Public Works (1899) Department.

RAILWAY BRANCH.

G.O., No. 658-5 G G

DATED 13th June 1899

120/20/22

[Despatch Abstract.]

The Working Agencies for the East Coast Railway.

Note, dated 22nd May 1899, by the Consulting Engineer for Railways, Madras, on — forwarding for an expression of their opinion to the Chambers of Commerce, Madras and Cocanada, with copies of Mr. J. R. Wynne's Memorandum, dated 20th March 1899, and of a reply thereto by the agent, Madras Railway Company, No. 582 dated 19th May 1899.

Submitting to the Govt of India a copy of Proceedings forwarding for an expression of their opinion to the Chambers of Commerce, Madras and Cocanada, a note dated 22nd May 1899 by the Consulting Engineer for Rys, Madras, with copies of Mr. J.R. Wynne's Memorandum dated 20th March 1899, and of a reply thereto by the Agent and Manager, Madras Railway Company

[P. W. 20. 200—30-5-99.]

Indexed.

No. 582 dated 19th May 1899 on the subject of —

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RAILWAY.

Government {1899} of Madras.

PUBLIC WORKS.

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G.O., Nos. 658, 659 Ry., 13th June 1899.

JUNE.

The Working Agencies for the East Coast Railway

Submitting to the Government of India a copy of Proceedings forwarding, for an expression of their opinion, to the Chambers of Commerce, Madras and Cocanada, a Note dated 22nd May 1899, by the Consulting Engineer for Railways, Madras, with copies of Mr. T. R. Wynne's Memorandum, dated 20th March 1899, and of a reply thereto by the Agent and Manager, Madras Railway Company, No. 582, dated 19th May 1899, on the subject of —.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway.

Read the following papers :—

The W[illegible]orking Agencies for the East Coast Railway.

Note by Mr. Francis J. E. Spring, Consulting Engineer for Railways, Madras.

The object of this note is the memorandum, dated 20th March 1899, drawn up by Mr. T. R. Wynne, the Agent and Chief Engineer of the Bengal-Nagpur Railway Company. Mr. Wynne is anxious that his Company should obtain the working of the entire East Coast Railway from Madras to Calcutta, and he puts forward what at first sight appear to be plausible arguments to prove that the interests of Madras trade and of internal development in the north-eastern parts of the Presidency are safer in his hands than in those of the Madras Railway Company. Mr. Wynne's memorandum, which appeared in the public press, has elicited a letter, No. 582, dated 19th May 1899, from Mr. L. S. Moss, the Agent of the Madras Railway Company.

2. With a view to elucidating Mr. Wynne's arguments, which being apparently hurriedly written are not easy to follow, I venture to paraphrase them, in briefer form, taking great care not to misstate or to misrepresent them. The Nos. attached to the following successive clauses are those of the corresponding paragraphs of the memorandum. If a No. is omitted it is because the corresponding paragraph is merely a routine one :—

(1) Of the Calcutta-Madras Railway 766 miles have been built by State agency and 262 miles are being built by the Bengal-Nagpur Railway Company; the dividing point being Barang, six miles South of Cuttack.

(2) The State-made portion having been completed is being worked as a matter of convenience by the State; but as this cannot go on, it has been provisionally decided that the Bengal-Nagpur Railway Company shall work the 547 miles from Vizagapatam to Calcutta, and the Madras Railway Company the 481 miles from Vizagapatam to Madras.

(3) But on endeavouring to arrange with the State for taking over the working of the Southern section, the Madras Railway Company have failed to offer satisfactory terms, and meanwhile the Barang-Madras section continues to be worked by the State. Mr. Wynne takes this opportunity therefore to re-open the question of the most suitable agency for permanently working it.

(4) The cause of the Madras Railway Company's failure to come to terms is that they cannot afford to make a bad bargain, and indeed are most anxious to make a good one in order that their own shares may go up in price; and this the Secretary of State cannot afford to allow, because their average market price in the three years 1905-06-07 determines what must be paid in 1907 for the purchase of the Company's old shares by the State.

(5) But no such difficulty is likely to be experienced in dealing with the Bengal-Nagpur Railway Company, because they are not owners but merely lessees of the lines which they work, and their capital of 3 millions sterling, lent to the State for railway purpose, is repayable at par on the termination of their agreement.

(6) In dealing with questions of extensions, of rates and of terms for working branch lines, the Madras Railway Company as at present constituted is necessarily influenced by the consideration that it must make an immediate profit, and cannot risk doing anything which would result in the price of its shares being even temporarily lowered during 1905-06-07. It therefore neither dares to launch out on extensions which do not promise an early return nor can it afford to give traders reductions of rates which though sure to pay in the long run cannot be immediately remunerative.

(7) But the Bengal-Nagpur Railway Company are under no such necessity for caution, for their interests and those of the State are identical. As a fact they have already taken up large branch railway schemes on the instigation of Local Governments, and they are a sufficiently powerful agency to secure at the hands of the Government of India full consideration of projects which they think it worth while to put forward. If therefore Madras Traders are interested in railway extension in the north-east parts of the Presidency, they would be wise to secure the agency of Mr. Wynne's Company.

(8) The arguments put forward in 1895 by the Madras Chamber of Commerce were that Madras territory is outside the sphere of the Bengal-Nagpur Railway Company whose interests are antagonistic to Madras trade, and that as their advent would secure no benefits either to the country or to producers, it would be unwise to allow them to enter the trade-tract of Madras port. Mr. Wynne contends that these arguments no longer hold, because famine considerations have recently led to a decision that the Vizianagram-Raipur line is wanted, and moreover since 1895 the Jherria coal fields have been opened up by the Bengal-Nagpur Railway Company.

(10) But besides the need for it as a famine work the probabilities of the early inception of the Raipur line are ruled by two other considerations, *viz.*, is its cost justified by the trade's demand for it? and how will it affect the traffic of the Bengal-Nagpur Railway?

(11) If worked by the Bengal-Nagpur Railway, the Raipur line may be considered either as a feeder to the port of Vizagapatam or as a feeder to the Vizagapatam-Madras section of the Madras Railway. If the former, the result of the Madras Railway Company's natural desire to drag everything Madras-wards will be that the Bengal-Nagpur Railway, getting no return trade, will have but little inducement to make and to work it. If the latter there is the risk of its causing a rise in Madras Railway shares. The reasons why the Madras Railway Company should not work the Raipur line are, first that as explained in paragraph (6) they would have no inducement to touch it, and second that it would not pay the Government of India to allow them to tap Bengal-Nagpur Railway territory. Therefore with the Madras Railway Company working to Vizagapatam the prospects of the Raipur line being made are remote.

(12) But if the Bengal-Nagpur Railway had the working of the Vizagapatam-Madras section of the East Coast Railway, the whole situation would be changed, because their interests in Madras would in that case be quite as great as they now are in Calcutta. This would induce them to favour the construction of the Raipur line, and so Madras Traders would have secured a large extension of their trade-tract.

(14) Just as the Great Indian Peninsula Railway now declines so will the Madras Railway hereafter decline to join the Bengal-Nagpur Railway in quoting low rates for Bengal coal, because both the Great Indian Peninsula and the Madras Railway Companies are interested in Singareni coal. As it pays the Great Indian Peninsula better to get a good rate from Wadi to Bombay rather than a low rate from Jubbalpur to Bombay, so will it pay the Madras Railway better to get a good rate from Bezwada to Madras rather than a low rate from Vizagapatam to Madras. Even if rail and sea freights are equal, the advantages to merchants of obtaining delivery of their coal by rail rather than by sea are many and obvious.

(16) As regards rates for local business, the Company working between Vizagapatam and Madras will simply charge whatever rates it can get. But there is no reason to think that the Bengal-Nagpur Railway will be less liberal than the Madras Railway; rather the other way, because immediate profit is of more importance to the latter with a view to a rise in its shares during 1905–06–07.

(17) As regards rates for export business, the position will be the same whichever Company works the Vizagapatam-Madras section. This is due to (*a*) the fact that if the Bengal-Nagpur Railway works the entire Calcutta-Madras line, it would have precisely the same interest in tempting exports Madras-wards as Calcutta-wards; and (*b*) the power of foreign lines to attract traffic Bombay-wards at Bezwada. As regards (*b*), the fact that the distance from Bezwada to Bombay is shorter than that from Bezwada to Calcutta will make it impossible for the Bengal-Nagpur Railway Company to drag Bezwada traffic Calcutta-wards; they will therefore do all they can to send it towards Madras in order to prevent its going to Bombay.

(18) The head-quarters of the Bengal-Nagpur Railway *must* be at Calcutta. There is no help for this. But they will of course post a local representative at Madras, and in any case Madras will be no worse off in this respect than the Central Provinces.

3. Mr. Wynne's line of reasoning may conveniently be even still further compressed and with some advantage I think in lucidity. Below I give in parallel columns, brief abstracts of his arguments and of Mr. Moss' replies to them.

I. (5), (7). The Bengal-Nagpur Railway Company, in considering questions of extensions, are influenced solely by consideration of the likelihood of their net profits improving in the long run. Considerations of the price of their shares do not come in, because that price is fixed at par. They are therefore likely to gladly undertake either the making or the working of extensions provided that there is no risk of net earnings over their entire system being thereby in the long run reduced.

II. (4), (6). But the conditions of the purchase clause of the old Guaranteed Madras Railway Company's agreement are such that it is not that Company's policy to make or to work extensions unless the result is likely if possible to improve, but at least not to injuriously affect, the price of their original shares during the period 1905–1907. That Company, unlike Mr. Wynne's, is thus influenced by considerations not only of its net earnings but also of the price of its shares.

I, II. Mr. Wynne is incorrect in assuming that negociations between the Madras Railway Company and Government for the working of the southern section of the East Coast Railway are at an end. There has been delay, as perhaps was inevitable in a matter so important; but there is no reason why the negociations which are still in progress should not have a satisfactory termination.

As a matter of fact the terms proposed by the Madras Railway Company are intended *to avoid all direct profit to the Company*. In the Madras Railway Company's Board of Directors' letter to their Agent, No. 937, dated the 8th May 1896, apprehension was expressed lest the increased profit to be earned, not from improved traffic receipts over their own line but from the actual working of the East Coast Railway by their Company, should lead to undue enhancement of the price of their shares in 1905–1907. The Agent was therefore directed to submit for approval a form of agreement so framed as to protect the interests of Government from being injuriously affected in the manner apprehended. With the Agent's reply to his Board, No. 2267, dated the 4th August 1896, he submitted proposals "based on the understanding that the results shall not unduly enhance the value of the stock of the Madras Railway which the State has the power to acquire by purchase in 1907."

As was natural under such circumstances, there have been differences of opinion as to the adequacy of the proposed terms to secure the end in view — differences which have led to the prolongation of negociations. But there is no reason to apprehend that they will prove abortive.

III. (16)(17). Whether as regards local rates or export and import rates, Madras trade will be served quite as well by the Bengal-Nagpur Railway Company as by the Madras Railway Company; for both Companies have the same policy in the matter of local rates, viz., to get all they can; while export and import rates will be controlled by the attraction of Bombay at Bezwada through foreign lines. If, moreover, the Bengal-Nagpur Railway works the entire Calcutta-Madras line, this attraction will operate in preventing their showing a preference for Calcutta.

III. In his paragraphs 14 to 22 inclusive Mr. Moss deals very effectively with Mr. Wynne's promises to treat Madras in the matter of rates quite as well as Mr. Moss is likely to do. Mr. Wynne nowhere claims to be likely to be more liberal than Mr. Moss to Madras trade. It is scarcely reasonable to expect that the future management of the Bengal-Nagpur Railway Company will feel itself bound by promises made by Mr. Wynne while endeavouring to secure for his Company the working of an important extension which penetrates territory lying far outside his present sphere of influence.

Mr. Moss makes a point by quoting the following extract from a letter from Mr. Wynne to the Government of India, No. 827, dated the 4th February 1898: "The interests of the Bengal-Nagpur Railway will be to attract as much traffic as possible, by low rates in the direction of Calcutta and high rates in the direction of Madras, from stations on the Cuttack-Vizianagaram section".

IV. (14). If the Madras Railway Company are to work the southern section of the East Coast Railway, their policy will be to choke off Bengal coal from Madras by giving preference to Singareni coal, because it will pay them better to get a good rate for a short lead than a low rate for a long lead.

IV. Mr. Moss points out that in the absence of return traffic Mr. Wynne could not well afford to carry coal at 2 pies per ton mile, that is, at 30 per cent. below the sanctioned minimum; and that even this low rate would come to nearly Rs. 12 per ton for freight alone for Bengal coal. Singareni coal, therefore, seems likely to hold its own, and this argument of Mr. Wynne's falls to the ground.

V. (8), (10), (11), (12). The Madras Railway Company are most unlikely to make and work the Vizianagram-Raipur line, not only for the reasons given at (4) (6), but because Government would be unwilling to give them an opportunity of tapping the Bengal-Nagpur Railway Company's territory at Raipur. The Bengal-Nagpur Railway Company, though reasonably ready for reasons given in (5) (7) to make and work the Vizianagram-Raipur line, would not care to do so unless there was a reasonable chance of return traffic from the coast inland, and there will be little hope of such return traffic if the Madras Railway Company work the section of the East Coast Railway south of Vizagapatam, for that Company will naturally encourage traffic to go south rather than north.

V. In his paragraphs 12 and 13, Mr. Moss deals with Mr. Wynne's claims as regards the Vizianagram-Raipur line, and points out that its importance as a famine line is quite outside the question of the agency for constructing and working it. He says that if the Raipur line is made by the Madras Railway Company, the money will either be provided by Government or will be raised in the form of debentures at a low rate of interest under the Company's borrowing powers, and that such terms can easily be arranged as will result in the working of the line having no effect on the price of the Madras Railway Company's shares.

4. Before examining the validity and the relative advantages of the two Agents' arguments I wish to offer an explanation in regard to Mr. Wynne's quotation in his paragraph 6 from a Note of mine, dated 14th August 1897, on the subject of 2-foot famine feeders. What that Note was intended to express, and what read with the context it does express, is that an expenditure of 30 or 40 lakhs on a well-paying branch or series of feeder branches may quite conceivably cause the Madras Railway Company's eight millions sterling, odd, of stock to run up four or five points; so that, when the purchase period arrives, the resulting enhancement of the price of the original shares might easily be equivalent to double their value being paid for the 30 or 40 lakhs worth of feeder branches. What the Note was *not* intended to express was that a higher price would eventually have to be paid for the debentures raised for the branches. These of course are repayable at par. I now pass on to the merits of the rival proposals.

5. Mr. Moss is correct in his contention that Mr. Wynne's arguments I and II, as numbered in my third paragraph, have no bearing on the issues; because it is perfectly easy to arrange that the working of the southern section of the East Coast Railway, and indeed of any desired extension, shall not prejudicially affect State interests by unduly enhancing the price of the Company's shares in 1905—1907. Indeed I would go further than Mr. Moss, and would point out that it is quite conceivable that a rise in the price of shares so far from being a thing to be dreaded may be worth encouraging; because, not to mention the State's relief from the guarantee and its realization of its proper moiety of surplus profits, there must accrue to Government and to the people certain considerable indirect benefits from improved communications.

6. There seems to me to be a fallacy worth exposing in the assumption generally made, by everybody else as well as by Mr. Wynne, that it is unwise of Government to permit anything to be done which would have the effect of raising the price of Madras Railway Company's shares in 1905—1907. I wish to point out that Government takes a moiety of earnings in excess of 5 per cent. so that to pay 6 per cent. to shareholders the railway must as a fact have earned 7 per cent. Government therefore when buying a 7 per cent. concern pays for it, not the price which anyone naturally would pay for a 7 per cent. concern when safe investments are worth, say, 3 per cent., but the price which would be paid for a 6 per cent. concern; or even less, for not only does price to be paid depend, not on the gross profit of 7 per cent., but on shareholders' dividends, 6 per cent., but also that price depends on average price of shares during three presumably improving years. Unless therefore there is some fallacy here, of which I am not cognisant, Government would be wise not only to give up all idea of attempting to keep Madras Railway Company's net earnings down to 5 per cent., but to encourage them as much as possible to rise to seven, recognising that the additional price to be paid for the shares is on account of a real rise, worth paying for, in the commercial value of the property, and this of course must not be confounded with a rise due to increase in net earnings caused by neglected maintenance.

7. I fully agree with Mr. Moss that it is by no means so unimportant a matter to Madras trade as Mr. Wynne tries to make out that the head-quarters of that trade should be separated by over one thousand miles from the head-quarters of the Bengal-Nagpur Railway, and that moreover the representatives of the trade of Calcutta should be in daily and hourly touch with that railway's head-quarter administration. The representations of a local sub-agent of the Company at Madras cannot possibly carry that weight with the management at head-quarters to which the merchants of Madras would believe them to be entitled.

8. The coal argument, IV, may be disposed of by pointing out that the price of coal in Madras will be ruled, not by the rates for 1,200 miles of railway freight from Bengal, but by those levied for 400 miles of freight from Singareni, as influenced by sea charges. There is still a large margin between the price of coal at pit's mouth in Bengal and that at Singareni. These will in due course come nearer to a level with improvements in methods and in labour conditions at the latter place; and then rail-carried Bengal coal will not have a chance, especially as there will be no adequate return traffic, *unless Mr. Wynne quotes low rates towards Calcutta* with a view to attracting return loads.

9. There remains consideration V, around which Mr. Wynne's entire argument really hinges, *viz.*, that by accepting the agency of his Company in preference to that of the Madras Railway Company for the working of the Southern section of the East Coast Railway, the Madras Chamber of Commerce is likely the sooner to secure the extension of its trade-tract which must follow the construction of the Vizianagram-Raipur Railway. Mr. Moss deals with this matter in his 25th paragraph. For myself I cannot view the question under discussion as one merely affecting the interests of one railway company or of another, or of one Chamber of Commerce or of another. Far higher considerations are those of freedom of the flow of produce, whether internal between producers and consumers in different tracts of country, or external between the people and the ports. Famine traffic may come under either category, according to the tract from which supplies are drawn; in the case now under consideration it is certain that, owing to the connection by rail of the Kistna, Godavari and Orissa deltas, internal traffic between the East Coast and the Central Provinces, during famine years, will be far heavier than external.

10. In pressing for the construction of a metre gauge extension from Bezwada through the Eastern Kistna delta, this Government has more than once attached great weight to the consideration that it is very important that, by the time a famine is on us, the flow of grain from fat districts to lean ones shall have become automatic owing to the merchants having already got into business relationship with one another; and we have urged that this result is more likely to ensue if a single railway administration connects the two districts; because the railway traffic staff are, or ought to be, a valuable intermediary between groups of merchants separated by distance, by language, or by custom. This line of argument is specially applicable to the case of a railway like that just referred to, connecting lean Bellary with fat Kistna—an almost purely famine line which, so long as it remains shorn of the extension pressed for, must necessarily be incapable of exercising its intended functions in the fullest degree. Up to the present the Government of India have not admitted the force of this argument, but have expressed their intention of waiting to see how the Eastern Kistna produce wishes to flow, although we know quite well that under existing conditions and in the absence of the metre extension pressed for it will *wish* to flow wrongly, *i.e.*, Madras-wards, while we wish to encourage it to flow rightly, *i.e.*, Bellary-wards.

The Vizianagram-Raipur line is not on all fours with the as yet incomplete Bellary-Kistna line; because the former is intended to serve the purpose not merely, like the latter, of a valuable famine feeder between fat and lean districts, but also of a main export and import highway in ordinary years. With the Bengal-Nagpur Railway Company working it, and having direct access also to Vizagapatam port and to the Orissa delta, as well as indirect to the Godavari and Kistna deltas, the famine *metier* of the Vizianagram-Raipur line will be sufficiently well fulfilled; for a rival railway company working south of Vizagapatam can do nothing to prevent unlimited quantities of cheap grain being thrown by means of it into the Central Provinces when demand arises; and moreover the traders of those provinces are enterprising, and far-reaching men, very different from the Telugus of Bellary and Kistna. We may therefore leave out of consideration the special famine aspects of the Vizianagram-Raipur Railway and need only consider its prospects of being brought into existence within a reasonable period as likely to be affected by the decision as to who is to work the Southern section of the East Coast Railway.

11. Mr. Wynne assumes that the Vizianagram-Raipur Railway will not be made and worked by the Madras Railway Company because it is certain that they will not care to undertake anything which would be unlikely to pay them well by 1905–1907, and moreover that Government will be very unwilling to let that Company tap the Bengal-Nagpur territory in the Central Provinces. As regards their not caring to undertake it owing to the possible effect on their shares, it seems only necessary to say that there is no real or imaginable disadvantage to Government in employing the Madras Railway Company to *construct* this line, because, as pointed out by Mr. Moss, either the money will be directly provided by the State, or it will be raised by the Company, under its existing or enlarged borrowing powers, at a low rate of interest, by means of debentures eventually redeemable at par. As regards the threatened tapping of the Bengal-Nagpur Railway territory, I take it that if the Raipur branch pays, it will make no difference to Government, as owners of one moiety of the Madras

Railway Company's surplus profits, how the trade flows during the two or three years which at most must elapse between the completion of the Vizianagram-Raipur line and the termination of that Company's contract. Mr. Wynne cannot surely forget that only about 8 more years of that contract have yet to run, and that, even if the construction of the Vizianagram-Raipur line is commenced in September 1900, of which there seems little likelihood, it is very improbable that it can be open for traffic before four years. It will therefore scarcely have had time to prove much of a drain on Bengal-Nagpur Railway Company's territory before the time shall have arrived for inaugurating a new Madras Railway Company under an agreement which will put it upon an exact equality with Mr. Wynne's Company.

But besides this, I do not know why the Vizianagram-Raipur Railway should be built at all unless it is to provide a shorter cut to a seaport for the produce of the Raipur district than it at present enjoys; so that in any case the trade of that district must be tapped. Mr. Wynne means I suppose, "if it is to be tapped let *me* tap it." But if it is large enough to be worth his while to bear its working expenses it will be large enough to relieve Government of part of the guarantee of Madras Railway dividends. I fail to see how it matters to Government, financially, one way or the other, whether Mr. Wynne works it or the Madras Railway Company work it for the two or three years before 1907.

12. It seems only right that the Madras Chamber of Commerce should be made aware of the efforts which this Government has made to give effect to their wishes as expressed in their Chairman's letter, dated the 24th August 1895. In its letter to the Government of India, No. 635 Ry., dated 10th September 1895, this Government wrote "It is the opinion of His Excellency the Governor in Council that the working of that portion of the East Coast Railway, which lies within the Madras Presidency should be entrusted to the Madras Railway." But in September 1895 this Government learnt that the Government of India had advised the Secretary of State that the inland town of Vizianagram would be the best point for division between the Northern and Southern working agencies. This was confirmed in a speech by His Excellency the Viceroy dated 6th December 1895 in reply to an address from the Madras Chamber of Commerce, in which the following words occurred: "I believe the division at Vizianagram might be called a good compromise, but I do not put it forward as a compromise but as being recommended as good in itself. I should also add that it is one that would fit in well with other schemes of railway development, not wholly confined to the Presidency of Madras, which will assuredly sooner or later follow upon the completion of the East Coast Railway itself. Finally, gentlemen, I would venture to ask you to have some confidence in the Government of India, that in any arrangement for the management and working of these lines it will make it its duty to see that the interests of the various parts of the country through which the line passes, and of the traders served by the line, will be subjected to no unfair treatment or undue preference." Meanwhile this Government had been obtaining an expression of the views of the various commercial bodies interested, and in a letter to the Government of India, No. 20 Ry., dated 9th January 1896, gave the first preference to Khurda road as the point of partition, with other alternatives if negociations with the Bengal-Nagpur Railway Company should have gone too far to be receded from. Later on, having given the subject more mature consideration, this Government again addressed the Government of India, in a letter, No. 258 Ry., dated 14th April 1897, strongly insisting that Khurda road, the junction of the Puri branch, would be the best point of partition, and equally strongly insisting that if negociations had gone too far to secure this, the proper junction point was not the inland town of Vizianagram but Vizagapatam port. A few months later, in connection with the question of the terms to be arranged with the Madras Railway Company for working part of the East Coast Railway, it came to this Government's notice that in a despatch to the Secretary of State, No. 86 Ry., dated 11th August 1897, the Government of India had "arrived at the conclusion" that Vizianagram and not either Khurda road or Vizagapatam port, must be the dividing point. A vigorous protest was therefore immediately entered by telegraph, and this was followed up by a letter, No. 636 Rv., dated the 10th September 1897, in which, after an expression of surprise that there was no indication of due consideration having been given to this Government's strongly expressed views, it was urged that—

"The strong preference expressed for Khurda road as the point of contact of the two working agencies, with Vizagapatam port as the preferable alternative, is dictated not so much by considerations of the interests of the railways concerned, or of the States' share of their revenues, as of those of the general population of the district served, of its produce, and of its trade. His Excellency in Council, with an intimate knowledge of the local circumstances, cannot fail to recognise that it is best in those interests that all possible facilities should be afforded to the easy flow of exports to, and of imports from, not the northward, but the southward. For it is to the merchants and the middlemen of Madras and of the East Coast ports, and not to those of Calcutta and of the north, that the producers of the Northern Circars and of the Agency tracts look to finance them; and it is with these intermediaries that they have long been accustomed, and so far as can be judged will in future continue, to deal."

As before, Vizagapatam port was again offered as the proper alternative point of junction in the event of negociations having gone too far for the acceptance of Khurda road. In their reply No. 739 R.T., dated 30th September 1897, the Government of India said that the fact of the matter was that in the absence of any intimation from the Secretary of State that he considered the question to be still an open one, they had regarded it as settled in accordance with their previously expressed views. They also said that if the junction point was to be Vizianagram, running powers into Vizagapatam port would be reserved for the northern working agency. This Government replied with its No. 1038 R., dated the 26th November 1897, pointing out that even in their latest letter the Government of India had not definitely stated whether the question of fixing the point of junction had or had not as yet passed beyond the sphere of argument. It was therefore taken as beings till an open question, and the Government of India were told that—

"Should it be the case that the Secretary of State is not bound as yet to give to the Bengal-Nagpur Railway Company the working of any part of the East Coast Railway south of Khurda road, His Excellency the Governor in Council would again strongly urge that no such concession be made to them. The arguments already advanced, whether in the Madras Chamber of Commerce letter, dated 24th August 1895, or in the several letters of this Government ending with paragraphs 4, 7 and 8 of my letter of the 10th September 1897, need no further reiteration here; but they, and especially the three paragraphs referred to of the last letter, may be taken as an expression of the matured opinion of this Government in regard to a problem which they cannot but recognize as demanding for its solution that knowledge of local conditions which the Local Government alone can be said to possess."

The letter went on to say that this Government would prefer that the southern working agency, working up from Madras to Khurda road, "should also work the Raipur branch from its junction north-eastward to whatever point may be fixed on as the end of an engine run from the junction with the East Coast Railway; because such a point will be more or less on the 'divide' of the trade which naturally tends in one direction on the Central Provinces and in the other on Madras." It was again reiterated that, failing this, Vizagapatam port and most certainly not the inland town of Vizianagram was the next best point of junction. In March 1898 we received from the Government of India, for criticism, a copy of a letter in which, on the supposition of Vizianagram being the junction point, Mr. Wynne proposed certain arrangements, intended to have the effect of giving the two Companies equal facilities in the Bezwada-Cuttack zone. In forwarding Mr. Moss' views in reference to these proposals, with our letter to the Government of India, No. 603 Ry., dated 22nd April 1898, the opinion of this Government was again expressed that "it is in the best interests of the districts lying around and behind Vizagapatam that every possible facility should be offered for the easy flow of produce towards that port; and that the port of Vizagapatam, and not the inland town of Vizianagram, ought to be fixed as the point of junction between the two working agencies, failing Khurda Road." Expression was again given to the same opinion in a later letter to the Government of India on the subject of engine stations, No. 1175 Ry., dated the 27th September 1898. Since then nothing official has been heard on the subject. I was verbally informed, however,

Sointilla junction, 175 miles from Vizianagaram and 135 from Raipur.

F. J. E. S.

by the Hon. Sir A. C. Trevor, when here in January last, that though they have not seen their way to accepting Khurda Road the Government of India concur that Vizagapatam and not Vizianagram would be the best junction point for the two working agencies. This summary of the correspondence is given here in order that the Chamber of Commerce may see that, all through, their views have been strongly supported by this Government.

13. This Government has persistently aimed at retaining for the Madras Chamber that influence which it now exercises and has long exercised on the trade of the Northern Circars up to the Northern boundary of this Presidency; its alternative preference for Vizagapatam Port has been dictated by the belief that negotiations between the Secretary of State and the Bengal-Nagpore Railway Company had proceeded so far as to preclude the possibility of a reconsideration of the question of Khurda Road, the junction of the Puri Branch, being fixed as the point of junction of the Northern and Southern working agencies. In spite of Mr. Wynne's plausible arguments, I am as strongly convinced as before that the effect on Madras trade of free access being accorded to the Bengal-Nagpore Railway Company to tracts heretofore the undoubted trading ground of the Madras merchant will be very marked. The Chairman and Managing Director of that Company, as Mr. Moss points out, are Bengal merchants, whose interests necessarily lie in the direction of securing the maximum trade-flow Bengal-wards. It needs no arguments of mine to convince the Madras Chamber of Commerce that a railway administration has immense power of influencing trade-flow; and it seems perfectly certain that if once the Bengal-Nagpore Railway Company get a footing in the trade-tract south of Khurda Road, the Madras merchants' influence in Chicacole, the Agency tracts and Orissa will soon be a thing of the past.

14. But important as are Madras Trade interests they are necessarily subservient to those of the villagers and townsmen of the districts concerned in this dispute; for from the Imperial point of view as the interests of railways are of less account than those of trade so are those of the trading middlemen of less account than those of the villagers. A far from unimportant object of governing is to so arrange that the infructuous margin between a man's labour and the labour expended on producing the thing which he desires may be as narrow as possible. This is largely secured by minimising the cost of transport between the centres of gravity of the people and the great commercial trading and exchange centres. So far therefore as concerns the strip of country forming the hinterland of the Bay of Bengal, on the East Coast of India, it seems on the whole to be best for the people, if two separate agencies must be utilised for working the Madras-Calcutta Railway—a thing as I have shown quite essential in the interests of Madras traders—that the meeting point of the two should be about midway; that is, allowing for other considerations, at Vizagapatam Port. The trade of that port too is by no means insignificant and will vastly improve with the advent of the Raipur Railway; it is therefore important that the two railways tapping the proper trade-tract of the Vizagapatam traders should have free access to that port, without risk of one of them impeding the other. I would not therefore wish to upset the understanding already apparently come to, that the Bengal-Nagpore Railway Company are to be allowed to work southward as far as Vizagapatam Port. The people of Chicacole and Ganjam, while losing the advantage of continuing to buy and sell with Madras merchants which they have heretofore enjoyed, will be fully recompensed by gaining cheaper access towards Calcutta than under any conceivable system of railway arrangement they could get towards Madras. The loss to the Madras merchant of influence over tracts north of Vizagapatam is an inevitable result of the completion of through railway communication with Calcutta, and it is I think probable that even were the Madras Railway Company to work right up to Khurda Road and to offer every attraction to traffic going southwards, they could not long have staved off the loss to Madras traders of the traffic of Chicacole and Ganjam. Modifications of the boundaries of trade-tracts are the inevitable consequence of radical alteration of the general railway network.

15. It remains to consider the question of the agency by which the Vizianagram-Raipur Railway had best constructed. This too must be examined from the point of view primarily of the people and secondarily of the middlemen. As within two or

three years after the completion of the Raipur line, the new Madras Railway Co. and the Bengal-Nagpur Railway Co. will be on precisely equal terms as regards their relationship to Government, considerations of Imperial railway interests can scarcely be said to come in, as was explained in paragraph 11 of this note. Neither, as explained in paragraph 10, does it matter from a famine point of view which agency works the Vizianagram-Raipur Railway. Mr. Wynne has practically said in his paragraph 11 that with the Madras Railway Company working up to Vizagapatam it will not be worth his Company's while to make it because no traffic will be attracted to it from the south. This remark appears to me to have been dictated by an entire misconception of the situation on Mr. Wynne's part. My view of the course of trade on the completion of the Vizianagram-Raipur Railway and the simultaneous improvement of the Vizagapatam harbour is as follows. In famine years grain will flow absolutely freely from the fat tracts north of Vizagapatam over the Bengal-Nagpur Railway Company's lines to Raipur. Grain will also flow quite freely in the same direction, if necessary, from the Godavari and Kistna Deltas, because it will be in the interest of the Madras Railway Company to encourage it to flow that way so that they too may earn something out of the abnormal famine traffic. In non-famine years whatever surplus of produce there is in the Central Provinces will find its way Bombay-wards and Vizagapatam-wards from some point determined by the rates which the Bengal-Nagpur Railway Company may see fit to fix; but it will be quite as much to their advantage to send it east as west. As for return traffic towards Raipur from the East Coast, except salt and imports there will, in non-famine years, be very little. But the salt of several millions of people, their kerosine oil, their metals and the piece-goods and other imports *must* go by this route, and nothing can stop this, even if the Bengal-Nagpur Railway Company had any conceivable desire to stop it, which they cannot have, so far as I can see. It will make no difference whatever to the Bengal-Nagpur Railway Company that the Madras Railway Company controls the section south of Vizagapatam port, because salt will go up-country from Karassa, and from no point south of there, and imports will go from Vizagapatam, and except in famine years there will be extremely little to go towards Raipur from the coast country north or south of Vizagapatam. I know the country intimately and have been trying to solve this problem for years past, and I am confident that the conclusions to which I have come will be endorsed by others who are equally familiar with the conditions, and that that they will stand the test of experience in the years to come.

16. The fact is, and Mr. Wynne has overlooked it, that when the Vizagapatam-Raipur connection shall have been completed, and when his Company and the Madras Railway Company shall have joined hands at Vizagapatam port, and when his Company work the Raipur line, a new and very important change will have been effected in the whole trading conditions. For with the aid of its improved harbour, which *has got* to be made, the importance of Vizagapatam as a centre of trade will have been greatly enhanced. That town instead of remaining as now a place of but third or fourth rate rank will have secured a trade-tract of its own which must seriously encroach on that hitherto appertaining to Bombay, and with its increased importance, influence, and banking facilities it is inevitable that it must absorb much of the business on the north and south of it now carried on by Cocanada and Bimlipatam and by minor ports whose importance in the past has rested chiefly on the inadequacy of communications in the hinterland. Both the Madras Railway Company and Mr. Wynne will be obliged to serve the trade of this new centre, and so far from its being a question of serving only Madras or Calcutta, both these ports will find themselves shorn of much actual or potential trade. That this state of things is in the best interests of the mass of the people I entirely believe, and such being the case I equally believe that nothing that either railway company may do or leave undone can for long avail to prevent the carrying out of the programme. Should the Bengal-Nagpur Railway Company fail to see things in this light, and, influenced by the fear lest their prospects of a return traffic should be seriously compromised by the Madras Railway Company being allowed to work up to Vizagapatam port, should decline to make or to work the Vizianagram-Raipur Railway, the remedy is perfectly easy. I have not the slightest doubt of the readiness of the Madras Railway Company to make the extension tomorrow, and I am

equally confident of experiencing no serious difficulty in coming to an arrangement with them for terms of working, during the brief period before 1907 in which it can be open, which will preclude undue enhancement of the price to be paid for their shares. If it should become necessary for the Vizianagram-Raipur Railway to be made and worked by the Madras Railway Company it would be necessary to block the Bengal-Nagpur Railway Company at Vizianagram, giving them running powers over the 40 miles of Madras Railway Company's line into Vizagapatam port. I think it likely, however, that on more mature consideration Mr. Wynne will see his way to drop his affectation of unreadiness to work the Raipur line, and that as soon as the Government of India shall have decided that the time has arrived, he will offer to make and to work it, recognizing that the policy which I have sketched is the best policy not only in the general interests but in his own.

17. I am distinctly of opinion that, whether in the interests of the trade of Cocanada, Vizagapatam, and the minor ports, or of local station-to-station goods and passenger traffic, or of famine requirements, it is altogether unnecessary that the Bengal-Nagpur Railway Company, which is essentially a Calcutta Company, should be permitted to penetrate south of Vizagapatam Port; while as concerns the interests of Madras Traders I believe that the acceptance of Mr. Wynne's proposals would sooner or later result in their wreck and ruin. I am a strong believer in the policy of strengthening and expanding, if necessary by its early reconstitution on more modern lines, the Madras Railway Company, whose interests and those of Madras trade are identical and which has grown up with, and possesses the confidence of, that trade. This policy I also believe to be the best in the interests of the population of this part of India. I cannot separate the interests of the Government of India as a railway proprietor or guarantor from those of the people and of trade. Railway Companies may be trusted to know what is best in their own interests, so while Mr. Wynne and Mr. Moss are naturally doing the best they can for their respective owners, I need only concern myself with the consideration of what is best for the population generally and for trade.

18. I recommend that these Proceedings be sent to the Chambers of Commerce interested, and to the Public Press, in order that those concerned may have the fullest opportunity of acquainting Government with their opinions on Mr. Wynne's proposals.

Ootacamund,
22nd May 1899.

Francis J. E. Spring,
Consulting Engineer for Railways, Madras.

Enclosure No. 1.

Memorandum by Mr. T. R. WYNNE dealing with the effect on Madras Trade of the Bengal-Nagpur Ry. working the whole of the East Coast Railway up to Madras; dated 20th March 1899.

1. The Government of India having decided to connect Calcutta and Madras by railway *viâ* the East Coast, the work of constructing the line was entrusted part to the Bengal-Nagpur Railway and part to State Agency.

From Calcutta to Barang (six miles south of Cuttack) the line was to be made by the Bengal-Nagpur Railway.

From Barang to Bezwada by State Agency known as the East Coast State Railway.

From Bezwada to Madras by State Agency.

2. The portion constructed by State Agency has been opened to traffic and is at present worked by the State. It is obviously of not sufficient magnitude to justify its remaining as a separate Railway on the completion of the whole line from Calcutta to Madras.

The Government of India therefore decided it should eventually be added for working purposes to some system with which it was connected.

During the construction of the Madras-Bezwada line the selection of the Agency to ultimately work the line from Barang to Madras was a question that excited considerable discussion.

The position taken by the Madras Chamber of Commerce as representing Madras Trade interests is detailed on page 102 of the Proceedings of the Madras Chamber of Commerce in a letter, dated 24th August 1895, and may be taken as expressing the position of Madras Trade in the matter.

The decision arrived at by the Government of India was that the Northern Agency the Bengal-Nagpur Railway should work the line to Vizianagram, the Southern Agency, the Madras Railway working from there to Madras. This decision was announced in a speech by the Viceroy on the 6th December 1895 to a deputation of the Madras Chamber of Commerce, that body having in their address to the Viceroy specially referred to their letter of the 24th of August 1895 as putting forward their arguments in connection with the Agency to be selected to work the East Coast Railway when completed.

It may be mentioned here that it is at the present moment understood with the approval of the Madras Government that the junction point should be at Vizagapatam not Vizianagram.

3. Since this address to the Viceroy and his reply announcing the decision of the Government of India the question of the working of the East Coast Railway has excited no particular interest. The expression of opinion of the Madras Chamber of Commerce had carried the weight it justly deserved and although they had not secured all they desired at the same time they had successfully prevented the Bengal-Nagpur Railway working further south than Vizagapatam.

The construction of the whole line from Calcutta to Madras proceeded and it was generally understood that on the completion of the Madras-Bezwada Railway its working would be at once undertaken by the Madras Railway.

With this view the Board of that Railway and the Secretary of State entered into negotiations as to terms of working.

Difficulties arose as to the settlement of these terms and instead of the Madras Railway working the Madras-Bezwada and its section of the East Coast Railway up to Vizagapatam the unexpected result happened that the East Coast Railway took over the working of the Madras-Bezwada and instead of being absorbed it took from the Madras Railway what that line was expected to have. This it may be noted will not result in the perpetuation of the East Coast Railway as a separate Agency, but that it has happened indicates a position of affairs that was perhaps not quite anticipated. It also revived again the question of the best Agency to work the East Coast Railway causing the Bengal-Nagpur Railway to look into the matter with the result that it felt sure that circumstances had altered since 1895 and the question of the working of the line from Barang to Madras could be presented to the Madras Chamber of Commerce in a light they had perhaps not considered before and which the altered circumstances of the case justified the Bengal-Nagpur Railway in putting forward.

4. The difficulty the Madras Railway had in coming to terms with the Secretary of State in working the line from Vizagapatam to Madras was this.

The Madras Railway is one of the old 5 per cent. guaranteed railways. Its contract expires in 1907. By the terms of its contract the Secretary of State can purchase the Railway at the price per share of the average value of a share for the last three years of the contract.

Now if the Madras Railway secured favourable terms of working for the section Vizagapatam to Madras the earnings of the Madras Railway would increase, its shares would rise in value and Government would have to pay a very much higher price for the line when it purchased it on the expiration of its contract than it would have if it had not given the working up to Vizagapatam on favourable terms.

A very striking illustration of the above is the working of the Rajputana State Railway by the B. B. & C. I. Railway. The contract for working was a favourable one to the B. B. & C. I. Railway and its shares rose from about 130 to over 200, its receipts having so largely increased owing to its working the Rajputana system.

On the other hand the Madras Railway cannot afford to make a bad bargain for working the line up to Vizagapatam, as to do so would depreciate their shares and the Board of Directors would have difficulty in justifying their action to the shareholders.

5. Such a difficulty would not arise in the case of the Bengal-Nagpur Railway. That line is not a guaranteed railway like the Madras line.

The Bengal-Nagpur Railway is a railway that belongs to the State; the Bengal-Nagpur Railway being the Agents to the Secretary of State for the making and working of the line. The position of the railway is described in section 60 of its contract. This section after specifying in detail the whole of the property of the railway continues that the whole of the line, &c "are hereby declared to be respectively the property of the Secretary of State but subject to the user and enjoyment thereof by the Company during the continuance of this contract." The contract is for 25 years and commenced in 1887.

Excluding debentures the capital of the Madras Railway, consists entirely of guaranteed stock held by shareholders and which has to be paid for at its average value for the last three years when the Government of India buy the railway in 1908.

Of the capital of the Bengal-Nagpur Railway aggregating some 12 or 13 millions only three millions is share capital, the rest consists of money supplied to the Company by the Government of India and debited as capital for purposes of accounts at various rates of interest. On the expiration of the contract this share capital is repayable at par whatever its market value may be or have been.

6. It is now possible to deduce from the previous remarks the relative value of the two Railway Agencies as to their power and inclination to develope trade and extend railway communication in the Madras Presidency.

The Madras Railway is too near the completion of its contract to enter into any scheme that does not offer an immediate certain return.

Its policy obviously is to maintain the present value of its shares and enter into no arrangements that would have any risk of lowering them. This policy naturally will prevent it from constructing any extensions to its system that would require any time to develope traffic. At the same time it would make it adverse to any large reduction in rates that might not turn out immediately successful to the railway however sound they might be in the interests of the country and trade as it would risk losing its present revenue which it prefers to retain secure.

The Government of India are also reluctant to assist at the present stage of the Madras Railway's contract in any scheme that would tend to increase the amount to be paid per share at the end of their contract.

Mr. Spring in Madras Government, General Order No. 85, Railway, dated 18th January 1899, points out this position very clearly. He writes—

> "We are at present greatly hampered in dealing with the Madras Railway Company and shall be for the next 10 years, owing to their being one of the few remaining old guaranteed lines over which our control is rather shadowy. The result is that we have heretofore impeded that Company when they desired to extend knowing that we shall have to give a thousand rupees hereafter for every five hundred we now allow them to spend."

He continues to point out that the Madras Railway expressed themselves as very sore at being hampered in the development of their country but it is reasonable to suppose if they had been very anxious to do so they would have found the means in their earlier days. The date for the ending of their contract is now too near to justify their embarking in any extensive scheme of extensions.

7. The Bengal-Nagpur Railway on the other hand has no need to adopt this cautious policy. Its 3 millions of shares are payable off at par only, on the expiration of the contract whatever dividend the line may be paying.

As Agents to the Secretary of State for making railways and working them it is ready to carry out the wishes of its owners in constructing such extensions as the Local Governments, with the support of the Secretary of State, may desire.

Its double duty is to work the lines entrusted to it commercially and at the same time do its best to develope the Railways of India for its owner the Secretary of State who supplies money for that purpose. The Government of India have an enormous number of proposals put before them for extensions of Railways in India and the Board of the Bengal-Nagpur Railway is a powerful Agency in securing the careful consideration by the Government of India of any scheme it may put forward in conjunction with the support of Local Governments.

In the Central Provinces at the suggestion of the Local Government it has already surveyed a system of light 2′—0″ gauge Railways some 300 miles long, which the Local Governments are anxious to have carried out and which the Board of the Railway have expressed their willingness to undertake as soon as the Government of India can supply the money. This scheme is well advanced. It has secured a place on the programme and will soon be taken in hand. In Bengal it has a scheme also that is being most strongly supported by the Bengal Government and it is understood work will shortly be commenced and money found for it.

Assuming therefore that Madras Trade desires to see the further development of railways in the area north of Madras and west of the Coast, and that the Railway working this area should

be susceptible to the wishes of trade and of Government, its owner, it would appear that the Agency of the Bengal-Nagpur Railway working all the way to Madras would secure these objects more rapidly and surely than if the Madras Railway was in possession of the field.

8. The objections raised by the Madras Chamber of Commerce in their letter of the 24th August 1895 were against the Bengal-Nagpur Railway working any of the East Coast Railway situated in Madras territory.

The arguments put forward were—

(i) That Madras territory was out of the sphere of the Bengal-Nagpur Railway.
(ii) That the Bengal-Nagpur Railway interests were antagonistic to Madras Trade.
(iii) That no benefit would occur to the producer and people of the country, generally, by allowing the Bengal-Nagpur Railway to enter Madras territory and it would be an error of judgment to allow of it.

I will endeavour to show that however sound these arguments may have been in 1895, circumstances have occurred that have completely altered the situation.

Since 1895, the famine has occurred and the further opening up of the Jherriah Coal Field in Bengal by the Bengal-Nagpur Railway has been decided on.

9. The effect of the famine has been to bring the Raipur-Vizagapatam scheme into prominence. At the instance of the Government of India, Local Governments have been asked to report on what Railways they consider it is necessary to construct to ensure complete famine protection to their territories.

The Central Provinces Government have recommended the Raipur-Vizagapatam line among their proposals and during the cold weather of 1896-97 it was resurveyed, estimated and reported on.

10. The factors that deal with the prospect of the early completion of this line are—

(*a*) The necessity for the construction of the line as a famine protective work.
(*b*) The necessity for it as a means of developing trade that would justify the expenditure of its cost.
(*c*) The effect its construction would have in diverting traffic from the Bengal-Nagpur Railway.

11. The question of its importance as a famine line need not be considered. As a factor that would assist is pushing on the scheme if the other considerations were favourable its effect would be great. Dealing with the other two factors (*b*) and (*c*). These two factors are entirely dependent on whether the Bengal-Nagpur Railway works the line to Madras or not.

With the Madras Railway working the East Coast Railway to Vizagapatam with the open intention of blocking all traffic northwards and endeavouring to restrain its leaving Madras territory in and way, (such being the presumed desire of the Madras Chamber of Commerce, see their letter dated the 24th August) it is clear that very little traffic would use the Vizagapatam-Raipur route. As the Bengal-Nagpur Railway would have the working of Raipur-Vizagapatam line it would have very little inducement to send traffic south; it could only carry as far as Vizagapatam and receive none in return. Under such conditions of working therefore it would be difficult to make out a sound financial reason for the construction of the line.

As a possible feeder to the Vizagapatam-Madras section worked by the Madras Railway it would be dangerous for the Government of India to allow the Raipur-Vizagapatam line to be made and so add to Madras Railway receipts with the ultimate effect on the cost of purchasing the Railway I have referred to previously. It may be urged that the Madras Railway might make and work the Raipur-Vizagapatam line. I have already given the reasons why they would be reluctant to undertake such an extension and moreover it would be injudicious of the Government of India to allow a foreign line to penetrate the heart of the Bengal-Nagpur Railway country, drawing away traffic for the purpose of enhancing the value of the shares of the Madras line. The Bengal-Nagpur Railway would vigorously oppose such a course and the Government of India it is believed would support them.

The position is therefore this. With Madras Railway working to Vizagapatam the prospect of the early construction of the Raipur-Vizagapatam line may be taken as a remote one.

12. With the Bengal-Nagpur Railway working all the way into Madras, the situation at once changes.

That Railway would at once have large interests in Madras. It would push the construction of the Raipur-Vizagapatam line, the opposition to the making of which noted above would be removed.

Its construction would at once open up the Central Provinces and the North-Western-Provinces of India to Madras trade by a direct Railway route.

The argument that Madras territory was out of the sphere of the Bengal-Nagpur Railway and that the Bengal-Nagpur Railway interests were antagonistic to Madras trade would at once fall to the ground.

The Bengal-Nagpur Railway interests in Madras would be as great, perhaps greater, than they are at present in Calcutta.

The interests of the Railway would be all in the direction of assisting Madras trade with the Central Provinces and North-West and the constructi n of the Raipur-Vizagapatam line could

be urged on the ground of the large trade it would open out, thereby placing the scheme on a sound financial footing.

13. The argument that no benefit would occur to the producers or people of the country with the Bengal-Nagpur Railway entering Madras territory under such conditions need not perhaps be dealt with as it seems that the opening of such large areas as the C.P. and N.W. to Madras trade must be conducive of benefit to these parties.

14. The extension of the Bengal-Nagpur Railway to the Jherriah Coal Field is also another important matter to Madras. The Bengal-Nagpur Railway has for some time been endeavouring to obtain the agreement of the Great Indian Peninsula Railway to join in quoting a very low rate for Bengal coal to Bombay from Collieries situated on the Bengal-Nagpur Railway colliery branch near Asansol. The object of this low rate was to allow of coal being carried by rail to Bombay at a price that would compete with coal taken by sea.

The Great Indian Peninsula Railway being interested in Singareni coal have so far declined to agree to join in this low rate. Precisely the same will occur with the Madras Railway working to Vizagapatam.

They would be interested in securing a good rate for Singareni coal from Bezwada to taking a lower rate from Vizagapatam for Bengal coal. They would have to carry it further and receive about the same freight.

With the Bengal-Nagpur Railway working the whole way into Madras it would have no obstacles to contend with in securing the agreement of the Government of India to quoting such a rate as would allow Bengal coal to be taken to Madras at a price that would compete with Bengal coal delivered there by sea.

The advantages of rail-delivered coal as against sea delivery are obvious.

Regular contracts can be made and coal be supplied in small regular consignments all the year round. There is no need to keep heavy stocks in hand. The coal is not deteriorated by excessive handling as in sea carriage.

15. There are two other points that require consideration. They are—

(*a*) The effect of the Bengal-Nagpur Railway working to Madras on railway rates in Madras territory.

(*b*) The wish of Madras to have the representatives of the railway working the district stationed in Madras.

16. Dealing first with local rates.

With the Madras Railway working to Vizagapatam what reasons are there that would justify the assumption that the rates they would quote for local business would be more suitable than if the Bengal-Nagpur Railway worked the line between Madras and Vizagapatam.

With rates fixed so as to block traffic to the north, the Madras Railway would be in the position of holding a monopoly and would quote as high rates as possible with the view of increasing its share of receipts for working the Vizagapatam-Madras section.

Assume that the Bengal-Nagpur Railway worked the whole distance into Madras and, in the absence of competition like the Madras Railway case, worked its monopoly to its full advantages. The position in this case would be simply the same as if the Madras Railway was working the section. It would be no worse.

The reasons local or otherwise that might lead the Madras Railway to grant concessions or reduce local rates below the monopoly level would apply with equal force to the Bengal-Nagpur Railway management and the result would be the same in each case. The Madras Railway would, if anything, be inclined to be less liberal than the Bengal-Nagpur Railway as the possibility or not of immediate profit would be of greater importance to them.

For local business the two railways would work on precisely the same lines as there is nothing in the policy of the Bengal-Nagpur Railway in dealing with local business on its present open line that would justify the argument being advanced that it would be less liberal in its dealings than the Madras Railway.

17. Dealing now with export business.

The chief danger apprehended, I presume, is the fear that trade may be drawn to Calcutta for export that at present goes to Madras.

I think a reconsideration of the question may alter this view.

The rates for export business to Madras would be the same whether the Bengal-Nagpur Railway works to Madras or stops short at Vizagapatam. The two factors that govern the situation are—

1st.—The power of the G. I. P. and the Nizam's Railways combined to draw traffic to Bombay at and *via* Bezwada.

2nd.—The fact that if the Bengal-Nagpur Railway worked the whole distance into Madras, it would be as much interested in taking traffic South as the Madras Railway would be.

The effect of the pull towards Bombay at Bezwada will be a powerful factor in fixing rates to Madras that will affect equally either system of working. Bezwada is nearer to Bombay than it is to Calcutta.

Take the case of the Madras Railway working to Vizagapatam.

The effect of the pull towards Bombay must oblige them to reduce rates to Madras or else the traffic will tend to go towards Bombay.

Take the case of the Bengal-Nagpur Railway working to Madras.

The distance from Bezwada to Bombay being less than to Calcutta the G. I. P. and N. S. Railway combined can fix the trade from Bezwada in the direction of Bombay as far as rates are concerned. The Bengal-Nagpur Railway doing its best with its minima rates fixed by the Government of India would be powerless to quote as low rates from Bezwada to Calcutta as could be quoted Bezwada to Bombay.

Its position would then be analogous to that of the Madras Railway working to Vizagapatam and blocking all traffic to the North.

Working as it would be the line into Madras, it would at once endeavour to divert the trade towards Madras as the only means at its disposal of securing the traffic which would otherwise tend towards Bombay.

The second factor that if the Bengal-Nagpur Railway worked the whole distance into Madras it would be as much interested in taking traffic South as the Madras Railway would be is demonstrated by the foregoing.

It can be still further demonstrated. For any traffic South of Vizagapatam it is clear that the Bengal-Nagpur Railway would have to carry traffic further to reach Calcutta than it would have to carry it to take it to Madras.

What advantage would it be to the Bengal-Nagpur Railway to quote very low rates to Calcutta and carry the traffic a long distance when it could secure about the same return by developing the trade to the South with a shorter lead.

The reply is that it would be no advantage and that the interest of the Bengal-Nagpur Railway would be in the same direction for traffic south of Vizagapatam as if the Madras Railway worked to Vizagapatam with rates tempered by the influence of Bombay acting at Bezwada in both cases.

This result is due to the line from Madras to Calcutta being under one administration creating a condition of affairs that render that administration as interested in letting traffic go south as north due to it securing revenue whichever way the trade went.

For the foregoing remarks the conclusion is that the position of Madras Trade as regards Railway rates on the Madras to Vizagapatam section will be the same whether the Bengal-Nagpur Railway works all the way to Madras or only as far as Vizagapatam but with the Bengal-Nagpur Railway working all the way to Madras the additional advantages shown as contingent in this note will be secured which will not be the case if the Bengal-Nagpur Railway stopped at Vizagapatam.

18. With regard to the wish of Madras that the head-quarters of the Railway working in Madras territory should be at Madras the wish, though reasonable, is not an insuperable objection.

The Bengal-Nagpur Railway will serve three local Governments, the Central Provinces, Bengal and Madras. It is impossible to have three head-quarters. Calcutta is obviously the best point for administration as it is the place the lines south and west converge.

If the Bengal-Nagpur Railway ran into Madras its interests would become at once those of Madras and effective means would be taken to bring the Railway and the trade into close connection by a local Railway representative.

19. In conclusion I would urge that the working of the whole line, Calcutta to Madras, by the Bengal-Nagpur Railway would secure the following advantages that would not be realized if that line works only to Vizagapatam :—

1. It would provide Madras territory with an Agency for constructing extensions of Railways that from its constitution and ownership was adapted to secure more rapid sanction to construct such extensions than the Madras Railway hampered as it is with its present constitution and early termination of its contract.
2. It would assure the earlier construction of the Raipur-Vizagapatam line.
3. It would secure the delivery of Bengal Coal to Madras by Railway at all times of the year at a price that would compete with sea delivery.
4. It would open up the Central Provinces and North-West to Madras trade.
5. It would cause the interests of the Bengal-Nagpur Railway to be as much in the direction of Madras as Calcutta.
6. It would secure the same rates to the South for Madras as if the section Madras to Vizagapatam was worked by the Madras Railway.
7. It would give the producers, people of the country and the shipper an immense extension of markets which they would otherwise not secure.

20. To spend an enormous amount of money in establishing a through connection between Calcutta and Madras and then have the line worked in such a way as to cripple its usefulness, as would be the case if the Madras Railway worked only to Vizagapatam, would be to adopt a policy that would be adverse to the imperial interests of the country.

Enclosure No. 2.

From—The Agent and Manager, Madras Railway Company.
To—The Consulting Engineer for Railways, Madras.
Dated—Rayapuram, 19th May 1899, No. 582.

1. In a recent issue of the *Madras Mail* there appeared a memorandum drawn up by Mr. Wynne, Agent and Chief Engineer, Bengal-Nagpur Railway, on the question of the working agency of the East Coast Railway. The memorandum purported to show that the interests of the Madras trade would be better served and the benefits to the State be greater, if the Government of India instead of dividing the line for working purposes into two portions, giving the northern half to the Bengal-Nagpur Railway and southern half to the Madras Railway, gave the whole line to the Bengal-Nagpur Railway. The memorandum contained many incorrect and misleading statements which should not remain unanswered and it is with the view to removing the erroneous impressions which such statements have doubtless caused that I have prepared the following remarks on Mr. Wynne's note. The memorandum having been published in a widely-circulated newspaper, I have to request that the same publicity be given to my comments on it.

2. Paragraphs 1 and 2 refer to the construction of the East Coast Railway—the Madras-Calcutta line—and the decision of the Government of India that the Madras Railway should work the portion from Madras to Vizianagram and the Bengal-Nagpur Railway the portion from Vizianagram to Calcutta. It is then assumed in paragraph 3 of the note that negotiations between the Government and the Madras Railway with regard to the terms for working the southern portion are at an end. The inference is not substantiated in any part of the note. The assumption is, in fact, incorrect. There has been delay in arriving at a settlement of the terms, but the difficulties which have arisen are such as may be readily overcome and I know of no reason why the negotiations which are still pending should not result in an arrangement satisfactory alike to the Government and the Madras Railway.

3. The reason assigned in paragraph 4 for the difficulty in concluding a satisfactory working arrangement is not correct. Consequently the deduction drawn in paragraph 6 from the remarks in the two preceding paragraphs as to the relative value of the two Railway Agencies for developing trade and extending Railway communication in the Madras Presidency, is based on false premises and therefore misleading. The terms proposed by the Madras Railway are intended *to avoid all direct profit to the Company* and would therefore have no effect on the market price of the Company's shares. One of the suggestions was a train-mileage allowance and under this the Company would have no interest whatever in charging high rates for the conveyance of goods and passengers, but their interest would tend in the opposite direction. Another proposal was to work the line for actual expenses, plus a charge for administration and supervision, and such an arrangement would not be likely to increase the value of the shares of the Madras Railway. Mr. Wynne is quite right in saying that the Madras Railway cannot afford to make a bad bargain for working the southern portion of the East Coast Railway, but neither can the B. N. Ry. do so; and while the Madras Railway is perfectly willing to work the section without either profit or loss, the B. N. Ry. would endeavour to obtain as favourable terms as possible with a view to as much profit as could be secured.

4. The early termination of the Madras Railway contract is urged as a reason why the Government should not give it any portion of the E. C. Ry. to work, but as the B. N. Ry. contract expires in 1907 or at about the same time as that of the Madras Railway, the same argument may be applied with equal force to both Companies and there is no object in making it.

No. The B. N. Ry. Co.'s contract expires, I believe, on the 31st December 1913.
(Intld.) F. J. E. S.

5. Undoubtedly the policy of the Madras Railway is to maintain the present value of its shares but so far from being unwilling, as Mr. Wynne states, to carry out extensions and branches in connection with the existing system, the Company has been desirous of undertaking whatever work of that kind the Government considered desirable and were disposed to sanction, on terms applicable to the circumstances in each case, which terms have been arranged without difficulty whenever the Government were prepared to sanction the carrying out of the extension or branch.

6. Allusion is made in paragraph 6 of the note to the reluctance of the Government of India to assist in any scheme that would tend to increase the amount to be paid for Madras Railway shares at the end of the Company's contract and Madras G.O., No. 85, dated 18th January last, is quoted in which the following remarks, attributed to Mr. Spring, occur:—"We are at present greatly hampered in dealing with the Madras Railway Company and shall be for the next ten years, owing to their being one of the few remaining old guaranteed lines over which our control is rather shadowy. The result is that we have heretofore impeded that Company when they desired to extend, knowing that we shall have to give a thousand rupees hereafter for every five hundred we now allow them to spend." The explanation Mr. Spring has kindly given me of these remarks is, that they were written for a note dealing with 2 feet feeder lines, the object being to point out that a rise of a few points in the Company's shares,

But see paragraph 4 of my memorandum; page 6 of these proceedings.
(Intld.) F. J. E. S.

resulting from a successful feeder policy, might be equivalent in its effects to indirectly doubling the price of such feeders. I may here point out that all the share capital of the Madras Railway which will be repayable on the basis of the market value of the shares was expended more than 20 years ago and all subsequent expenditure on capital account has been made from loans raised on debentures. The funds for the Arcot-Ranipet branch just completed and for the extension from Calicut to Cannanore now under construction have been raised in this manner and the Company's borrowing powers are still very considerable. But all reference to this subject in Mr. Wynne's note was unnecessary, unless the object of making it was to mislead those not conversant with the facts, because the capital of the Madras-Calcutta line has been provided by Government and cannot therefore come under the operation of any clause in the Madras Railway Contract in the event of the working of the line being given to this Company.

7. Similarly with regard to future extensions which in paragraph 7, the Agent, Bengal-Nagpur Railway, considers his Company is in such a favourable position to influence Government to grant. If they are constructed by the Bengal-Nagpur Railway the money will be provided by Government and for extensions constructed by the Madras Railway the money will either be provided by the Government, or raised by debentures at a low rate of interest under the Company's borrowing powers.

8. Mr. Wynne implies that his Company is more susceptible to the wishes of trade and of Government than the Madras Railway, but there is no ground for this statement in connection with the working of the East Coast Railway, the fact that the Madras Railway is content to work the line without profit being cogent reason for an opposite conclusion.

9. Whether the Bengal-Nagpur Railway is worked more successfully than the Madras Railway and therefore more worthy of the confidence of the Government may, perhaps, be determined from the fact that according to the Administration Report for 1897—the latest received—the Bengal-Nagpur Railway working expenses averaged for the whole year 53·05 per cent. of earnings, while the expenses of the Madras Railway were only 47·90 per cent. In the same report the average price of fuel on the Bengal-Nagpur Railway is given as Rs. 3·39 per ton and on the Madras Railway Rs. 14·97 per ton, so that if the two Companies had been on equal terms as regards fuel supplies, the cost of working the Madras Railway would have shown a still more favourable comparison.

10. The following figures extracted from the Administration Report show that on such special works as the construction of large bridges the Madras Railway has also been able to build more cheaply than the Bengal-Nagpur Railway. Taking into consideration the greater length of the Madras bridges and the greater depth of foundation the difference in cost is remarkable:—

Bridges.	Length of bridge.	Depth of foundations below low water.	Total cost.	Cost per lineal foot.
	FEET.	FEET.	RS.	RS.
Madras Railway—				
Cheyar	3,500	100	12,45,464	356
Tungabhadra	4,060	14	7,55,756	186
Chitravati	2,670	18 to 78	13,58,194	509
Papaghni	2,110	52½ to 62	9,94,930	453
Bengal-Nagpur Railway—				
Tonse	1,194	27¾	14,08,401	1,180
Waingangá	1,450	21	10,03,733	677
Sheonath No. II	2,250	6 to 12	8,83,593	393
Damudar	2,364	4 to 75	10,39,006	422

11. The endeavour made in paragraphs 8 to 12 to show that the arguments raised against the Bengal-Nagpur Railway working in Madras territory, which were regarded as sound in 1895, are now no longer so, is ingeniously made, but practically the benefit of the Bengal-Nagpur Railway, not that of the trade of Madras, is at the bottom of the pleas put forward. Mr. Wynne strongly opposes any interference by the Madras Railway with the Bengal-Nagpur field of operation but would like a wholesale appropriation of the Madras Railway field by his Company.

12. The construction of the Raipur-Vizagapatam line is considered by the Government necessary as a famine protective work, but in the opinion of the Agent, Bengal-Nagpur Railway, the line needs no consideration unless it is constructed by his Company. Its importance as a famine protective work is quite outside the question of the constructing Agency. It is assumed by Mr. Wynne in paragraph 11 of his memorandum that the Madras Railway if working the East Coast Railway to Vizagapatam would openly block all traffic northwards at Vizagapatam and that consequently very little traffic would use the Raipur-Vizagapatam route. There are no grounds whatever for this assumption and Mr. Wynne must have forgotton his letter of the 4th February 1898 and our reply thereto (to which reference is made more fully later on) when he wrote this portion of his memorandum.

13. If it should be decided that the line to Raipur is to take off from Vizianagram instead of Vizagapatam, the originally admitted claim of the Madras Railway and of the Madras Mercantile Community—that the working of the East Coast Railway to *Vizianagram* should be given

to this Company—deserves greater consideration at the hands of Government than it did in 1895 There is but little doubt that the Northern Agency if working to Vizagapatam, would so arrange rates that they would be obstructive from the Raipur line up to Vizagapatam and preferential from the Raipur line to Calcutta, on the one side *viâ* Raipur, Sini and Midnapur and on the other side *viâ* Vizianagram and Midnapur in accordance with the existing policy of the Bengal-Nagpur Railway as against Bombay and in favor of Calcutta. The port of Vizagapatam would be certain to receive fairer treatment in the event of the Southern Agency being given the working not only to Vizianagram but also of the line from Vizianagram to Raipur. This line could be constructed and worked by the Madras Railway on terms which would have no effect on the value of the Madras Railway shares.

14. In proof of the obstructive rates levied by the Bengal-Nagpur Railway against Bombay the following examples are quoted :—

			MLS.	RS.	A.	P.
Bombay to Dongargarh ...	G.I.P.		520	0	6	7
Viâ Nagpur ...	B.N.		127	0	4	2
			647	0	10	9
Calcutta to Darikasa ...	E.I.R.		132	0	1	2
Viâ Asansol ...	B.N.		515	0	5	6
			647	0	6	8
Bombay to Musra ...	G.I.P.		520	0	6	7
Viâ Nagpur ...	B.N.		135	0	4	5
			655	0	11	0
Calcutta to Salekasa ...	E.I.R.		132	0	1	2
Viâ Asansol ...	B.N.		524	0	5	3
			656	0	6	5

On grain traffic *viâ* Nagpur with Bombay an obstructive charge ranging from 8 to 16 pies per maund is also levied as compared with the *viâ* Asansol grain rate with Calcutta.

15. One of the great advantages which, in paragraph 14 of the Note, it is urged Madras would obtain if the Bengal-Nagpur Railway worked the whole of the East Coast Railway, is the delivery of Bengal coal by rail at a price which would compete with Bengal coal delivered by sea and with coal from Singareni. Does Mr. Wynne wish this to be taken seriously? A rate of 2 pies per ton per mile, which is nearly 30 per cent. below the minimum rate sanctioned by Government would, *in the absence of return traffic and the consequent empty vehicle haulage*, be a non-paying rate. Yet even this very low rate would work out approximately to Rs. 12 per ton for freight alone on coal brought to Madras from the nearest of the Bengal mines. How therefore coal from the Jherriah field can compete with Singareni, or even with Bengal coal delivered by sea, is not clear. At present the Kolar Gold Mines are supplied with Bengal coal landed at and despatched by rail from Madras but if the working of the East Coast Railway was in the hands of the Madras Railway, Singareni coal would doubtless flow to the Kolar mines.

16. Paragraphs 15, 16 and 17 of the memorandum deal with the question of rates and it is again assumed that the Madras Railway would fix charges which would block traffic to the north and would quote as high rates as possible with the view of increasing its share of receipts for working the Madras-Vizagapatam Section. It is also stated that the Madras Railway would be inclined to be less liberal than the Bengal-Nagpur Railway as the possibility or not of immediate profit would be of greater importance to the former Railway. I would again repeat that there are no grounds whatever for assuming that the Madras Railway would block traffic to the north and also that the proposed terms for working the section—that is, without any profit accruing to the Madras Railway—renders the levying of high rates for the purpose suggested quite unnecessary. Further, it is a fallacy to assume that the Madras Railway could not afford to quote rates which would not give immediate profit. The Shareholders under any circumstances are paid the interest which is guaranteed to them, so that the Madras Railway can afford to quote rates lower than any which would be likely to be permanently approved by the Board of the B. N. Ry.

17. The proposals of this Company with respect to rates on the East Coast Railway will be found in my letter No. 9138–269 of the 26th March 1898 in answer to your letter No. 827, of the 16th idem, with which you forwarded to me for consideration a copy of letter No. 767 dated 4th February 1898, from the Agent, Bengal-Nagpur Railway, who suggested that a rates agreement be entered into between the Bengal-Nagpur and Madras Railways, the Bengal-Nagpur Railway to have the right to quote any rates it liked within the limits authorized by Government to and from the Calcutta side up to and *viâ* Bezwada, the Madras Railway

similarly to have the right to quote rates up to and *viâ* Cuttack. This proposal made no provision for rates to and from Vizagapatam from which traffic would be unfairly drawn either to Madras or Calcutta. The suggestions made in my reply are as follows :—

(1) That the Railway or Railways from Madras, subject to paragraph 3, are to have the right to quote equal mileage rates from and to stations up to and *viâ* Cuttack.

(2) That the Railway or Railways from Calcutta are to have the right to quote equal mileage rates, subject to paragraph 3, from and to stations up to and *viâ* Bezwada.

(3) That the Railway or Railways at the port of Vizagapatam are to have the right to quote equal mileage rates to the equi-distant point on either side in the direction of Calcutta and Madras, equal rates to be allowed to overlap the equi-distant point in each direction.

(4) The term "equal mileage rates" to mean that rates from competing ports shall not only be the same per mile, but that where they pass over more than one railway the total sum collected upon a consignment or consignments, exclusive of terminal charges, shall be divided between the Railways concerned in proportion to the miles traversed.

I added, "These proposals are intended to stop Madras from competing unfairly beyond the half-way distance to Vizagapatam and to place Calcutta in the same position and it may be arranged that any difference of opinion as to the rate per mile to be paid might in cases of dispute be referred to the Claims Arbitration Committee for settlement, both the Madras and the Bengal-Nagpur Railways being parties to that Committee. The proposals herein shadowed will prevent traffic from being drawn unfairly to either Calcutta or Madras as would, I am afraid, be the case if the proposals of the Bengal-Nagpur Railway were agreed to."

In concluding my letter I pointed out how necessary it was that the interest of the District should be considered with care.

18. The above letter proves clearly that the Madras Railway never had the intention of quoting obstructive rates. The proposals made do not seem to be acceptable to the Bengal-Nagpur Railway and they therefore now desire to have the working of the whole line so as to attract all traffic to Calcutta.

19. It will be interesting to quote a portion of the letter of 4th February 1898 (referred to above) from the Agent, Bengal-Nagpur Railway, as it indicates the policy of that Railway.

"The interests of the Bengal-Nagpur Railway will be to attract as much traffic as possible by low rates in the direction of Calcutta and high rates in the direction of Madras from Stations on the Cuttack-Vizianagram section."

20. Promises can be very readily made but to form an accurate estimate of the policy of any Railway it is, perhaps, advisable not merely to look at what it proposes to do in the future under certain conditions but also to examine what it has done in the past quite irrespective of extensions. We may therefore compare the passenger fares of the Bengal-Nagpur and Madras Railways which are as follows :—

Railway.	First class.	Second class.	Third class.	
			Intermediate.	Ordinary.
	PIES.	PIES.	PIES.	PIES.
Bengal-Nagpur Railway	18	8	3	2
			Mail.	
Madras Railway	$1\frac{1}{2}$	6	$2\frac{1}{2}$	2

We may also compare the scale of rates for grain at present in operation on the two Railways.

Bengal-Nagpur Railway.		Madras Railway.	
$\frac{1}{3}$rd pie or 333	for 300 miles and under.	1 to 100 miles	·296 pies.
·296 „	301 to 375 miles.	101 „ 210 „	·259 „
·269 „	376 „ 400 „	211 „ 270 „	·222 „
·241 „	401 „ 450 „	271 „ 350 „	·177 „
·222 „	451 „ 475 „	351 „ 400 „	·162 „
·194 „	476 „ 525 „	401 „ 500 „	·158 „
·185 „	526 „ 550 „	501 „ 550 „	·131 „
·157 „	551 „ 600 „	551 „ 600 „	·122 „
·111 „	601 „ and over.	601 „ 700 „	·111 „

21. Sufficient has been written to show that whether we take the rates at present in force on the systems of the two railways, or the rates proposed to be charged on the E. C. Ry. when that line is divided for working purposes, the advantages are all in favour of the Madras Railway.

22. There is one important point which must not be forgotten. It is this: the Madras Railway could have no desire to divert traffic to the **West** or **North**. The Bengal-Nagpur Railway would often have an interest in doing so.

to this Company—deserves greater consideration at the hands of Government than it did in 1895 There is but little doubt that the Northern Agency if working to Vizagapatam, would so arrange rates that they would be obstructive from the Raipur line up to Vizagapatam and preferential from the Raipur line to Calcutta, on the one side *viâ* Raipur, Sini and Midnapur and on the other side *viâ* Vizianagram and Midnapur in accordance with the existing policy of the Bengal-Nagpur Railway as against Bombay and in favor of Calcutta. The port of Vizagapatam would be certain to receive fairer treatment in the event of the Southern Agency being given the working not only to Vizianagram but also of the line from Vizianagram to Raipur. This line could be constructed and worked by the Madras Railway on terms which would have no effect on the value of the Madras Railway shares.

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21. Sufficient has been written to show that whether we take the rates at present in force on the systems of the two railways, or the rates proposed to be charged on the E. C. Ry. when that line is divided for working purposes, the advantages are all in favour of the Madras Railway.

22. There is one important point which must not be forgotten. It is this: the Madras Railway could have no desire to divert traffic to the **West** or **North**. The Bengal-Nagpur Railway would often have an interest in doing so.

23. Regarding the suggestion made in paragraph 18 of the Note to place a Railway representative in Madras, it may be pointed out that in the natural order of things he could not have the same influence or authority as the Head-quarters officials in Calcutta. Until the Bengal-Nagpur Railway has the working of the Southern section of the East Coast Railway it will have no interests whatever in Madras and if this event ever takes place, its interests here will be subordinated to those of Calcutta. Whatever may be said to the contrary there is no doubt that the interests of the Bengal-Nagpur Railway lie in Calcutta and they are far too important to allow of that Railway showing any preference to Madras. The Chairman of the Bengal-Nagpur Railway and also the Managing Director are Merchants of Bengal, if not of Calcutta City. In the course of a few months the offices of the Railway will be located at Calcutta and that it is a far cry from Madras to Calcutta is well known in respect of many questions affecting the Madras Presidency. It is not reasonable to expect the Bengal-Nagpur Railway to do otherwise than work the Southern section, if they obtain it, for the benefit of Calcutta. On the other hand, the interests of the Madras Mercantile Community and the Madras Railway are identical. The whole of the merchants and traders from Madras to Ganjám are financed from Madras and the East Coast Railway should be worked from Madras. There seems to be very little doubt that if any railway with its head-quarters at Calcutta became the Agency for working the East Coast Railway as a whole, the trade of the Coast would very soon be financed from Calcutta.

24. The advantages to the Presidency of having the Madras Railway as the working Agency of the southern section appear to be so great as to make the claim of the Bengal-Nagpur Railway unworthy of the slightest consideration.

25. In paragraph 19 Mr. Wynne summerizes the conclusions to be drawn from his letter. It is assumed that the earlier construction of the Raipur-Vizagapatam line and other extensions would be brought about by the Bengal-Nagpur Agency. The conclusion is based upon the assumption of the influence of the Bengal-Nagpur administration and of the disposition of the Government of India to accept this influence whether it is in the interests of the districts and of the Mercantile Communities concerned or not. It is also assumed that the necessity or otherwise of the Raipur extension as a famine protective work would not be considered if the interests of the Bengal-Nagpur Railway were adversely affected. Both these conclusions, it is feared, can scarcely be said to be complimentary to the Government of India.

The advantage held out of Bengal Coal being delivered by rail at a rate to compete with present coal supplies at Madras, is, as I have shown in paragraph 15, one which cannot be attained.

As regards the other advantages claimed I would remark that the Central and North-West Provinces would undoubtedly be opened for Madras trade if the East Coast Railway to Vizianagram and the Raipur extension were worked by the Madras Railway, but it seems impossible that the interests of Calcutta would permit this in the event of the Bengal-Nagpur Railway becoming the working Agency.

26. Having replied in detail to the several points raised by Mr. Wynne, the opportunity may now be taken to place on record some important facts connected with the E. C. Ry.

27. Certainly the southern portion, if not the whole of the Madras-Calcutta line, was fought for and sanction obtained by *Madras* influence and *Madras* influence alone. The influence of the Bengal-Nagpur Railway has never been used to favour the construction of the line, but that railway would like to secure all the advantages it can, now that it has been constructed. The interests of the Madras merchants should not, however, be allowed to be sacrificed for the benefit of the Bengal-Nagpur Railway.

28. So far back as February 1890 the Board of the Madras Railway offered to construct and work the proposed Madras-Bezwada line and also offered to work the East Coast Railway—then sanctioned from Bezwada to Cuttack—when it was completed. Definite terms were proposed in July 1890 which were considered by the Madras Government to be reasonable. See G.Os., Nos. 685 R. of the 19th May 1890 and 1289 R. of the 28th August 1890. In a further G.O., No. 1880 R., dated the 15th August 1891, the Madras Government recommended that the Madras to Bezwada line should be undertaken and its construction entrusted to the Madras Railway, and further that the working of the East Coast Railway from Bezwada to Cuttack should be given to the Madras Railway.

This recommendation was endorsed by the Madras Chamber of Commerce, and I may quote from the address presented to H.E. the Viceroy on his visit to Madras in Nov. 1892—

> "The Chamber has already expressed the opinion that it would be for the advantage of this Presidency and of Commerce in general, were the construction of this section of the line (Madras-Bezwada) and the working of the whole as far as Cuttack, entrusted to the Madras Railway Company, and it continues of that opinion, in which it trusts your Excellency may be brought to concur."

The Madras Press also warmly approved of the recommendation of the Madras Govt., the following quotation being taken from the *Madras Mail* of the 28th Nov. 1892:—

> "It has already been pointed out by the Chamber of Commerce, and in this journal, how the surest way to obtain for Madras such share of the trade of the Northern districts as it is possible under existing circumstances to obtain, is to entrust the working of the East Coast line to the Agency of the Madras Railway Company, whose interests are all in Madras."

29. The Chamber of Commerce and the Madras Press have also been keenly alive to the fact that unless the interests of this Presidency were carefully guarded, the trade of the East Coast would be diverted from its legitimate course. In the memorial to the Secretary of State forwarded in May 1892 the Chamber drew attention to the vital importance in the interests of the commercial public of this Presidency of placing Madras in a position to retain the trade of the Kistna and Gódávari districts and of the Provinces adjacent to its own Northern borders. This cannot be done if the working of the whole of the East Coast Railway is given to a railway with no interests in Madras and very important interests in Calcutta.

I would also invite attention to articles which have appeared in the Press which may be accepted as the opinion of the public on this question. In an article in the *Madras Mail* of the 19th August 1891 dealing with the future working of the East Coast Railway, the division of the line into two parts at or near Ganjám was suggested, thus making them practically co-terminous with the limits of the Bengal and Madras Presidencies. The rumour that the Southern portion was to be given to the Nizam's Railway and the Northern to the Bengal-Nagpur Railway was then alluded to and the article proceeded thus:—

> "It is the interest of the Districts through which the line will run that their produce and imports should be carried for the lowest possible rates, that every facility should be given for the grain of the Central Provinces to find its natural markets in lieu of those of the Western Coast, to which it has been by force of circumstances accustomed and that East Coast salt should by means of economical carriage obtain as extended a market as possible. It is the interest of the Presidency that the trade of these districts should be carried on through its own ports and not through those of another Presidency, and also that these ports should obtain the trade of the adjacent districts of other provinces for as large a radius as possible. The Railway administration as a commercial undertaking will endeavour to serve its own interests, and those are to carry the traffic for as long a distance as possible over its own line for as high rates as it will bear. It is important therefore that the Agency finally selected to work the line should be one whose own interests are compatible with the others above mentioned."

The proposition regarding the Nizam's Railway was then considered and disapproved of, and the proposed working by the B.-N Ry. was then referred to thus:—

> "At the Northern end of the line again the Bengal-Nagpur Railway is busily trying to divert the trade of the country it serves from Bombay to Calcutta and will not be inclined to favour any fresh diversion to the Madras ports."

The claims of the Madras Railway "whose interests lie entirely in our own Presidency" were then considered and the conclusion arrived at that "any efforts of the Madras Railway to obtain a long lead would merely be setting off the interests of one port against those of another and its policy could not be antagonistic to the interests of the Presidency as a whole."

Again in *Madras Mail* of February 16th, 1892, we read—

> "In our former articles we showed how the interests of the Northern Railway lines were antagonistic to the interests of Madras and how the speedy establishment of direct communication between Madras and the East Coast Railway was necessary to prevent the legitimate trade of the former being diverted to other ports."

Again, *Madras Mail* of 20th May 1892—

> "If the Government finally decided to work the East Coast Railway by its own Agency the conditions would perhaps be somewhat altered, from the Calcutta point of view, though it would only increase the vital necessity to Madras of retaining the connecting link in the hands of a Company with local interests."

In the issue of *Madras Mail* of the 1st August 1892 there is another article regarding the proposed working of the southern portion of the East Coast Railway by the Nizam's Railway, in which it is pointed out that by quoting, in combination with the Great Indian Peninsula Railway, low through rates traffic would be attracted to Bombay, the result being to deprive the Madras ports of a large proportion of the traffic which legitimately belongs to them and the article proceeds:—

> "If the Nizam's Railway Company works these Southern Sections it almost necessarily follows that the Bengal-Nagpur Company will, when its own link is filled in, obtain the Northern Sections and the same process will be repeated there with Calcutta for its objective point. On the other hand, the interests of the Madras Railway Company lie entirely within the Madras Presidency and its efforts would be directed towards strengthening the traffic of the East Coast ports and later, when the Madras-Bezwada section is completed, of Madras itself, and also to fostering the local traffic between the East Coast districts and those served by its own main lines and the South Indian Railway; and this perhaps is the most important point of all."

Further extracts could be given not only from the *Madras Mail*, but also from the *Madras Times* and other newspapers, all containing practically the same views, but I have already quoted at great length. I have, however, given these lengthy press opinions as they doubtless had great weight with the advisers of the Government of India, showing as they do the strong views held by the public of the Madras Presidency on the important question of the working of the East Coast Railway.

30. The decision of the Government of India that the Bengal-Nagpur Railway should work the line from Calcutta to Vizianagram and the Madras Railway the portion from Vizianagram to Madras was arrived at after mature consideration, and the Agent, Bengal-Nagpur Railway, in seeking to have the question re-opened has acted hastily. You are aware that negotiations regarding the terms for working the Southern Section are still pending with the Government. Had Mr. Wynne sufficient reason to suppose that the negotiations had failed it was open to him to address the Government on the subject. I am not aware that he has done so. By sending his memorandum to a newspaper for publication he has spread far and wide to the detriment of this railway many incorrect and misleading statements and given rise to erroneous impressions in the minds of Government officials and the general public. I do not think, therefore, I am unreasonable in asking that the same publicity be given to this letter.

Order—No. 658 Ry., dated 13th June 1899.

The Consulting Engineer's memorandum, with its enclosures, will be forwarded to the Madras and Cocanada Chambers of Commerce with a request that Government may be favoured with any remarks which they may have to offer. A copy of these Proceedings will be forwarded to the Government of India.

[Here enter No. 659 Ry., dated 13th June 1899.]

(True Extract.)

Francis J. E. Spring,
Joint Secretary.

To the Chairman, Chamber of Commerce, Madras.
" " " " Cocanada.
" Consulting Engineer for Railways, Madras.
" " " " Calcutta.
" Junior Consulting Engineer for Railways, Nagpur.
" Agent, Madras Railway Company.
Editors' Table.

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Endorsement—No. 659 Ry, dated 13th June 1899.

Forwarded.

(By Order.)

Francis J. E. Spring,
Joint Secretary.

Exd. T Lutchmiah Nayudu.

RAILWAY.

Government {1899} of Madras.

PUBLIC WORKS.

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G.O., Nos. 658, 659 Ry., 13th June 1899.

JUNE.

The Working Agencies for the East Coast Railway

~~Forwarding~~ a copy of Proceedings embodying ~~Note, dated 22nd May 1899, by the Consulting Engineer for Railways, Madras, on —, forwarded~~ for an expression of their opinion to the Chambers of Commerce, Madras and Cocanada, with copies of Mr. T. R. Wynne's Memorandum, dated 20th March 1899, and of a reply thereto by the Agent and Manager, Madras Railway Company, No. 582, dated 19th May 1899, on the subject of ——.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway.

Read the following papers :—

The Working Agencies for the East Coast Railway.

Note by Mr. Francis J. E. Spring, Consulting Engineer for Railways, Madras.

The object of this note is the memorandum, dated 20th March 1899, drawn up by Mr. T. R. Wynne, the Agent and Chief Engineer of the Bengal-Nagpur Railway Company. Mr. Wynne is anxious that his Company should obtain the working of the entire East Coast Railway from Madras to Calcutta, and he puts forward what at first sight appear to be plausible arguments to prove that the interests of Madras trade and of internal development in the north-eastern parts of the Presidency are safer in his hands than in those of the Madras Railway Company. Mr. Wynne's memorandum, which appeared in the public press, has elicited a letter, No. 582, dated 19th May 1899, from Mr. L. S. Moss, the Agent of the Madras Railway Company.

2. With a view to elucidating Mr. Wynne's arguments, which being apparently hurriedly written are not easy to follow, I venture to paraphrase them, in briefer form, taking great care not to misstate or to misrepresent them. The Nos. attached to the following successive clauses are those of the corresponding paragraphs of the memorandum. If a No. is omitted it is because the corresponding paragraph is merely a routine one :—

(1) Of the Calcutta-Madras Railway 766 miles have been built by State agency and 262 miles are being built by the Bengal-Nagpur Railway Company ; the dividing point being Barang, six miles South of Cuttack.

(2) The State-made portion having been completed is being worked as a matter of convenience by the State ; but as this cannot go on, it has been provisionally decided that the Bengal-Nagpur Railway Company shall work the 547 miles from Vizagapatam to Calcutta, and the Madras Railway Company the 481 miles from Vizagapatam to Madras.

(3) But on endeavouring to arrange with the State for taking over the working of the Southern section, the Madras Railway Company have failed to offer satisfactory terms, and meanwhile the Barang-Madras section continues to be worked by the State. Mr. Wynne takes this opportunity therefore to re-open the question of the most suitable agency for permanently working it.

(4) The cause of the Madras Railway Company's failure to come to terms is that they cannot afford to make a bad bargain, and indeed are most anxious to make a good one in order that their own shares may go up in price ; and this the Secretary of State cannot afford to allow, because their average market price in the three years 1905-06-07 determines what must be paid in 1907 for the purchase of the Company's old shares by the State.

(5) But no such difficulty is likely to be experienced in dealing with the Bengal-Nagpur Railway Company, because they are not owners but merely lessees of the lines which they work, and their capital of 3 millions sterling, lent to the State for railway purpose, is repayable at par on the termination of their agreement.

(6) In dealing with questions of extensions, of rates and of terms for working branch lines, the Madras Railway Company as at present constituted is necessarily influenced by the consideration that it must make an immediate profit, and cannot risk doing anything which would result in the price of its shares being even temporarily lowered during 1905-06-07. It therefore neither dares to launch out on extensions which do not promise an early return nor can it afford to give traders reductions of rates which though sure to pay in the long run cannot be immediately remunerative.

(7) But the Bengal-Nagpur Railway Company are under no such necessity for caution, for their interests and those of the State are identical. As a fact they have already taken up large branch railway schemes on the instigation of Local Governments, and they are a sufficiently powerful agency to secure at the hands of the Government of India full consideration of projects which they think it worth while to put forward. If therefore Madras Traders are interested in railway extension in the north-east parts of the Presidency, they would be wise to secure the agency of Mr. Wynne's Company.

(8) The arguments put forward in 1895 by the Madras Chamber of Commerce were that Madras territory is outside the sphere of the Bengal-Nagpur Railway Company whose interests are antagonistic to Madras trade, and that as their advent would secure no benefits either to the country or to producers, it would be unwise to allow them to enter the trade-tract of Madras port. Mr. Wynne contends that these arguments no longer hold, because famine considerations have recently led to a decision that the Vizianagram-Raipur line is wanted, and moreover since 1895 the Jherria coal fields have been opened up by the Bengal-Nagpur Railway Company.

(10) But besides the need for it as a famine work the probabilities of the early inception of the Raipur line are ruled by two other considerations, *viz.*, is its cost justified by the trade's demand for it ? and how will it affect the traffic of the Bengal-Nagpur Railway ?

(11) If worked by the Bengal-Nagpur Railway, the Raipur line may be considered either as a feeder to the port of Vizagapatam or as a feeder to the Vizagapatam-Madras section of the Madras Railway. If the former, the result of the Madras Railway Company's natural desire to drag everything Madras-wards will be that the Bengal-Nagpur Railway, getting no return trade, will have but little inducement to make and to work it. If the latter there is the risk of its causing a rise in Madras Railway shares. The reasons why the Madras Railway Company should not work the Raipur line are, first that as explained in paragraph (6) they would have no inducement to touch it, and second that it would not pay the Government of India to allow them to tap Bengal-Nagpur Railway territory. Therefore with the Madras Railway Company working to Vizagapatam the prospects of the Raipur line being made are remote.

(12) But if the Bengal-Nagpur Railway had the working of the Vizagapatam-Madras section of the East Coast Railway, the whole situation would be changed, because their interests in Madras would in that case be quite as great as they now are in Calcutta. This would induce them to favour the construction of the Raipur line, and so Madras Traders would have secured a large extension of their trade tract.

(14) Just as the Great Indian Peninsula Railway now declines so will the Madras Railway hereafter decline to join the Bengal-Nagpur Railway in quoting low rates for Bengal coal, because both the Great Indian Peninsula and the Madras Railway Companies are interested in Singareni coal. As it pays the Great Indian Peninsula better to get a good rate from Wadi to Bombay rather than a low rate from Jubbalpur to Bombay, so will it pay the Madras Railway better to get a good rate from Bezwada to Madras rather than a low rate from Vizagapatam to Madras. Even if rail and sea freights are equal, the advantages to merchants of obtaining delivery of their coal by rail rather than by sea are many and obvious.

(16) As regards rates for local business, the Company working between Vizagapatam and Madras will simply charge whatever rates it can get. But there is no reason to think that the Bengal-Nagpur Railway will be less liberal than the Madras Railway; rather the other way, because immediate profit is of more importance to the latter with a view to a rise in its shares during 1905–06–07.

(17) As regards rates for export business, the position will be the same whichever Company works the Vizagapatam-Madras section. This is due to (*a*) the fact that if the Bengal-Nagpur Railway works the entire Calcutta-Madras line, it would have precisely the same interest in tempting exports Madras-wards as Calcutta-wards; and (*b*) the power of foreign lines to attract traffic Bombay-wards at Bezwada. As regards (*b*), the fact that the distance from Bezwada to Bombay is shorter than that from Bezwada to Calcutta will make it impossible for the Bengal-Nagpur Railway Company to drag Bezwada traffic Calcutta-wards; they will therefore do all they can to send it towards Madras in order to prevent its going to Bombay.

(18) The head-quarters of the Bengal-Nagpur Railway *must* be at Calcutta. There is no help for this. But they will of course post a local representative at Madras, and in any case Madras will be no worse off in this respect than the Central Provinces.

3. Mr. Wynne's line of reasoning may conveniently be even still further compressed and with some advantage I think in lucidity. Below I give in parallel columns, brief abstracts of his arguments and of Mr. Moss' replies to them.

I. (5), (7). The Bengal-Nagpur Railway Company, in considering questions of extensions, are influenced solely by consideration of the likelihood of their net profits improving in the long run. Considerations of the price of their shares do not come in, because that price is fixed at par. They are therefore likely to gladly undertake either the making or the working of extensions provided that there is no risk of net earnings over their entire system being thereby in the long run reduced.

II. (4), (6). But the conditions of the purchase clause of the old Guaranteed Madras Railway Company's agreement are such that it is not that Company's policy to make or to work extensions unless the result is likely if possible to improve, but at least not to injuriously affect, the price of their original shares during the period 1905–1907. That Company, unlike Mr. Wynne's, is thus influenced by considerations not only of its net earnings but also of the price of its shares.

I, II. Mr. Wynne is incorrect in assuming that negociations between the Madras Railway Company and Government for the working of the southern section of the East Coast Railway are at an end. There has been delay, as perhaps was inevitable in a matter so important; but there is no reason why the negociations which are still in progress should not have a satisfactory termination.

As a matter of fact the terms proposed by the Madras Railway Company are intended *to avoid all direct profit to the Company*. In the Madras Railway Company's Board of Directors' letter to their Agent, No. 937, dated the 8th May 1896, apprehension was expressed lest the increased profit to be earned, not from improved traffic receipts over their own line but from the actual working of the East Coast Railway by their Company, should lead to undue enhancement of the price of their shares in 1905–1907. The Agent was therefore directed to submit for approval a form of agreement so framed as to protect the interests of Government from being injuriously affected in the manner apprehended. With the Agent's reply to his Board, No. 2267, dated the 4th August 1896, he submitted proposals "based on the understanding that the results shall not unduly enhance the value of the stock of the Madras Railway which the State has the power to acquire by purchase in 1907."

As was natural under such circumstances, there have been differences of opinion as to

the adequacy of the proposed terms to secure the end in view — differences which have led to the prolongation of negociations. But there is no reason to apprehend that they will prove abortive.

III. (16)(17). Whether as regards local rates or export and import rates, Madras trade will be served quite as well by the Bengal-Nagpur Railway Company as by the Madras Railway Company; for both Companies have the same policy in the matter of local rates, viz., to get all they can; while export and import rates will be controlled by the attraction of Bombay at Bezwada through foreign lines. If, moreover, the Bengal-Nagpur Railway works the entire Calcutta-Madras line, this attraction will operate in preventing their showing a preference for Calcutta.

III. In his paragraphs 14 to 22 inclusive Mr. Moss deals very effectively with Mr. Wynne's promises to treat Madras in the matter of rates quite as well as Mr. Moss is likely to do. Mr. Wynne nowhere claims to be likely to be more liberal than Mr. Moss to Madras trade. It is scarcely reasonable to expect that the future management of the Bengal-Nagpur Railway Company will feel itself bound by promises made by Mr. Wynne while endeavouring to secure for his Company the working of an important extension which penetrates territory lying far outside his present sphere of influence.

Mr. Moss makes a point by quoting the following extract from a letter from Mr. Wynne to the Government of India, No. 827, dated the 4th February 1898: "The interests of the Bengal-Nagpur Railway will be to attract as much traffic as possible, by low rates in the direction of Calcutta and high rates in the direction of Madras, from stations on the Cuttack-Vizianagaram section".

IV. (14). If the Madras Railway Company are to work the southern section of the East Coast Railway, their policy will be to choke off Bengal coal from Madras by giving preference to Singareni coal, because it will pay them better to get a good rate for a short lead than a low rate for a long lead.

IV. Mr. Moss points out that in the absence of return traffic Mr. Wynne could not well afford to carry coal at 2 pies per ton mile, that is, at 30 per cent. below the sanctioned minimum; and that even this low rate would come to nearly Rs. 12 per ton for freight alone for Bengal coal. Singareni coal, therefore, seems likely to hold its own, and this argument of Mr. Wynne's falls to the ground.

V. (8), (10), (11), (12). The Madras Railway Company are most unlikely to make and work the Vizianagram-Raipur line, not only for the reasons given at (4) (6), but because Government would be unwilling to give them an opportunity of tapping the Bengal-Nagpur Railway Company's territory at Raipur. The Bengal-Nagpur Railway Company, though reasonably ready for reasons given in (5) (7) to make and work the Vizianagram-Raipur line, would not care to do so unless there was a reasonable chance of return traffic from the coast inland, and there will be little hope of such return traffic if the Madras Railway Company work the section of the East Coast Railway south of Vizagapatam, for that Company will naturally encourage traffic to go south rather than north.

V. In his paragraphs 12 and 13, Mr. Moss deals with Mr. Wynne's claims as regards the Vizianagram-Raipur line, and points out that its importance as a famine line is quite outside the question of the agency for constructing and working it. He says that if the Raipur line is made by the Madras Railway Company, the money will either be provided by Government or will be raised in the form of debentures at a low rate of interest under the Company's borrowing powers, and that such terms can easily be arranged as will result in the working of the line having no effect on the price of the Madras Railway Company's shares.

4. Before examining the validity and the relative advantages of the two Agents' arguments I wish to offer an explanation in regard to Mr. Wynne's quotation in his paragraph 6 from a Note of mine, dated 14th August 1897, on the subject of 2-foot famine feeders. What that Note was intended to express, and what read with the context it does express, is that an expenditure of 30 or 40 lakhs on a well-paying branch or series of feeder branches may quite conceivably cause the Madras Railway Company's eight millions sterling, odd, of stock to run up four or five points; so that, when the purchase period arrives, the resulting enhancement of the price of the original shares might easily be equivalent to double their value being paid for the 30 or 40 lakhs worth of feeder branches. What the Note was *not* intended to express was that a higher price would eventually have to be paid for the debentures raised for the branches. These of course are repayable at par. I now pass on to the merits of the rival proposals.

5. Mr. Moss is correct in his contention that Mr. Wynne's arguments I and II, as numbered in my third paragraph, have no bearing on the issues; because it is perfectly easy to arrange that the working of the southern section of the East Coast Railway, and indeed of any desired extension, shall not prejudicially affect State interests by unduly enhancing the price of the Company's shares in 1905—1907. Indeed I would go further than Mr. Moss, and would point out that it is quite conceivable that a rise in the price of shares so far from being a thing to be dreaded may be worth encouraging; because, not to mention the State's relief from the guarantee and its realization of its proper moiety of surplus profits, there must accrue to Government and to the people certain considerable indirect benefits from improved communications.

6. There seems to me to be a fallacy worth exposing in the assumption generally made, by everybody else as well as by Mr. Wynne, that it is unwise of Government to permit anything to be done which would have the effect of raising the price of Madras Railway Company's shares in 1905—1907. I wish to point out that Government takes a moiety of earnings in excess of 5 per cent. so that to pay 6 per cent. to shareholders the railway must as a fact have earned 7 per cent. Government therefore when buying a 7 per cent. concern pays for it, not the price which anyone naturally would pay for a 7 per cent. concern when safe investments are worth, say, 3 per cent., but the price which would be paid for a 6 per cent. concern; or even less, for not only does price to be paid depend, not on the gross profit of 7 per cent., but on shareholders' dividends, 6 per cent., but also that price depends on average price of shares during three presumably improving years. Unless therefore there is some fallacy here, of which I am not cognisant, Government would be wise not only to give up all idea of attempting to keep Madras Railway Company's net earnings down to 5 per cent., but to encourage them as much as possible to rise to seven, recognising that the additional price to be paid for the shares is on account of a real rise, worth paying for, in the commercial value of the property, and this of course must not be confounded with a rise due to increase in net earnings caused by neglected maintenance.

7. I fully agree with Mr. Moss that it is by no means so unimportant a matter to Madras trade as Mr. Wynne tries to make out that the head-quarters of that trade should be separated by over one thousand miles from the head-quarters of the Bengal-Nagpur Railway, and that moreover the representatives of the trade of Calcutta should be in daily and hourly touch with that railway's head-quarter administration. The representations of a local sub-agent of the Company at Madras cannot possibly carry that weight with the management at head-quarters to which the merchants of Madras would believe them to be entitled to.

8. The coal argument, IV, may be disposed of by pointing out that the price of coal in Madras will be ruled, not by the rates for 1,200 miles of railway freight from Bengal, but by those levied for 400 miles of freight from Singareni, as influenced by sea charges. There is still a large margin between the price of coal at pit's mouth in Bengal and that at Singareni. These will in due course come nearer to a level with improvements in methods and in labour conditions at the latter place; and then rail-carried Bengal coal will not have a chance, especially as there will be no adequate return traffic, *unless Mr. Wynne quotes low rates towards Calcutta* with a view to attracting return loads.

9. There remains consideration V, around which Mr. Wynne's entire argument really hinges, *viz.*, that by accepting the agency of his Company in preference to that of the Madras Railway Company for the working of the Southern section of the East Coast Railway, the Madras Chamber of Commerce is likely the sooner to secure the extension of its trade-tract which must follow the construction of the Vizianagram-Raipur Railway. Mr. Moss deals with this matter in his 25th paragraph. For myself I cannot view the question under discussion as one merely affecting the interests of one railway company or of another, or of one Chamber of Commerce or of another. Far higher considerations are those of freedom of the flow of produce, whether internal between producers and consumers in different tracts of country, or external between the people and the ports. Famine traffic may come under either category, according to the tract from which supplies are drawn; in the case now under consideration it is certain that, owing to the connection by rail of the Kistna, Godavari and Orissa deltas, internal traffic between the East Coast and the Central Provinces, during famine years, will be far heavier than external.

10. In pressing for the construction of a metre gauge extension from Bezwada through the Eastern Kistna delta, this Government has more than once attached great weight to the consideration that it is very important that, by the time a famine is on us, the flow of grain from fat districts to lean ones shall have become automatic owing to the merchants having already got into business relationship with one another; and we have urged that this result is more likely to ensue if a single railway administration connects the two districts; because the railway traffic staff are, or ought to be, a valuable intermediary between groups of merchants separated by distance, by language, or by custom. This line of argument is specially applicable to the case of a railway like that just referred to, connecting lean Bellary with fat Kistna—an almost purely famine line which, so long as it remains shorn of the extension pressed for, must necessarily be incapable of exercising its intended functions in the fullest degree. Up to the present the Government of India have not admitted the force of this argument, but have expressed their intention of waiting to see how the Eastern Kistna produce wishes to flow, although we know quite well that under existing conditions and in the absence of the metre extension pressed for it will *wish* to flow wrongly, *i.e.*, Madras-wards, while we wish to encourage it to flow rightly, *i.e.*, Bellary-wards.

The Vizianagram-Raipur line is not on all fours with the Bellary-Kistna line in its present incomplete form because the former is intended to serve the purpose not merely, like the latter, of a valuable famine feeder between fat and lean districts, but also of a main export and import highway in ordinary years. With the Bengal-Nagpur Railway Company working it, and having direct access also to Vizagapatam port and to the Orissa delta, as well as indirect to the Godavari and Kistna deltas, the famine *metier* of the Vizianagram-Raipur line will be sufficiently well fulfilled; for a rival railway company working south of Vizagapatam can do nothing to prevent unlimited quantities of cheap grain being thrown by means of it into the Central Provinces when demand arises; and moreover the traders of those provinces are enterprising, and far-reaching men, very different from the Telugus of Bellary and Kistna. We may therefore leave out of consideration the special famine aspects of the Vizianagram-Raipur Railway and need only consider its prospects of being brought into existence within a reasonable period as likely to be affected by the decision as to who is to work the Southern section of the East Coast Railway.

11. Mr. Wynne assumes that the Vizianagram-Raipur Railway will not be made and worked by the Madras Railway Company because it is certain that they will not care to undertake anything which would be unlikely to pay them well by 1905–1907, and moreover that Government will be very unwilling to let that Company tap the Bengal-Nagpur territory in the Central Provinces. As regards their not caring to undertake it owing to the possible effect on their shares, it seems only necessary to say that there is no real or imaginable disadvantage to Government in employing the Madras Railway Company to *construct* this line, because, as pointed out by Mr. Moss, either the money will be directly provided by the State, or it will be raised by the Company, under its existing or enlarged borrowing powers, at a low rate of interest, by means of debentures eventually redeemable at par. As regards the threatened tapping of the Bengal-Nagpur Railway territory, I take it that if the Raipur branch pays, it will make no difference to Government, as owners of one moiety of the Madras

Railway Company's surplus profits, how the trade flows during the two or three years which at most must elapse between the completion of the Vizianagram-Raipur line and the termination of that Company's contract. Mr. Wynne cannot surely forget that only about 8 more years of that contract have yet to run, and that, even if the construction of the Vizianagram-Raipur line is commenced in September 1900, of which there seems little likelihood, it is very improbable that it can be open for traffic before four years. It will therefore scarcely have had time to prove much of a drain on Bengal-Nagpur Railway Company's territory before the time shall have arrived for inaugurating a new Madras Railway Company under an agreement which will put it upon an exact equality with Mr. Wynne's Company.

But besides this, I do not know why the Vizianagram-Raipur Railway should be built at all unless it is to provide a shorter cut to a seaport for the produce of the Raipur district than it at present enjoys; so that in any case the trade of that district must be tapped. Mr. Wynne means I suppose, "if it is to be tapped let *me* tap it." But if it is large enough to be worth his while to bear its working expenses it will be large enough to relieve Government of part of the guarantee of Madras Railway dividends. I fail to see how it matters to Government, financially, one way or the other, whether Mr. Wynne works it or the Madras Railway Company work it for the two or three years before 1907.

12. It seems only right that the Madras Chamber of Commerce should be made aware of the efforts which this Government has made to give effect to their wishes as expressed in their Chairman's letter, dated the 24th August 1895. In its letter to the Government of India, No. 635 Ry., dated 10th September 1895, this Government wrote "It is the opinion of His Excellency the Governor in Council that the working of that portion of the East Coast Railway, which lies within the Madras Presidency should be entrusted to the Madras Railway." But in September 1895 this Government learnt that the Government of India had advised the Secretary of State that the inland town of Vizianagram would be the best point for division between the Northern and Southern working agencies. This was confirmed in a speech by His Excellency the Viceroy dated 6th December 1895 in reply to an address from the Madras Chamber of Commerce, in which the following words occurred: "I believe the division at Vizianagram might be called a good compromise, but I do not put it forward as a compromise but as being recommended as good in itself. I should also add that it is one that would fit in well with other schemes of railway development, not wholly confined to the Presidency of Madras, which will assuredly sooner or later follow upon the completion of the East Coast Railway itself. Finally, gentlemen, I would venture to ask you to have some confidence in the Government of India, that in any arrangement for the management and working of these lines it will make it its duty to see that the interests of the various parts of the country through which the line passes, and of the traders served by the line, will be subjected to no unfair treatment or undue preference." Meanwhile this Government had been obtaining an expression of the views of the various commercial bodies interested, and in a letter to the Government of India, No. 20 Ry., dated 9th January 1896, gave the first preference to Khurda road as the point of partition, with other alternatives if negociations with the Bengal-Nagpur Railway Company should have gone too far to be receded from. Later on, having given the subject more mature consideration, this Government again addressed the Government of India, in a letter, No. 258 Ry., dated 14th April 1897, strongly insisting that Khurda road, the junction of the Puri branch, would be the best point of partition, and equally strongly insisting that if negociations had gone too far to secure this, the proper junction point was not the inland town of Vizianagram but Vizagapatam port. A few months later, in connection with the question of the terms to be arranged with the Madras Railway Company for working part of the East Coast Railway, it came to this Government's notice that in a despatch to the Secretary of State, No. 86 Ry., dated 11th August 1897, the Government of India had "arrived at the conclusion" that Vizianagram and not either Khurda road or Vizagapatam port, must be the dividing point. A vigorous protest was therefore immediately entered by telegraph, and this was followed up by a letter, No. 636 Ry., dated the 10th September 1897, in which, after an expression of surprise that there was no indication of due consideration having been given to this Government's strongly expressed views, it was urged that—

"The strong preference expressed for Khurda road as the point of contact of the two working agencies, with Vizagapatam port as the preferable alternative, is dictated not so much by considerations of the interests of the railways concerned, or of the States' share of their revenues, as of those of the general population of the district served, of its produce, and of its trade. His Excellency in Council, with an intimate knowledge of the local circumstances, cannot fail to recognise that it is best in those interests that all possible facilities should be afforded to the easy flow of exports to, and of imports from, not the northward, but the southward. For it is to the merchants and the middlemen of Madras and of the East Coast ports, and not to those of Calcutta and of the north, that the producers of the Northern Circars and of the Agency tracts look to finance them; and it is with these intermediaries that they have long been accustomed, and so far as can be judged will in future continue, to deal."

As before, Vizagapatam port was again offered as the proper alternative point of junction in the event of negociations having gone too far for the acceptance of Khurda road. In their reply No. 739 R.T., dated 30th September 1897, the Government of India said that the fact of the matter was that in the absence of any intimation from the Secretary of State that he considered the question to be still an open one, they had regarded it as settled in accordance with their previously expressed views. They also said that if the junction point was to be Vizianagram, running powers into Vizagapatam port would be reserved for the northern working agency. This Government replied with its No. 1038 R., dated the 26th November 1897, pointing out that even in their latest letter the Government of India had not definitely stated whether the question of fixing the point of junction had or had not as yet passed beyond the sphere of argument. It was therefore taken as beings till an open question, and the Government of India were told that—

"Should it be the case that the Secretary of State is not bound as yet to give to the Bengal-Nagpur Railway Company the working of any part of the East Coast Railway south of Khurda road, His Excellency the Governor in Council would again strongly urge that no such concession be made to them. The arguments already advanced, whether in the Madras Chamber of Commerce letter, dated 24th August 1895, or in the several letters of this Government ending with paragraphs 4, 7 and 8 of my letter of the 10th September 1897, need no further reiteration here; but they, and especially the three paragraphs referred to of the last letter, may be taken as an expression of the matured opinion of this Government in regard to a problem which they cannot but recognize as demanding for its solution that knowledge of local conditions which the Local Government alone can be said to possess."

The letter went on to say that this Government would prefer that the southern working agency, working up from Madras to Khurda road, "should also work the Raipur branch from its junction north-eastward to whatever point may be fixed on as the end of an engine run from the junction with the East Coast Railway; because such a point will be more or less on the 'divide' of the trade which naturally tends in one direction on the Central Provinces and in the other on Madras." It was again reiterated that, failing this, Vizagapatam port and most certainly not the inland town of Vizianagram was the next best point of junction. In March 1898 we received from the Government of India, for criticism, a copy of a letter in which, on the supposition of Vizianagram being the junction point, Mr. Wynne proposed certain arrangements, intended to have the effect of giving the two Companies equal facilities in the Bezwada-Cuttack zone. In forwarding Mr. Moss' views in reference to these proposals, with our letter to the Government of India, No. 603 Ry., dated 22nd April 1898, the opinion of this Government was again expressed that "it is in the best interests of the districts lying around and behind Vizagapatam that every possible facility should be offered for the easy flow of produce towards that port; and that the port of Vizagapatam, and not the inland town of Vizianagram, ought to be fixed as the point of junction between the two working agencies, failing Khurda Road." Expression was again given to the same opinion in a later letter to the Government of India on the subject of engine stations, No. 1175 Ry., dated the 27th September 1898. Since then nothing official has been heard on

Sointilla junction, 175 miles from Vizianagaram and 135 from Raipur.

(Intld.) F. J. E. S.

the subject. I was verbally informed, however, by the Hon. Sir A. C. Trevor, when here in January last, that though they have not seen their way to accepting Khurda Road the Government of India concur would be that Vizagapatam and not Vizianagram the best junction point for the two working agencies. This summary of the correspondence is given here in order that the Chamber of Commerce may see that, all through, their views have been strongly supported by this Government.

13. This Government has persistently aimed at retaining for the Madras Chamber that influence which it now exercises and has long exercised on the trade of the Northern Circars up to the Northern boundary of this Presidency; its alternative preference for Vizagapatam Port has been dictated by the belief that negotiations between the Secretary of State and the Bengal-Nagpore Railway Company had proceeded so far as to preclude the possibility of a reconsideration of the question of Khurda Road, the junction of the Puri Branch, being fixed as the point of junction of the Northern and Southern working agencies. In spite of Mr. Wynne's plausible arguments, I am as strongly convinced as before that the effect on Madras trade of free access being accorded to the Bengal-Nagpore Railway Company to tracts heretofore the undoubted trading ground of the Madras merchant will be very marked. The Chairman and Managing Director of that Company, as Mr. Moss points out, are Bengal merchants, whose interests necessarily lie in the direction of securing the maximum trade-flow Bengal-wards. It needs no arguments of mine to convince the Madras Chamber of Commerce that a railway administration has immense power of influencing trade-flow; and it seems perfectly certain that if once the Bengal-Nagpore Railway Company get a footing in the trade-tract south of Khurda Road, the Madras merchants' influence in Chicacole, the Agency tracts and Orissa will soon be a thing of the past.

14. But important as are Madras Trade interests they are necessarily subservient to those of the villagers and townsmen of the districts concerned in this dispute; for from the Imperial point of view as the interests of railways are of less account than those of trade so are those of the trading middlemen of less account than those of the villagers. A far from unimportant object of governing is to so arrange that the infructuous margin between a man's labour and the labour expended on producing the thing which he desires may be as narrow as possible. This is largely secured by minimising the cost of transport between the centres of gravity of the people and the great commercial trading and exchange centres. So far therefore as concerns the strip of country forming the hinterland of the Bay of Bengal, on the East Coast of India, it seems on the whole to be best for the people, if two separate agencies must be utilised for working the Madras-Calcutta Railway—a thing as I have shown quite essential in the interests of Madras traders—that the meeting point of the two should be about midway; that is, allowing for other considerations, at Vizagapatam Port. The trade of that port too is by no means insignificant and will vastly improve with the advent of the Raipur Railway; it is therefore important that the two railways tapping the proper trade-tract of the Vizagapatam traders should have free access to that port, without risk of one of them impeding the other. I would not therefore wish to upset the understanding already apparently come to, that the Bengal-Nagpore Railway Company are to be allowed to work southward as far as Vizagapatam Port. The people of Chicacole and Ganjam, while losing the advantage of continuing to buy and sell with Madras merchants which they have heretofore enjoyed, will be fully recompensed by gaining cheaper access towards Calcutta than under any conceivable system of railway arrangement they could get towards Madras. The loss to the Madras merchant of influence over tracts north of Vizagapatam is an inevitable result of the completion of through railway communication with Calcutta, and it is I think probable that even were the Madras Railway Company to work right up to Khurda Road and to offer every attraction to traffic going southwards, they could not long have staved off the loss to Madras traders of the traffic of Chicacole and Ganjam. Modifications of the boundaries of trade-tracts are the inevitable consequence of radical alteration of the general railway network.

15. It remains to consider the question of the agency by which the Vizianagram-Raipur Railway had best constructed. This too must be examined from the point of view primarily of the people and secondarily of the middlemen. As within two or

three years after the completion of the Raipur line, the new Madras Railway Co. and the Bengal-Nagpur Railway Co. will be on precisely equal terms as regards their relationship to Government, considerations of Imperial railway interests can scarcely be said to come in, as was explained in paragraph 11 of this note. Neither, as explained in paragraph 10, does it matter from a famine point of view which agency works the Vizianagram-Raipur Railway. Mr. Wynne has practically said in his paragraph 11 that with the Madras Railway Company working up to Vizagapatam it will not be worth his Company's while to make it because no traffic will be attracted to it from the south. This remark appears to me to have been dictated by an entire misconception of the situation on Mr. Wynne's part. My view of the course of trade on the completion of the Vizianagram-Raipur Railway and the simultaneous improvement of the Vizagapatam harbour is as follows. In famine years grain will flow absolutely freely from the fat tracts north of Vizagapatam over the Bengal-Nagpur Railway Company's lines to Raipur. Grain will also flow quite freely in the same direction, if necessary, from the Godavari and Kistna Deltas, because it will be in the interest of the Madras Railway Company to encourage it to flow that way so that they too may earn something out of the abnormal famine traffic. In non-famine years whatever surplus of produce there is in the Central Provinces will find its way Bombay-wards and Vizagapatam-wards from some point determined by the rates which the Bengal-Nagpur Railway Company may see fit to fix; but it will be quite as much to their advantage to send it east as west. As for return traffic towards Raipur from the East Coast, except salt and imports there will, in non-famine years, be very little. But the salt of several millions of people, their kerosine oil, their metals and the piece-goods and other imports *must* go by this route, and nothing can stop this, even if the Bengal-Nagpur Railway Company had any conceivable desire to stop it, which they cannot have, so far as I can see. It will make no difference whatever to the Bengal-Nagpur Railway Company that the Madras Railway Company controls the section south of Vizagapatam port, because salt will go up-country from Karassa, and from no point south of there, and imports will go from Vizagapatam, and except in famine years there will be extremely little to go towards Raipur from the coast country north or south of Vizagapatam. I know the country intimately and have been trying to solve this problem for years past, and I am confident that the conclusions to which I have come will be endorsed by others who are equally familiar with the conditions, and that that they will stand the test of experience in the years to come.

16. The fact is, and Mr. Wynne has overlooked it, that when the Vizagapatam-Raipur connection shall have been completed, and when his Company and the Madras Railway Company shall have joined hands at Vizagapatam port, and when his Company work the Raipur line, a new and very important change will have been effected in the whole trading conditions. For with the aid of its improved harbour, which *has got* to be made, the importance of Vizagapatam as a centre of trade will have been greatly enhanced. That town instead of remaining as now a place of but third or fourth rate rank will have secured a trade-tract of its own which must seriously encroach on that hitherto appertaining to Bombay, and with its increased importance, influence, and banking facilities it is inevitable that it must absorb much of the business on the north and south of it now carried on by Cocanada and Bimlipatam and by minor ports whose importance in the past has rested chiefly on the inadequacy of communications in the hinterland. Both the Madras Railway Company and Mr. Wynne will be obliged to serve the trade of this new centre, and so far from its being a question of serving only Madras or Calcutta, both these ports will find themselves shorn of much actual or potential trade. That this state of things is in the best interests of the mass of the people I entirely believe, and such being the case I equally believe that nothing that either railway company may do or leave undone can for long avail to prevent the carrying out of the programme. Should the Bengal-Nagpur Railway Company fail to see things in this light, and, influenced by the fear lest their prospects of a return traffic should be seriously compromised by the Madras Railway Company being allowed to work up to Vizagapatam port, should decline to make or to work the Vizianagram-Raipur Railway, the remedy is perfectly easy. I have not the slightest doubt of the readiness of the Madras Railway Company to make the extension tomorrow, and I am

equally confident of experiencing no serious difficulty in coming to an arrangement with them for terms of working, during the brief period before 1907 in which it can be open, which will preclude undue enhancement of the price to be paid for their shares. If it should become necessary for the Vizianagram-Raipur Railway to be made and worked by the Madras Railway Company it would be necessary to block the Bengal-Nagpur Railway Company at Vizianagram, giving them running powers over the 40 miles of Madras Railway Company's line into Vizagapatam port. I think it likely, however, that on more mature consideration Mr. Wynne will see his way to drop his affectation of unreadiness to work the Raipur line, and that as soon as the Government of India shall have decided that the time has arrived, he will offer to make and to work it, recognizing that the policy which I have sketched is the best policy not only in the general interests but in his own.

17. I am distinctly of opinion that, whether in the interests of the trade of Cocanada, Vizagapatam, and the minor ports, or of local station-to-station goods and passenger traffic, or of famine requirements, it is altogether unnecessary that the Bengal-Nagpur Railway Company, which is essentially a Calcutta Company, should be permitted to penetrate south of Vizagapatam Port; while as concerns the interests of Madras Traders I believe that the acceptance of Mr. Wynne's proposals would sooner or later result in their wreck and ruin. I am a strong believer in the policy of strengthening and expanding, if necessary by its early reconstitution on more modern lines, the Madras Railway Company, whose interests and those of Madras trade are identical and which has grown up with, and possesses the confidence of, that trade. This policy I also believe to be the best in the interests of the population of this part of India. I cannot separate the interests of the Government of India as a railway proprietor or guarantor from those of the people and of trade. Shareholders of Railway Companies may be trusted to know what is best in their own interests, so while Mr. Wynne and Mr. Moss are naturally doing the best they can for their respective owners, I need only concern myself with the consideration of what is best for the population generally and for trade.

18. I recommend that these Proceedings be sent to the Chambers of Commerce interested, and to the Public Press, in order that those concerned may have the fullest opportunity of acquainting Government with their opinions on Mr. Wynne's proposals.

Ootacamund,
22nd May 1899.

Francis J. E. Spring,
Consulting Engineer for Railways, Madras.

Enclosure No. 1.

Memorandum by Mr. T. R. WYNNE dealing with the effect on Madras Trade of the Bengal-Nagpur Ry. working the whole of the East Coast Railway up to Madras; dated 20th March 1899.

1. The Government of India having decided to connect Calcutta and Madras by railway *viâ* the East Coast, the work of constructing the line was entrusted part to the Bengal-Nagpur Railway and part to State Agency.

From Calcutta to Barang (six miles south of Cuttack) the line was to be made by the Bengal-Nagpur Railway.

From Barang to Bezwada by State Agency known as the East Coast State Railway.

From Bezwada to Madras by State Agency.

2. The portion constructed by State Agency has been opened to traffic and is at present worked by the State. It is obviously of not sufficient magnitude to justify its remaining as a separate Railway on the completion of the whole line from Calcutta to Madras.

The Government of India therefore decided it should eventually be added for working purposes to some system with which it was connected.

During the construction of the Madras-Bezwada line the selection of the Agency to ultimately work the line from Barang to Madras was a question that excited considerable discussion.

The position taken by the Madras Chamber of Commerce as representing Madras Trade interests is detailed on page 102 of the Proceedings of the Madras Chamber of Commerce in a letter, dated 24th August 1895, and may be taken as expressing the position of Madras Trade in the matter.

The decision arrived at by the Government of India was that the Northern Agency the Bengal-Nagpur Railway should work the line to Vizianagram, the Southern Agency, the Madras Railway working from there to Madras. This decision was announced in a speech by the Viceroy on the 6th December 1895 to a deputation of the Madras Chamber of Commerce, that body having in their address to the Viceroy specially referred to their letter of the 24th of August 1895 as putting forward their arguments in connection with the Agency to be selected to work the East Coast Railway when completed.

It may be mentioned here that it is at the present moment understood with the approval of the Madras Government that the junction point should be at Vizagapatam not Vizianagram.

3. Since this address to the Viceroy and his reply announcing the decision of the Government of India the question of the working of the East Coast Railway has excited no particular interest. The expression of opinion of the Madras Chamber of Commerce had carried the weight it justly deserved and although they had not secured all they desired at the same time they had successfully prevented the Bengal-Nagpur Railway working further south than Vizagapatam.

The construction of the whole line from Calcutta to Madras proceeded and it was generally understood that on the completion of the Madras-Bezwada Railway its working would be at once undertaken by the Madras Railway.

With this view the Board of that Railway and the Secretary of State entered into negotiations as to terms of working.

Difficulties arose as to the settlement of these terms and instead of the Madras Railway working the Madras-Bezwada and its section of the East Coast Railway up to Vizagapatam the unexpected result happened that the East Coast Railway took over the working of the Madras-Bezwada and instead of being absorbed it took from the Madras Railway what that line was expected to have. This it may be noted will not result in the perpetuation of the East Coast Railway as a separate Agency, but that it has happened indicates a position of affairs that was perhaps not quite anticipated. It also revived again the question of the best Agency to work the East Coast Railway causing the Bengal-Nagpur Railway to look into the matter with the result that it felt sure that circumstances had altered since 1895 and the question of the working of the line from Barang to Madras could be presented to the Madras Chamber of Commerce in a light they had perhaps not considered before and which the altered circumstances of the case justified the Bengal-Nagpur Railway in putting forward.

4. The difficulty the Madras Railway had in coming to terms with the Secretary of State in working the line from Vizagapatam to Madras was this.

The Madras Railway is one of the old 5 per cent. guaranteed railways. Its contract expires in 1907. By the terms of its contract the Secretary of State can purchase the Railway at the price per share of the average value of a share for the last three years of the contract.

Now if the Madras Railway secured favourable terms of working for the section Vizagapatam to Madras the earnings of the Madras Railway would increase, its shares would rise in value and Government would have to pay a very much higher price for the line when it purchased it on the expiration of its contract than it would have if it had not given the working up to Vizagapatam on favourable terms.

A very striking illustration of the above is the working of the Rajputana State Railway by the B. B. & C. I. Railway. The contract for working was a favourable one to the B. B. & C. I. Railway and its shares rose from about 130 to over 200, its receipts having so largely increased owing to its working the Rajputana system.

On the other hand the Madras Railway cannot afford to make a bad bargain for working the line up to Vizagapatam, as to do so would depreciate their shares and the Board of Directors would have difficulty in justifying their action to the shareholders.

5. Such a difficulty would not arise in the case of the Bengal-Nagpur Railway. That line is not a guaranteed railway like the Madras line.

The Bengal-Nagpur Railway is a railway that belongs to the State; the Bengal-Nagpur Railway being the Agents to the Secretary of State for the making and working of the line. The position of the railway is described in section 60 of its contract. This section after specifying in detail the whole of the property of the railway continues that the whole of the line, &c "are hereby declared to be respectively the property of the Secretary of State but subject to the user and enjoyment thereof by the Company during the continuance of this contract." The contract is for 25 years and commenced in 1887.

Excluding debentures the capital of the Madras Railway, consists entirely of guaranteed stock held by shareholders and which has to be paid for at its average value for the last three years when the Government of India buy the railway in 1908.

Of the capital of the Bengal-Nagpur Railway aggregating some 12 or 13 millions only three millions is share capital, the rest consists of money supplied to the Company by the Government of India and debited as capital for purposes of accounts at various rates of interest. On the expiration of the contract this share capital is repayable at par whatever its market value may be or have been.

6. It is now possible to deduce from the previous remarks the relative value of the two Railway Agencies as to their power and inclination to develope trade and extend railway communication in the Madras Presidency.

The Madras Railway is too near the completion of its contract to enter into any scheme that does not offer an immediate certain return.

Its policy obviously is to maintain the present value of its shares and enter into no arrangements that would have any risk of lowering them. This policy naturally will prevent it from constructing any extensions to its system that would require any time to develope traffic. At the same time it would make it adverse to any large reduction in rates that might not turn out immediately successful to the railway however sound they might be in the interests of the country and trade as it would risk losing its present revenue which it prefers to retain secure.

The Government of India are also reluctant to assist at the present stage of the Madras Railway's contract in any scheme that would tend to increase the amount to be paid per share at the end of their contract.

Mr. Spring in Madras Government, General Order No. 85, Railway, dated 18th January 1899, points out this position very clearly. He writes—

> "We are at present greatly hampered in dealing with the Madras Railway Company and shall be for the next 10 years, owing to their being one of the few remaining old guaranteed lines over which our control is rather shadowy. The result is that we have heretofore impeded that Company when they desired to extend knowing that we shall have to give a thousand rupees hereafter for every five hundred we now allow them to spend."

He continues to point out that the Madras Railway expressed themselves as very sore at being hampered in the development of their country but it is reasonable to suppose if they had been very anxious to do so they would have found the means in their earlier days. The date for the ending of their contract is now too near to justify their embarking in any extensive scheme of extensions.

7. The Bengal-Nagpur Railway on the other hand has no need to adopt this cautious policy. Its 3 millions of shares are payable off at par only, on the expiration of the contract whatever dividend the line may be paying.

As Agents to the Secretary of State for making railways and working them it is ready to carry out the wishes of its owners in constructing such extensions as the Local Governments, with the support of the Secretary of State, may desire.

Its double duty is to work the lines entrusted to it commercially and at the same time do its best to develope the Railways of India for its owner the Secretary of State who supplies money for that purpose. The Government of India have an enormous number of proposals put before them for extensions of Railways in India and the Board of the Bengal-Nagpur Railway is a powerful Agency in securing the careful consideration by the Government of India of any scheme it may put forward in conjunction with the support of Local Governments.

In the Central Provinces at the suggestion of the Local Government it has already surveyed a system of light 2′—0″ gauge Railways some 300 miles long, which the Local Governments are anxious to have carried out and which the Board of the Railway have expressed their willingness to undertake as soon as the Government of India can supply the money. This scheme is well advanced. It has secured a place on the programme and will soon be taken in hand. In Bengal it has a scheme also that is being most strongly supported by the Bengal Government and it is understood work will shortly be commenced and money found for it.

Assuming therefore that Madras Trade desires to see the further development of railways in the area north of Madras and west of the Coast, and that the Railway working this area should

be susceptible to the wishes of trade and of Government, its owner, it would appear that the Agency of the Bengal-Nagpur Railway working all the way to Madras would secure these objects more rapidly and surely than if the Madras Railway was in possession of the field.

8. The objections raised by the Madras Chamber of Commerce in their letter of the 24th August 1895 were against the Bengal-Nagpur Railway working any of the East Coast Railway situated in Madras territory.

The arguments put forward were—

(i) That Madras territory was out of the sphere of the Bengal-Nagpur Railway.
(ii) That the Bengal-Nagpur Railway interests were antagonistic to Madras Trade.
(iii) That no benefit would occur to the producer and people of the country, generally, by allowing the Bengal-Nagpur Railway to enter Madras territory and it would be an error of judgment to allow of it.

I will endeavour to show that however sound these arguments may have been in 1895, circumstances have occurred that have completely altered the situation.

Since 1895, the famine has occurred and the further opening up of the Jherriah Coal Field in Bengal by the Bengal-Nagpur Railway has been decided on.

9. The effect of the famine has been to bring the Raipur-Vizagapatam scheme into prominence. At the instance of the Government of India, Local Governments have been asked to report on what Railways they consider it is necessary to construct to ensure complete famine protection to their territories.

The Central Provinces Government have recommended the Raipur-Vizagapatam line among their proposals and during the cold weather of 1896-97 it was resurveyed, estimated and reported on.

10. The factors that deal with the prospect of the early completion of this line are—

(a) The necessity for the construction of the line as a famine protective work.
(b) The necessity for it as a means of developing trade that would justify the expenditure of its cost.
(c) The effect its construction would have in diverting traffic from the Bengal-Nagpur Railway.

11. The question of its importance as a famine line need not be considered. As a factor that would assist is pushing on the scheme if the other considerations were favourable its effect would be great. Dealing with the other two factors (b) and (c). These two factors are entirely dependent on whether the Bengal-Nagpur Railway works the line to Madras or not.

With the Madras Railway working the East Coast Railway to Vizagapatam with the open intention of blocking all traffic northwards and endeavouring to restrain its leaving Madras territory in and way, (such being the presumed desire of the Madras Chamber of Commerce, see their letter dated the 24th August) it is clear that very little traffic would use the Vizagapatam-Raipur route. As the Bengal-Nagpur Railway would have the working of Raipur-Vizagapatam line it would have very little inducement to send traffic south; it could only carry as far as Vizagapatam and receive none in return. Under such conditions of working therefore it would be difficult to make out a sound financial reason for the construction of the line.

As a possible feeder to the Vizagapatam-Madras section worked by the Madras Railway it would be dangerous for the Government of India to allow the Raipur-Vizagapatam line to be made and so add to Madras Railway receipts with the ultimate effect on the cost of purchasing the Railway I have referred to previously. It may be urged that the Madras Railway might make and work the Raipur-Vizagapatam line. I have already given the reasons why they would be reluctant to undertake such an extension and moreover it would be injudicious of the Government of India to allow a foreign line to penetrate the heart of the Bengal-Nagpur Railway country, drawing away traffic for the purpose of enhancing the value of the shares of the Madras line. The Bengal-Nagpur Railway would vigorously oppose such a course and the Government of India it is believed would support them.

The position is therefore this. With Madras Railway working to Vizagapatam the prospect of the early construction of the Raipur-Vizagapatam line may be taken as a remote one.

12. With the Bengal-Nagpur Railway working all the way into Madras, the situation at once changes.

That Railway would at once have large interests in Madras. It would push the construction of the Raipur-Vizagapatam line, the opposition to the making of which noted above would be removed.

Its construction would at once open up the Central Provinces and the North-Western-Provinces of India to Madras trade by a direct Railway route.

The argument that Madras territory was out of the sphere of the Bengal-Nagpur Railway and that the Bengal-Nagpur Railway interests were antagonistic to Madras trade would at once fall to the ground.

The Bengal Nagpur Railway interests in Madras would be as great, perhaps greater, than they are at present in Calcutta.

The interests of the Railway would be all in the direction of assisting Madras trade with the Central Provinces and North-West and the construction of the Raipur-Vizagapatam line could

be urged on the ground of the large trade it would open out, thereby placing the scheme on a sound financial footing.

13. The argument that no benefit would occur to the producers or people of the country with the Bengal-Nagpur Railway entering Madras territory under such conditions need not perhaps be dealt with as it seems that the opening of such large areas as the C.P. and N.W. to Madras trade must be conducive of benefit to these parties.

14. The extension of the Bengal-Nagpur Railway to the Jherriah Coal Field is also another important matter to Madras. The Bengal-Nagpur Railway has for some time been endeavouring to obtain the agreement of the Great Indian Peninsula Railway to join in quoting a very low rate for Bengal coal to Bombay from Collieries situated on the Bengal-Nagpur Railway colliery branch near Asansol. The object of this low rate was to allow of coal being carried by rail to Bombay at a price that would compete with coal taken by sea.

The Great Indian Peninsula Railway being interested in Singareni coal have so far declined to agree to join in this low rate. Precisely the same will occur with the Madras Railway working to Vizagapatam.

They would be interested in securing a good rate for Singareni coal from Bezwada to taking a lower rate from Vizagapatam for Bengal coal. They would have to carry it further and receive about the same freight.

With the Bengal-Nagpur Railway working the whole way into Madras it would have no obstacles to contend with in securing the agreement of the Government of India to quoting such a rate as would allow Bengal coal to be taken to Madras at a price that would compete with Bengal coal delivered there by sea.

The advantages of rail-delivered coal as against sea delivery are obvious.

Regular contracts can be made and coal be supplied in small regular consignments all the year round. There is no need to keep heavy stocks in hand. The coal is not deteriorated by excessive handling as in sea carriage.

15. There are two other points that require consideration. They are—

(*a*) The effect of the Bengal-Nagpur Railway working to Madras on railway rates in Madras territory.

(*b*) The wish of Madras to have the representatives of the railway working the district stationed in Madras.

16. Dealing first with local rates.

With the Madras Railway working to Vizagapatam what reasons are there that would justify the assumption that the rates they would quote for local business would be more suitable than if the Bengal-Nagpur Railway worked the line between Madras and Vizagapatam.

With rates fixed so as to block traffic to the north, the Madras Railway would be in the position of holding a monopoly and would quote as high rates as possible with the view of increasing its share of receipts for working the Vizagapatam-Madras section.

Assume that the Bengal-Nagpur Railway worked the whole distance into Madras and, in the absence of competition like the Madras Railway case, worked its monopoly to its full advantages. The position in this case would be simply the same as if the Madras Railway was working the section. It would be no worse.

The reasons local or otherwise that might lead the Madras Railway to grant concessions or reduce local rates below the monopoly level would apply with equal force to the Bengal-Nagpur Railway management and the result would be the same in each case. The Madras Railway would, if anything, be inclined to be less liberal than the Bengal-Nagpur Railway as the possibility or not of immediate profit would be of greater importance to them.

For local business the two railways would work on precisely the same lines as there is nothing in the policy of the Bengal-Nagpur Railway in dealing with local business on its present open line that would justify the argument being advanced that it would be less liberal in its dealings than the Madras Railway.

17. Dealing now with export business.

The chief danger apprehended, I presume, is the fear that trade may be drawn to Calcutta for export that at present goes to Madras.

I think a reconsideration of the question may alter this view.

The rates for export business to Madras would be the same whether the Bengal-Nagpur Railway works to Madras or stops short at Vizagapatam. The two factors that govern the situation are—

1st.—The power of the G. I. P. and the Nizam's Railways combined to draw traffic to Bombay at and *via* Bezwada.

2nd.—The fact that if the Bengal-Nagpur Railway worked the whole distance into Madras, it would be as much interested in taking traffic South as the Madras Railway would be.

The effect of the pull towards Bombay at Bezwada will be a powerful factor in fixing rates to Madras that will affect equally either system of working. Bezwada is nearer to Bombay than it is to Calcutta.

Take the case of the Madras Railway working to Vizagapatam.

The effect of the pull towards Bombay must oblige them to reduce rates to Madras or else the traffic will tend to go towards Bombay.

Take the case of the Bengal-Nagpur Railway working to Madras.

The distance from Bezwada to Bombay being less than to Calcutta the G. I. P. and N. S. Railway combined can fix the trade from Bezwada in the direction of Bombay as far as rates are concerned. The Bengal-Nagpur Railway doing its best with its minima rates fixed by the Government of India would be powerless to quote as low rates from Bezwada to Calcutta as could be quoted Bezwada to Bombay.

Its position would then be analogous to that of the Madras Railway working to Vizagapatam and blocking all traffic to the North

Working as it would be the line into Madras, it would at once endeavour to divert the trade towards Madras as the only means at its disposal of securing the traffic which would otherwise tend towards Bombay.

The second factor that if the Bengal-Nagpur Railway worked the whole distance into Madras it would be as much interested in taking traffic South as the Madras Railway would be is demonstrated by the foregoing.

It can be still further demonstrated. For any traffic South of Vizagapatam it is clear that the Bengal-Nagpur Railway would have to carry traffic further to reach Calcutta than it would have to carry it to take it to Madras.

What advantage would it be to the Bengal-Nagpur Railway to quote very low rates to Calcutta and carry the traffic a long distance when it could secure about the same return by developing the trade to the South with a shorter lead.

The reply is that it would be no advantage and that the interest of the Bengal-Nagpur Railway would be in the same direction for traffic south of Vizagapatam as if the Madras Railway worked to Vizagapatam with rates tempered by the influence of Bombay acting at Bezwada in both cases.

This result is due to the line from Madras to Calcutta being under one administration creating a condition of affairs that render that administration as interested in letting traffic go south as north due to it securing revenue whichever way the trade went.

For the foregoing remarks the conclusion is that the position of Madras Trade as regards Railway rates on the Madras to Vizagapatam section will be the same whether the Bengal-Nagpur Railway works all the way to Madras or only as far as Vizagapatam but with the Bengal-Nagpur Railway working all the way to Madras the additional advantages shown as contingent in this note will be secured which will not be the case if the Bengal-Nagpur Railway stopped at Vizagapatam.

18. With regard to the wish of Madras that the head-quarters of the Railway working in Madras territory should be at Madras the wish, though reasonable, is not an insuperable objection.

The Bengal-Nagpur Railway will serve three local Governments, the Central Provinces, Bengal and Madras It is impossible to have three head-quarters. Calcutta is obviously the best point for administration as it is the place the lines south and west converge.

If the Bengal-Nagpur Railway ran into Madras its interests would become at once those of Madras and effective means would be taken to bring the Railway and the trade into close connection by a local Railway representative.

19. In conclusion I would urge that the working of the whole line, Calcutta to Madras, by the Bengal-Nagpur Railway would secure the following advantages that would not be realized if that line works only to Vizagapatam :—

1. It would provide Madras territory with an Agency for constructing extensions of Railways that from its constitution and ownership was adapted to secure more rapid sanction to construct such extensions than the Madras Railway hampered as it is with its present constitution and early termination of its contract.
2. It would assure the earlier construction of the Raipur-Vizagapatam line.
3. It would secure the delivery of Bengal Coal to Madras by Railway at all times of the year at a price that would compete with sea delivery.
4. It would open up the Central Provinces and North-West to Madras trade.
5. It would cause the interests of the Bengal-Nagpur Railway to be as much in the direction of Madras as Calcutta.
6. It would secure the same rates to the South for Madras as if the section Madras to Vizagapatam was worked by the Madras Railway.
7. It would give the producers, people of the country and the shipper an immense extension of markets which they would otherwise not secure.

20. To spend an enormous amount of money in establishing a through connection between Calcutta and Madras and then have the line worked in such a way as to cripple its usefulness, as would be the case if the Madras Railway worked only to Vizagapatam, would be to adopt a policy that would be adverse to the imperial interests of the country.

Enclosure No. 2.

From—The Agent and Manager, Madras Railway Company.
To—The Consulting Engineer for Railways, Madras.
Dated—Rayapuram, 19th May 1899, No. 582.

1. In a recent issue of the *Madras Mail* there appeared a memorandum drawn up by Mr. Wynne, Agent and Chief Engineer, Bengal-Nagpur Railway, on the question of the working agency of the East Coast Railway. The memorandum purported to show that the interests of the Madras trade would be better served and the benefits to the State be greater, if the Government of India instead of dividing the line for working purposes into two portions, giving the northern half to the Bengal-Nagpur Railway and southern half to the Madras Railway, gave the whole line to the Bengal-Nagpur Railway. The memorandum contained many incorrect and misleading statements which should not remain unanswered and it is with the view to removing the erroneous impressions which such statements have doubtless caused that I have prepared the following remarks on Mr. Wynne's note. The memorandum having been published in a widely-circulated newspaper, I have to request that the same publicity be given to my comments on it.

2. Paragraphs 1 and 2 refer to the construction of the East Coast Railway—the Madras-Calcutta line—and the decision of the Government of India that the Madras Railway should work the portion from Madras to Vizianagram and the Bengal-Nagpur Railway the portion from Vizianagram to Calcutta. It is then assumed in paragraph 3 of the note that negotiations between the Government and the Madras Railway with regard to the terms for working the southern portion are at an end. The inference is not substantiated in any part of the note. The assumption is, in fact, incorrect. There has been delay in arriving at a settlement of the terms, but the difficulties which have arisen are such as may be readily overcome and I know of no reason why the negotiations which are still pending should not result in an arrangement satisfactory alike to the Government and the Madras Railway.

3. The reason assigned in paragraph 4 for the difficulty in concluding a satisfactory working arrangement is not correct. Consequently the deduction drawn in paragraph 6 from the remarks in the two preceding paragraphs as to the relative value of the two Railway Agencies for developing trade and extending Railway communication in the Madras Presidency, is based on false premises and therefore misleading. The terms proposed by the Madras Railway are intended *to avoid all direct profit to the Company* and would therefore have no effect on the market price of the Company's shares. One of the suggestions was a train-mileage allowance and under this the Company would have no interest whatever in charging high rates for the conveyance of goods and passengers, but their interest would tend in the opposite direction. Another proposal was to work the line for actual expenses, plus a charge for administration and supervision, and such an arrangement would not be likely to increase the value of the shares of the Madras Railway. Mr. Wynne is quite right in saying that the Madras Railway cannot afford to make a bad bargain for working the southern portion of the East Coast Railway, but neither can the B. N. Ry. do so; and while the Madras Railway is perfectly willing to work the section without either profit or loss, the B. N. Ry. would endeavour to obtain as favourable terms as possible with a view to as much profit as could be secured.

4. The early termination of the Madras Railway contract is urged as a reason why the Government should not give it any portion of the E. C. Ry. to work, but as the B. N. Ry. contract expires in 1907 or at about the same time as that of the Madras Railway, the same argument may be applied with equal force to both Companies and there is no object in making it.

No. The B. N. Ry. Co.'s contract expires, I believe, on the 31st December 1913.
(Intld.) F. J. E. S.

5. Undoubtedly the policy of the Madras Railway is to maintain the present value of its shares but so far from being unwilling, as Mr. Wynne states, to carry out extensions and branches in connection with the existing system, the Company has been desirous of undertaking whatever work of that kind the Government considered desirable and were disposed to sanction, on terms applicable to the circumstances in each case, which terms have been arranged without difficulty whenever the Government were prepared to sanction the carrying out of the extension or branch.

6. Allusion is made in paragraph 6 of the note to the reluctance of the Government of India to assist in any scheme that would tend to increase the amount to be paid for Madras Railway shares at the end of the Company's contract and Madras G.O.. No. 85, dated 18th January last, is quoted in which the following remarks attributed to Mr. Spring, occur:—"We are at present greatly hampered in dealing with the Madras Railway Company and shall be for the next ten years, owing to their being one of the few remaining old guaranteed lines over which our control is rather shadowy. The result is that we have heretofore impeded that Company when they desired to extend, knowing that we shall have to give a thousand rupees hereafter for every five hundred we now allow them to spend." The explanation Mr. Spring has kindly given me of these remarks is, that they were written for a note dealing with 2 feet feeder lines, the object being to point out that a rise of a few points in the Company's shares,

But see paragraph 4 of my memorandum; page 6 of these proceedings.
(Intld.) F. J. E. S.

resulting from a successful feeder policy, might be equivalent in its effects to indirectly doubling the price of such feeders. I may here point out that all the share capital of the Madras Railway which will be repayable on the basis of the market value of the shares was expended more than 20 years ago and all subsequent expenditure on capital account has been made from loans raised on debentures. The funds for the Arcot-Ranipet branch just completed and for the extension from Calicut to Cannanore now under construction have been raised in this manner and the Company's borrowing powers are still very considerable. But all reference to this subject in Mr. Wynne's note was unnecessary, unless the object of making it was to mislead those not conversant with the facts, because the capital of the Madras-Calcutta line has been provided by Government and cannot therefore come under the operation of any clause in the Madras Railway Contract in the event of the working of the line being given to this Company.

7. Similarly with regard to future extensions which in paragraph 7, the Agent, Bengal-Nagpur Railway, considers his Company is in such a favourable position to influence Government to grant. If they are constructed by the Bengal-Nagpur Railway the money will be provided by Government and for extensions constructed by the Madras Railway the money will either be provided by the Government, or raised by debentures at a low rate of interest under the Company's borrowing powers.

8. Mr. Wynne implies that his Company is more susceptible to the wishes of trade and of Government than the Madras Railway, but there is no ground for this statement in connection with the working of the East Coast Railway, the fact that the Madras Railway is content to work the line without profit being cogent reason for an opposite conclusion.

9. Whether the Bengal-Nagpur Railway is worked more successfully than the Madras Railway and therefore more worthy of the confidence of the Government may, perhaps, be determined from the fact that according to the Administration Report for 1897—the latest received—the Bengal-Nagpur Railway working expenses averaged for the whole year 53·05 per cent. of earnings while the expenses of the Madras Railway were only 47·90 per cent. In the same report the average price of fuel on the Bengal-Nagpur Railway is given as Rs. 3·39 per ton and on the Madras Railway Rs. 1·4·97 per ton, so that if the two Companies had been on equal terms as regards fuel supplies, the cost of working the Madras Railway would have shown a still more favourable comparison.

10. The following figures extracted from the Administration Report show that on such special works as the construction of large bridges the Madras Railway has also been able to build more cheaply than the Bengal-Nagpur Railway. Taking into consideration the greater length of the Madras bridges and the greater depth of foundation the difference in cost is remarkable:—

Bridges.	Length of bridge.	Depth of foundations below low water.	Total cost.	Cost per lineal foot.
	FEET.	FEET.	RS.	RS.
Madras Railway—				
Cheyar	3,500	100	12,45,464	356
Tungabhadra	4,060	14	7,55,756	186
Chitravati	2,670	18 to 78	13,58,194	509
Papaghni	2,110	52½ to 62	9,94,930	453
Bengal-Nagpur Railway—				
Tonse	1,194	27¾	14,04,401	1,180
Wainganga	1,450	21	10,03,733	677
Sheonath No. II	2,250	6 to 12	8,83,593	393
Damudar	2,364	4 to 75	10,39,006	422

11. The endeavour made in paragraphs 8 to 12 to show that the arguments raised against the Bengal-Nagpur Railway working in Madras territory, which were regarded as sound in 1895, are now no longer so, is ingeniously made, but practically the benefit of the Bengal-Nagpur Railway, not that of the trade of Madras, is at the bottom of the pleas put forward. Mr. Wynne strongly opposes any interference by the Madras Railway with the Bengal-Nagpur field of operation but would like a wholesale appropriation of the Madras Railway field by his Company.

12. The construction of the Raipur-Vizagapatam line is considered by the Government necessary as a famine protective work, but in the opinion of the Agent, Bengal-Nagpur Railway, the line needs no consideration unless it is constructed by his Company. Its importance as a famine protective work is quite outside the question of the constructing Agency. It is assumed by Mr. Wynne in paragraph 11 of his memorandum that the Madras Railway if working the East Coast Railway to Vizagapatam would openly block all traffic northwards at Vizagapatam and that consequently very little traffic would use the Raipur-Vizagapatam route. There are no grounds whatever for this assumption and Mr. Wynne must have forgotton his letter of the 4th February 1898 and our reply thereto (to which reference is made more fully later on) when he wrote this portion of his memorandum.

13. If it should be decided that the line to Raipur is to take off from Vizianagram instead of Vizagapatam, the originally admitted claim of the Madras Railway and of the Madras Mercantile Community—that the working of the East Coast Railway to *Vizianagram* should be given

to this Company—deserves greater consideration at the hands of Government than it did in 1895 There is but little doubt that the Northern Agency if working to Vizagapatam, would so arrange rates that they would be obstructive from the Raipur line up to Vizagapatam and preferential from the Raipur line to Calcutta, on the one side *viâ* Raipur, Sini and Midnapur and on the other side *viâ* Vizianagram and Midnapur in accordance with the existing policy of the Bengal-Nagpur Railway as against Bombay and in favor of Calcutta. The port of Vizagapatam would be certain to receive fairer treatment in the event of the Southern Agency being given the working not only to Vizianagram but also of the line from Vizianagram to Raipur. This line could be constructed and worked by the Madras Railway on terms which would have no effect on the value of the Madras Railway shares.

14. In proof of the obstructive rates levied by the Bengal-Nagpur Railway against Bombay the following examples are quoted :—

			MLS.	RS.	A.	P.
Bombay to Dongargarh ...	G.I.P.	520	0	6	7
Viâ Nagpur ...	B.N.	127	0	4	2
		647	0	10	9
Calcutta to Darikasa ...	E.I.R.	132	0	1	2
Viâ Asansol ...	B.N.	515	0	5	6
		647	0	6	8
Bombay to Musra ...	G.I.P.	520	0	6	7
Viâ Nagpur ...	B.N.	135	0	4	5
		655	0	11	0
Calcutta to Salekasa ...	E.I.R.	132	0	1	2
Viâ Asansol ...	B.N.	524	0	5	3
		656	0	6	5

On grain traffic *viâ* Nagpur with Bombay an obstructive charge ranging from 8 to 16 pies per maund is also levied as compared with the *viâ* Asansol grain rate with Calcutta.

15. One of the great advantages which, in paragraph 14 of the Note, it is urged Madras would obtain if the Bengal-Nagpur Railway worked the whole of the East Coast Railway, is the delivery of Bengal coal by rail at a price which would compete with Bengal coal delivered by sea and with coal from Singareni. Does Mr. Wynne wish this to be taken seriously? A rate of 2 pies per ton per mile, which is nearly 30 per cent. below the minimum rate sanctioned by Government would, *in the absence of return traffic and the consequent empty vehicle haulage*, be a non-paying rate. Yet even this very low rate would work out approximately to Rs. 12 per ton for freight alone on coal brought to Madras from the nearest of the Bengal mines. How therefore coal from the Jherriah field can compete with Singareni, or even with Bengal coal delivered by sea, is not clear. At present the Kolar Gold Mines are supplied with Bengal coal landed at and despatched by rail from Madras but if the working of the East Coast Railway was in the hands of the Madras Railway, Singareni coal would doubtless flow to the Kolar mines.

16. Paragraphs 15, 16 and 17 of the memorandum deal with the question of rates and it is again assumed that the Madras Railway would fix charges which would block traffic to the north and would quote as high rates as possible with the view of increasing its share of receipts for working the Madras-Vizagapatam Section. It is also stated that the Madras Railway would be inclined to be less liberal than the Bengal-Nagpur Railway as the possibility or not of immediate profit would be of greater importance to the former Railway. I would again repeat that there are no grounds whatever for assuming that the Madras Railway would block traffic to the north and also that the proposed terms for working the section—that is, without any profit accruing to the Madras Railway—renders the levying of high rates for the purpose suggested quite unnecessary. Further, it is a fallacy to assume that the Madras Railway could not afford to quote rates which would not give immediate profit. The Shareholders under any circumstances are paid the interest which is guaranteed to them, so that the Madras Railway can afford to quote rates lower than any which would be likely to be permanently approved by the Board of the B. N. Ry.

17. The proposals of this Company with respect to rates on the East Coast Railway will be found in my letter No. 9138–269 of the 26th March 1898 in answer to your letter No. 767 of the 16th idem, with which you forwarded to me for consideration a copy of letter No. 827, dated 4th February 1898, from the Agent, Bengal-Nagpur Railway, who suggested that a rates agreement be entered into between the Bengal-Nagpur and Madras Railways, the Bengal-Nagpur Railway to have the right to quote any rates it liked within the limits authorized by Government to and from the Calcutta side up to and *viâ* Bezwada, the Madras Railway

similarly to have the right to quote rates up to and *viâ* Cuttack. This proposal made no provision for rates to and from Vizagapatam from which traffic would be unfairly drawn either to Madras or Calcutta. The suggestions made in my reply are as follows:—

(1) That the Railway or Railways from Madras, subject to paragraph 3, are to have the right to quote equal mileage rates from and to stations up to and *viâ* Cuttack.

(2) That the Railway or Railways from Calcutta are to have the right to quote equal mileage rates, subject to paragraph 3, from and to stations up to and *viâ* Bezwada.

(3) That the Railway or Railways at the port of Vizagapatam are to have the right to quote equal mileage rates to the equi-distant point on either side in the direction of Calcutta and Madras, equal rates to be allowed to overlap the equi-distant point in each direction.

(4) The term "equal mileage rates" to mean that rates from competing ports shall not only be the same per mile, but that where they pass over more than one railway the total sum collected upon a consignment or consignments, exclusive of terminal charges, shall be divided between the Railways concerned in proportion to the miles traversed.

I added, "These proposals are intended to stop Madras from competing unfairly beyond the half-way distance to Vizagapatam and to place Calcutta in the same position and it may be arranged that any difference of opinion as to the rate per mile to be paid might in cases of dispute be referred to the Claims Arbitration Committee for settlement, both the Madras and the Bengal-Nagpur Railways being parties to that Committee. The proposals herein shadowed will prevent traffic from being drawn unfairly to either Calcutta or Madras as would, I am afraid, be the case if the proposals of the Bengal-Nagpur Railway were agreed to."

In concluding my letter I pointed out how necessary it was that the interest of the District should be considered with care.

18. The above letter proves clearly that the Madras Railway never had the intention of quoting obstructive rates. The proposals made do not seem to be acceptable to the Bengal-Nagpur Railway and they therefore now desire to have the working of the whole line so as to attract all traffic to Calcutta.

19. It will be interesting to quote a portion of the letter of 4th February 1898 (referred to above) from the Agent, Bengal-Nagpur Railway, as it indicates the policy of that Railway.

"The interests of the Bengal-Nagpur Railway will be to attract as much traffic as possible by low rates in the direction of Calcutta and high rates in the direction of Madras from Stations on the Cuttack-Vizianagram section."

20. Promises can be very readily made but to form an accurate estimate of the policy of any Railway it is, perhaps, advisable not merely to look at what it proposes to do in the future under certain conditions but also to examine what it has done in the past quite irrespective of extensions. We may therefore compare the passenger fares of the Bengal-Nagpur and Madras Railways which are as follows:—

Railway.	First class.	Second class.	Third class.	
			Intermediate.	Ordinary.
	PIES.	PIES.	PIES.	PIES.
Bengal-Nagpur Railway	18	8	3 Mail.	2
Madras Railway	12	6	2½	2

We may also compare the scale of rates for grain at present in operation on the two Railways.

Bengal-Nagpur Railway.	Madras Railway.
⅓rd pie or 333 for 300 miles and under.	1 to 100 miles ·296 pies.
·296 „ 301 to 375 miles.	101 „ 210 „ ·259 „
·269 „ 376 „ 400 „	211 „ 270 „ ·222 „
·241 „ 401 „ 450 „	271 „ 350 „ ·177 „
·222 „ 451 „ 475 „	351 „ 400 „ ·162 „
·194 „ 476 „ 525 „	401 „ 500 „ ·158 „
·185 „ 526 „ 550 „	501 „ 550 „ ·131 „
·157 „ 551 „ 600 „	551 „ 600 „ ·122 „
·111 „ 601 „ and over.	601 „ 700 „ ·111 „

21. Sufficient has been written to show that whether we take the rates at present in force on the systems of the two railways, or the rates proposed to be charged on the E. C. Ry. when that line is divided for working purposes, the advantages are all in favour of the Madras Railway.

22. There is one important point which must not be forgotten. It is this: the Madras Railway could have no desire to divert traffic to the **West** or **North**. The Bengal-Nagpur Railway would often have an interest in doing so.

to this Company—deserves greater consideration at the hands of Government than it did in 1895 There is but little doubt that the Northern Agency if working to Vizagapatam, would so arrange rates that they would be obstructive from the Raipur line up to Vizagapatam and preferential from the Raipur line to Calcutta, on the one side *viâ* Raipur, Sini and Midnapur and on the other side *viâ* Vizianagram and Midnapur in accordance with the existing policy of the Bengal-Nagpur Railway as against Bombay and in favor of Calcutta. The port of Vizagapatam would be certain to receive fairer treatment in the event of the Southern Agency being given the working not only to Vizianagram but also of the line from Vizianagram to Raipur. This line could be constructed and worked by the Madras Railway on terms which would have no effect on the value of the Madras Railway shares.

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			MLS.	RS.	A.	P.
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Viâ Asansol ...	B.N.		515	0	5	6
			647	0	6	8
Bombay to Musra ...	G.I.P.		520	0	6	7
Viâ Nagpur ...	B.N.		135	0	4	5
			655	0	11	0
Calcutta to Salekasa ...	E.I.R.		132	0	1	2
Viâ Asansol ...	B.N.		524	0	5	3
			656	0	6	5

On grain traffic *viâ* Nagpur with Bombay an obstructive charge ranging from 8 to 16 pies per maund is also levied as compared with the *viâ* Asansol grain rate with Calcutta.

15. One of the great advantages which, in paragraph 4 of the Note, it is urged Madras would obtain if the Bengal-Nagpur Railway worked the whole of the East Coast Railway, is the delivery of Bengal coal by rail at a price which would compete with Bengal coal delivered by sea and with coal from Singareni. Does Mr. Wynne wish this to be taken seriously? A rate of 2 pies per ton per mile, which is nearly 30 per cent. below the minimum rate sanctioned by Government would, *in the absence of return traffic and the consequent empty vehicle haulage*, be a non-paying rate. Yet even this very low rate would work out approximately to Rs. 12 per ton for freight alone on coal brought to Madras from the nearest of the Bengal mines. How therefore coal from the Jherriah field can compete with Singareni, or even with Bengal coal delivered by sea, is not clear. At present the Kolar Gold Mines are supplied with Bengal coal landed at and despatched by rail from Madras but if the working of the East Coast Railway was in the hands of the Madras Railway, Singareni coal would doubtless flow to the Kolar mines.

16. Paragraphs 15, 16 and 17 of the memorandum deal with the question of rates and it is again assumed that the Madras Railway would fix charges which would block traffic to the north and would quote as high rates as possible with the view of increasing its share of receipts for working the Madras-Vizagapatam Section. It is also stated that the Madras Railway would be inclined to be less liberal than the Bengal-Nagpur Railway as the possibility or not of immediate profit would be of greater importance to the former Railway. I would again repeat that there are no grounds whatever for assuming that the Madras Railway would block traffic to the north and also that the proposed terms for working the section—that is, without any profit accruing to the Madras Railway—renders the levying of high rates for the purpose suggested quite unnecessary. Further, it is a fallacy to assume that the Madras Railway could not afford to quote rates which would not give immediate profit. The Shareholders under any circumstances are paid the interest which is guaranteed to them, so that the Madras Railway can afford to quote rates lower than any which would be likely to be permanently approved by the Board of the B. N. Ry.

17. The proposals of this Company with respect to rates on the East Coast Railway will be found in my letter No. 9138–269 of the 26th March 1898 in answer to your letter No. 767 of the 16th idem, with which you forwarded to me for consideration a copy of letter No. 827, dated 4th February 1898, from the Agent, Bengal-Nagpur Railway, who suggested that a rates agreement be entered into between the Bengal-Nagpur and Madras Railways, the Bengal-Nagpur Railway to have the right to quote any rates it liked within the limits authorized by Government to and from the Calcutta side up to and *viâ* Bezwada, the Madras Railway

similarly to have the right to quote rates up to and *viâ* Cuttack. This proposal made no provision for rates to and from Vizagapatam from which traffic would be unfairly drawn either to Madras or Calcutta. The suggestions made in my reply are as follows:—

(1) That the Railway or Railways from Madras, subject to paragraph 3, are to have the right to quote equal mileage rates from and to stations up to and *viâ* Cuttack.

(2) That the Railway or Railways from Calcutta are to have the right to quote equal mileage rates, subject to paragraph 3, from and to stations up to and *viâ* Bezwada.

(3) That the Railway or Railways at the port of Vizagapatam are to have the right to quote equal mileage rates to the equi-distant point on either side in the direction of Calcutta and Madras, equal rates to be allowed to overlap the equi-distant point in each direction.

(4) The term "equal mileage rates" to mean that rates from competing ports shall not only be the same per mile, but that where they pass over more than one railway the total sum collected upon a consignment or consignments, exclusive of terminal charges, shall be divided between the Railways concerned in proportion to the miles traversed.

I added, "These proposals are intended to stop Madras from competing unfairly beyond the half-way distance to Vizagapatam and to place Calcutta in the same position and it may be arranged that any difference of opinion as to the rate per mile to be paid might in cases of dispute be referred to the Claims Arbitration Committee for settlement, both the Madras and the Bengal-Nagpur Railways being parties to that Committee. The proposals herein shadowed will prevent traffic from being drawn unfairly to either Calcutta or Madras as would, I am afraid, be the case if the proposals of the Bengal-Nagpur Railway were agreed to."

In concluding my letter I pointed out how necessary it was that the interest of the District should be considered with care.

18. The above letter proves clearly that the Madras Railway never had the intention of quoting obstructive rates. The proposals made do not seem to be acceptable to the Bengal-Nagpur Railway and they therefore now desire to have the working of the whole line so as to attract all traffic to Calcutta.

19. It will be interesting to quote a portion of the letter of 4th February 1898 (referred to above) from the Agent, Bengal-Nagpur Railway, as it indicates the policy of that Railway.

"The interests of the Bengal-Nagpur Railway will be to attract as much traffic as possible by low rates in the direction of Calcutta and high rates in the direction of Madras from Stations on the Cuttack-Vizianagram section."

20. Promises can be very readily made but to form an accurate estimate of the policy of any Railway it is, perhaps, advisable not merely to look at what it proposes to do in the future under certain conditions but also to examine what it has done in the past quite irrespective of extensions. We may therefore compare the passenger fares of the Bengal-Nagpur and Madras Railways which are as follows:—

Railway.	First class.	Second class.	Third class.	
			Intermediate.	Ordinary.
	PIES.	PIES.	PIES.	PIES.
Bengal-Nagpur Railway	18	8	3	2
			Mail.	
Madras Railway	12	6	2½	2

We may also compare the scale of rates for grain at present in operation on the two Railways.

Bengal-Nagpur Railway.							Madras Railway.						
½rd pie or	333	for	300	miles	and	under.	1	to	100	miles	·296	pies.	
	·296	„	301	to	375	miles.	101	„	210	„	·259	„	
	·269	„	376	„	400	„	211	„	270	„	·222	„	
	·241	„	401	„	450	„	271	„	350	„	·177	„	
	·222	„	451	„	475	„	351	„	400	„	·162	„	
	·194	„	476	„	525	„	401	„	500	„	·158	„	
	·185	„	526	„	550	„	501	„	550	„	·131	„	
	·157	„	551	„	600	„	551	„	600	„	·122	„	
	·111	„	601	„	and	over.	601	„	700	„	·111	„	

21. Sufficient has been written to show that whether we take the rates at present in force on the systems of the two railways, or the rates proposed to be charged on the E. C. Ry. when that line is divided for working purposes, the advantages are all in favour of the Madras Railway.

22. There is one important point which must not be forgotten. It is this: the Madras Railway could have no desire to divert traffic to the **West** or **North**. The Bengal-Nagpur Railway would often have an interest in doing so.

23. Regarding the suggestion made in paragraph 18 of the Note to place a Railway representative in Madras, it may be pointed out that in the natural order of things he could not have the same influence or authority as the Head-quarters officials in Calcutta. Until the Bengal-Nagpur Railway has the working of the Southern section of the East Coast Railway it will have no interests whatever in Madras and if this event ever takes place, its interests here will be subordinated to those of Calcutta. Whatever may be said to the contrary there is no doubt that the interests of the Bengal-Nagpur Railway lie in Calcutta and they are far too important to allow of that Railway showing any preference to Madras. The Chairman of the Bengal-Nagpur Railway and also the Managing Director are Merchants of Bengal, if not of Calcutta City. In the course of a few months the offices of the Railway will be located at Calcutta and that it is a far cry from Madras to Calcutta is well known in respect of many questions affecting the Madras Presidency. It is not reasonable to expect the Bengal-Nagpur Railway to do otherwise than work the Southern section, if they obtain it, for the benefit of Calcutta. On the other hand, the interests of the Madras Mercantile Community and the Madras Railway are identical. The whole of the merchants and traders from Madras to Ganjám are financed from Madras and the East Coast Railway should be worked from Madras. There seems to be very little doubt that if any railway with its head-quarters at Calcutta became the Agency for working the East Coast Railway as a whole, the trade of the Coast would very soon be financed from Calcutta.

24. The advantages to the Presidency of having the Madras Railway as the working Agency of the southern section appear to be so great as to make the claim of the Bengal-Nagpur Railway unworthy of the slightest consideration.

25. In paragraph 19 Mr. Wynne summerizes the conclusions to be drawn from his letter. It is assumed that the earlier construction of the Raipur-Vizagapatam line and other extensions would be brought about by the Bengal-Nagpur Agency. The conclusion is based upon the assumption of the influence of the Bengal-Nagpur administration and of the disposition of the Government of India to accept this influence whether it is in the interests of the districts and of the Mercantile Communities concerned or not. It is also assumed that the necessity or otherwise of the Raipur extension as a famine protective work would not be considered if the interests of the Bengal-Nagpur Railway were adversely affected. Both these conclusions, it is feared, can scarcely be said to be complimentary to the Government of India.

The advantage held out of Bengal Coal being delivered by rail at a rate to compete with present coal supplies at Madras, is, as I have shown in paragraph 15, one which cannot be attained.

As regards the other advantages claimed I would remark that the Central and North-West Provinces would undoubtedly be opened for Madras trade if the East Coast Railway to Vizianagram and the Raipur extension were worked by the Madras Railway, but it seems impossible that the interests of Calcutta would permit this in the event of the Bengal-Nagpur Railway becoming the working Agency.

26. Having replied in detail to the several points raised by Mr. Wynne, the opportunity may now be taken to place on record some important facts connected with the E. C. Ry.

27. Certainly the southern portion, if not the whole of the Madras-Calcutta line, was fought for and sanction obtained by *Madras* influence and *Madras* influence alone. The influence of the Bengal-Nagpur Railway has never been used to favour the construction of the line, but that railway would like to secure all the advantages it can, now that it has been constructed. The interests of the Madras merchants should not, however, be allowed to be sacrificed for the benefit of the Bengal-Nagpur Railway.

28. So far back as February 1890 the Board of the Madras Railway offered to construct and work the proposed Madras-Bezwada line and also offered to work the East Coast Railway—then sanctioned from Bezwada to Cuttack—when it was completed. Definite terms were proposed in July 1890 which were considered by the Madras Government to be reasonable. See G.Os., Nos. 685 R. of the 19th May 1890 and 1289 R. of the 28th August 1890. In a further G.O., No. 1880 R., dated the 15th August 1891, the Madras Government recommended that the Madras to Bezwada line should be undertaken and its construction entrusted to the Madras Railway, and further that the working of the East Coast Railway from Bezwada to Cuttack should be given to the Madras Railway.

This recommendation was endorsed by the Madras Chamber of Commerce, and I may quote from the address presented to H.E. the Viceroy on his visit to Madras in Nov. 1892—

> "The Chamber has already expressed the opinion that it would be for the advantage of this Presidency and of Commerce in general, were the construction of this section of the line (Madras-Bezwada) and the working of the whole as far as Cuttack, entrusted to the Madras Railway Company, and it continues of that opinion, in which it trusts your Excellency may be brought to concur."

The Madras Press also warmly approved of the recommendation of the Madras Govt., the following quotation being taken from the *Madras Mail* of the 28th Nov. 1892:—

> "It has already been pointed out by the Chamber of Commerce, and in this journal, how the surest way to obtain for Madras such share of the trade of the Northern districts as it is possible under existing circumstances to obtain, is to entrust the working of the East Coast line to the Agency of the Madras Railway Company, whose interests are all in Madras"

29. The Chamber of Commerce and the Madras Press have also been keenly alive to the fact that unless the interests of this Presidency were carefully guarded, the trade of the East Coast would be diverted from its legitimate course. In the memorial to the Secretary of State forwarded in May 1892 the Chamber drew attention to the vital importance in the interests of the commercial public of this Presidency of placing Madras in a position to retain the trade of the Kistna and Gódávari districts and of the Provinces adjacent to its own Northern borders. This cannot be done if the working of the whole of the East Coast Railway is given to a railway with no interests in Madras and very important interests in Calcutta.

I would also invite attention to articles which have appeared in the Press which may be accepted as the opinion of the public on this question. In an article in the *Madras Mail* of the 19th August 1891 dealing with the future working of the East Coast Railway the division of the line into two parts at or near Ganjám was suggested, thus making them practically co-terminous with the limits of the Bengal and Madras Presidencies. The rumour that the Southern portion was to be given to the Nizam's Railway and the Northern to the Bengal-Nagpur Railway was then alluded to and the article proceeded thus:—

> "It is the interest of the Districts through which the line will run that their produce and imports should be carried for the lowest possible rates, that every facility should be given for the grain of the Central Provinces to find its natural markets in lieu of those of the Western Coast, to which it has been by force of circumstances accustomed and that East Coast salt should by means of economical carriage obtain as extended a market as possible. It is the interest of the Presidency that the trade of these districts should be carried on through its own ports and not through those of another Presidency, and also that these ports should obtain the trade of the adjacent districts of other provinces for as large a radius as possible. The Railway administration as a commercial undertaking will endeavour to serve its own interests, and those are to carry the traffic for as long a distance as possible over its own line for as high rates as it will bear. It is important therefore that the Agency finally selected to work the line should be one whose own interests are compatible with the others above mentioned."

The proposition regarding the Nizam's Railway was then considered and disapproved of, and the proposed working by the B.-N.Ry. was then referred to thus:—

> "At the Northern end of the line again the Bengal-Nagpur Railway is busily trying to divert the trade of the country it serves from Bombay to Calcutta and will not be inclined to favour any fresh diversion to the Madras ports."

The claims of the Madras Railway "whose interests lie entirely in our own Presidency" were then considered and the conclusion arrived at that "any efforts of the Madras Rai way to obtain a long lead would merely be setting off the interests of one port against those of another and its policy could not be antagonistic to the interests of the Presidency as a whole."

Again in *Madras Mail* of February 16th, 1892, we read—

> "In our former articles we showed how the interests of the Northern Railway lines were antagonistic to the interests of Madras and how the speedy establishment of direct communication between Madras and the East Coast Railway was necessary to prevent the legitimate trade of the former being diverted to other ports."

Again, *Madras Mail* of 20th May 1892—

> "If the Government finally decided to work the East Coast Railway by its own Agency the conditions would perhaps be somewhat altered, from the Calcutta point of view, though it would only increase the vital necessity to Madras of retaining the connecting link in the hands of a Company with local interests."

In the issue of *Madras Mail* of the 1st August 1892 there is another article regarding the proposed working of the southern portion of the East Coast Railway by the Nizam's Railway, in which it is pointed out that by quoting, in combination with the Great Indian Peninsula Railway, low through rates traffic would be attracted to Bombay, the result being to deprive the Madras ports of a large proportion of the traffic which legitimately belongs to them and the article proceeds:—

> "If the Nizam's Railway Company works these Southern Sections it almost necessarily follows that the Bengal-Nagpur Company will, when its own link is filled in, obtain the Northern Sections and the same process will be repeated there with Calcutta for its objective point. On the other hand, the interests of the Madras Railway Company lie entirely within the Madras Presidency and its efforts would be directed towards strengthening the traffic of the East Coast ports and later, when the Madras-Bezwada section is completed, of Madras itself, and also to fostering the local traffic between the East Coast districts and those served by its own main lines and the South Indian Railway; and this perhaps is the most important point of all."

Further extracts could be given not only from the *Madras Mail*, but also from the *Madras Times* and other newspapers, all containing practically the same views, but I have already quoted at great length. I have, however, given these lengthy press opinions as they doubtless had great weight with the advisers of the Government of India, showing as they do the strong views held by the public of the Madras Presidency on the important question of the working of the East Coast Railway.

30. The decision of the Government of India that the Bengal-Nagpur Railway should work the line from Calcutta to Vizianagram and the Madras Railway the portion from Vizianagram to Madras was arrived at after mature consideration, and the Agent, Bengal-Nagpur Railway, in seeking to have the question re-opened has acted hastily. You are aware that negotiations regarding the terms for working the Southern Section are still pending with the Government. Had Mr. Wynne sufficient reason to suppose that the negotiations had failed it was open to him to address the Government on the subject. I am not aware that he has done so. By sending his memorandum to a newspaper for publication he has spread far and wide to the detriment of this railway many incorrect and misleading statements and given rise to erroneous impressions in the minds of Government officials and the general public. I do not think, therefore, I am unreasonable in asking that the same publicity be given to this letter.

Order—No. 658 Ry., dated 13th June 1899.

The Consulting Engineer's memorandum, with its enclosures, will be forwarded to the Madras and Cocanada Chambers of Commerce with a request that Government may be favoured with any remarks which they may have to offer. A copy of these Proceedings will be forwarded to the Government of India.

[Here enter No. 659 Ry., dated 13th June 1899.]

(True Extract.)

Francis J. E. Spring,
Joint Secretary.

To the Chairman, Chamber of Commerce, Madras.
" " " " Cocanada.
" Consulting Engineer for Railways, Madras.
" " " " Calcutta.
" Junior Consulting Engineer for Railways, Nagpur.
" Agent, Madras Railway Company.
Editors' Table.

Despatched on 17/6/99

Endorsement—No. 659 Ry., dated 13th June 1899.

Forwarded.

(By Order.)

Francis J. E. Spring,
Joint Secretary.

ac dpt 23/6/99

Despatched on 23/6/99

Exd. T. Lutchamiah Nayudu.

8/-

Form No. 10.

PUBLIC WORKS DEPARTMENT. 15

RAILWAY BRANCH.

C. No.....

HIS EXCELLENCY THE GOVERNOR.
THE HON'BLE MR. ARUNDEL K.C.S.I.
THE HON'BLE MR. H. M. WINTERBOTHAM, I.C.S.

SUBJECT.

The working agencies for the East Coast Railway

FOR ORDERS.

A

H.E. I think clearly good Mr. P.R. Wynne's proposals for working the E.C.R. They seem on unofficial steps distinct from Mr. Wynne and he does not much going to assume that he would not think for a moment of forcing the claims of his Company if they were not supported by this Government.

Mr. Wynne sent a copy to Mr. Beardsley of the Madras Mail, & another to Mr. Wynne's manager in Madras, Mr. Beardsley printed them. It was in that way that they became public property & that the Agent Madras R.C. had the opportunity of dealing with them, which he did very effectively in his letter to us No. 582 dated 19th May 99.

I see there is a footnote to note on the proposals of Mr. Wynne & on Mr. Stevens reply, and that is the Note which I now put up for orders of Govt. I think both Mr. Wynne's memorandum printed in the Blue Book and also Mr. Stevens reply for ease of reference.

B

H.P. Stevens 26/6/99

A and B

I just up separate copies of these letters as received from their respective authors.

I learn privately that the proprietors of the Madras Mail have written their Editor to most strongly oppose Mr Wyman's proposals, and that the Chamber of Commerce also intend to fight against them tooth and nail if necessary. But I do not think Mr Wyman will fight when he sees what opinion there is, and if H.E and H.M's. are of my opinion that however plausible Mr Wyman's arguments may appear at first sight, they spell nothing but wreck and ruin to Madras trade.

I do not see how it can be otherwise when as everybody knows, the leading spirit of the B.N.R.C. Mr Robert Wilkin the Manager Hindu and others, are leading Calcutta merchants with all their money and interest in Straits Road and the Calcutta Jetties.

I firmly believe in the wisdom of the Policy of everything possible being done to make the Madras R.C. as efficient as possible, and in working steadily towards its strengthening, its expansion and its early reconstitution on more modern lines, as foreshadowed in a Note which I put up for H.E. yesterday, of which I put up a spare copy below for ready reference.

The Proceedings may be forwarded to the Chamber as per draft G.O.

J Ks
2/6/99

of Friends Thinking he knows.

S.G.H
5.6.99

MA 7.6.99

KS 10-6-99

RAILWAY.

Government {1899} of Madras.

PUBLIC WORKS.

Recd. } 1899. Enclosures
Regd. } Spare copies

G.O., No. 658,659 Ry., 13th June 1899.

JUNE.

The Working Agencies for the East Coast Railway.

For Lo

Note dated 22nd May 1899, by the Com. Engr. for Ry., Madras, a ——— ; forwards for an opinion of his opinion to the Chamber of Commerce, Madras and Comdr., with copies of Mr. T.R. Wyman's Memorandum dated 20th June 1899, and of a reply thereto by the Agent Madras Ry. Co. No. 582, dated 19th May 1899.

For Govt of India

Forwarding copy of Pros embodying a Note dated 22/5/99, by the Com. Engr for Rys Madras, and — Letter Copies of Mr. T. R. Wyman's Memorandum dated 20/3/99, and of a reply thereto by the Agent, Madras Ry Co No. 582 dated 19/5/99.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway.

Read the following papers :—

The Working Agencies for the East Coast Railway.

Note by Mr. Francis J. E. Spring, Consulting Engineer for Railways, Madras.

The object of this note is the memorandum, dated 20th March 1899, drawn up by Mr. T. R. Wynne, the Agent and Chief Engineer of the Bengal-Nagpur Railway Company. Mr. Wynne is anxious that his Company should obtain the working of the entire East Coast Railway from Madras to Calcutta, and he puts forward what at first sight appear to be plausible arguments to prove that the interests of Madras trade and of internal development in the north-eastern parts of the Presidency are safer in his hands than in those of the Madras Railway Company. Mr. Wynne's memorandum, which appeared in the public press, has elicited a letter, No. 582, dated 19th May 1899, from Mr. L. S. Moss, the Agent of the Madras Railway Company.

2. With a view to elucidating Mr. Wynne's arguments, which being apparently hurriedly written are not easy to follow, I venture to paraphrase them, in briefer form, taking great care not to misstate or to misrepresent them. The Nos. attached to the following successive clauses are those of the corresponding paragraphs of the memorandum. If a No. is omitted it is because the corresponding paragraph is merely a routine one : —

(1) Of the Calcutta-Madras Railway 766 miles have been built by State agency and 262 miles are being built by the Bengal-Nagpur Railway Company; the dividing point being Barang, six miles South of Cuttack.

(2) The State-made portion having been completed is being worked as a matter of convenience by the State; but as this cannot go on, it has been provisionally decided that the Bengal-Nagpur Railway Company shall work the 547 miles from Vizagapatam to Calcutta, and the Madras Railway Company the 481 miles from Vizagapatam to Madras.

(3) But on endeavouring to arrange with the State for taking over the working of the Southern section, the Madras Railway Company have failed to offer satisfactory terms, and meanwhile the Barang-Madras section continues to be worked by the State. Mr. Wynne takes this opportunity therefore to re-open the question of the most suitable agency for permanently working it.

(4) The cause of the Madras Railway Company's failure to come to terms is that they cannot afford to make a bad bargain, and indeed are most anxious to make a good one in order that their own shares may go up in price; and this the Secretary of State cannot afford to allow, because their average market price in the three years 1905-06-07 determines what must be paid in 1907 for the purchase of the Company's old shares by the State.

(5) But no such difficulty is experienced in dealing with the Bengal-Nagpur Railway Company because they are not owners but merely lessees of the lines which they work, and their capital of 3 millions sterling, lent to the State for railway purpose, is repayable at par on the termination of their agreement.

(6) In dealing with questions of extensions, of rates and of terms for working branch lines, the Madras Railway as at present constituted is necessarily influenced by the consideration that it must make an immediate profit, and cannot risk doing anything which would result in the price of its shares being even temporarily lowered during 1905-06-07. It therefore neither dares to launch out on extensions which do not promise an early return nor can it afford to give traders reductions of rates which though sure to pay in the long run cannot be immediately remunerative.

(7) But the Bengal-Nagpur Railway Company are under no such necessity for caution, for their interests and those of the State are identical. As a fact they have already taken up large branch railway schemes on the instigation of Local Governments, and they are a sufficiently powerful agency to secure at the hands of the Government of India full consideration of projects which they think it worth while to put forward. If therefore Madras Traders are interested in railway extension in the north-east parts of the Presidency, they would be wise to secure the agency of Mr. Wynne's Company.

(8) The arguments put forward in 1895 by the Madras Chamber of Commerce were that Madras territory is outside the sphere of the Bengal-Nagpur Railway Company whose interests are antagonistic to Madras trade, and that as their advent would secure no benefits either to the country or to producers, it would be unwise to allow them to enter the trade-tract of Madras port. Mr. Wynne contends that these arguments no longer hold, because famine considerations have recently led to a decision that the Vizianagram-Raipur line is wanted, and moreover since 1895 the Jherria coal fields have been opened up by the Bengal-Nagpur Railway Company.

(10) But besides the need for it as a famine work the probabilities of the early inception of the Raipur line are ruled by two other considerations, *viz.*, is its cost justified by the trade's demand for it? and how will it affect the traffic of the Bengal-Nagpur Railway?

(11) If worked by the Bengal-Nagpur Railway, the Raipur line may be considered either as a feeder to the port of Vizagapatam or as a feeder to the Vizagapatam-Madras section of the Madras Railway. If the former, the result of the Madras Railway Company's natural desire to drag everything Madras-wards will be that the Bengal-Nagpur Railway, getting no return trade, will have but little inducement to make and to work it. If the latter there is the risk of its causing a rise in Madras Railway shares. The reasons why the Madras Railway Company should not work the Raipur line are, first that as explained in paragraph (6) they would have no inducement to touch it, and second that it would not pay the Government of India to allow them to tap Bengal-Nagpur Railway territory. Therefore with the Madras Railway Company working to Vizagapatam the prospects of the Raipur line being made are remote.

(12) But if the Bengal-Nagpur Railway had the working of the Vizagapatam-Madras section of the East Coast Railway, the whole situation would be changed, because their interests in Madras would in that case be quite as great as they now are in Calcutta. This would induce them to favour the construction of the Raipur line, and so Madras Traders would have secured a large extension of their trade tract.

(14) Just as the Great Indian Peninsula Railway now declines so will the Madras Railway hereafter decline to join the Bengal-Nagpur Railway in quoting low rates for Bengal coal because both the Great Indian Peninsula and the Madras Railway Companies are interested in Singareni coal. As it pays the Great Indian Peninsula better to get a good rate from Wadi to Bombay rather than a low rate from Jubbalpur to Bombay, so will it pay the Madras Railway better to get a good rate from Bezwada to Madras rather than a low rate from Vizagapatam to Madras. Even if rail and sea freights are equal, the advantages to merchants of obtaining delivery of their coal by rail rather than by sea are many and obvious.

(16) As regards rates for local business, the Company working between Vizagapatam and Madras will simply charge whatever rates it can get. But there is no reason to think that the Bengal-Nagpur Railway will be less liberal than the Madras Railway; rather the other way, because immediate profit is of more importance to the latter with a view to a rise in its shares during 1905–06–07.

(17) As regards rates for export business, the position will be the same whichever Company works the Vizagapatam-Madras section. This is due to (*a*) the fact that if the Bengal-Nagpur Railway works the entire Calcutta-Madras line, it would have precisely the same interest in tempting exports Madras-wards as Calcutta-wards; and (*b*) the power of foreign lines to attract traffic Bombay-wards at Bezwada. As regards (*b*), the fact that the distance from Bezwada to Bombay is shorter than that from Bezwada to Calcutta will make it impossible for the Bengal-Nagpur Railway Company to drag Bezwada traffic Calcutta-wards; they will therefore do all they can to send it towards Madras in order to prevent its going to Bombay.

(18) The head-quarters of the Bengal-Nagpur Railway *must* be at Calcutta. There is no help for this. But they will of course post a local representative at Madras, and in any case Madras will be no worse off in this respect than the Central Provinces.

3. Mr. Wynne's line of reasoning may conveniently be even still further compressed and with some advantage I think in lucidity. Below I give in parallel columns, brief abstracts of his arguments and of Mr. Moss' replies to them.

I. (5), (7). The Bengal-Nagpur Railway Company, in considering questions of extensions, are influenced solely by consideration of the likelihood of their net profits improving in the long run. Consideration of the price of their shares do not come in, because that price is fixed at par. They are therefore likely to gladly undertake either the making or the working of extensions provided that there is no risk of net earnings over their entire system being thereby in the long run reduced.

II. (4), (6). But the conditions of the purchase clause of the old Guaranteed Madras Railway Company agreement are such that it is not that Company's policy to make or to work extensions unless the result is likely if possible to improve, but at least not to injuriously affect, the price of their original shares during the period 1905–1907. That Company, unlike Mr. Wynne's, is thus influenced by considerations not only of its net earnings but also of the price of its shares.

I, II. Mr. Wynne is incorrect in assuming that negociations between the Madras Railway Company and Government for the working of the southern section of the East Coast Railway are at an end. There has been delay, as perhaps was inevitable in a matter so important; but there is no reason why the negociations which are still in progress should not have a satisfactory termination.

As a matter of fact the terms proposed by the Madras Railway Company are intended *to avoid all direct profit to the Company*. In the Madras Railway Company's Board of Directors' letter to their Agent, No. 937, dated the 8th May 1896, apprehension was expressed lest the increased profit to be earned, not from improved traffic receipts over their own line but from the actual working of the East Coast Railway by their Company, should lead to undue enhancement of the price of their shares in 1905–1907. The Agent was therefore directed to submit for approval a form of agreement so framed as to protect the interests of Government from being injuriously affected in the manner apprehended. With the Agent's reply to his Board, No. 2267, dated the 4th August 1896, he submitted proposals "based on the understanding that the results shall not unduly enhance the value of the stock of the Madras Railway which the State has the power to acquire by purchase in 1907."

As was natural under such circumstances, there have been differences of opinion as to the adequacy of the proposed terms to secure the end in view — differences which have led to the prolongation of negociations. But there is no reason to apprehend that they will prove abortive.

III. (16)/(17). Whether as regards local rates or export and import rates, Madras trade will be served quite as well by the Bengal-Nagpur Railway Company as by the Madras Railway Company; for both Companies have the same policy in the matter of local rates, viz., to get all they can, while export and import rates will be controlled by the attraction of Bombay at Bezwada through foreign lines. If, moreover, the Bengal-Nagpur Railway works the entire Calcutta-Madras line, this attraction will operate in preventing their showing a preference for Calcutta.

IV. (14). If the Madras Railway Company are to work the southern section of the East Coast Railway, their policy will be to choke off Bengal coal from Madras by giving preference to Singareni coal, because it will pay them better to get a good rate for a short lead than a low rate for a long lead.

V. (8), (10), (11), (12). The Madras Railway Company are most unlikely to make and work the Vizianagram-Raipur line, not only for the reasons given at (4) (6), but because Government would be unwilling to give them an opportunity of tapping the Bengal-Nagpur Railway Company's territory at Raipur. The Bengal-Nagpur Railway Company, though reasonably ready for reasons given in (5) (7) to make and work the Vizianagram-Raipur line, would not care to do so unless there was a reasonable chance of return traffic from the coast inland, and there will be little hope of such return traffic if the Madras Railway Company works the section of the East Coast Railway south of Vizagapatam, for that Company will naturally encourage traffic to go south rather than north.

III. In his paragraphs 14 to 23 inclusive Mr. Moss deals very effectively with Mr. Wynne's promises to treat Madras in the matter of rates quite as well as Mr. Moss is likely to do. Mr. Wynne nowhere claims to be likely to be more liberal than Mr. Moss to Madras trade. It is scarcely reasonable to expect that the future management of the Bengal-Nagpur Railway Company will feel itself bound by promises made by Mr. Wynne while endeavouring to secure for his Company the working of an important extension which penetrates territory lying far outside his present sphere of influence.

Mr. Moss makes a point by quoting the following extract from a letter from Mr. Wynne to the Government of India, No. 827, dated the 4th February 1898: "The interests of the Bengal-Nagpur Railway will be to attract as much traffic as possible by low rates in the direction of Calcutta and high rates in the direction of Madras from stations on the Cuttack-Vizianagaram section".

IV. Mr. Moss points out that in the absence of return traffic Mr. Wynne could not well afford to carry coal at 2 pies per ton mile, that is, at 30 per cent. below the sanctioned minimum; and that even this low rate would come to nearly Rs. 12 per ton for freight alone for Bengal coal. Singareni coal, therefore, seems likely to hold its own, and this argument of Mr. Wynne's falls to the ground.

V. In his paragraphs 12 and 13, Mr. Moss deals with Mr. Wynne's claims as regards the Vizianagram-Raipur line, and points out that its importance as a famine line is quite outside the question of the agency for constructing and working it. He says that if the branch line is made by the Madras Railway Company, the money will either be provided by Government or will be raised in the form of debentures at a low rate of interest under the Company's borrowing powers, and that such terms can easily be arranged as will result in the working of the line having no effect on the price of the Madras Railway Company's shares.

(16) As regards rates for local business, the Company working between Vizagapatam and Madras will simply charge whatever rates it can get. But there is no reason to think that the Bengal-Nagpur Railway will be less liberal than the Madras Railway; rather the other way, because immediate profit is of more importance to the latter with a view to a rise in its shares during 1905–06–07.

(17) As regards rates for export business, the position will be the same whichever Company works the Vizagapatam-Madras section. This is due to (*a*) the fact that if the Bengal-Nagpur Railway works the entire Calcutta-Madras line, it would have precisely the same interest in tempting exports Madras-wards as Calcutta-wards; and (*b*) the power of foreign lines to attract traffic Bombay-wards at Bezwada. As regards (*b*), the fact that the distance from Bezwada to Bombay is shorter than that from Bezwada to Calcutta will make it impossible for the Bengal-Nagpur Railway Company to drag Bezwada traffic Calcutta-wards; they will therefore do all they can to send it towards Madras in order to prevent its going to Bombay.

(18) The head-quarters of the Bengal-Nagpur Railway *must* be at Calcutta. There is no help for this. But they will of course post a local representative at Madras, and in any case Madras will be no worse off in this respect than the Central Provinces.

3. Mr. Wynne's line of reasoning may conveniently be even still further compressed and with some advantage I think in lucidity. Below I give in parallel columns, brief abstracts of his arguments and of Mr. Moss' replies to them.

I. (5), (7). The Bengal-Nagpur Railway Company, in considering questions of extensions, are influenced solely by consideration of the likelihood of their net profits improving in the long run. Consideration of the price of their shares do not come in, because that price is fixed at par. They are therefore likely to gladly undertake either the making or the working of extensions provided that there is no risk of net earnings over their entire system being thereby in the long run reduced.

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4. Before examining the validity and the relative advantages of the rival Agents' arguments I wish to offer an explanation in regard to Mr. Wynne's quotation in his paragraph 6 from a Note of mine, dated 14th August 1897, on the subject of 2-foot famine feeders. What that Note was intended to express, and what read with the context it does express, is that an expenditure of 30 or 40 lakhs on a well-paying branch or series of feeder branches may quite conceivably cause the Madras Railway Company's eight millions sterling of stock to run up four or five points; so that, when the purchase period arrives, the resulting enhancement of the price of the original shares might easily be equivalent to double their value being paid for the 30 or 40 lakhs worth of feeder branches. What the Note was *not* intended to express was that a higher price would eventually have to be paid for the debentures raised for the branches. These of course are repayable at par. I now pass on to the merits of the rival proposals.

5. Mr. Moss is correct in his contention that Mr. Wynne's arguments I and II, as numbered in my third paragraph, have no bearing on the issues; because it is perfectly easy to arrange that the working of the southern section of the East Coast Railway, and indeed of any desired extension, shall not prejudicially affect State interests by unduly enhancing the price of the Company's shares in 1905—1907. Indeed I would go further than Mr. Moss, and would point out that it is quite conceivable that a rise in the price of shares so far from being a thing to be dreaded may be worth encouraging, because, not to mention the State's relief from the guarantee and its realization of its proper moiety of surplus profits, there must accrue to Government and to the people certain considerable indirect benefits from improved communications.

6. There seems to me to be a fallacy worth exposing in the assumption generally made, by everybody else as well as by Mr. Wynne, that it is unwise of Government to permit anything to be done which would have the effect of raising the price of Madras Railway Company's shares in 1905—1907. I wish to point out that Government takes a moiety of earnings in excess of 5 per cent. so that to pay 6 per cent. to shareholders the railway must as a fact have earned 7 per cent. Government therefore when buying a 7 per cent. concern pays for it, not the price which anyone naturally would pay for a 7 per cent. concern when safe investments are worth, say, 3 per cent., but the price which would be paid for a 6 per cent. concern; or even less, for not only does price to be paid depend, not on the gross profit of 7 per cent., but on shareholders' dividends, 6per cent., but also that price depends on average price of shares during there presumably improving years. Unless therefore there is some fallacy here, of which I am not cognisant, Government would be wise not only to give up all idea of attempting to keep Madras Railway Company's net earnings down to 5 per cent., but to encourage them as much as possible to rise to seven, recognising that the additional price to be paid for the shares is on account of a real rise, worth paying for, in the commercial value of the property, which of course must not be confounded with a rise due to increase in net earnings caused by neglected maintenance.

7. I fully agree with Mr. Moss that it is by no means so unimportant a matter to Madras trade as Mr. Wynne tries to make out that the head-quarters of that trade should be separated by over one thousand miles from the head-quarters of the Bengal-Nagpur Railway, and that moreover the representatives of the trade of Calcutta should be in daily and hourly touch with that railway's head-quarter administration. The representations of a local sub-agent of the Company at Madras cannot possibly carry the same weight with the management at head-quarter as the merchants of Madras would believe them to be entitled to.

8. The coal argument, IV, may be disposed of by pointing out that the price of coal in Madras will be ruled, not by the rates for 1,200 miles of railway freight from Bengal, but by those levied for 400 miles of freight from Singareni, as influenced by sea charges. There is still a large margin between the price of coal at pits' mouth in Bengal and that at Singareni. These will in due course come nearer to a level with improvements in methods and in labour conditions at the latter place; and then rail-carried Bengal coal will not have a chance, especially as there will be no adequate return traffic, unless Mr. Wynne quotes low rates towards Calcutta with a view to attracting return loads.

9. There remains consideration V, around which Mr. Wynne's entire argument really hinges, *viz.*, that by accepting the agency of his Company in preference to that of the Nagpur Railway Company for the working of the Southern section of the East Coast Railway, the Madras Chamber of Commerce is likely the sooner to gain the benefit of the extension of its trade-tract which must follow the construction of the Vizianagram-Raipur Railway. Mr. Moss deals with this matter in his 26th paragraph. For myself, I cannot view the question under discussion as one merely affecting the interests of one railway company or of another, or of one Chamber of Commerce or of another. Far higher considerations are those of freedom of the flow of produce, whether internal between producers and consumers in different tracts of country, or external between the people and the ports. Famine traffic may come under either category, according to the tract from which supplies are drawn; in the case now under consideration it is certain that, owing to the connection by rail of the Kistna-Godavari and Orissa deltas, internal traffic between the East Coast and the Central Provinces will, during famine years, be far heavier than external.

10. In pressing for the construction of a metre gauge extension from Bezwada through the Eastern Kistna delta, this Government has more than once attached great weight to the consideration that it is very important that, by the time a famine is on us, the flow of grain from fat districts to lean ones shall have become automatic owing to the merchants having already got into business relationship with one another; and we have urged that this result is more likely to ensue if a single railway administration connects the two districts; because the railway traffic staff are, or ought to be, a valuable intermediary between groups of merchants separated by distance, by language, or by custom. This line of argument is specially applicable to the case of a railway like that just referred to, connecting lean Bellary with fat Kistna—an almost purely famine line which, so long as it remains shorn of the extension pressed for, must necessarily be incapable of exercising its intended functions in the fullest degree. Up to the present the Government of India have not admitted the force of this argument, but have expressed their intention of waiting to see how the Eastern Kistna produce wishes to flow, although we know quite well that under existing conditions and in the absence of the metre extension pressed for it will *wish* to flow wrongly, *i.e.*, Madras-wards, while we wish to encourage it to flow rightly, *i.e.*, Bellary-wards.

The Bellary-Kistna line in its present incomplete form is not on all fours with the Vizianagram-Raipur line, because the latter is intended to serve the purpose not merely, like the former, of a valuable famine feeder between fat and lean districts, but also of a main export and import highway in ordinary years. With the Bengal-Nagpur Railway Company working it, and having direct access also to Vizagapatam port and to the Orissa delta, as well as indirect to the Godavari and Kistna deltas, the famine *metier* of the Vizianagram-Raipur line will be sufficiently well fulfilled; for a rival railway company working south of Vizagapatam can do nothing to prevent unlimited quantities of cheap grain being thrown by means of it into the Central Provinces when demand arises; and moreover the traders of those provinces are keen, enterprising, and far-reaching men, very different from the Telugus of Bellary and Kistna. We may therefore leave out of consideration the special famine aspects of the Vizianagram-Raipur Railway and need only consider its prospects of being brought into existence within a reasonable period as likely to be affected by the decision as to who is to work the Southern section of the East Coast Railway.

11. Mr. Wynne assumes that the Vizianagram-Raipur Railway will not be made and worked by the Madras Railway Company because it is certain that they will not care to undertake anything which would be unlikely to pay them well by 1905–1907, and moreover that Government will be very unwilling to let them tap the Bengal-Nagpur territory in the Central Provinces. As regards their not caring to undertake it owing to the possible effect on their shares, it seems only necessary to say that there is no real or imaginable disadvantage to Government in employing the Madras Railway Company to *construct* this line, because, as pointed out by Mr. Moss, either the money will be directly provided by the State, or it will be raised by the Company, under its existing or enlarged borrowing powers, at a low rate of interest, by means of debentures eventually redeemable at par. As regards the threatened tapping of the Bengal-Nagpur Railway territory, I take it that if the Raipur branch pays, it will make no difference to Government, as owners of one moiety of the Madras

Railway Company's surplus profits, how the trade flows during the two or three years which at most must elapse between the completion of the Vizianagram-Raipur Railway and the termination of that Company's contract. Mr. Wynne cannot surely forget that only about 8 more years of that contract have yet to run, and that, even if the construction of the Vizianagram-Raipur Railway is commenced in September 1900, of which there seems little likelihood, it seems most improbable that it can be open for traffic before four years. It will therefore scarcely have had time to prove much of a drain on Bengal-Nagpur Railway Company's territory before the time shall have arrived for inaugurating a new Madras Railway Company under an agreement which will put it upon an exact equality with Mr. Wynne's Company.

But besides this, I do not know why the Vizianagram-Raipur Railway should be built at all unless it is to provide a shorter cut to a seaport for the produce of the Raipur district than it at present enjoys; so that in any case the trade of that district must be tapped. Mr. Wynne means I suppose, "if it is to be tapped let *me* tap it." But if it is large enough to be worth his while to bear its working expenses it will be large enough to relieve Government of part of the guarantee of Madras Railway dividends. I fail to see how it matters to Government, financially, one way or the other, whether Mr. Wynne works it or the Madras Railway Company work it for the two or three years before 1907.

12. It seems only right that the Madras Chamber of Commerce should be made aware of the efforts which this Government has made to give effect to their wishes as expressed in their Chairman's letter, dated the 24th August 1895. In its letter to the Government of India, No. 635 Ry., dated 10th September 1895, this Government wrote "It is the opinion of His Excellency the Governor in Council that the working of that portion of the East Coast Railway, which lies within the Madras Presidency should be entrusted to the Madras Railway." But in September 1895 this Government learnt that the Government of India had advised the Secretary of State that the inland town of Vizianagram would be the best point for division between the Northern and Southern working agencies. This was confirmed in a speech by His Excellency the Viceroy dated 6th December 1895 in reply to an address from the Madras Chamber of Commerce, in which the following words occurred: "I believe the division at Vizianagram might be called a good compromise, but I do not put it forward as a compromise but as being recommended as good in itself. I should also add that it is one that would fit in well with other schemes of railway development, not wholly confined to the Presidency of Madras, which will assuredly sooner or later follow upon the completion of the East Coast Railway itself. Finally, gentlemen, I would venture to ask you to have some confidence in the Government of India, that in any arrangement for the management and working of these lines it will make it its duty to see that the interests of the various parts of the country through which the line passes, and of the traders served by the line, will be subjected to no unfair treatment or undue preference." Meanwhile this Government had been obtaining an expression of the views of the various commercial bodies interested, and in a letter to the Government of India, No. 20 Ry., dated 9th January 1896, gave the first preference to Khurda road as the point of partition, with other alternatives if negociations with the Bengal-Nagpur Railway Company should have gone too far to be receded from. Later on, having given the subject more mature consideration, this Government again addressed the Government of India, in a letter, No. 258 Ry., dated 14th April 1897, strongly insisting that Khurda road, the junction of the Puri branch, was the best point of partition, and equally strongly insisting that if negociations had gone too far to secure this, the proper junction point was not the inland town of Vizianagram but Vizagapatam port. A few months later, in connection with the question of the terms to be arranged with the Madras Railway Company for working part of the East Coast Railway, it came to this Government's notice that in a despatch to the Secretary of State, No. 86 Ry., dated 11th August 1897, the Government of India had "arrived at the conclusion" that Vizianagram and not either Khurda road or Vizagapatam port, must be the dividing point. A vigorous protest was therefore immediately entered by telegraph, and this was followed up with a letter, No. 636 Ry., dated the 10th September 1897, in which, after an expression of surprise that there was no indication of due consideration having been given to this Government's strongly expressed views, it was urged that—

"The strong preference expressed for Khurda road as the point of contact of the two working agencies, with Vizagapatam port as the preferable alternative, is dictated not so much by considerations of the interests of the railways concerned, or of the States' share of their revenues, as of those of the general population of the district served, of its produce, and of its trade. His Excellency in Council, with an intimate knowledge of the local circumstances, cannot fail to recognise that it is best in those interests that all possible facilities should be afforded to the easy flow of exports to, and of imports from, not the northward, but the southward. For it is to the merchants and the middlemen of Madras and of the East Coast ports, and not to those of Calcutta and of the north, that the producers of the Northern Circars and of the Agency tracts look to finance them; and it is with these intermediaries that they have long been accustomed, and so far as can be judged will in future continue to deal."

As before, Vizagapatam port was again offered as the proper alternative point of junction in the event of negociations having gone too far for the acceptance of Khurda road. In their reply No. 739 R.T., dated 30th September 1897, the Government of India said that the fact of the matter was that in the absence of any intimation from the Secretary of State that he considered the question to be still an open one, they had regarded it as settled in accordance with their previously expressed views. They also said that if the junction point was to be Vizianagram, running powers into Vizagapatam port would be reserved for the northern working agency. This Government replied with its No. 1038 R., dated the 26th November 1897, pointing out that even in their latest letter the Government of India still had not definitely stated whether the question of fixing the point of junction had or had not as yet passed beyond the sphere of argument. It was therefore taken as being still an open question, and the Government of India were told that—

"Should it be the case that the Secretary of State is not bound as yet to give to the Bengal-Nagpur Railway Company the working of any part of the East Coast Railway south of Khurda road, His Excellency the Governor in Council would again strongly urge that no such concession be made to them. The arguments already advanced, whether in the Madras Chamber of Commerce letter, dated 24th August 1895, or in the several letters of this Government ending with paragraphs 4, 7 and 8 of my letter of the 10th September 1897, need no further reiteration here; but they, and especially the three paragraphs referred to of the last letter, may be taken as an expression of the matured opinion of this Government in regard to a problem which they cannot but recognize as demanding for its solution that knowledge of local conditions which the Local Government alone can be said to possess."

The letter went on to say that this Government would prefer that the southern working agency, working up from Madras to Khurda road, "should also work the Raipur branch from its junction north-eastward to whatever point may be fixed on in the end of an engine run from the junction with the East Coast Railway; because such a point will be more or less on the 'divide' of the trade which naturally tends in one direction on the Central Provinces and in the other on Madras." It was again reiterated that, failing this, Vizagapatam port and most certainly not the inland town of Vizianagram was the next best point of junction. In March 1898 we received from the Government of India, for criticism, a copy of a letter in which, on the supposition of Vizianagram being the junction point, Mr. Wynne proposed certain arrangements, intended to have the effect of giving the two Companies equal facilities in the Bezwada-Cuttack zone. In forwarding Mr. Moss' views in reference to these proposals, with our letter to the Government of India, No. 603 Ry., dated 22nd April 1898, the opinion of this Government was again expressed that "it is in the best interest of the districts lying around and behind Vizagapatam that every possible facility should be offered for the easy flow of produce towards that port; and that the port of Vizagapatam, and not the inland town of Vizianagram, ought to be fixed on the point of junction between the two working agencies, failing Khurda Road." Expression was again given to the same opinion in a later letter to the Government of India on the subject of engine stations, No. 1175 Ry., dated the 27th September 1898. Since then nothing official has been heard on the subject. I was verbally informed, however, by the Hon. Sir A. C. Trevor, when here in January last, that though they have not

Railway Company's surplus profits, how the trade flows during the two or three years which at most must elapse between the completion of the Vizianagram-Raipur Railway and the termination of that Company's contract. Mr. Wynne cannot surely forget that only about 8 more years of that contract have yet to run, and that, even if the construction of the Vizianagram-Raipur Railway is commenced in September 1900, of which there seems little likelihood, it seems most improbable that it can be open for traffic before four years. It will therefore scarcely have had time to prove much of a drain on Bengal-Nagpur Railway Company's territory before the time shall have arrived for inaugurating a new Madras Railway Company under an agreement which will put it upon an exact equality with Mr. Wynne's Company.

But besides this, I do not know why the Vizianagram-Raipur Railway should be built at all unless it is to provide a shorter cut to a seaport for the produce of the Raipur district than it at present enjoys; so that in any case the trade of that district must be tapped. Mr. Wynne means I suppose, "if it is to be tapped let *me* tap it." But if it is large enough to be worth his while to bear its working expenses it will be large enough to relieve Government of part of the guarantee of Madras Railway dividends. I fail to see how it matters to Government, financially, one way or the other, whether Mr. Wynne works it or the Madras Railway Company work it for the two or three years before 1907.

12. It seems only right that the Madras Chamber of Commerce should be made aware of the efforts which this Government has made to give effect to their wishes as expressed in their Chairman's letter, dated the 24th August 1895. In its letter to the Government of India, No. 635 Ry., dated 10th September 1895, this Government wrote "It is the opinion of His Excellency the Governor in Council that the working of that portion of the East Coast Railway, which lies within the Madras Presidency should be entrusted to the Madras Railway." But in September 1895 this Government learnt that the Government of India had advised the Secretary of State that the inland town of Vizianagram would be the best point for division between the Northern and Southern working agencies. This was confirmed in a speech by His Excellency the Viceroy dated 6th December 1895 in reply to an address from the Madras Chamber of Commerce, in which the following words occurred: "I believe the division at Vizianagram might be called a good compromise, but I do not put it forward as a compromise but as being recommended as good in itself. I should also add that it is one that would fit in well with other schemes of railway development, not wholly confined to the Presidency of Madras, which will assuredly sooner or later follow upon the completion of the East Coast Railway itself. Finally, gentlemen, I would venture to ask you to have some confidence in the Government of India, that in any arrangement for the management and working of these lines it will make it its duty to see that the interests of the various parts of the country through which the line passes, and of the traders served by the line, will be subjected to no unfair treatment or undue preference." Meanwhile this Government had been obtaining an expression of the views of the various commercial bodies interested, and in a letter to the Government of India, No. 20 Ry., dated 9th January 1896, gave the first preference to Khurda road as the point of partition, with other alternatives if negociations with the Bengal-Nagpur Railway Company should have gone too far to be receded from. Later on, having given the subject more mature consideration, this Government again addressed the Government of India, in a letter, No. 258 Ry., dated 14th April 1897, strongly insisting that Khurda road, the junction of the Puri branch, was the best point of partition, and equally strongly insisting that if negociations had gone too far to secure this, the proper junction point was not the inland town of Vizianagram but Vizagapatam port. A few months later, in connection with the question of the terms to be arranged with the Madras Railway Company for working part of the East Coast Railway, it came to this Government's notice that in a despatch to the Secretary of State, No. 86 Ry., dated 11th August 1897, the Government of India had "arrived at the conclusion" that Vizianagram and not either Khurda road or Vizagapatam port, must be the dividing point. A vigorous protest was therefore immediately entered by telegraph, and this was followed up with a letter, No. 636 Ry., dated the 10th September 1897, in which, after an expression of surprise that there was no indication of due consideration having been given to this Government's strongly expressed views, it was urged that—

"The strong preference expressed for Khurda road as the point of contact of the two working agencies, with Vizagapatam port as the preferable alternative, is dictated not so much by considerations of the interests of the railways concerned, or of the States' share of their revenues, as of those of the general population of the district served, of its produce, and of its trade. His Excellency in Council, with an intimate knowledge of the local circumstances, cannot fail to recognise that it is best in those interests that all possible facilities should be afforded to the easy flow of exports to, and of imports from, not the northward, but the southward. For it is to the merchants and the middlemen of Madras and of the East Coast ports, and not to those of Calcutta and of the north, that the producers of the Northern Circars and of the Agency tracts look to finance them; and it is with these intermediaries that they have long been accustomed, and so far as can be judged will in future continue to deal."

As before, Vizagapatam port was again offered as the proper alternative point of junction in the event of negociations having gone too far for the acceptance of Khurda road. In their reply No. 739 R.T., dated 30th September 1897, the Government of India said that the fact of the matter was that in the absence of any intimation from the Secretary of State that he considered the question to be still an open one, they had regarded it as settled in accordance with their previously expressed views. They also said that if the junction point was to be Vizianagram, running powers into Vizagapatam port would be reserved for the northern working agency. This Government replied with its No. 1038 R., dated the 26th November 1897, pointing out that even in their latest letter the Government of India still had not definitely stated whether the question of fixing the point of junction had or had not as yet passed beyond the sphere of argument. It was therefore taken as being still an open question, and the Government of India were told that—

"Should it be the case that the Secretary of State is not bound as yet to give to the Bengal-Nagpur Railway Company the working of any part of the East Coast Railway south of Khurda road, His Excellency the Governor in Council would again strongly urge that no such concession be made to them. The arguments already advanced, whether in the Madras Chamber of Commerce letter, dated 24th August 1895, or in the several letters of this Government ending with paragraphs 4, 7 and 8 of my letter of the 10th September 1897, need no further reiteration here; but they, and especially the three paragraphs referred to of the last letter, may be taken as an expression of the matured opinion of this Government in regard to a problem which they cannot but recognize as demanding for its solution that knowledge of local conditions which the Local Government alone can be said to possess."

The letter went on to say that this Government would prefer that the southern working agency, working up from Madras to Khurda road, "should also work the Raipur branch from its junction north-eastward to whatever point may be fixed on in the end of an engine run from the junction with the East Coast Railway; because such a point will be more or less on the 'divide' of the trade which naturally tends in one direction on the Central Provinces and in the other on Madras." It was again reiterated that, failing this, Vizagapatam port and most certainly not the inland town of Vizianagram was the next best point of junction. In March 1898 we received from the Government of India, for criticism, a copy of a letter in which, on the supposition of Vizianagram being the junction point, Mr. Wynne proposed certain arrangements, intended to have the effect of giving the two Companies equal facilities in the Bezwada-Cuttack zone. In forwarding Mr. Moss' views in reference to these proposals, with our letter to the Government of India, No. 603 Ry., dated 22nd April 1898, the opinion of this Government was again expressed that "it is in the best interest of the districts lying around and behind Vizagapatam that every possible facility should be offered for the easy flow of produce towards that port; and that the port of Vizagapatam, and not the inland town of Vizianagram, ought to be fixed on the point of junction between the two working agencies, failing Khurda Road." Expression was again given to the same opinion in a later letter to the Government of India on the subject of engine stations, No. 1175 Ry., dated the 27th September 1898. Since then nothing official has been heard on the subject. I was verbally informed, however, by the Hon. Sir A. C. Trevor, when here in January last, that though they have not

seen their way to accepting Khurda Road the Government of India have made up their minds that Vizagapatam and not Vizianagram is to be the junction point for the two working agencies. This resumé of the correspondence is given here in order that the Chamber of Commerce may see that their views have, all through, been strongly supported by this Government.

13. This Government has persistently aimed at retaining for the Madras Chamber that influence which it now exercises and has long exercised on the trade of the Northern Circars up to the Northern boundary of this Presidency; its alternative preference for Vizagapatam Port has been dictated by the belief that negotiations between the Secretary of State and the Bengal-Nagpore Railway Company had proceeded so far as to preclude the possibility of a reconsideration of the question of Khurda Road, the junction of the Puri Branch, being fixed as the point of junction of the Northern and Southern working agencies. In spite of Mr. Wynne's plausible arguments, I am as strongly convinced as before that the effect on Madras trade of free access being accorded to the Bengal-Nagpore Railway Company to tracts heretofore the undoubted trading ground of the Madras merchant will be very marked. The Chairman and Managing Directors of that Company, as Mr. Moss points out, are Bengal merchants, whose interests necessarily lie in the direction of securing the maximum trade-flow Bengal-wards. It needs no arguments of mine to convince the Madras Chamber of Commerce that a railway administration has immense power of influencing trade-flow; and it seems perfectly certain that if once the Bengal-Nagpore Railway Company get a footing in the trade-tract south of Khurda Road, the Madras merchants' influence in Chicacole, the Agency tracts and Orissa will soon be a thing of the past.

14. But important as are Madras Trade interests they are necessarily subservient to those of the villagers and townsmen of the districts concerned in this dispute; for from the Imperial point of view as the interests of railways are of less account than those of trade so are those of the trading middlemen of less account than those of the villagers. A far from unimportant object of governing is to so arrange that the infructuous margin between a man's labour and the labour expended on producing the thing which he desires may be as narrow as possible. This is largely secured by minimising the cost of transport between the centre of gravity of the people and the great commercial trading and exchange centres. So far therefore as concerns the strip of country forming the hinterland of the Bay of Bengal, on the East Coast of India, it seems on the whole to be best for the people, if two separate agencies must be utilised for working the Madras-Calcutta Railway—a thing as I have shown quite essential in the interests of Madras traders—that the meeting point of the two should be about midway; that is, allowing for other considerations, at Vizagapatam Port. The trade of that port too is by no means insignificant and will vastly improve with the advent of the Raipur Railway; it is therefore important that the two railways tapping the proper trade-tract of the Vizagapatam traders should have free access to that port, without risk of one of them impeding the other. I would not therefore wish to upset the understanding already apparently come to, that the Bengal-Nagpore Railway Company are to be allowed to work southward as far as Vizagapatam Port. The people of Chicacole and Ganjam, while losing the advantage of continuing to buy and sell with Madras merchants which they have heretofore enjoyed, will be fully recompensed by gaining shorter and cheaper access towards Calcutta than under any conceivable system of railway arrangement they could get towards Madras. The loss to the Madras merchant of influence over tracts north of Vizagapatam is an inevitable result of the completion of through railway communication with Calcutta, and it is I think probable that even were the Madras Railway Company to work right up to Khurda Road and to offer every attraction to traffic going southwards, they could not long have staved off the loss to Madras traders of the traffic of Chicacole and Ganjam. Alterations of this sort of the boundaries of trade-tracts are the inevitable consequence of radical alteration of the general railway network.

15. It remains to consider the question of the agency by which the Vizianagram-Raipur Railway had best constructed. This too must be considered from the point of view primarily of the people and secondarily of the middlemen. As within two or

three years after its completion the new Madras Railway Company and the Bengal-Nagpur Railway Company will be on precisely equal terms as regards their relationship to Government, considerations of Imperial railway interests can scarcely be said to come in, as was explained in paragraph 11 of this note. Neither, as explained in paragraph 10, does it matter from a famine point of view which agency works the Vizianagram-Raipur Railway. Mr. Wynne has practically said in his paragraph 11 that with the Madras Railway Company working up to Vizagapatam it will not be worth his Company's while to make it because no traffic will be attracted to it from the south. This remark appears to me to have been dictated by an extraordinary misconception of the situation on Mr. Wynne's part. My view of the course of trade on the completion of the Vizianagram-Raipur Railway and the simultaneous improvement of the Vizagapatam harbour is as follows. In famine years grain will flow absolutely freely from the fat tracts north of Vizagapatam over the Bengal-Nagpur Railway Company's lines to Raipur. Grain will also flow quite freely in the same direction, if necessary, from the Godavari and Kistna Deltas, because it will be in the interest of the Madras Railway Company to encourage it to flow that way so that they too may earn something out of the abnormal famine traffic. In non-famine years whatever surplus of produce there is in the Central Provinces will find its way Bombay-wards and Vizagapatam-wards from some point determined by the rates which the Bengal-Nagpur Railway Company may see fit to fix; but it will be quite as much to their advantage to send it east as west. As for return traffic towards Raipur from the East Coast, except salt and imports there will, in non-famine years, be very little. But the salt of several millions of people, their kerosine oil, their metals and the piece-goods and other imports *must* go by this route, and nothing can stop this, even if the Bengal-Nagpur Railway Company had any conceivable desire to stop it, which they cannot have, so far as I can see. It will make no difference whatever to the Bengal-Nagpur Railway Company that the Madras Railway Company controls the section south of Vizagapatam port, because salt will go up-country from Karassa, and from no point south of there, and imports will go from Vizagapatam and except in famine years there will be extremely little to go towards Raipur from the coast country north or south of Vizagapatam. I know the country intimately and have been trying to solve this problem for several years past, and I think that the conclusions I have come to will be endorsed by others who are equally familiar with the conditions, and that that they will stand the test of experience in the years to come.

16. The fact is, and Mr. Wynne has overlooked it, that when the Vizagapatam-Raipur connection shall have been completed, and when his Company and the Madras Railway Company shall have joined hands at Vizagapatam port, and when his Company works the Raipur line, a new and very important change will have been effected in the whole trading conditions. For with the aid of its improved harbour, which *has got* to be made, the importance of Vizagapatam as a centre of trade will have been greatly enhanced. That town instead of remaining as now a place of but third or fourth rate rank will have secured a trade-tract of its own which must seriously encroach on that hitherto appertaining to Bombay, and with its increased importance, influence, and banking facilities it is inevitable that it will absorb much of the business on the north and south of it now carried on by Cocanada, Bimlipatam and minor ports whose importance in the past has rested only on the inadequacy of communications in the hinterland. Both the Madras Railway Company and Mr. Wynne will be obliged to serve the trade of this new centre, and so far from its being a question of serving only Madras or Calcutta, both these ports will find themselves shorn of much actual or potential trade. That this state of things is in the best interests of the mass of the people I entirely believe, and such being the case I equally believe that nothing that either railway company may do or leave undone can for long avail to prevent the carrying out of the programme. Should the Bengal-Nagpur Railway Company fail to see things in this light, and influenced by the fear lest their prospects of a return traffic should be seriously compromised by the Madras Railway Company being allowed to work up to Vizagapatam port should decline to make or to work the Vizianagram-Raipur Railway, the remedy is perfectly easy. I have not the slightest doubt of the readiness of the Madras Railway Company to make the extension tomorrow, and I am equally confident of experiencing no serious difficulty in coming to an arrangement

with them for terms of working, during the brief period before 1907 in which it can be open, which will preclude undue enhancement of the price to be paid for their shares. If it should become necessary for the Vizianagram-Raipur Railway to be made and worked by the Madras Railway Company it would be necessary to block the Bengal-Nagpur Railway Company at Vizianagram, giving them running powers over the 40 miles of Madras Railway Company's line into Vizagapatam port. I think it likely, however, that on more mature consideration Mr. Wynne will see his way to drop his affectation of unreadiness to work the Raipur line, and that as soon as the Government of India shall have decided that the time has arrived, he will offer to make and to work it, recognizing that the policy which I have sketched is the best policy not only in the general interests but in his own.

OOTACAMUND,
22nd May 1899.

FRANCIS J. E. SPRING,
Consulting Engineer for Railways, Madras.

17. I am distinctly of opinion that whether in the interest of the trade of Cocanada, Vizagapatam, and the minor ports, or of local statistic station goods and passenger traffic, or of famine requirement, it is altogether unnecessary that the Bengal Nagpur Ry. Co., which is essentially a Calcutta Company, should be permitted to penetrate south of Vizagapatam Port; which on concern the interest of Madras Trade. I believe that the acceptance of Mr. Wynne's proposals would soon result in their wreck and ruin. I am a strong believer in the policy of strengthening and expanding, if necessary by early reconstitution on more modern lines, the Madras Railway Company, whose interests and those of Madras trade are identical and which has grown up with and possesses the confidence of that trade. This policy I also believe to be the best in the interests of the population of the part of India. I cannot separate the interest of the Government of India as a railway proprietor or guarantor from those of the people and of trade. Shareholders of railway Companies may be trusted to know what is best in their own interest, as will Mr. Wynne and Mr. Moss ~~in England~~ naturally do the best they can for their respective owners, I need only concern myself with the consideration of what is best for the population generally and for trade.

18. I recommend that these Proceedings be sent to the Chamber of Commerce interested, and to the ~~Madras~~ Public Press, in order that those concerned may have the fullest opportunity of acquainting Government with their views in regard to Mr. Wynne's proposals.

ENCLOSURE No. 1.

Memorandum by Mr. T. R. WYNNE dealing with the effect on Madras Trade of the Bengal-Nagpur Ry. working the whole of the East Coast Railway up to Madras; dated 20th March 1899.

1. The Government of India having decided to connect Calcutta and Madras by railway *viâ* the East Coast, the work of constructing the line was entrusted part to the Bengal-Nagpur Railway and part to State Agency.

From Calcutta to Barang (six miles south of Cuttack) the line was to be made by the Bengal-Nagpur Railway.

From Barang to Bezwada by State Agency known as the East Coast State Railway.

From Bezwada to Madras by State Agency.

2. The portion constructed by State Agency has been opened to traffic and is at present worked by the State. It is obviously of not sufficient magnitude to justify its remaining as a separate Railway on the completion of the whole line from Calcutta to Madras.

The Government of India therefore decided it should eventually be added for working purposes to some system with which it was connected.

During the construction of the Madras-Bezwada line the selection of the Agency to ultimately work the line from Barang to Madras was a question that excited considerable discussion.

The position taken by the Madras Chamber of Commerce as representing Madras Trade interests is detailed on page 102 of the Proceedings of the Madras Chamber of Commerce in a letter, dated 24th August 1895, and may be taken as expressing the position of Madras Trade in the matter.

The decision arrived at by the Government of India was that the Northern Agency the Bengal-Nagpur Railway should work the line to Vizianagram, the Southern Agency, the Madras Railway working from there to Madras. This decision was announced in a speech by the Viceroy on the 6th December 1895 to a deputation of the Madras Chamber of Commerce, that body having in their address to the Viceroy specially referred to their letter of the 24th of August 1895 as putting forward their arguments in connection with the Agency to be selected to work the East Coast Railway when completed.

It may be mentioned here that it is at the present moment understood with the approval of the Madras Government that the junction point should be at Vizagapatam not Vizianagram.

3. Since this address to the Viceroy and his reply announcing the decision of the Government of India the question of the working of the East Coast Railway has excited no particular interest. The expression of opinion of the Madras Chamber of Commerce had carried the weight it justly deserved and although they had not secured all they desired at the same time they had successfully prevented the Bengal-Nagpur Railway working further south than Vizagapatam.

The construction of the whole line from Calcutta to Madras proceeded and it was generally understood that on the completion of the Madras-Bezwada Railway its working would be at once undertaken by the Madras Railway.

With this view the Board of that Railway and the Secretary of State entered into negotiations as to terms of working.

Difficulties arose as to the settlement of these terms and instead of the Madras Railway working the Madras-Bezwada and its section of the East Coast Railway up to Vizagapatam the unexpected result happened that the East Coast Railway took over the working of the Madras-Bezwada and instead of being absorbed it took from the Madras Railway what that line was expected to have. This it may be noted will not result in the perpetuation of the East Coast Railway as a separate Agency, but that it has happened indicates a position of affairs that was perhaps not quite anticipated. It also revived again the question of the best Agency to work the East Coast Railway causing the Bengal-Nagpur Railway to look into the matter with the result that it felt sure that circumstances had altered since 1895 and the question of the working of the line from Barang to Madras could be presented to the Madras Chamber of Commerce in a light they had perhaps not considered before and which the altered circumstances of the case justified the Bengal-Nagpur Railway in putting forward.

4. The difficulty the Madras Railway had in coming to terms with the Secretary of State in working the line from Vizagapatam to Madras was this.

The Madras Railway is one of the old 5 per cent. guaranteed railways. Its contract expires in 1907. By the terms of its contract the Secretary of State can purchase the Railway at the price per share of the average value of a share for the last three years of the contract.

Now if the Madras Railway secured favourable terms of working for the section Vizagapatam to Madras the earnings of the Madras Railway would increase, its shares would rise in value and Government would have to pay a very much higher price for the line when it purchased it on the expiration of its contract than it would have if it had not given the working up to Vizagapatam on favourable terms.

A very striking illustration of the above is the working of the Rajputana State Railway by the B. B. & C. I. Railway. The contract for working was a favourable one to the B. B. & C. I. Railway and its shares rose from about 130 to over 200, its receipts having so largely increased owing to its working the Rajputana system.

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Now if the Madras Railway secured favourable terms of working for the section Vizagapatam to Madras the earnings of the Madras Railway would increase, its shares would rise in value and Government would have to pay a very much higher price for the line when it purchased it on the expiration of its contract than it would have if it had not given the working up to Vizagapatam on favourable terms.

A very striking illustration of the above is the working of the Rajputana State Railway by the B. B. & C. I. Railway. The contract for working was a favourable one to the B. B. & C. I. Railway and its shares rose from about 130 to over 200, its receipts having so largely increased owing to its working the Rajputana system.

be urged on the ground of the large trade it would open out, thereby placing the scheme on a sound financial footing.

13. The argument that no benefit would occur to the producers or people of the country with the Bengal-Nagpur Railway entering Madras territory under such conditions need not perhaps be dealt with as it seems that the opening of such large areas as the C.P. and N.W. to Madras trade must be conducive of benefit to these parties.

14. The extension of the Bengal-Nagpur Railway to the Jherriah Coal Field is also another important matter to Madras. The Bengal-Nagpur Railway has for some time been endeavouring to obtain the agreement of the Great Indian Peninsula Railway to join in quoting a very low rate for Bengal coal to Bombay from Collieries situated on the Bengal-Nagpur Railway colliery branch near Asansol. The object of this low rate was to allow of coal being carried by rail to Bombay at a price that would compete with coal taken by sea.

The Great Indian Peninsula Railway being interested in Singareni coal have so far declined to agree to join in this low rate. Precisely the same will occur with the Madras Railway working to Vizagapatam.

They would be interested in securing a good rate for Singareni coal from Bezwada to taking a lower rate from Vizagapatam for Bengal coal. They would have to carry it further and receive about the same freight.

With the Bengal-Nagpur Railway working the whole way into Madras it would have no obstacles to contend with in securing the agreement of the Government of India to quoting such a rate as would allow Bengal coal to be taken to Madras at a price that would compete with Bengal coal delivered there by sea.

The advantages of rail-delivered coal as against sea delivery are obvious.

Regular contracts can be made and coal be supplied in small regular consignments all the year round. There is no need to keep heavy stocks in hand. The coal is not deteriorated by excessive handling as in sea carriage.

15. There are two other points that require consideration. They are—

(*a*) The effect of the Bengal-Nagpur Railway working to Madras on railway rates in Madras territory.

(*b*) The wish of Madras to have the representatives of the railway working the district stationed in Madras.

16. Dealing first with local rates.

With the Madras Railway working to Vizagapatam what reasons are there that would justify the assumption that the rates they would quote for local business would be more suitable than if the Bengal-Nagpur Railway worked the line between Madras and Vizagapatam.

With rates fixed so as to block traffic to the north, the Madras Railway would be in the position of holding a monopoly and would quote as high rates as possible with the view of increasing its share of receipts for working the Vizagapatam-Madras section.

Assume that the Bengal-Nagpur Railway worked the whole distance into Madras and, in the absence of competition like the Madras Railway case, worked its monopoly to its full advantages. The position in this case would be simply the same as if the Madras Railway was working the section. It would be no worse.

The reasons local or otherwise that might lead the Madras Railway to grant concessions or reduce local rates below the monopoly level would apply with equal force to the Bengal-Nagpur Railway management and the result would be the same in each case. The Madras Railway would, if anything, be inclined to be less liberal than the Bengal-Nagpur Railway as the possibility or not of immediate profit would be of greater importance to them.

For local business the two railways would work on precisely the same lines as there is nothing in the policy of the Bengal-Nagpur Railway in dealing with local business on its present open line that would justify the argument being advanced that it would be less liberal in its dealings than the Madras Railway.

17. Dealing now with export business.

The chief danger apprehended, I presume, is the fear that trade may be drawn to Calcutta for export that at present goes to Madras.

I think a reconsideration of the question may alter this view.

The rates for export business to Madras would be the same whether the Bengal-Nagpur Railway works to Madras or stops short at Vizagapatam. The two factors that govern the situation are—

1st.—The power of the G. I. P. and the Nizam's Railways combined to draw traffic to Bombay at and *via* Bezwada.

2nd.—The fact that if the Bengal-Nagpur Railway worked the whole distance into Madras, it would be as much interested in taking traffic South as the Madras Railway would be.

The effect of the pull towards Bombay at Bezwada will be a powerful factor in fixing rates to Madras that will affect equally either system of working. Bezwada is nearer to Bombay than it is to Calcutta.

Take the case of the Madras Railway working to Vizagapatam.

The effect of the pull towards Bombay must oblige them to reduce rates to Madras or else the traffic will tend to go towards Bombay.

Take the case of the Bengal-Nagpur Railway working to Madras.

The distance from Bezwada to Bombay being less than to Calcutta the G. I. P. and N. S. Railway combined can fix the trade from Bezwada in the direction of Bombay as far as rates are concerned. The Bengal-Nagpur Railway doing its best with its minima rates fixed by the Government of India would be powerless to quote as low rates from Bezwada to Calcutta as could be quoted Bezwada to Bombay.

Its position would then be analogous to that of the Madras Railway working to Vizagapatam and blocking all traffic to the North.

Working as it would be the line into Madras, it would at once endeavour to divert the trade towards Madras as the only means at its disposal of securing the traffic which would otherwise tend towards Bombay.

The second factor that if the Bengal-Nagpur Railway worked the whole distance into Madras it would be as much interested in taking traffic South as the Madras Railway would be is demonstrated by the foregoing.

It can be still further demonstrated. For any traffic South of Vizagapatam it is clear that the Bengal-Nagpur Railway would have to carry traffic further to reach Calcutta than it would have to carry it to take it to Madras.

What advantage would it be to the Bengal-Nagpur Railway to quote very low rates to Calcutta and carry the traffic a long distance when it could secure about the same return by developing the trade to the South with a shorter lead.

The reply is that it would be no advantage and that the interest of the Bengal-Nagpur Railway would be in the same direction for traffic south of Vizagapatam as if the Madras Railway worked to Vizagapatam with rates tempered by the influence of Bombay acting at Bezwada in both cases.

This result is due to the line from Madras to Calcutta being under one administration creating a condition of affairs that render that administration as interested in letting traffic go south as north due to it securing revenue whichever way the trade went.

For the foregoing remarks the conclusion is that the position of Madras Trade as regards Railway rates on the Madras to Vizagapatam section will be the same whether the Bengal-Nagpur Railway works all the way to Madras or only as far as Vizagapatam but with the Bengal-Nagpur Railway working all the way to Madras the additional advantages shown as contingent in this note will be secured which will not be the case if the Bengal-Nagpur Railway stopped at Vizagapatam.

18. With regard to the wish of Madras that the head-quarters of the Railway working in Madras territory should be at Madras the wish, though reasonable, is not an insuperable objection.

The Bengal-Nagpur Railway will serve three local Governments, the Central Provinces, Bengal and Madras It is impossible to have three head-quarters. Calcutta is obviously the best point for administration as it is the place the lines south and west converge.

If the Bengal-Nagpur Railway ran into Madras its interests would become at once those of Madras and effective means would be taken to bring the Railway and the trade into close connection by a local Railway representative.

19. In conclusion I would urge that the working of the whole line, Calcutta to Madras, by the Bengal-Nagpur Railway would secure the following advantages that would not be realized if that line works only to Vizagapatam :—

1. It would provide Madras territory with an Agency for constructing extensions of Railways that from its constitution and ownership was adapted to secure more rapid sanction to construct such extensions than the Madras Railway hampered as it is with its present constitution and early termination of its contract.
2. It would assure the earlier construction of the Raipur-Vizagapatam line.
3. It would secure the delivery of Bengal Coal to Madras by Railway at all times of the year at a price that would compete with sea delivery.
4. It would open up the Central Provinces and North-West to Madras trade.
5. It would cause the interests of the Bengal-Nagpur Railway to be as much in the direction of Madras as Calcutta.
6. It would secure the same rates to the South for Madras as if the section Madras to Vizagapatam was worked by the Madras Railway.
7. It would give the producers, people of the country and the shipper an immense extension of markets which they would otherwise not secure.

20. To spend an enormous amount of money in establishing a through connection between Calcutta and Madras and then have the line worked in such a way as to cripple its usefulness, as would be the case if the Madras Railway worked only to Vizagapatam, would be to adopt a policy that would be adverse to the imperial interests of the country.

Enclosure No. 2.

From—The Agent and Manager, Madras Railway Company.
To—The Consulting Engineer for Railways, Madras.
Dated—Rayapuram, 19th May 1899, No. 582.

1. In a recent issue of the *Madras Mail* there appeared a memorandum drawn up by Mr. Wynne, Agent and Chief Engineer, Bengal-Nagpur Railway, on the question of the working agency of the East Coast Railway. The memorandum purported to show that the interests of the Madras trade would be better served and the benefits to the State be greater, if the Government of India instead of dividing the line for working purposes into two portions, giving the northern half to the Bengal-Nagpur Railway and southern half to the Madras Railway, gave the whole line to the Bengal-Nagpur Railway. The memorandum contained many incorrect and misleading statements which should not remain unanswered and it is with the view to removing the erroneous impressions which such statements have doubtless caused that I have prepared the following remarks on Mr. Wynne's note. The memorandum having been published in a widely-circulated newspaper, I have to request that the same publicity be given to my comments on it.

2. Paragraphs 1 and 2 refer to the construction of the East Coast Railway—the Madras-Calcutta line—and the decision of the Government of India that the Madras Railway should work the portion from Madras to Vizianagram and the Bengal-Nagpur Railway the portion from Vizianagram to Calcutta. It is then assumed in paragraph 3 of the note that negotiations between the Government and the Madras Railway with regard to the terms for working the southern portion are at an end. The inference is not substantiated in any part of the note. The assumption is, in fact, incorrect. There has been delay in arriving at a settlement of the terms, but the difficulties which have arisen are such as may be readily overcome and I know of no reason why the negotiations which are still pending should not result in an arrangement satisfactory alike to the Government and the Madras Railway.

3. The reason assigned in paragraph 4 for the difficulty in concluding a satisfactory working arrangement is not correct. Consequently the deduction drawn in paragraph 6 from the remarks in the two preceding paragraphs as to the relative value of the two Railway Agencies for developing trade and extending Railway communication in the Madras Presidency, is based on false premises and therefore misleading. The terms proposed by the Madras Railway are intended *to avoid all direct profit to the Company* and would therefore have no effect on the market price of the Company's shares. One of the suggestions was a train-mileage allowance and under this the Company would have no interest whatever in charging high rates for the conveyance of goods and passengers, but their interest would tend in the opposite direction. Another proposal was to work the line for actual expenses, plus a charge for administration and supervision, and such an arrangement would not be likely to increase the value of the shares of the Madras Railway. Mr. Wynne is quite right in saying that the Madras Railway cannot afford to make a bad bargain for working the southern portion of the East Coast Railway, but neither can the B. N. Ry. do so; and while the Madras Railway is perfectly willing to work the section without either profit or loss, the B. N. Ry. would endeavour to obtain as favourable terms as possible with a view to as much profit as could be secured.

4. The early termination of the Madras Railway contract is urged as a reason why the Government should not give it any portion of the E. C. Ry. to work, but as the B. N. Ry. contract expires in 1907 or at about the same time as that of the Madras Railway, the same argument may be applied with equal force to both Companies and there is no object in making it.

No. The B. N. Ry. Co.'s contract expires, I believe, on the 31st December 1913.
(Intld.) F. J. E. S.

5. Undoubtedly the policy of the Madras Railway is to maintain the present value of its shares but so far from being unwilling, as Mr. Wynne states, to carry out extensions and branches in connection with the existing system, the Company has been desirous of undertaking whatever work of that kind the Government considered desirable and were disposed to sanction, on terms applicable to the circumstances in each case, which terms have been arranged without difficulty whenever the Government were prepared to sanction the carrying out of the extension or branch.

6. Allusion is made in paragraph 6 of the note to the reluctance of the Government of India to assist in any scheme that would tend to increase the amount to be paid for Madras Railway shares at the end of the Company's contract and Madras G.O., No. 85, dated 18th January last, is quoted in which the following remarks, attributed to Mr. Spring, occur:—"We are at present greatly hampered in dealing with the Madras Railway Company and shall be for the next ten years, owing to their being one of the few remaining old guaranteed lines over which our control is rather shadowy. The result is that we have heretofore impeded that Company when they desired to extend, knowing that we shall have to give a thousand rupees hereafter for every five hundred we now allow them to spend." The explanation Mr. Spring has kindly given me of these remarks is, that they were written for a note dealing with 2 feet feeder lines, the object being to point out that a rise of a few points in the Company's shares,

But see paragraph 4 of my memorandum; page 6 of these proceedings.
(Intld.) F. J. E. S.

resulting from a successful feeder policy, might be equivalent in its effects to indirectly doubling the price of such feeders. I may here point out that all the share capital of the Madras Railway which will be repayable on the basis of the market value of the shares was expended more than 20 years ago and all subsequent expenditure on capital account has been made from loans raised on debentures. The funds for the Arcot-Ranipet branch just completed and for the extension from Calicut to Cannanore now under construction have been raised in this manner and the Company's borrowing powers are still very considerable. But all reference to this subject in Mr. Wynne's note was unnecessary, unless the object of making it was to mislead those not conversant with the facts, because the capital of the Madras-Calcutta line has been provided by Government and cannot therefore come under the operation of any clause in the Madras Railway Contract in the event of the working of the line being given to this Company.

7. Similarly with regard to future extensions which in paragraph 7, the Agent, Bengal-Nagpur Railway, considers his Company is in such a favourable position to influence Government to grant. If they are constructed by the Bengal-Nagpur Railway the money will be provided by Government and for extensions constructed by the Madras Railway the money will either be provided by the Government, or raised by debentures at a low rate of interest under the Company's borrowing powers.

8. Mr. Wynne implies that his Company is more susceptible to the wishes of trade and of Government than the Madras Railway, but there is no ground for this statement in connection with the working of the East Coast Railway, the fact that the Madras Railway is content to work the line without profit being cogent reason for an opposite conclusion.

9. Whether the Bengal-Nagpur Railway is worked more successfully than the Madras Railway and therefore more worthy of the confidence of the Government may, perhaps, be determined from the fact that according to the Administration Report for 1897—the latest received—the Bengal-Nagpur Railway working expenses averaged for the whole year 53·05 per cent. of earnings, while the expenses of the Madras Railway were only 47·90 per cent. In the same report the average price of fuel on the Bengal-Nagpur Railway is given as Rs. 3·39 per ton and on the Madras Railway Rs. 14·97 per ton, so that if the two Companies had been on equal terms as regards fuel supplies, the cost of working the Madras Railway would have shown a still more favourable comparison.

10. The following figures extracted from the Administration Report show that on such special works as the construction of large bridges the Madras Railway has also been able to build more cheaply than the Bengal-Nagpur Railway. Taking into consideration the greater length of the Madras bridges and the greater depth of foundation the difference in cost is remarkable:—

Bridges.	Length of bridge.	Depth of foundations below low water.	Total cost.	Cost per lineal foot.
	FEET.	FEET.	Rs.	Rs.
Madras Railway—				
Cheyar	3,500	100	12,45,464	356
Tungabhadra	4,060	14	7,55,756	186
Chitravati	2,670	18 to 78	13,58,194	509
Papaghni	2,110	52½ to 62	9,94,930	453
Bengal-Nagpur Railway—				
Tonse	1,194	27¾	14,08,401	1,180
Wainganga	1,450	21	10,03,733	677
Sheonath No. II	2,250	6 to 12	8,83,593	393
Damudar	2,364	4 to 75	10,39,006	422

11. The endeavour made in paragraphs 8 to 12 to show that the arguments raised against the Bengal-Nagpur Railway working in Madras territory, which were regarded as sound in 1895, are now no longer so, is ingeniously made, but practically the benefit of the Bengal-Nagpur Railway, not that of the trade of Madras, is at the bottom of the pleas put forward. Mr. Wynne strongly opposes any interference by the Madras Railway with the Bengal-Nagpur field of operation but would like a wholesale appropriation of the Madras Railway field by his Company.

12. The construction of the Raipur-Vizagapatam line is considered by the Government necessary as a famine protective work, but in the opinion of the Agent, Bengal-Nagpur Railway, the line needs no consideration unless it is constructed by his Company. Its importance as a famine protective work is quite outside the question of the constructing Agency. It is assumed by Mr. Wynne in paragraph 11 of his memorandum that the Madras Railway if working the East Coast Railway to Vizagapatam would openly block all traffic northwards at Vizagapatam and that consequently very little traffic would use the Raipur-Vizagapatam route. There are no grounds whatever for this assumption and Mr. Wynne must have forgotten his letter of the 4th February 1898 and our reply thereto (to which reference is made more fully later on) when he wrote this portion of his memorandum.

13. If it should be decided that the line to Raipur is to take off from Vizianagram instead of Vizagapatam, the originally admitted claim of the Madras Railway and of the Madras Mercantile Community—that the working of the East Coast Railway to *Vizianagram* should be given

to this Company—deserves greater consideration at the hands of Government than it did in 1895. There is but little doubt that the Northern Agency if working to Vizagapatam, would so arrange rates that they would be obstructive from the Raipur line up to Vizagapatam and preferential from the Raipur line to Calcutta, on the one side *viâ* Raipur, Sini and Midnapur and on the other side *viâ* Vizianagram and Midnapur in accordance with the existing policy of the Bengal-Nagpur Railway as against Bombay and in favor of Calcutta. The port of Vizagapatam would be certain to receive fairer treatment in the event of the Southern Agency being given the working not only to Vizianagram but also of the line from Vizianagram to Raipur. This line could be constructed and worked by the Madras Railway on terms which would have no effect on the value of the Madras Railway shares.

14. In proof of the obstructive rates levied by the Bengal-Nagpur Railway against Bombay the following examples are quoted :—

			MLS.	RS.	A.	P.
Bombay to Dongargarh ...	G.I.P.		520	0	6	7
Viâ Nagpur ...	B.N.		127	0	4	2
			647	0	10	9
Calcutta to Darikasa ...	E.I.R.		132	0	1	2
Viâ Asansol ...	B.N.		515	0	5	6
			647	0	6	8
Bombay to Musra ...	G.I.P.		520	0	6	7
Viâ Nagpur ...	B.N.		135	0	4	5
			655	0	11	0
Calcutta to Salekasa ...	E.I.R.		132	0	1	2
Viâ Asansol ...	B.N.		524	0	5	3
			656	0	6	5

On grain traffic *viâ* Nagpur with Bombay an obstructive charge ranging from 8 to 16 pies per maund is also levied as compared with the *viâ* Asansol grain rate with Calcutta.

15. One of the great advantages which, in paragraph 14 of the Note, it is urged Madras would obtain if the Bengal-Nagpur Railway worked the whole of the East Coast Railway, is the delivery of Bengal coal by rail at a price which would compete with Bengal coal delivered by sea and with coal from Singareni. Does Mr. Wynne wish this to be taken seriously? A rate of 2 pies per ton per mile, which is nearly 30 per cent. below the minimum rate sanctioned by Government would, *in the absence of return traffic and the consequent empty vehicle haulage*, be a non-paying rate. Yet even this very low rate would work out approximately to Rs. 12 per ton for freight alone on coal brought to Madras from the nearest of the Bengal mines. How therefore coal from the Jherriah field can compete with Singareni, or even with Bengal coal delivered by sea, is not clear. At present the Kolar Gold Mines are supplied with Bengal coal landed at and despatched by rail from Madras but if the working of the East Coast Railway was in the hands of the Madras Railway, Singareni coal would doubtless flow to the Kolar mines.

16. Paragraphs 15, 16 and 17 of the memorandum deal with the question of rates and it is again assumed that the Madras Railway would fix charges which would block traffic to the north and would quote as high rates as possible with the view of increasing its share of receipts for working the Madras-Vizagapatam Section. It is also stated that the Madras Railway would be inclined to be less liberal than the Bengal-Nagpur Railway as the possibility or not of immediate profit would be of greater importance to the former Railway. I would again repeat that there are no grounds whatever for assuming that the Madras Railway would block traffic to the north and also that the proposed terms for working the section—that is, without any profit accruing to the Madras Railway—renders the levying of high rates for the purpose suggested quite unnecessary. Further, it is a fallacy to assume that the Madras Railway could not afford to quote rates which would not give immediate profit. The Shareholders under any circumstances are paid the interest which is guaranteed to them, so that the Madras Railway can afford to quote rates lower than any which would be likely to be permanently approved by the Board of the B. N. Ry.

17. The proposals of this Company with respect to rates on the East Coast Railway will be found in my letter No. 9138–269 of the 26th March 1898 in answer to your letter No. 767 of the 16th idem, with which you forwarded to me for consideration a copy of letter No. 827, dated 4th February 1898, from the Agent, Bengal-Nagpur Railway, who suggested that a rates agreement be entered into between the Bengal-Nagpur and Madras Railways, the Bengal-Nagpur Railway to have the right to quote any rates it liked within the limits authorized by Government to and from the Calcutta side up to and *viâ* Bezwada, the Madras Railway

similarly to have the right to quote rates up to and *viâ* Cuttack. This proposal made no provision for rates to and from Vizagapatam from which traffic would be unfairly drawn either to Madras or Calcutta. The suggestions made in my reply are as follows:—

(1) That the Railway or Railways from Madras, subject to paragraph 3, are to have the right to quote equal mileage rates from and to stations up to and *viâ* Cuttack.

(2) That the Railway or Railways from Calcutta are to have the right to quote equal mileage rates, subject to paragraph 3, from and to stations up to and *viâ* Bezwada.

(3) That the Railway or Railways at the port of Vizagapatam are to have the right to quote equal mileage rates to the equi-distant point on either side in the direction of Calcutta and Madras, equal rates to be allowed to overlap the equi-distant point in each direction.

(4) The term "equal mileage rates" to mean that rates from competing ports shall not only be the same per mile, but that where they pass over more than one railway the total sum collected upon a consignment or consignments, exclusive of terminal charges, shall be divided between the Railways concerned in proportion to the miles traversed.

I added, "These proposals are intended to stop Madras from competing unfairly beyond the half-way distance to Vizagapatam and to place Calcutta in the same position and it may be arranged that any difference of opinion as to the rate per mile to be paid might in cases of dispute be referred to the Claims Arbitration Committee for settlement, both the Madras and the Bengal-Nagpur Railways being parties to that Committee. The proposals herein shadowed will prevent traffic from being drawn unfairly to either Calcutta or Madras as would, I am afraid, be the case if the proposals of the Bengal-Nagpur Railway were agreed to."

In concluding my letter I pointed out how necessary it was that the interest of the District should be considered with care.

18. The above letter proves clearly that the Madras Railway never had the intention of quoting obstructive rates. The proposals made do not seem to be acceptable to the Bengal-Nagpur Railway and they therefore now desire to have the working of the whole line so as to attract all traffic to Calcutta.

19. It will be interesting to quote a portion of the letter of 4th February 1898 (referred to above) from the Agent, Bengal-Nagpur Railway, as it indicates the policy of that Railway.

"The interests of the Bengal-Nagpur Railway will be to attract as much traffic as possible by low rates in the direction of Calcutta and high rates in the direction of Madras from Stations on the Cuttack-Vizianagram section."

20. Promises can be very readily made but to form an accurate estimate of the policy of any Railway it is, perhaps, advisable not merely to look at what it proposes to do in the future under certain conditions but also to examine what it has done in the past quite irrespective of extensions. We may therefore compare the passenger fares of the Bengal-Nagpur and Madras Railways which are as follows:—

Railway.	First class.	Second class.	Third class.	
			Intermediate.	Ordinary.
	PIES.	PIES.	PIES.	PIES.
Bengal-Nagpur Railway	18	6	3	2
Madras Railway	12	6	Mail. 2½	2

We may also compare the scale of rates for grain at present in operation on the two Railways.

Bengal-Nagpur Railway.		Madras Railway.	
⅓rd pie or ·333	for 300 miles and under.	1 to 100 miles	·296 pies.
·296 „	301 to 375 miles.	101 „ 210 „	·259 „
·269 „	376 „ 400 „	211 „ 270 „	·222 „
·241 „	401 „ 450 „	271 „ 350 „	·177 „
·222 „	451 „ 475 „	351 „ 400 „	·162 „
·194 „	476 „ 525 „	401 „ 500 „	·158 „
·185 „	526 „ 550 „	501 „ 550 „	·131 „
·157 „	551 „ 600 „	551 „ 600 „	·122 „
·111 „	601 „ and over.	601 „ 700 „	·111 „

21. Sufficient has been written to show that whether we take the rates at present in force on the systems of the two railways, or the rates proposed to be charged on the E. C. Ry. when that line is divided for working purposes, the advantages are all in favour of the Madras Railway.

22. There is one important point which must not be forgotten. It is this: the Madras Railway could have no desire to divert traffic to the **West** or **North**. The Bengal-Nagpur Railway would often have an interest in doing so.

Further extracts could be given not only from the *Madras Mail*, but also from the *Madras Times* and other newspapers, all containing practically the same views, but I have already quoted at great length. I have, however, given these lengthy press opinions as they doubtless had great weight with the advisers of the Government of India, showing as they do the strong views held by the public of the Madras Presidency on the important question of the working of the East Coast Railway.

30. The decision of the Government of India that the Bengal-Nagpur Railway should work the line from Calcutta to Vizianagram and the Madras Railway the portion from Vizianagram to Madras was arrived at after mature consideration, and the Agent, Bengal-Nagpur Railway, in seeking to have the question re-opened has acted hastily. You are aware that negotiations regarding the terms for working the Southern Section are still pending with the Government. Had Mr. Wynne sufficient reason to suppose that the negotiations had failed it was open to him to address the Government on the subject. I am not aware that he has done so. By sending his memorandum to a newspaper for publication he has spread far and wide to the detriment of this railway many incorrect and misleading statements and given rise to erroneous impressions in the minds of Government officials and the general public. I do not think, therefore, I am unreasonable in asking that the same publicity be given to this letter.

ORDER—No. 658 Ry., dated 13th June 1899.

The Consulting Engineer's memorandum, with its enclosures, will be forwarded to the Madras and Cocanada Chambers of Commerce with a request that Government may be favoured with any remarks which they may have to offer.

(True Extract.)

Under Secretary.

To the Chairman, Chamber of Commerce, Madras.
" " " Cocanada.
" Consulting Engineer for Railways,
" Agent, Madras Railway Company.
" Consulting Engineer for Railways, Calcutta.
Editors' Table.

Exd. T. Lutchumiah Nayadu.

Form No. 7.

TELEGRAM ~~URGENT~~ ORDINARY ~~DEFERRED~~

FROM

2 R.

To

Asst Secretary
Railway Branch
P. W. D. Chepauk

Obtain today by
Special messenger
from Mr Ross Mpore.
Copy of his 582 May
19th and send immediately
to Press for comparison
with and correction
of enclosure two of my
Memorandum on Mr
Wynne's proposals of
which proof sent you
Corrected yesterday.

Received on 25.5.99

Form No. 7.

TELEGRAM ~~URGENT~~ ORDINARY ✓ ~~DEFERRED~~

FROM E. R. — TO B.M.

No. 14.C

Am dealing with Wynne's Memorandum but it would greatly help me to see what you have written Your Board.

1915.99

Code Class. } S/N. INDIAN TELEGRAPHS. Monthly Number. } 1438

To (Office) Bolarum. From (Office) Kanchipuram.

Words.	Day.	Hour.	Minute.	Official Instructions.
20	16.	14.	12.	Ry-D.

To (Person) Executive Engineer for Railways Madras

From (Person) Agent. S.I.R. Kanchipuram

Please submit a fair copy of official letter for your Board Immediately.

32 Word Form. P.C.

The early termination of the Madras Railway contract is urged as a reason why the Government should not give it any portion of the East Coast Railway to work, but as the Bengal-Nagpur Railway contract expires in 1907 or at about the same time as that of the Madras Railway, the same argument may be applied with equal force to both Companies and there is no object in making it.

Undoubtedly the policy of the Madras Railway is to maintain the present value of its shares but so far from being unwilling, as Mr. Wynne states, to carry out extensions and branches in connection with the existing system, the Company has been desirous of undertaking whatever work of that kind the Government considered desirable and were disposed to sanction, on terms applicable to the circumstances in each case, which terms have been arranged without difficulty whenever the Government were prepared to sanction the carrying out of the extension or branch.

Allusion is made in para. 6 of the Note to the reluctance of the Government of India to assist in any scheme that would tend to increase the amount to be paid for Madras Railway shares at the end of the Company's contract and Madras G. O., No. 85, dated 18th January last, is quoted in which the following remarks, attributed to Mr. Spring, occur:—"We are at "present greatly hampered in dealing with the Madras Railway Company and shall be for "the next ten years, owing to their being one of the few remaining old guaranteed lines over "which our control is rather shadowy. The result is that we have heretofore impeded that "Company when they desired to extend, knowing that we shall have to give a thousand rupees "hereafter for every five hundred we now allow them to spend." These remarks which are singularly unfortunate would appear to have been written under a misapprehension of the facts. All share capital which will be repayable on the basis of the market value of the shares was expended more than 20 years ago and all subsequent expenditure on Capital account has been made from loans raised on debentures. The funds for the Arcot-Ranipet branch just completed and for the extension from Calicut to Cannanore now under construction have been raised in this manner and the Company's borrowing powers are still very considerable. But all reference to this subject in Mr. Wynne's note was unnecessary, unless the object of making it was to mislead those not conversant with the facts, because the Capital of the Madras-Calcutta line has been provided by Government and cannot therefore come under the operation of any clause in the Madras Railway Contract in the event of the working of the line being given to this Company.

Similarly with regard to future extensions which in para. 7, the Agent, Bengal-Nagpur Railway, considers his Company is in such a favorable position to influence Government to grant. If they are constructed by the Bengal-Nagpur Railway the money will be provided by Government and for extensions constructed by the Madras Railway the money will either be provided by the Government, or raised by debentures at a low rate of interest under the Company's borrowing powers.

Mr. Wynne implies that his Company is more susceptible to the wishes of trade and of Government than the Madras Railway, but there is no ground for this statement in connection with the working of the East Coast Railway, the fact that the Madras Railway is content to work the line without profit being cogent reason for an opposite conclusion.

Whether the Bengal-Nagpur Railway is worked more successfully than the Madras Railway and therefore more worthy of the confidence of the Government may, perhaps, be determined from the fact that according to the Administration Report for 1897—the latest received—the Bengal-Nagpur Railway working expenses averaged for the whole year 53·05 per cent. of earnings, while the expenses of the Madras Railway were only 47·90 per cent. In the same report the average price of fuel on the Bengal-Nagpur Railway is given as Rs. 3·39 per ton and on the Madras Railway Rs. 14·97 per ton, so that if the two Companies had been on equal terms as regards fuel supplies the cost of working the Madras Railway would have shown a still more favorable comparison.

The following figures extracted from the Administration Report show that on such special works as the construction of large bridges the Madras Railway has also been able to build more cheaply than the Bengal-Nagpur Railway. Taking into consideration the greater length of the Madras bridges and the greater depth of foundation the difference in cost is remarkable.

	Length of bridge.	Depth of foundation below low water.	Total cost.	Cost per lineal foot.
Madras Railway—	Feet.	Feet.	Rs.	Rs.
Cheyer ...	3,500	100	12,45,464	356
Tungabhadra ...	4,060	14	7,55,756	186
Chitravati ...	2,670	18 to 78	13,58,194	509
Papaghni ...	2,110	52½ to 62	9,94,930	453
B. N. Railway—				
Tonse ...	1,194	27¾	14,08,401	1,180
Weinganga ...	1,450	21	10,03,733	677
Sheonath No. II.	2,250	6 to 12	8,83,593	393
Damoodar ...	2,364	4 to 75	10,39,006	422

The endeavour made in paras. 8 to 12 to show that the arguments raised against the Bengal-Nagpur Railway working in Madras territory, which were regarded as sound in 1895 are now no longer so, is ingeniously made, but practically the benefit of the Bengal-Nagpur Railway, not that of the trade of Madras, is at the bottom of the pleas put forward. Mr. Wynne strongly opposes any interference by the Madras Railway with the Bengal-Nagpur field of operation but would like a wholesale appropriation of the Madras Railway field by his Company.

The construction of the Raipur-Vizagapatam line is considered by the Government necessary as a famine protective work, but in the opinion of the Agent, Bengal-Nagpur Railway, the line needs no consideration unless it is constructed by his Company. Its importance as a famine protective work is quite outside the question of the constructing Agency. It is assumed by Mr. Wynne in para. 11 of his Memorandum that the Madras Railway if working the East Coast Railway to Vizagapatam would openly block all traffic northwards at Vizagapatam and that consequently very little traffic would use the Raipur-Vizagapatam route. There are no grounds whatever for this assumption and Mr. Wynne must have forgotten his letter of the 4th February 1898 and our reply thereto (to which reference is made more fully later on) when he wrote this portion of his Memorandum.

If it should be decided that the line to Raipur is to take off from Vizianagram instead of Vizagapatam, the originally admitted claim of the Madras Railway and of the Madras Mercantile Community—that the working of the East Coast Railway to *Vizianagram* should be given to this Company—deserves greater consideration at the hands of Government than it did in 1895. There is but little doubt that the Northern Agency if working to Vizagapatam, would so arrange rates that they would be obstructive from the Raipur line up to Vizagapatam and preferential from the Raipur line to Calcutta, on the one side viâ Raipur, Sini and Midnapur and on the other side viâ Vizianagram and Midnapur in accordance with the existing policy of the Bengal-Nagpur Railway as against Bombay and in favor of Calcutta. The port of Vizagapatam would be certain to receive fairer treatment in the event of the Southern Agency being given the working not only to Vizianagram but also of the line from Vizianagram to Raipur. This line could be constructed and worked by the Madras Railway on terms which would have no effect on the value of the Madras Railway shares.

14.— In proof of the obstructive rates levied by the Bengal-Nagpur Railway against Bombay the following examples are quoted :—

		Miles.	Rs. A. P.
Bombay to Dongargarh Via Nagpur	G. I. P....	520	0 6 7
	B. N. ...	127	0 4 2
		647	0 10 9
Calcutta to Darikasa Via Asansol	E. I. R....	132	0 1 2
	B. N. ...	515	0 5 6
		647	0 6 8
Bombay to Musra Via Nagpur	G. I. P....	520	0 6 7
	B. N. ...	135	0 4 5
		655	0 11 0
Calcutta to Salekasa Via Asansol	E. I. R....	132	0 1 2
	B. N. ...	524	0 5 3
		656	0 6 5

15.— On grain traffic viâ Nagpur with Bombay an obstructive charge ranging from 8 to 16 pies per maund is also levied as compared with the viâ Asansol grain rate with Calcutta.

One of the great advantages which, in para. 14 of the Note, it is urged Madras would obtain if the Bengal-Nagpur Railway worked the whole of the East Coast Railway, is the delivery of Bengal coal by rail at a price which would compete with Bengal coal delivered by sea and with coal from Singareni. Does Mr. Wynne wish this to be taken seriously? A rate of 2 pies per ton per mile, which is nearly 30 per cent. below the minimum rate sanctioned by Government would, *in the absence of return traffic and the consequent empty vehicle haulage*, be a non-paying rate. Yet even this very low rate would work out approximately to Rs. 12 per ton for freight alone on coal brought to Madras from the nearest of the Bengal mines. How therefore coal from the Jherriah field can compete with Singareni, or even with Bengal coal delivered by sea, is not clear. At present the Kolar Gold Mines are supplied with Bengal coal landed at and despatched by rail from Madras but if the working of the East Coast Railway was in the hands of the Madras Railway, Singareni coal would doubtless flow to the Kolar mines.

16.— Paras. 15, 16 and 17 of the Memorandum deal with the question of rates and it is again assumed that the Madras Railway would fix charges which would block traffic to the North and would quote as high rates as possible with the view of increasing its share of receipts for working the Madras-Vizagapatam Section. It is also stated that the Madras Railway would be inclined to be less liberal than the Bengal-Nagpur Railway as the possibility or not of immediate profit would be of greater importance to the former Railway. I would again repeat that there are no grounds whatever for assuming that the Madras Railway would block traffic to the north and also that the proposed terms for working the section—that is, without any profit accruing to the Madras Railway—renders the levying of high rates for the purpose suggested quite unnecessary. Further, it is a fallacy to assume that the Madras Railway could not afford to quote rates which would not give immediate profit. The Share-holders under any circumstances are paid the interest which is guaranteed to them, so that the Madras Railway can afford to quote rates lower than any which would be likely to be permanently approved by the Board of the Bengal-Nagpur Railway.

17.— The proposals of this Company with respect to rates on the East Coast Railway will be found in my letter No. 9138/269 of the 26th March 1898 in answer to your letter No. 767 of the 16th idem, with which you forwarded to me for consideration a copy of letter No. 827, dated 4th February 1898, from the Agent, Bengal-Nagpur Railway, who suggested that a

rates agreement be entered into between the Bengal-Nagpur and Madras Railways, the Bengal-Nagpur Railway to have the right to quote any rates it liked within the limits authorized by Government to and from the Calcutta side up to and viâ Bezwada, the Madras Railway similarly to have the right to quote rates up to and viâ Cuttack. This proposal made no provision for rates to and from Vizagapatam from which traffic would be unfairly drawn either to Madras or Calcutta. The suggestions made in my reply are as follows :—

1. That the Railway or Railways from Madras, subject to para. 3, are to have the right to quote equal mileage rates from and to stations up to and viâ Cuttack.
2. That the Railway or Railways from Calcutta are to have the right to quote equal mileage rates, subject to para. 3, from and to stations up to and viâ Bezwada.
3. That the Railway or Railways at the port of Vizagapatam are to have the right to quote equal mileage rates to the equi-distant point on either side in the direction of Calcutta and Madras, equal rates to be allowed to overlap the equi-distant point in each direction.
4. The term "equal mileage rates" to mean that rates from competing ports shall not only be the same per mile, but that where they pass over more than one railway the total sum collected upon a consignment or consignments, exclusive of terminal charges shall be divided between the Railways concerned in proportion to the miles traversed.

I added, "These proposals are intended to stop Madras from competing unfairly "beyond the half-way distance to Vizagapatam and to place Calcutta in the "same position and it may be arranged that any difference of opinion as to the "rate per mile to be paid might in cases of dispute be referred to the Claims "Arbitration Committee for settlement, both the Madras and the Bengal-"Nagpur Railways being parties to that Committee. The proposals herein "shadowed will prevent traffic from being drawn unfairly to either Calcutta "or Madras as would, I am afraid, be the case if the proposals of the Bengal-"Nagpur Railway were agreed to."

In concluding my letter I pointed out how necessary it was that the interests of the District should be considered with care.

18.— The above letter proves clearly that the Madras Railway never had the intention of quoting obstructive rates. The proposals made do not seem to be acceptable to the Bengal-Nagpur Railway and they therefore now desire to have the working of the whole line so as to attract all traffic to Calcutta.

19.— It will be interesting to quote a portion of the letter of 4th February 1898 (referred to above) from the Agent, Bengal-Nagpur Railway, as it indicates the policy of that Railway.

"The interests of the Bengal-Nagpur Railway will be to attract as much traffic as "possible by low rates in the direction of Calcutta and high rates in the "direction of Madras from Stations on the Cuttack-Vizianagram section."

20.— Promises can be very readily made but to form an accurate estimate of the policy of any Railway it is, perhaps, advisable not merely to look at what it proposes to do in the future under certain conditions but also to examine what it has done in the past quite irrespective of extensions. We may therefore compare the passenger fares of the Bengal-Nagpur and Madras Railways which are as follows :—

	First	Second	Third class. Intermediate	Third class. Ordinary.
Bengal-Nagpur Railway ...	18 pies	8 pies	3 pies Mail.	2 pies.
Madras Railway ...	12 „	6 „	2½ „	2 „

21. We may also compare the scale of rates for grain at present in operation on the two Railways.

Bengal-Nagpur Railway.						Madras Railway.					
⅓rd pie or .333	for	300		Miles and under		1	to	100	Miles	·296	pies.
·296	„	301	to	375	Miles	101	„	210	„	·259	„
·269	„	376	„	400	„	211	„	270	„	·222	„
·241	„	401	„	450	„	271	„	350	„	·177	„
·222	„	451	„	475	„	351	„	400	„	·162	„
·194	„	476	„	525	„	401	„	500	„	·158	„
·185	„	526	„	550	„	501	„	550	„	·131	„
·157	„	551	„	600	„	551	„	600	„	·122	„
·111	„	601	„	and over		601	„	700	„	·111	„

22. Sufficient has been written to show that whether we take the rates at present in force on the systems of the two Railways, or the rates proposed to be charged on the East Coast Railway when that line is divided for working purposes, the advantages are all in favor of the Madras Railway.

23. There is one important point which must not be forgotten. It is this: the Madras Railway could have no desire to divert traffic to the **West** or **North**. The Bengal-Nagpur Railway would often have an interest in doing so.

24. Regarding the suggestion made in para. 18 of the Note to place a Railway representative in Madras, it may be pointed out that in the natural order of things he could not have the same influence or authority as the Head quarters Officials in Calcutta. Until the Bengal-Nagpur Railway has the working of the Southern section of the East Coast Railway it will have no interests whatever in Madras and if this event ever takes place, its interests here will be subordinated to those of Calcutta. Whatever may be said to the contrary there is no doubt that the interests of the Bengal-Nagpur Railway lie in Calcutta and they are far too important to allow of that Railway showing any preference to Madras. The Chairman of the Bengal-Nagpur Railway and also the Managing Director are Merchants of Bengal, if not of Calcutta City. In the course of a few months the offices of the Railway will be located at Calcutta and that it is a far cry from Madras to Calcutta is well known in respect of many questions affecting the Madras Presidency. It is not reasonable to expect the Bengal-Nagpur Railway to do otherwise than work the Southern section, if they obtain it, for the benefit of Calcutta. On the other hand, the interests of the Madras Mercantile Community and the Madras Railway are identical. The whole of the Merchants and Traders from Madras to Ganjam are financed from Madras and the East Coast Railway should be worked from Madras. There seems to be very little doubt that if any Railway with its headquarters at Calcutta became the Agency for working the East Coast Railway as a whole, the Trade of the Coast would very soon be financed from Calcutta.

25. The advantages to the Presidency of having the Madras Railway as the working Agency of the Southern section appear to be so great as to make the claim of the Bengal-Nagpur Railway unworthy of the slightest consideration.

26. In para, 19 Mr. Wynne summarizes the conclusions to be drawn from his letter. It is assumed that the earlier construction of the Raipur-Vizagapatam line and other extensions would be brought about by the Bengal-Nagpur Agency. The conclusion is based upon the assumption of the influence of the Bengal-Nagpur administration and of the disposition of the Government of India to accept this influence whether it is in the interests of the districts and of the Mercantile Communities concerned or not. It is also assumed that the necessity or otherwise of the Raipur extension as a famine protective work would not be considered if the interests of the Bengal-Nagpur Railway were adversely affected. Both these conclusions, it is feared, can scarcely be said to be complimentary to the Government of India.

27. The advantage held out of Bengal Coal being delivered by rail at a rate to compete with present coal supplies at Madras, is, as I have shown, one which cannot be attained.

28. As regards the other advantages claimed I would remark that the Central and North West Provinces would undoubtedly be opened for Madras trade if the East Coast Railway to Vizianagram and the Raipur extension were worked by the Madras Railway, but it seems impossible that the interests of Calcutta would permit this in the event of the Bengal-Nagpur Railway becoming the working Agency.

29. Having replied in detail to the several points raised by Mr. Wynne, the opportunity may now be taken to place on record some important facts connected with the East Coast Railway.

30. Certainly the Southern portion, if not the whole of the Madras-Calcutta line, was fought for and sanction obtained by *Madras* influence and *Madras* influence alone. The influence of the Bengal-Nagpur Railway has never been used to favour the construction of the line, but that Railway would like to secure all the advantages it can, now that it has been constructed. The interests of the Madras Merchants should not, however, be allowed to be sacrificed for the benefit of the Bengal-Nagpur Railway.

31. So far back as February 1890 the Board of the Madras Railway offered to construct and work the proposed Madras-Bezwada line and also offered to work the East Coast Railway—then sanctioned from Bezwada to Cuttack—when it was completed. Definite terms were proposed in July 1890 which were considered by the Madras Government to be reasonable. See G. O., Nos. 685 R. of the 19th May 1890 and 1289 R. of the 28th August 1890. In a further G. O., dated the 15th August 1891, No. 1880 R., the Madras Government recommended that the Madras to Bezwada line should be undertaken and its construction entrusted to the Madras Railway and further that the working of the East Coast Railway from Bezwada to Cuttack should be given to the Madras Railway.

32. This recommendation was endorsed by the Madras Chamber of Commerce, and I may quote from the address presented to H. E. the Viceroy on his visit to Madras in November 1892.

> "The Chamber has already expressed the opinion that it would be for the advan-
> "tage of this Presidency and of Commerce in general, were the construction
> "of this section of the line (Madras-Bezwada) and the working of the whole
> "as far as Cuttack, entrusted to the Madras Railway Company, and it con-
> "tinues of that opinion, in which it trusts Your Excellency may be brought
> "to concur."

33. The Madras Press also warmly approved of the recommendation of the Madras Government, the following quotation being taken from the *Madras Mail* of the 28th November 1892.

> "It has already been pointed out by the Chamber of Commerce, and in this
> "journal, how the surest way to obtain for Madras such share of the trade
> "of the Northern districts as it is possible under existing circumstances to
> "obtain, is to entrust the working of the East Coast line to the Agency of
> "the Madras Railway Company, whose interests are all in Madras."

34. The Chamber of Commerce and the Madras Press have also been keenly alive to the fact that unless the interests of this Presidency were carefully guarded, the trade of the East Coast would be diverted from its legitimate course. In the Memorial to the Secretary of State forwarded in May 1892 the Chamber drew attention to the vital importance in the interests of the Commercial public of this Presidency of placing Madras in a position to retain the trade of the Kistna and Godavery Districts and of the provinces adjacent to its own Northern borders. This cannot be done if the working of the whole of the East Coast Railway is given to a Railway with no interests in Madras and very important interests in Calcutta.

35 — I would also invite attention to articles which have appeared in the Press which may be accepted as the opinion of the public on this question. In an article in the *Madras Mail* of the 19th August 1891 dealing with the future working of the East Coast Railway, the division of the line into two parts at or near Ganjam was suggested, thus making them practically co-terminous with the limits of the Bengal and Madras Presidencies. The rumour that the Southern portion was to be given to the Nizam's Railway and the Northern to the Bengal-Nagpur Railway was then alluded to and the article proceeded thus :—

> "It is the interest of the Districts through which the line will run that their pro-
> "duce and imports should be carried for the lowest possible rates, that every
> "facility should be given for the grain of the Central Provinces to find its
> "natural markets in lieu of those of the Western Coast, to which it
> "has been by force of circumstances accustomed and that East Coast
> "salt should by means of economical carriage obtain as extended a
> "market as possible. It is the interest of the Presidency that the trade of
> "these districts should be carried on through its own ports and not through
> "those of another Presidency and also that these ports should obtain the
> "trade of the adjacent Districts of other provinces for as large a radius as
> "possible. The Railway administration as a commercial undertaking will
> "endeavour to serve its own interests, and those are to carry the traffic for
> "as long a distance as possible over its own line for as high rates as it will
> "bear. It is important therefore, that the Agency finally selected to work
> "the line should be one whose own interests are compatible with the others
> "above mentioned."

36 — The proposition regarding the Nizam's Railway was then considered and disapproved of and the proposed working by the Bengal-Nagpur Railway was then referred to thus :—

> "At the Northern end of the line again the Bengal-Nagpur Railway is busily
> "trying to divert the trade of the country it serves from Bombay to Calcutta
> "and will not be inclined to favour any fresh diversion to the Madras ports."

37 — The claims of the Madras Railway "whose interests lie entirely in our own Presi-"dency" were then considered and the conclusion arrived at that "any efforts of the Madras "Railway to obtain a long lead would merely be setting off the interests of one port against "those of another and its policy could not be antagonistic to the interests of the Presidency as "a whole."

Again in the *Madras Mail* of February 16th, 1892, we read :—

> "In our former articles we showed how the interests of the Northern Railway
> "lines were antagonistic to the interests of Madras and how the speedy esta-
> "blishment of direct communication between Madras and the East Coast
> "Railway was necessary to prevent the legitimate trade of the former being
> "diverted to other ports."

Again, *Madras Mail* of 20th May 1892 :—

> "If the Government finally decided to work the East Coast Railway by its own
> "Agency the conditions would perhaps be somewhat altered, from the Calcutta
> "point of view, though it would only increase the vital necessity to Madras
> "of retaining the connecting link in the hands of a Company with local
> "interests."

38 — In the issue of *Madras Mail* of the 1st August 1892 there is another article regarding the proposed working of the Southern portion of the East Coast Railway by the Nizam's Railway, in which it is pointed out that by quoting, in combination with the Great Indian Peninsula Railway, low through rates traffic would be attracted to Bombay, the result

being to deprive the Madras ports of a large proportion of the traffic which legitimately belongs to them and the article proceeds :—

> "If the Nizam's Railway Company works these Southern Sections it almost neces-
> "sarily follows that the Bengal-Nagpur Company will, when its own link is
> "filled in, obtain the Northern Sections and the same process will be repeated
> "there with Calcutta for its objective point. On the other hand, the interests
> "of the Madras Railway Company lie entirely within the Madras Presidency
> "and its efforts would be directed towards strengthening the traffic of the East
> "Coast Ports and later, when the Madras-Bezwada Section is completed, of
> "Madras itself, and also to fostering the local traffic between the East Coast
> "districts and those served by its own main lines and the South Indian
> "Railway ; and this perhaps is the most important point of all."

39 — Further extracts could be given not only from the *Madras Mail* but also from the *Madras Times* and other Newspapers, all containing practically the same views but I have already quoted at great length. I have, however, given these lengthy Press opinions as they doubtless had great weight with the advisers of the Government of India, showing as they do the strong views held by the public of the Madras Presidency on the important question of the working of the East Coast Railway.

40 — The decision of the Government of India that the Bengal-Nagpur Railway should work the line from Calcutta to Vizianagram and the Madras Railway the portion from Vizianagram to Madras, was arrived at after mature consideration and the Agent, Bengal-Nagpur Railway in seeking to have the question reopened has acted hastily. You are aware that negotiations regarding the terms for working the Southern section are still pending with the Government. Had Mr. Wynne sufficient reason to suppose that the negotiations had failed it was open to him to address the Government on the subject. I am not aware that he has done so. By sending his Memorandum to a Newspaper for publication he has spread far and wide to the detriment of this Railway many incorrect and misleading statements and given rise to erroneous impressions in the minds of Government officials and the general public. I do not think, therefore, I am unreasonable in asking that the same publicity be given to this letter.

I am, Sir,
Your obedient Servant,
LOUIS S. MOSS,
Agent and Manager.

LAWRENCE ASYLUM PRESS, MOUNT ROAD.