir,

Your No. 8760 of the 8th instant.

The deductions drawn by the Government Examiner do not appear to be correct, and this for the following reasons.-

2. -With regard to Abstract B, the Government Examiner has overlooked the fact that, during the half year under reference, owing to their non receipt from England, no new Engines were charged off to Revenue as has been done in each half year for some 3 years past. A sum of Rs 51,000 was provided in the estimates to meet this charge but was not spent and deducting this amount from the total shown under B. VI viz: Rs 73,290, leaves a balance of Rs 22,290. A credit of Rs 10,464, which has also apparently escaped the notice of the Government Examiner, was further passed to this sub head in March and April 1898 on account of old Engines sold by Auction

This

I may also have enabled the Co-

MADRAS RAILWAY.

From The Agent and Manager,
M. R. Co.,

To The Consulting Engineer
for Railways.

Dated 188

Read.

No.

14 S.P

This again reduces the balance to Rs 11,826. The strike, as is explained in my half yearly report, which is now in the printers hands, accounts for a further sum of Rs 6,200, so that the actual amount of saving which has been effected on Engine repairs is reduced to a sum of Rs 5626 only.-

3. Referring to the reduction under sub-head II of Abstract C. to which the Government Examiner alludes, I cannot, I think, do better than quote paragraphs Nos 14 to 16 of my half yearly report in which the saving is fully explained..

Carriage and Wagons: Repairs.

14. The number of vehicles repaired during the half year was 2583 as compared with 2665 dealt with during the first half of 1897. There were also renewed at the cost of Revenue

Covered Goods Wagons	60
Travelling Water Trucks.....	1
Total...	61

and two trucks for carrying Gas holders were built at the cost of Capital.-

15. The total expenditure, both in wages and material, was, it will be noted, conciderably lower than that for the

corresponding

MADRAS RAILWAY.

From The Agent and Manager,
M. R. Co.,

To The Consulting Engineer
for Railways.

Dated 188

Reed. No.

corresponding half year and this is due to the fact that the bulk of the renewals having been finished, the carriage shop was working for the greater part of the term on the construction of the new stock for the Bezwada Madras Railway.

As stated in the preceding paragraph, 60 Covered Goods Wagons were actually turned out of the Works but 50 of these had been in great measure finished during the latter half of 1897 and had only not been handed over to the Traffic owing, as is explained in other correspondence, to our having run out of the stock of buffer and draw springs. This is also referred to in Para 12 of the report for last half year.

16 The renewal of the old Open wagons as covered goods wagons is now practically completed, the last 12 being now in the shops and the heavy expenditure which has for so many years been incurred on this account may now be concidered to be at an end. There are still a few odd ballast and fuel wagons and other vehicles awaiting renewal, but in the view of the proposal to

MADRAS RAILWAY.

From The Agent and Manager, M. R. Co.,

To The Consulting Engineer for Railways.

Dated 188

Read. No.

to convert the West Coast Section of the Company's system to metre gauge it is probable that these renewals need not be carried out, since the conversion of the gauge will of course set free a certain proportion of broad gauge stock which can be utilized elsewhere and which will therefore take the place of the vehicles now condemned and removed from the inventory.-

4. The renewal of Covered Goods Wagons has, as you are aware, been going on for the last 8 or 10 years at the rate of from 100 to 150 per annum. The average number turned out in each half year since 1895 has been 46 and the cost of these 46 wagons may be put down at Rs 73.600.-

5. As is also explained in my half years report, a saving of Rs 9.160 in Carriage and Wagon repairs was brought about by the strike and this added to the cost of the Covered Goods Wagons which, as is explained above, were not built, a good deal more than accounts for the reduction in expenditure of Rs 63.866 as compared with the 3 years average quoted by the Government Examiner.-

(No. I.)

5000-15-3-88.

No.

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

MADRAS, _____ 188

From

The Agent and Manager,

Madras Railway Company,

To

The Consulting Engineer for Railways.

SIR,

175

6. It will also be noted from the quotation from my report which I give that 218 more vehicles were passed through the shops for repairs than during the corresponding half of 1897, so that the Government Examiner's assumption that the profits have been produced by the postponement of necessary repairs of Rolling Stock is not supported by facts, more vehicles having been, as a matter of fact, repaired than in the second half of 1897.-

7. I would also point out that as regards para 6 of the Government Examiner's Note, the mileage worked during the half year was 15,624 in excess of the corresponding half year's and this being so no saving could, under any circumstances, be looked for or expected under Running expenses of either Engines or Vehicles since, if trains run Drivers must be found and Engines must have Coal, while Vehicles must be oiled and looked after. The debits under Running charges are absolutely and entirely dependent upon the mileage run and work done and, excepting within certain narrow limits,

cannot

(No. I.) 5000-15-3-88.

No.

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

MADRAS, _____ 188

From

The Agent and Manager,

Madras Railway Company,

To

The Consulting Engineer for Railways.

SIR,

1888

cannot be affected one way or the other, except-ing by reduction or increase in mileage.-

8. The saving in loss by exchange is, it is probably hardly necessary to explain, due to the non issue of Locomotive Engines which were not received from England and consequently not erected, and non issue of English material for the Construction of Covered Goods Wagons which also, as explained, were not built.-

9. The Consulting Engineer in his note suggests that it is possible the Madras Railway may have received a double payment on account of the Bezwada. Madras Railway Stock built during the year. This is not however, the case, all monies paid by the Bezwada. Madras Railway having been paid into the Company's Capital account and held by the Chief Auditor as an advance, debits being passed to this account only as bills for work done and accepted by the Bezwada. Madras Railway are submitted. Neither debits nor credits for

work

(No. I.) 5000-15-3-88.

No.

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

MADRAS, _____ 188

From

The Agent and Manager,

Madras Railway Company,

To

The Consulting Engineer for Railways.

SIR,

work done for the Bezwada-Madras Railway come, in any way, it should be remembered, into our Revenue Abstracts, being all dealt with through the workshop (Capital) Account.-

Yours faithfully,

sd. C. R. Phipps

Loco: Superintendent.

(True Copy)

C. Edwards

Agent and Manager.

dc/

5000-15-3-88.

E R & C No. 4285/98
875 dt 13.9.98
Ans.

MADRAS RAILWAY.

From The Agent and Manager,
M. R. Co.,

To The Consulting Engineer
for Railways.

Dated 188

Read.

No.

Form No. 83. 300—30-6-98.

OFFICE OF THE CONSULTING ENGINEER FOR RAILWAYS,
Madras, 16th *September* 1898.

EXAMINER, No. 477, 16 SEP. 1898, ACCOUNTS, MADRAS

No 2578

OFFICE NOTE.

Letter from the Agent, ~~Manager Madras~~ Railway, No 11287/875, dated 13th September 1898, forwarded to the Examiner of Railway Accounts for favour of remarks.

for E. R.

2pm 17.9.98.

EXAMINER'S REPLY.

E R

The sanctioned working estimate for the half year provides for the renewal of 2 Engines at a cost of Rs 51000. Three Engines were not renewed during the half year. In addition, Rs 21000 were provided sanctioned for the renewal of 3 boilers at the cost of Revenue, which working has been charged to Revenue against the sanction on account of boiler renewals during the half year.

Under carriage & wagon stock, the working estimate provides for the renewal of 5 third class carriages at a cost of Rs 16000 but these have not been carried out. Whilst out of the 35 covered goods wagons & 20 timber & flat timber for the renewal of which during the half year provision was made in the estimates only 10 covered goods wagons have

...usually been removed at the cost of Revenue during the Lady years.

In course I have no knowledge of the actual requirements by way of renewals & only presume that as renewals & the actual renewals shown were included in the Estimates they were carefully considered & held to be necessary at the time, and I am unable to follow the Rs 60 lakhs in the Railroad explanations why the renewals of wagons could be considered necessary when the estimates were passed were expenses proper not to be incurred & not carried out, for at one place (para 3) he appears to suppose that 60 C.L. wagons were renewed during the Lady year, at another place (para 4) about 46 C.L. wagons were renewed at a cost of Rs 73 600, and agrees para 5 & 8 that no covered goods wagons were renewed as they was not necessary (para 3 (16).

It is only for me to point out (1) that there has been a reduction of about 2 lakhs in the outlay on upkeep & renewals of Rolling Stock as compared with the working Estimate & with the average expenditure of the past 3 years. (2) that this reduction has arisen from almost the whole of the renewals provided for in the Estimates not having been carried out. (3) that owing to the small renewals not having been undertaken a surplus profit of about 2 lakhs has been brought out which would otherwise not have been earned and (4) that of the renewals which were not carried out in the 1st Lady of 1898 (a surplus profit Lady year) are likewise with the 2nd Lady of 1898 (dark with be a non surplus Lady year) then will necessarily affect the financial interests of Govt.

In thus drawing attention to the significance of the figures in the Statements, & the deductions to be fairly made from them, with a view to their bearing on the financial interests of Govt, I consider that I am not drawing more than my duty to Govt requires.

It is for Govt to decide whether any steps are necessary to protect their interests in the matter

E.W. Collins
C.R. 17/9/98

Form No. 1.

No. 164
D

Coty the 21st Sept 1898

Madras, 189

From

THE CONSULTING ENGINEER FOR RAILWAYS,

MADRAS,

Reminders.

To

THE AGENT AND MANAGER, M. RY.

~~,, S. I. RY.~~

~~,, H. H. THE N. G. S. RY.~~

~~,, AND CHIEF ENGR., N. RY.~~

~~,, S. M. RY.~~

~~,, ENGR.-IN-CHIEF, E. M. RY.~~

~~,, MANAGER, E. C. RY.~~

Reply No.

dated

SIR,

The Government memorandum letter No. 451. dated the 2nd Sept 98. which is dealt with in your letter No. 11287/875. dated the 13th Sept. 98. contained, as you will recollect, a suggestion that, in view of what appeared to be short expenditure on revenue account during last Lady year, and of the apparent certainty that such shortage must be made up for in future Lady years, the Govt of India should be advised to take the course indicated in a certain Secretary of State's Despatch, No 7. of the 10th March 81, viz, to withhold a considerable sum from distribution in the form of surplus profits for the present Lady year in order that adequate provision might be made in the next for what seems to be admitted, viz some expenditure beyond what might be normally expected to be required on revenue account.

2.— Your letter under reply appears to me to scarcely adequately meet the situation. I cannot find in it a sufficiently clear assurance

that will not happen which
that ~~will~~ the Govt. Examiner fears may happen, viz, that short
revenue expenditure in a ~~single~~ single half year will have to be
~~made up~~ for in a ~~single~~ succeeding half year, at the cost of course of
Government.

3.– I find that while the average expenditure, during the previous three
corresponding half years was for Maintenance and Renewal of Locomotive Engines
2.61 lakhs, and for Repairs and Renewals of Vehicles Rs. 2.21 lakhs, your
actual expenditure on these subheads during last half year was Rs. 1.88 lakhs
and 1.57 lakhs respectively. But though the Examiner fears that these figures
should indicate the probability of its being necessary in the coming or
following half year to spend perhaps 1½ lakhs on account of these particular
subheads, in excess of the normal, I find that the current half years'
estimate contemplates no such excess expenditure, for the figures of that
estimate under the ~~sub~~ heads in question are respectively Rs. 2.57 and Rs 1.58
lakhs. Still the latter figures are only an Estimate, and I have no
estimate yet of future half years, and I can see the reasonableness of
the Govt. Examiner's fears lest the short expenditure of last half year
should have to be sooner or later overtaken at the cost, perhaps, of Govt.

4.– I seem to plead in your letter under reply an assurance that
notwithstanding the fact of no engines for renewal programme having
arrived for these last year, and the probability of none arriving during the
current half year, nevertheless it is not expected that it will be found
necessary to renew in any ~~of~~ half year in the near future at a faster
rate than the locomotives for half year. Am I right in thus reading
your intention? Should I correctly interpret your declaration would
obviously be that renewals of engines were in a matter of fact
proceeding at a somewhat faster rate than circumstances warrants.
and that therefore the effort of the English engineering staff was so far
as the interests of the Indian Rly. are concerned rather beneficial than

5.– Next, turning to Repairs and renewals of Vehicles, your Loco. Supdt. letter
is not very lucid. Do I rightly understand that when in para 3 (16) he writes of
"the renewal of the old open waggons as covered goods waggons", and when in para 4 he
writes of "the renewal of covered goods waggons" he is referring to one and the same thing
viz, "the conversion of old open waggons into covered goods waggons". Should I rightly
interpret his meaning in above circulars, I read him to mean that expenditure
under this subhead, on account of this particular job, which during the last 16 or 20
half years has averaged some three-quarters lakh half-yearly, has now practically
ceased, and that ~~indeed~~ in the last half year, now under reference, it had practically
come to an end. Am I to understand that this is the case?

6.– In the absence of any ~~assurance~~ submission on your part to the contrary I
am only justified in assuming that the provision which was deliberately made in
the working estimate of the half year under reference, viz that under the
30th para last, for certain renewals of rolling stock, was only made after due
consideration of the real needs of the railway. I must therefore assume that
it was at that time believed to be necessary for proper upkeep of stock 1st to
replace 2 engines of new ones, 2nd to supply 2 new boilers, 3rd to place 5 third class
carriages, 4th to place 20 rail or timber trucks, 5th to place 25 more covered goods
waggons than were actually planned, all at the cost of Revenue. When I find that
none of this programme was carried out, whatever the causes may have been, whether
strikes at home or at Bombay, I can only assume, in the absence of any
assurance from you to the contrary, that, all these things must be done in some half
year in the near future, soon and above what would ordinarily be necessary. The only
alternative seems to be that I should believe that renewal requirements had been
over-estimated, and that recognising this you are trying to ensure better
Coordination of actual renewals with those that you believe now to be necessary.

C. R. 248

I fully appreciate the importance of your letter & Note, but could not deal with the point of them in the sense suggested, viz that Public orders should be taken, without allowing the Agent an opportunity of saying what he had to say. I took your letter down to Metropolitan, & then showed it to the Agent. & we had a long talk about the state of things reported.

2. The Agent assures me not only that there will be no demand in any future half year for a larger deficit than for two Counties & Revenues, in spite of the omission to debit them, as intended, during the past half year. but also that one important result of the Plumbers strike will have been a permanent reduction of Loco. expenses.

3. The average Loco expenditure in 3 half years has been 10⅓ Lakhs per half year. The average waggon expenditure has been 3 Lakhs. These are the figures for the normal half years you refer to, the figure for last half year having been 9½ — 2⅔ Lakhs Comparing the estimate for the new current half year with the above we find that Abstract B totals to 10.60 Lakhs — Abstract C. to 2.60 Lakhs. The latter figure is smaller than that for any of the 3 half years that you refer to. The former figure is higher. but not so high as to warrant the assumption that the Management want to make up in the current half year, at the expense of Government, for the failure to debit to Revenue the cost of the 2 engines which did not arrive last year.

to ... the next half yearly

4.- Then going further into detail I see that the saving 3 half years figure taken for Maintenance and Renewals of Locomotive Engines was 2.61 Lakhs. while that for repairs and renewals of vehicles was 2.21 Lakhs. The corresponding figures for the current half year as given in the working estimate are 2.57 Lakhs and 2.29 Lakhs.

5.- These figures seem to me to confirm the Agents' contention that he contemplates no economic expenditure on account of which we should spend less half yearly.

6.- I would not go so far as to say that the omission to debit 2 engines to renewals in one half year (in which there debit was at first intended but the intention frustrated through their non-arrival) must necessarily mean that 4 must be debited in those half years in the near future. I would rather say that they were going rather too fast with their renewals, and are well advised to take the opportunity of the English strike, and of the non-arrival of two engines, to draw back a bit.

7.- The same remarks would apply to the renewal of boilers. My impression is that on the system pursued by Mr. Thorn generally is best on economy, and that which is lay on the Company to no greater profit than was sufficient upon to insure economy. The system is now applied, and they mean to do all they can to be economical to show greater profit during their tenancy for years. It will of course be the Co. Engineer duty, with the assistance given in the figures now afforded in your letter and note under reference, to see that maintenance is not scamped.

8.- I think that in the matter of repairs and renewals of vehicles you were misled by the somewhat obscurely drafting of Mr Phipps letter. In paras 3 (16) and 4 he speaks first of the renewal of the old open wagons or covered goods wagons, and then the renewal of covered goods wagons. I understand him in both cases to mean the self-same thing, viz the conversion of our old open wagons into covered goods wagons.

9.- In para 3 (16) he says that this very heavy job which has been costing so much is now practically finished the last 12 being in the shops. In para 4 he explains that this job has heretofore cost about Rs 73,600 per half year. I understand you to have understood him to be writing of two different things. Had he not used a separate paragraph, and had he used the same expression in both cases, you would not have been misled.

10.- I do not feel at all sure that it must be accepted that because certain renewals were in December last, just at the estimate they had been carefully considered and were behind the necessary. I believe that things were going to fast, and that Mr Thorn had not then had time to look into things and enforce economy.

11.- The heavy falling off of traffic, due to the plague regulations, will have to be recognised now I fear as something likely to last a considerable time, and an effort will have to be made to meet it by cutting down some of the expenses dependent on train mileage. It seems to me that this is the direction in which to seek to enforce economy. But I do not think that the Company's officers have been deliberately attempting to secure a false show of economy with a view to securing greater profits which would otherwise not have been earned this

help you with the debtors situation of finding the cost of the required maintenance & Government in the coming non-surplus half year.

12.- The Agent certainly has not in his letter dealt with the matter sufficiently carefully, nor has he given us any assurance to which we are entitled. He has done little more than endorse the Resident's letter. We must get a fuller reply from him before going up to Suva with a proposal to stop 2 Cutter out of surplus funds for a purpose for which, so far as I can judge with the figures now before me, they will probably not be required.

13.- I put up a draft of the letter that I propose sending, and shall be glad if after perusal you will insert anything in it which you think will probably elucidate things, and will get it issued as urgent in Mr Wilson's signature "for Gen. Mgr." if he will kindly do so.

FHS

21/9/98

P.S. On reconsideration I think the letter I have now drafted had better leave it and leave here without delay. So I issue it. — Send on the file to you.

FHS

21/9/98

Agent

When are the Capital & Revenue Accounts required to, & where is the letter actually from.

FHS

26/9/98

E.R.

The requirements in regards to renewals are to provide out of any provision that of you are satisfied from the Agent's representations that the Co. are doing what is necessary in these respects, and that the non-execution of the renewals considered for 1898 will not lead to enhanced expenditure in the next half year, then I know no grounds whatever for pressing that any special action should be taken.

So far as the information available to me went, I saw that the renewal of 55 C.G. Wagons & 20 Timber & Deck Timbers was provided for during 1898/1, while the renewal of 10 Covered goods wagons & 20 Timber Timbers was provided for during 1898/2, the latter estimate being prepared at a time when the Report on the former estimate would not be known.

I also knew that the Co. had recently submitted an estimate for 200 additional wagons on the grounds that they could not deal with the traffic offering with their existing stock.

From the latter circumstance I assumed (1) that it is necessary for the Co. to renew such wagons as soon as it is known to require renewal, and therefore (2) that some only 10 out of the 55 wagons were renewed in 1898/1, the balance would have to be carried out as an addition to the wagons to be renewed in 1898/2

If however as now appears from the Resident's report with which you agree, that the number of wagons requiring renewal in 1898/1 was not completely considered when the estimates were passed, then the assumptions on which I have been going is not valid, and I have nothing more to say.

As I read it as far was merely to point out the large reduction of 2 Cutters as 35% on the previous average expenditure

work on the Structures in spillway with the causes which have led to it. Finds it necessary for you to decide whether the Co. are doing all that is now necessary on the way of renewals. If you are satisfied on this point there is no need for a reference to Inspr.

[illegible]

C R 23/9/98

[illegible]

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P. W. Rly.
600—18-5-11