Public Works (1899) Department.

RAILWAY BRANCH.

G.O., No. 771. Ry

DATED 13th July 1899.

Includes Go. No. 610-11. Ry of 30/6/99

Prot 21/7 69

T.C.C

[Despatch Abstract.]

Moiety of the amounts charged for Interest on overdrawn Capital &c against net earnings of the M.Ry

Communicating to the Agent, M.Ry & the Exr, Ed Ry Accts, Madras, letter from the Govt. of India passing orders in regard to the claim by the Company for a refund of a — for the half years ended Decr 1897 & June 1898.

[P. W. 26.
200—30-3-99.]

Indexed.

BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.
284 Ry	9.12/3/00						

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

RAILWAY.

Government (1899) of Madras.
PUBLIC WORKS.

Recd. } 1899. *Enclosures*

Regd. *Spare copies*

G.O., No. 771 Ry., 13th July 1899.

JULY.

Moiety of the amounts charged for interest on overdrawn Capital, etc., against the net earnings of the Madras Railway

Communicating to the Agent, Madras Railway, and the Examiner, Guaranteed Railway Accounts, Madras, letter from the Government of India passing orders in regard to the claim by the Company for a refund of a — for the half-years ended December 1897 and June 1898.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway

Read again the following papers :—

G.O., No. 903 Ry., dated 9th July 1898.

From—The Agent and Manager, Madras Railway.
To—The Consulting Engineer for Railways.
Dated—Madras, 12th January 1899, No. 10684/46.

With reference to G.O., No. 903, dated 9th July 1898, I have the honour to forward, herewith, extract from a letter from the Secretary, No. 986, dated the 2nd December 1898, signifying the Board's acceptance of the Secretary of State's ruling in respect of the interest on Calicut-Cannanore debentures.

I enclose, also, copy of Chief Auditor's letter, No. A. 3/138—38, dated the 11th instant, and beg that the sanction of Government may be obtained for the refund to the Company of the sum of Rs. 2,816-10-6, moiety of the interest paid on overdrawn capital.

Enclosure No. 1.

Extract from a letter from—The Secretary to the Board of Directors.
To—The Agent and Manager, Madras Railway.
Dated—London, 2nd December 1898, No. 986.

11. On the 25th ultimo, I forwarded, for your information, copy of a communication from the India Office, dated 22nd November, acknowledging the receipt of the Board's letter of the 7th October 1898, referred to in paragraph 12 of 982, and stating that the Secretary of State is unable to find sufficient ground for modifying the decision at which he had previously arrived with regard to interest on the debentures raised for the Calicut-Cannanore extension. The Board, therefore, accept the Secretary of State's ruling.

Enclosure No. 2.

From—The Chief Auditor, Madras Railway.
To—The Agent and Manager, Madras Railway.
Dated—Madras, 11th January 1899, No. A. 3/138—38.

The Board in paragraph 11 of their letter, No. 986 of the 2nd December 1898, state that they have now accepted the ruling of the Secretary of State for India in Council, that the interest on debentures raised for the Calicut-Cannanore extension be charged against the Company's surplus profits.

Under these circumstances I would ask that the Government be requested to refund to us our share of the amount of interest on overdrawn capital, etc., included in our accounts as follows :—

			RS.	A	P.
December	1897	—Interest on overdrawn capital			
June	1898	Do. do.	5,037	14	6
		Difference in exchange on interest on Arcot-Ranipet expenditure	393	2	11
		... ...	202	3	7
			5,633	5	0
		Moiety of balance due to Company ...	2,816	10	6

I cannot see any difficulty in the matter, as the Government can hardly contend that they are justified in charging us interest on overdrafts of capital, while they held in their hands some £99,000 upon which our surplus profits paid interest.

From—The Consulting Engineer for Railways, Madras.
To—The Agent and Manager, Madras Railway.
Dated—Madras, 19th January 1899, No. 218.

With reference to your letter No. 46, dated the 12th January 1899, I have the honour to forward, herewith, copy of a note thereon by the Examiner, Railway Accounts. I understand that you have not been authorized by your Board, to make the demand suggested by your Chief Auditor, which seems to me to be of a nature requiring that you should have received, in regard to it, special instructions.

Enclosure.

Office-note by the Examiner, Guaranteed Railway Accounts, Madras, dated 18th January 1899.

Under the terms agreed upon for the construction of the Calicut-Cannanore extension, separate capital has to be raised and separate capital accounts kept, for the extension. There is nothing in the agreement to show that capital raised for the extension may be utilized for purposes of the main line, or for covering an excess of expenditure over the capital raised for the Madras Railway proper. No refund of the charges against surplus profits on account of interest on overdrawn capital of the main line proper appears therefore to be due from Government.

From—The Agent and Manager, Madras Railway.
To—The Consulting Engineer for Railways.
Dated—Madras, 11th April 1899, No. 10684/B. 392.

With reference to your letter No. 218, dated the 19th January last, I have the honour to enclose an extract, paragraph 11, from a letter from the Secretary, No. 992, dated the 10th ultimo, authorizing me to again submit the Company's claim for refund of Rs. 2,816-10-6, moiety of interest paid on overdrawn capital, I beg to request that the sanction of Government may now be obtained to the refund applied for.

Enclosure.

Extract from a letter from—The Secretary to the Board of Directors.
To—The Agent and Manager, Madras Railway.
Dated—10th March 1899, No. 992.

11. *Regarding interest on overdrawn capital.*—The Board have had under consideration the question referred to in paragraph 15 of 2398, and they desire me to request that you will again submit our claim for a refund of the Rs. 2,816-10-6, moiety of interest paid on overdrawn capital, etc., on the ground that the Company have a large amout of undrawn capital in the hands of the Secretary of State in respect of the new extensions. It is understood that the financial authorities at the India Office consider that so long as the balance of the funds of the combined undertakings is in favour of the Company, there is no claim for interest on overdrawn capital on either account.

Order—No. 610 Ry., dated 30th May 1899.

The Government of India will be addressed.

From—The Joint Secretary to the Government of Madras, P.W. Dept., Ry. Branch.
To—The Secretary to the Government of India, Public Works Department.
Dated—Ootacamund, 30th May 1899, No. 611 Ry.

I am directed to seek the orders of the Government of India in regard to a claim preferred by the Madras Railway Company for a refund of Rs. 2,816-10-6, being a moiety of the interest on overdrawn capital, etc., charged against the net earnings of the railway for the half-years ended December 1897 and June 1898. The amount being made up as under:—

		RS.	A.	P.
December 1897	Interest on overdrawn capital	5,037	14	6
June 1898	Do. do.	393	2	11
	Difference in exchange on interest on Arcot-Ranipet Branch expenditure	202	3	7
		5,633	5	0
	Company's moiety ...	2,816	10	6

2. From the enclosed extract from a letter from the Board of Directors, to the Agent and Manager, Madras Railway, it will be observed that the views of the India Office Financial authorities are said to be in favour of the Company's claim.

3. During the above periods when surplus profits were realized, the open line overdrew its capital, and before the divisible surplus was declared the following deductions from net earnings were made:—

(i) Interest on overdrawn capital on the main line.
(ii) Interest on the total capital (£100,000) raised for the Calicut-Cannanore extension.
(iii) Difference between interest at 1*s.* 10*d.* and at the average rate of exchange on the actual expenditure on the Arcot-Ranipet Branch.

4. The Company's contention is that, since the undrawn balance of capital raised for the Calicut-Cannanore extension more than sufficed to cover the overdraft on the main line, and since the whole of the interest on the extension capital was charged against net earnings (in accordance with the Secretary of State's despatch, Railway No. 1, dated 9th June 1898, addressed to this Government), it is unreasonable that the main line should, in addition, be charged interest on overdrafts.

5. The outlay on the Arcot-Ranipet Branch is met from the Calicut-Cannanore extension capital, on which full interest at the average rate of exchange has been recovered from the main line; the special charge in connection with the branch would therefore appear to be an excess debit.

6. As the Company appear fairly entitled to a refund, I am to recommend that it be sanctioned.

From—The Secretary to the Government of India, Public Works Department.
To—The Joint Secretary to the Government of Madras, P.W. Dept., Ry. Branch.
Dated—Simla, 3rd July 1899, No. 196 A.R.

I am directed to acknowledge the receipt of your letter No. 611 Ry., dated 30th May 1899, regarding a claim by the Madras Railway Company for a refund of a moiety of the amounts charged for interest on overdrawn capital, etc., against the net earnings of the Madras Railway, for the half-years ended December 1897 and June 1898.

2. It is contended that since the undrawn balance of the capital raised for the Calicut-Cannanore extension more than sufficed to cover the overdraft of the main line and since the whole of the interest on the extension capital was charged against net earnings in accordance with the Secretary of State's decision, the charge for interest on overdrawn capital was unreasonable.

3. In reply, I am to point out that under the terms for the construction and working of the Calicut-Cannanore extension, as agreed to by the Madras Railway Board, the requisite capital for the extensions has to be raised by the issue of guaranteed debentures and an entirely separate capital account and a separate account of gross earnings have to be kept, the transactions being converted at the "prescribed" rate of exchange. Under these circumstances, the capital and interest thereon have to be dealt with in the accounts quite separately from the main line capital and interest to which the 1*s.* 10*d.* rate of conversion applies, and the Government of India consider it only right that all the transactions pertaining to the two capitals should be treated as quite separate and distinct. They are, therefore, unable to accept the Company's view that a balance of capital at credit of the extensions may be taken as a set off against an overdraft on the main line, or *vice versa*, and interest on overdrawn capital charged only when the combined capital is exceeded.

4. As regards the item of Rs. 202-3-7 included in the surplus profits statement for the first-half of 1898 on account of the difference in exchange on interest on the Arcot-Ranipet Branch expenditure, I am to state that a refund of a moiety of the amount may be admitted by the Government Examiner, now that it has been decided that the funds for this branch are to be provided from capital of the Calicut-Cannanore extension instead of from the Madras Railway capital.

Order—No. 771 Ry., dated 13th July 1899.

Communicated to the Agent and Manager, Madras Railway, and the Examiner of Guaranteed Railway Accounts, Madras.

(True Extract.)

Francis J. E. Spring,
Joint Secretary.

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

Exd T. K. Narayana Aiyangar.

RAILWAY.

Government {1898} of Madras.

PUBLIC WORKS.

Recd. } 1898. *Enclosures*

Regd. *Spare copies*

G.O., No. 903 Ry., 9th July 1898.

JULY.

Interest due on Debentures issued for the Calicut-Cannanore Railway

Letter from the Secretary of State for India stating that the — for the second-half of 1897 should be charged against surplus profits, Madras Railway, communicated to the Agent and Manager.

GOVERNMENT OF MADRAS.

PUBLIC WORKS DEPARTMENT.

Railway.

Read the following paper:—

From—The Right Honourable the Secretary of State for India.
To—His Excellency the Honourable the Governor in Council, Fort St. George.
Dated—India Office, London, 9th June 1898, No. 1, Railway.

In the letter from your Excellency's Government, No. 4, Railway, dated 8th April 1898, enclosing the accounts of the Madras Railway for the second-half of last year, you ask whether the interest due for the half-year on debentures issued for the Calicut-Cannanore extension should be charged against surplus profits. The answer to this enquiry is in the affirmative, as will probably have been understood from my telegram * of the 4th June, quoted in the margin.

2. I transmit, for the information of your Excellency's Government, a copy of correspondence † that has passed between the Company and this office on the subject.

* Telegram from Secretary of State, to Governor of Madras, dated 4th June 1898.
Pay Agent, Madras Railway Company, Rs. 914, less income-tax, Company's share of surplus profits for half-year ending 31st December last. Despatch follows.

† Letter from Madras Railway Company, dated 29th March 1898.
Letter to Madras Railway Company, dated 3rd May 1898.

Enclosures.

From—The Secretary, Madras Railway.
To—The Under Secretary of State for India, India Office, S.W.
Dated—61, New Broad Street, London, E.C., 29th March 1898, No. 9133.

Calicut-Cannanore Extension.

Adverting to Sir Horace Walpole's letter, P.W. 134, dated 17th March 1897, and to paragraph 6 of the Board's reply of the 9th April 1897, I am directed to inform you that a letter has recently been received from the Agent and Manager at Madras, stating that the Government Examiner has expressed the opinion to Mr. Dunsterville, the Company's Chief Auditor, that interest on the sum of £100,000, raised by the issue of debentures, for the construction of the Calicut-Cannanore extension, will be chargeable against any surplus profits that may accrue from the working of the Madras Railway for the half-year ending 31st December last.

The view of the Chief Auditor, in which the Agent and Manager concurs, is that the sixth paragraph of the terms of agreement, as cited in the Board's letter of the 9th April 1897, accepting the terms proposed, shows that there must be net earnings of the extension before the Company's surplus profits can be affected, and that these will only be chargeable when the extension is in a position to earn revenue, *i.e.*, when the line is opened for traffic.

The interpretation put upon the paragraph in question by the Agent and Manager and Chief Auditor, is entirely in accordance with the understanding arrived at by the Board at the time the proposals of the Secretary of State were under discussion.

The Madras Railway Company, after many years of progressive development of its revenue and improvement of its administration, has brought the net revenue of the railway up to the point where, by a continuance of careful management, the shareholders may expect to receive some small share of surplus profits.

The Board would point out that the removal of this stimulus to good management, just as the shareholders begin to reap the fruit of their labours, could scarcely have been intended by his Lordship, and they venture to submit for his Lordship's consideration that, having regard to all the circumstances of the case, he will agree to special arrangements which will have the effect of throwing upon capital the charge for interest on the cost of this addition to the Company's system—an addition which they would point out has been already surrounded by stringent protective provisions.

I am to add that on the 23rd instant a telegram was received from our Agent and Manager as follows:—

> "Letter two three fifty, paragraph sixteen. Telegraph instructions. Accounts delayed."

On the 25th instant the Board wired the following reply:—

> "Calicut-Cannanore. Board support Dunsterville."

From—Sir HORACE WALPOLE.
To—The Secretary, Madras Railway.
Dated—3rd May 1898, P.W. 653.

I am directed by the Secretary of State for India in Council to acknowledge receipt of your letter, dated 29th March, submitting that interest on the £100,000 debentures issued on account of the Calicut-Cannanore extension should not, during construction, be chargeable against the surplus profits of the Madras Railway.

In reply I am to express to you Lord G. Hamilton's regret that the request of your Board cannot be complied with. The arrangement in question is clearly provided for in the agreement between the Secretary of State and your Company, while further, the Secretary of State is legally precluded from sanctioning any charge to Capital on account of the debenture interest.

Order—No. 903 Ry., dated 9th July 1898.

Communicated to the Agent and Manager, Madras Railway, for information in continuation of G.O., No. 808 Ry., dated 14th June 1898.

(True Extract.)

Francis J. E. Spring,
Joint Secretary.

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

Exd. T. K. Narayana Aiyangar.

S.P

Print

Extract from a letter from the Secretary, Madras Railway to the Agent and Manager No 986, dated 2nd December 1898.

11. On the 25th ultimo, I forwarded for your information copy of a communication from the India Office, dated 22nd November, acknowledging the receipt of the Board's letter of the 7th October 1898, referred to in para 12 of 982, and stating that the Secretary of State is unable to find sufficient ground for modifying the decision at which he had previously arrived with regard to interest on the Debentures raised for the Calicut-Cannanore Extension. The Board, therefore, accept the Secretary of State's ruling.

(True Extract)

Alfred Blake

Chief Clerk

hands some £ 99,000 upon which our surplus profits paid interest.

Yours faithfully

(Sd) F. Dunsterville.

Chief Auditor

(True Copy)

Dro Alfred Blake

Chief Clerk.

2 302 1899

10684/46 12.1.99

FROM Am

MADRAS RAILWAY.

From The Agent and Manager.

To The Consulting Engineer for Railways.

No.

Dated

Recd.

(No. II.)

No. 10684.

46

MADRAS RAILWAY.

AGENT AND MANAGER'S OFFICE,

Madras, 12th January 1899.

CONSULTING ENGINEER RECEIVED 14 JAN 1899 MADRAS.

C. No. 302 Recd. 14.1.99

From

The *Agent and Manager.*

Madras Railway Company.

To

The *Consulting Engineer for Railways.*

Madras.

SIR,

With reference to G. O No. 903 dated 9th July 1898, I have the honor to forward herewith extract from a letter from the Secretary No. 986 dated the 2nd December 1898, signifying the Board's acceptance of the Secretary of State's ruling in respect of the interest on Calicut–Cannanore Debentures.

I enclose, also, copy of Chief Auditor's letter No. A3/138/98 dated the 11th instant, and beg that the sanction of Government may be obtained for the refund to the Company of the sum of Rs. 2,816.10.6, moiety of the interest paid on overdrawn capital.

I have the honor to be,

Sir,

Your most obedient Servant,

Agent and Manager.

Encls. 2.

MADRAS RAILWAY.

From
The Agent and Manger.

To
The Consulting Engineer
for Railways.

Dated 188

Recd.

No.

Form No. 83. 300—30-6-98.

OFFICE OF THE CONSULTING ENGINEER FOR RAILWAYS,
Madras, 16 January 1899

31
ACCOUNTS, MADRAS

No 187

OFFICE NOTE.

Letter from the Agent, Madras Railway, No 166, dated 12 Jany 1899, forwarded to the Examiner of Railway Accounts. for remarks.

JKS
for E. R.
16/1

EXAMINER'S REPLY.

Flag N

Under the terms agreed upon for the construction of the Calicut-Cannanore Extension, separate capital was to be raised, and separate capital accounts kept, for the Extension. There is nothing in the agreement to show that capital raised for the Extension may be utilized for purposes of the Main Line or for covering an excess of expenditure over the capital raised for the Madras Ry proper. The refund of the charges against surplus profits on account of interest on overdrawn capital of the Main Line proper appears therefore to be due from Govt.

EWallace
C R 18/1/99

18/1/99
4.40 pm

8.U
19-I-99.

No. 218

Print

19th January 1898.

To Agt.

Sir,

With reference to your letter No. 46, dated the 12th January 1898, I have the honour to forward herewith copy of a note thereon by C.R. I understand that you have not been authorised by your Board to make the demand suggested by your Chief Auditor, which seems to me to be of a nature requiring that you should have received, in regard to it, special instructions.

I have &c

19/1/99

Enclosure

Despatched on 19.1.99

Rec 19.1.99

Print

Extract from a letter from the Secretary No. 992 d/10-3-99.

Re Interest on overdrawn Capital.

11. The Board have had under consideration the question referred to in para. 15 of 2,398, and they desire me to request that you will again submit our claim for a refund of the Rs. 2,816 : 10 : 6, moiety of interest paid on overdrawn capital, &c., on the ground that the Company have a large amount of undrawn capital in the hands of the Secretary of State in respect of the new Extensions. It is understood that the financial authorities at the India Office consider that so long as the balance of the funds of the combined undertakings is in favour of the Company, there is no claim for interest on overdrawn capital on either account.

1 Am 392 1917/99 11.4.99

a letter from the

the 10th ultimo, authorising me to again submit the Company's claim for refund of Rs 2816-10-6, moiety of interest paid on overdrawn Capital, I beg to request that the Sanction of Government may now be obtained to the refund applied for.

I have the honour to be,

Sir,

Your most obedient Servant

pr. Agent & Manager

Enc.
1.

Form No. 33.

OFFICE OF THE CONSULTING ENGINEER FOR RAILWAYS,
Madras, 15th April 1899.

EXAMINER, RAILWAY ACCOUNTS, MADRAS.
Regr. No. 212
15 APR 1899
Enclosures……

No. 1200.

OFFICE NOTE.

Letter from the Agent~~y~~ Manager Madras Railway, No. $\frac{10684}{B\ 392}$, dated 11th April 1899, forwarded to the Examiner of Railway Accounts. for favor of remarks.

A. B.

for E. R.

77 1/2

22.4.99

M

D, fr orders.

EXAMINER'S REPLY.

Please see my predecessor's remarks on your office note No. 187 d/ 16.1.99: the question may, if approved, be referred for the orders of the Govt of India, as the Board wish the claim pressed and state that the views of the India office or authorities are in favour of their contention.

The opinion said to be held by the India office "that so "long as the balance of the funds

"of"

"of the combined undertaking" "is in favour of the Coy: there" "is no claim for interest on" "overdrawn capital on either" "account" appears reasonable, as interest on capital raised for the extensions is charged against the main line surplus profits, it does not seem fair to charge interest on the main line overdrawn capital also against surplus profits so long as the overdraft is covered by undrawn extensions capital.

The Company might, at some future time when the extensions earn surplus profits, gain by arranging so as to overdraw capital for the extensions against an undrawn balance of main line capital, or vice versa; but I think this question can be left to be dealt with when it arises.

A draft of a letter to the Govt. of India is put up for approval

J.G.W. 21/4/99

26/4/99

C.R. 20.4.99

FORM No. 43. [1,000 / 18-4-98]
File No.

Examiner, Railway Accounts, Madras.

File No.

Issue General Number.

——W. ——A.G. ——A.M.
——R. ——P. ——A.
——E.R. ——C.R.T. ——C.A., M.Ry.
——C. ——C.A., S.I.Ry.
——S.A., N.Ry. ——M.

(Misc.)
To

Enclos.

Dated
Despatched
Reminders Issued.
No. 1, dated
No. 2, dated
No. 3, dated
No. 4, dated
Reply received No. , dated

Receipt General Number.

——W. ——A.G. ——A.M.
——R. ——P. ——A.
——E.R. ——C.R.T. ——C.A., M.Ry.
——C. ——C.A., S.I.Ry.
——S.A., N.Ry.

(Misc.)
From

Enclos.

No.
dated
Reminders Received.
No. 1, dated
No. 2, dated
No. 3, dated
No. 4, dated
Reply Issued No. , dated

From Jt Secy Madras P.W.D. Ry Branch
To Secy to the G of I P.W.D.

Sir,

I am directed to request the orders of the G of I on a claim preferred by the Madras Ry Co: for a refund of Rs2816-10-6, being a moiety of the interest on overdrawn capital etc charged against the net earnings of the Ry for the half-years ended December 1897 and June 1898. The amount being made up as under —— (See over).

2. An extract from a letter from the Board of Directors to the Agt is attached, from which it will be observed that the views of the India office financial authorities are said to be in favour of the Coy's claim.

3. The Open line overdrew its capital during the above periods, when surplus

profits were realised, and before the divisible surplus was declared the following deductions were made from the net earnings.

(i) Interest on overdrawn capital on the main line.

(ii) Interest on the total capital (£100.000) raised for the C. C. Extension.

(iii) Difference between ~~&~~ of interest @ 9/10 at ~~the~~ the average rate of exchange, on the actual expenditure on the A. R. Branch

4. The Coy's contention is that, since there was an undrawn ~~unr~~ raised for balance of capital ~~on~~ the C. C. Extension, more than sufficient to cover the overdraft~~s~~ on the main line, & ~~since the latter was debited with the~~ the whole of the interest on the extension capital was charged against net earnings ~~the [illegible]~~, in accordance with the S. of State's Despatch Railway No 1 of 9.6.95 addressed to this Govt., it is unreasonable that the main line should, in addition, be charged interest on overdrafts.

5. The outlay on the A. R Branch is met from the C. C. Extension capital, on which full interest, at the average rate of exchange, has been ~~[illegible]~~ recovered from the main line; the special charge in connection with the Branch is, therefore, an excess debit —

FORM No. 43. [1,000 / 18-4-98.] Examiner, Railway Accounts, Madras.

File No. File No.

Issue General Number.

____ W. ____ A.G. ____ A.M.
____ R. ____ P. ____ A.
____ E.R. ____ C.R.T. ____ C.A., M.Ry.
____ C. ____ C.A., S.I.Ry.
____ S.A., N.Ry. ____ M.

(Misc.) To
Enclos.
Dated Despatched

Reminders Issued.

No. 1, dated No. 3, dated
No. 2, dated No. 4, dated

Reply received No. , dated

Receipt General Number.

____ W. ____ A.G. ____ A.M.
____ R. ____ P. ____ A.
____ E.R. ____ C.R.T. ____ C.A., M.Ry.
____ C. ____ C.A., S.I.Ry.
____ S.A., N.Ry.

(Misc.) From
Enclos.
No. dated

Reminders Received.

No. 1, dated No. 3, dated
No. 2, dated No. 4, dated

Reply Issued No. , dated

6. As the Coy appear fairly entitled to a refund, I am to ~~the Govt of Madras~~ recommend that it be sanctioned.

26/4/98

~~24~~ 25/4/98

Decr 1897. Interest on overdrawn capl.	Rs 5037.14.6.
June 1898. — Do.	393.2.11
— Do. Difference in exchange on interest on A. R Branch capl.	202.3.7
	Rs 5,633.5.0
Coy's entitled	Rs 2816.10.6

Form No. 34.

P. W. D., RAILWAY BRANCH.

CONSULTING ENGINEER'S OFFICE.

Madras, ____________ 189 .

OFFICE NOTE.

To
~~From~~ E. R.

~~To~~

I put up for approval proposed draft to India (written in C. R's office) on the subject of the claim of the Madras Ry for a refund of interest ~~charge~~ debited to that line on account of overdrawn capital.

The matter arose through the decision of the Sec of State to recover from the net earnings of the M. Ry the interest due on the capital ~~sub~~ raised for the E. C extension for the period during which that line is under construction. This capital, or a part of it, is I understand in the hands of Govt by being in a Govt Treasury.

It certainly appears right that if the Govt charge interest on an overdraft of capital for a part of the undertaking they should allow interest on the capital remaining unspent in the treasury of another part of the same undertaking.

~~It~~ All that the M. Ry however ask is that so long as the Capital of the combined undertaking (open line & construction) is not overdrawn interest should not be charged on any overdraft of the capital of a part of the undertaking. This appears to me a most reasonable request & one to be strongly recommended for sanction.

JLK
25.4.99.

Claim for [illegible] on overdrawn capital &c. Madras Ry.

Form No. $\frac{1}{A}$

PUBLIC WORKS DEPARTMENT,

RAILWAY BRANCH.

3

Papers to be read in Proceedings:—

G.O. No. 903 Ry. d/ 9.7.98. Read again.

Read also

Letter from the Agent Madras Ry. No. $\frac{10684}{46}$ d/ 12.1.99.

Do. No. $\frac{10684}{B\ 392}$ d/ 11.4.99.

8P

H.E. the Governor

G.O. and draft letter for approval

FWS

ORDER. No. 610 Ry. dated 30/5/99

Approved
A.H.
25.5.99

The Government of India will be addressed.

FWS

R

2/5/99

Issue
FWS
2/5/99

[illegible] 26/5/99

142 / 2/5/99 Ry 26/5/99

is not overdrawn interest shall

R. Form No. 12.

No. 611 Ry

Government of Madras,

PUBLIC WORKS DEPARTMENT,

RAILWAY BRANCH.

9P

To

The Secy. to the Govt. of India,
P. W. Department
Simla.

Print

Coty, the 30th May 1899.

Sir,

I am directed to ~~request~~ seek the orders of the Government of India ~~on~~ in regard to a claim preferred by the Madras Railway Company for a refund of Rs. 2,816-10-6, being a moiety of the interest on overdrawn Capital etc., charged against the net earnings of the Railway for the half-years ended December 1897 and June 1898. The amount being made up as under:-

6449.
2.54
25.5.99

December 1897.	Interest on overdrawn Capital	Rs. 5,037-14-6
June 1898	" " "	393- 2-11
--Do.--	Difference in exchange on interest on Arcot-Ranipet Branch expenditure.	Rs. 202- 3-7
		Rs. 5,633-5-0
	Company's moiety	Rs. 2,816-10-6

2. ~~An~~ From the enclosed extract from a letter from the Board of Directors to the Agent and Manager

Madras Railway it will be observed that the views of the India Office Financial Authorities are said to be in favour of the Company's claim.

3. During the above periods when surplus profits were realised, the open line overdrew its Capital and before the divisible surplus was declared the following deductions from net earnings were made.

(i) Interest on overdrawn Capital on the main line.

(ii) Interest on the total Capital (£ 100,000) raised for the Calicut-Cannanore Extension.

(iii) Difference between interest at 1 sh 10 d and at the average rate of exchange on the actual expenditure on the Arcot-Ranipet Branch.

4. The Company's contention is that, since the undrawn balance of Capital raised for the Calicut-Cannanore Extension more than sufficed to cover the overdraft on the main line, and since the whole of the interest on the extension Capital was charged against net

10P

earnings (in accordance with the Secretary of State's Despatch Railway No. 1, dated 9th June 1898 addressed to this Governmen it is unreasonable that the main line sho in addition be charged interest on overdrafts.

5. The outlay on the Arcot-Ranipet Branch is met from the Calicut-Cannanore Extension Capital, on which full interest at the average rate of exchange has been recovered from the main line, the special charge in connection with the Branch would therefore appear to be an excess debit.

6. As the Company appear fairly entitle to a refund I am to recommend that it be sanctioned.

F.W.S.
R.
7/5/99

Despatched on 30/5/99

Documents accomy:
Extract referred to.

JOINT SECRETARY TO GOVT. OF MADRAS RYS.
RECEIVED
11 JUL. 1899

All communications
should be addressed to
the Secretary.

No. 196. A.A.

GOVERNMENT CF INDIA.

PUBLIC WORKS DEPARTMENT.

ACCOUNT.

Railway.

Print

11P

To

The Joint Secretary to the Government of Madras,
Public Works Department, Railway Branch.

, Simla, the 3rd July 1899.

Sir,

I am directed to acknowledge the receipt of your letter No.611 Railways, dated 30th May 1899, regarding a claim by the Madras Railway Company for a refund of a moiety of the amounts charged for Interest on overdrawn Capital etc., against net earnings of the Madras Railway, for the half years ended December 1897 and June 1898.

2. It is contended that since the undrawn balance of the Capital raised for the Calicut - Cannanore Extension more than sufficed to cover the overdraft of the main line, and since the whole of the interest on the Extension Capital was charged against net earnings in accordance with the Secretary of State's decision, the charge for interest on overdrawn Capital was unreasonable.

Please see Enclosure to S. No. 12 Case C.C. Ry. " Construction and " working " [illegible] - also flag N.

3. In reply, I am to point out that under the terms for the construction and working of the Calicut - Cannanore Extension, as agreed to by the Madras Railway Board, the requisite capital for the Extensions has to be raised by the issue of guaranteed debentures and an entirely separate Capital Account and a separate account of gross earnings have to be kept, the transactions being converted at the "prescribed" rate of exchange. Under these circumstances the Capital and Interest thereon have to be dealt with in the accounts quite separately from the main line Capital

and

and Interest to which the 1 S- 10 d rate of conversion applies, and the Government of India consider it only right that all the transactions pertaining to the two Capitals should be treated as quite separate and distinct. They are, therefore, unable to accept the Company's view that a balance of Capital at credit of the Extensions may be taken as a set off against an overdraft on the main line, or vicé versa, and interest on overdrawn Capital charged only when the combined Capital is exceeded.

4. As regards the item of Rs.202-3-7 included in the Surplus Profits Statement for the first half of 1898 on account of the difference in exchange on Interest on the Arcot - Ranipet Branch expenditure, I am to state that a refund of a moiety of the amount may be admitted by the Government Examiner now that it has been decided that the funds for this Branch are to be provided from Capital of the Calicut - Cannanore Extension instead of from the Madras Railway Capital.

I have the honour to be,

Sir,

Your most obedient servant.

Deputy Secy.to the Govt.of India.

Documents accompanying.

Nil.

Public Works (1899) Department.

G.O. No. 903 Ry dt 9.7.98 Quote
Read
Letter from Agt. No. 10684/46 dt 12.1.99 and enclos.
" to Agt. No. 218 dated 19.1.99
" from Agt. No. 10684/B 392 dt 11.4.99 & enclos.
G.O. No. 610-11 Ry dt 30.5.99
Letter from the Govt of India No. 196 AR, dated 3.7.99.

P.W. Ry.

CURRENT No. 897.

Print

From The Govt of India

Order - No. 771. Ry dated 13/7/99

Communicated to the Agent & Manager, Madras Railway, and the Examiner of Guaranteed Railway Accounts, Madras.

7 Ks.

12/7/99

No. 196 A.R.

Dated 3d July 99

Received 11th do -

Registered — do —

Enclosures

Spare copies

Three print of the 2nd.

Despatched on 13/7/99

To Agt ✓
CRS ✓
ER ✓ } thro M.O.

Despatched on 9/5/28

SUBJECT.

Refund of a moiety of the amou
charged for interest on overdraw
Capital &c, against net earning
of the Madras Railway

Communicating Govt. of India'
orders in regard to the claim
by the Company for a ———
for the half years ended Dec
1897 & June 1898.

BACK PAPERS.

No.	Date.

FURTHER PAPERS.

No.	Date.

135