

**Speech of Shri N. Gopaldaswami Ayyangar  
introducing the Railway Budget  
for 1950-51 on 21<sup>st</sup> February 1950**

I rise, Sir, to lay before Parliament a statement of the estimated receipts and expenditure of the Indian Railways for the year 1950-51. The proposals for expenditure contained in that statement will be submitted to the vote of the House in due course. As in the current year, I have no proposals to make, for the coming year, for altering railway fares or freights-the price that the consumer has to pay for the service that the Railways render to him.

2. A fresh epoch has commenced in the history of our country. A new Republic has been born. The constitution framed for that Republic has been inaugurated and this is the first Railway Budget presented under the provisions of that Constitution. The occasion is, therefore, in some respects, unique and it is important that, at the inception of a new order, such as this, we cannot be too mindful of the heavy responsibility that rests on our shoulders in giving the proper lead in the enunciation of governmental policy and its implementation.

3. The time at which Railways enter the new era synchronizes with the completion of the first phase of a period of remarkable recovery in their working. Having successfully triumphed over the deterioration in equipment and operation due to the war and the unprecedented difficulties and damage during the post-partition period, they are now on the road of rehabilitation and expansion, moving rapidly towards the attainment and maintenance of a progressive standard of operative efficiency and public service. The incorporation of the large number of Indian States in the Union and their integration into a small number of sizeable units - an achievement for which the country owes a deep debt of gratitude to Sardar Patel - are amongst our most solid achievements after the transfer of power. The further integration with the Union of the federal functions of these States has resulted in the addition of a route mileage of 7560 to the Indian Government Railways. The Railway system of India will, from 1950-51, cover the entire country, with a route mileage of 33084 miles. With the exception of 776 miles of unimportant branch lines, this nationalised undertaking will enjoy the monopoly of rail-transport in the country.

4. Transport is in the main only a hand-maid of trade and industry and is therefore extremely sensitive to the gusts of wind that afflict the latter from time to time. The current year has had more than its due share of economic troubles in industrial production, trade relations, and the repercussions of devaluation. The impact of these on the Railways is discernible on the surface, but it has not been permitted to arrest the progress of the rationalisation of railway service and its expansion in the directions which I indicated in my Budget speech in February 1949. The so-called bottleneck in rail-transport is no longer even a mentionable contributory factor to such malaise in the economic sphere, in production or distribution, as now prevails in the country. In the field both of endeavour and of achievement in tackling this malaise the railways have attempted to give the lead. The lead has been followed up by vigilant and energetic action in many directions. The punctuality of passenger service has gone up. The wagon turn-round has shown great improvement. The Priorities Organisation, which, in past years, came in for much criticism, has now ceased to exist, and rationing has been almost replaced by free and equal opportunities to all for obtaining transport. As a result, goods are no longer held up unnecessarily or unduly at junctions or way-side stations. They are booked with ease and move with speed across the country. There has been a continuous drive for the betterment of the amenities available to the travelling public. Work has commenced in the new factory for the manufacture of locomotives in India. The arrangements for establishing a factory for the manufacture of all steel welded passenger coaches are well forward. The conditions of railway labour have been ameliorated and the relations between railway managements and railway labour have entered on a new phase, I fondly believe of cordiality and mutual co-operation. The upward trend in our revenue receipts has been maintained. Steps have been taken for promoting the stabilisation of the relations between Railway Finance and the General Finances of the country. There has been and will be a steady strengthening of our reserves.

5. The quality of the service rendered by Railways to the public is very largely dependent on efficiency in administration. Hon'ble Members, I trust, are aware that there has been a toning up of railway administrative work both in the field and in the offices, but nobody can be more conscious than I am of the fact that there is considerable leeway to make up in this direction. There are defects; there have been failures and delays in taking action which have justifiably caused irritation to those affected, as also a certain lack of the human approach to railway problems in cases where the presence of that approach would have eased difficult situations and given general satisfaction. I know that Hon'ble Members will be only too critical of these failings, and it will be my constant endeavour to continue eliminating them as they come to my notice. They should not, however, be allowed to obscure the solid progress that has been made in

essentials. Republican India starts with a railway system almost entirely State owned ; with a capital at charge of the order of Rs. 800 crores made available by the general taxpayer ; with railway property and assets whose present worth is several times the amount of the capital-at-charge; rendering public utility service reaching out to the uttermost corners of this vast country ; employing nearly a million workers, both officers and men, whose patriotic keenness for reaching and maintaining standards contributing to the greatness of their country in the world, is as high as that of any comparable sector of India's population ; and with finances which are sound in the present and give promise of dependability in the future.

6. Soon after I took over the Railway portfolio, I was impressed with the necessity for introducing certain measures of financial and administrative reform in order to ensure, on the one hand, a flexibility in railway finance administration with a view to permit of a rational development of the railway system for fulfilling its complementary role in the general economic development of the country, and, on the other, the attainment of a high standard of operational efficiency and economy. When I addressed the House on a similar occasion last year, I indicated that it was my intention to request the House to set up a committee for reviewing and redefining the relationship between General and Railway Finance. The House set up this Committee on my invitation soon after, and it was charged with the task of reviewing the developments since the Convention Resolution in 1924, making recommendations calculated to remove the difficulties which had been experienced in implementing the somewhat complicated formula of that Resolution and suggesting a solution which would achieve more effectively the objects underlying financial separation. The Committee made its report well in advance of the target date fixed by the House. Its recommendations which were accepted by the Government were placed before the House in the form of a Resolution and approved by it on the 21st December 1949. The revised Convention, which will be effective for a period of 5 years commencing from 1950-51, contains the following directives :

(a) The separation of Railway from General Finance should continue but the present relationship between them should be so altered as to give the general taxpayer the status of the sole share-holder in the Railway undertaking entitled to a guaranteed dividend of 4 per cent on the loan capital invested in the undertaking as computed annually.

(b) The contribution to the Depreciation Reserve Fund should be a minimum of Rs. 15 crores a year.

(c) The rules of allocation of expenditure between capital and revenue should be modified in the following manner :

(i) The full cost of replacement including the improvement and the inflationary elements in it should be charged to the Depreciation Reserve Fund ;

(ii) the financial limit for charging to revenue the cost of minor additions and improvements should be raised from Rs. 10,000 to Rs. 25,000 on each individual item ;

(iii) the expenditure on unremunerative projects for improving operational efficiency costing not more than Rs. 3 lakhs should continue to be charged to revenue, the excess over Rs. 3 lakhs on such projects being charged to a Railway Development Fund to be constituted ;

(iv) expenditure on the construction of new lines which are necessary but unremunerative may be financed to the extent possible from the new Railway Development Fund ;

(v) expenditure on unremunerative strategic lines should be charged to capital, but no dividend on the capital funds so expended should be payable to General Revenues.

(d) The scope of the Revenue Reserve Fund should in future be limited to-

(i) ensuring payment of the prescribed dividend, and

(ii) bridging the budgetary gap, if any.

(e) A Railway Development Fund should be constituted for the following purposes:

(i) passenger amenities ;

(ii) labour welfare ; and

(iii) financing projects which are necessary but which are unremunerative at the time of construction ; and the existing Betterment Fund should be merged in this new fund with the reservation that for the next 5 years a sum of Rs. 3 crores per year should be made available from the new fund for expenditure on passenger amenities.

(f) The loan account should be separated from the block account, the former representing in future the

capital-at-charge of the undertaking and the latter the assets of the undertaking whether financed from revenue or from loans.

The revised Convention is a great step forward in the development of railway financial policy. For over 25 years, Railways were struggling with the difficulties involved in the literal carrying out of the somewhat complicated formula enacted by the 1924 Convention. It is to the credit of the practical mindedness of the members of the Convention Committee which was set up in April 1949-which by the way was presided over by me and included my Hon'ble colleague, the Finance Minister that they decided finally to discard the 1924 formula and adopt in its place a simpler, juster and more easily workable arrangement. They came to the conclusion that a fixed dividend would assure to General Revenues, over the term agreed on, a dependable return on the capital at charge and that this would facilitate forward planning while, at the same time, it would assist the Railway undertaking in planning and implementing a compressive programme of rehabilitation for overtaking the heavy arrears of renewals, replacements and neglected maintenance as well as of improvement and expansion of railway service. The raising of the rate of annual contribution to the Depreciation Reserve Fund is based on the consideration that present replacement costs bear no relation to the original cost of acquisition or the estimated lives of the assets-the two factors which have hitherto determined the rate of contribution. The larger annual payment of 15 crores will secure the strengthening of the Fund to the extent which the Committee considered necessary over the term of years for which the Convention is to be in force. The enhancement of the burden of expenditure which revenue has thus to bear is in accordance with commercial principles and will prevent the overcapitalisation of the railway undertaking. The institution of a Railway Development Fund is due to the recognition that future railway development could no longer be conditioned by commercial considerations alone and that a system of nationalised railways must perforce fill a positive and complementary role in the general economic development of the country. The obligation of the State to expand rail facilities in undeveloped areas unhampered too much by considerations of the adequacy of the return on the capital invested cannot be escaped. It would be imprudent to finance such unremunerative expansion from loan capital on which a minimum liability equivalent to the dividend payable thereon has of necessity to be immediately assumed. The Committee, therefore, came to the conclusion that a Railway Development Fund created out of the revenue surpluses of prosperous years would be a suitable way in which such expansions of the service could be financed without adding to the already over capitalised structure of the undertaking. Capital construction will, therefore, in future be financed both from loan funds provided by General revenues and from the Railway revenues accumulated in the Railway Development Fund. The natural corollary to this position was the recommendation to separate the loan account from the block account of the Railway undertaking. The revised Convention takes effect from 1950-51, and Hon'ble Members will find from the budget plans for 1950-51 that this decision has enabled us to take up development projects in the budget year which, otherwise, it would have been impossible to do.

7. I consider it necessary to make it clear here that even the new Convention does not bring about a complete separation of Railway from General Finance. The separation has reference only to Railway revenue and the expenditure chargeable thereto *vis-a-vis* the non-Railway (General) revenue and the expenditure chargeable thereto. It does not effect a separation of the ways and means parts of the two accounts. The Railways have no working balance of their own, whether opening or closing. General Finances act as the banker for Railways and the reserve funds of the Railways are with their banker who is free to utilise them for his ways and means financing. General Finance, however, pays to the Railways interest on the balances accumulated in these reserve funds. This is a convenient arrangement, though it does involve a certain limitation on the freedom to draw upon these balances at their discretion which Railways might otherwise have. The latter, however, is a doubtful advantage. It is not proposed, therefore, to alter the existing arrangements in this respect especially as they are calculated to serve the larger interests of the country and to contribute substantially to the strengthening of the financial structure of the State as a whole on which ultimately the economy of the country including the Railways depends. After all, the State has a right to expect this from a State-managed undertaking, owned by it, and, what is more, the taxpayer is the ultimate beneficiary. There is no doubt that a deterioration in the ways and means position of the Government as a whole compels in certain years a readjustment and restriction of the railway programme of development and rehabilitation. But this cannot be helped.

8. The other reform, which I have been desiring to embark upon, as Hon'ble Members are aware, is the re-grouping of the units of the Indian Railway system. There is need for establishing a smaller number of major units, for introducing a re-organization of the internal set-up of each unit, for pulling up standards of efficiency and for eliminating extravagance and effecting economy. The administrative pattern and the levels of maintenance and operation vary even now from one Railway administration to another. Federal financial integration, which will result in the taking over by the Government of India of the ownership and management of a number of independent States Railways, each with its own peculiarities, has under-lined

this need for regrouping and reorganization. The complete nationalisation of rail transport under one over-all control from the 1st of April next gives us the opportunity for planning and carrying out a policy of uniformity in administrative pattern and financial control, a rationalization of workshop and other operational facilities and an improved standard of performance. The preliminary investigations for this purpose have been completed and a plan is in the making. It envisages the welding of the different systems into one co-ordinated railway undertaking, divided into as small a number of major zonal administrative units as possible, the determination of the zones having regard to operational efficiency and economy and, what is even more important, the economic inter-dependence of contiguous regions. The setup of the Central Railway executive requires to be re-oriented as part of the new plan and, in doing this, we have to consider how far it would be practicable or desirable to separate the central co-ordinating functions which are of a technical character from those which are purely of an administrative nature. When the plan is completed, it is my intention to consult trade, industry and other concerned interests as also the Central Advisory Council, before the Government take a decision. It is obvious that, for evolving a scheme of this nature, which will so vitally affect the economic life of the country, it is important that it should carry the largest measure of public support.

9. I shall now pass in rapid review the financial position as it is, as disclosed in the completed accounts for 1948-49 and the revised estimates for the current year, and as it will be under the budget estimates for 1950-51.

The revised estimates of gross traffic receipts and ordinary working expenses for the year 1948-49 were Rs. 204.50 crores and Rs. 155.86 crores respectively. The actual receipts were better by Rs. 8.60 crores while the working expenses exceeded the revised estimates only by Rs. 4.55 crores. The actual surplus was thus Rs. 19.98 crores against the 15.83 crores anticipated in the revised estimates. Out of this surplus, a sum of Rs. 7.34 crores was paid to General Revenues and Rs. 84 lakhs to the Betterment Fund and the balance of Rs. 11.80 crores was added to the Depreciation Reserve Fund.

10. The Budget estimate of gross traffic receipts for the current year was Rs. 210 crores. It is now expected that, as a result of improvement in wagon turnround and loadings, there will be an appreciable increase in goods earnings despite a drop of Rs. 2 crores in earnings from parcels, military and other traffic. The net improvement in passenger earnings will be an increase of Rs. 50 lakhs over the figures of last year. The increase is entirely in earnings from class III, estimated at Rs. 1 crore, reduced by a short-fall of Rs. 2 crore in upper class earnings. The continuing downward trend in upper class travel coupled with the reduction in class I fares and the reclassification introduced from 1st January 1949 were contributory factors to the decline in upper class earnings. On a careful assessment of current traffic trends, the gross traffic receipts for the current year are now estimated at Rs. 225.15 crores.

The budget estimates for this year provided Rs. 159.03 crores under ordinary working expenses' but, as a result partly of stricter control over expenditure and partly of stringent economy measures introduced to ease the general ways and means position of the Government, it has been found possible to reduce the figure to Rs. 158 crores. There will be a saving of Rs. 39 lakhs under administrative charges, Rs. 231 lakhs under operating staff and Rs. 315 lakhs under miscellaneous expenses ; but excess provisions of Rs. 212 lakhs under fuel, Rs. 180 lakhs under miscellaneous operating expenses and Rs. 90 lakhs under repairs and maintenance will reduce the savings to Rs. 1.03 crores. This figure does not, however, reflect fully the economies achieved as within the reduced provision, additional train services have been introduced to relieve overcrowding and new concessions have been made to the staff in the shape of more liberal leave rules, provident fund benefits and the like. Further, an additional sum of Rs. 137 lakhs has had to be provided for facilitating the liquidation of outstanding claims, and the transport of coal by the more expensive sea routes has necessitated increased expenditure. In addition, a sum of Rs. 15 crores is being debited to revenue to relieve Capital and Depreciation Reserve Fund of the improvement and inflationary elements in the cost of the replacement programme of the year. In other words, the principle enunciated in the revised Convention has been applied in the current year to the extent possible primarily for the purpose of strengthening the Depreciation Reserve Fund and preventing over capitalisation. After making these adjustments, the net surplus after payment of interest charges is estimated at Rs. 11.02 crores against the Budget anticipation of Rs. 9.44 crores. Out of this surplus, a sum of Rs. 7 crores will be contributed to General Revenues against the Budget figure of Rs. 4.7 crores, and the balance of Rs. 4.02 crores will be added to the accumulations in the Depreciation Reserve Fund.

11. In framing the Budget estimates for the year 1950-51, we have been confronted by some uncertain factors. The first of these is the difficulty in forecasting the future development of trade relations with Pakistan. It is also not easy to assess with any certainty the future import level which has to be regulated by

our foreign exchange position from time to time. Movements of the price level in the case of essential commodities and their effect on goods traffic are also difficult to predict. Accurate data in respect of the railway lines we shall take over from the Indian States are also not available. It has, however, been considered safe to assume that the impact of the deterioration in the economic situation as well as the fluctuations in trade trends resulting from devaluation will find full expression in the earnings of the coming year. Cross traffic between India and Pakistan, which for the time being has been interrupted, might prejudicially affect revenues in the coming year. This will, of course, be offset by the earnings from the new Assam Rail Link, but the policy adopted for traffic carried by the Assam Link may have to be related less to the economics of transport than to the economics of the freight moved. In the larger interests of trade and industry and of the stability of the price level, the freight rates have not been fixed on commercial principles alone. Passenger earnings will, it is anticipated, remain steady as the loss in passenger traffic with and through Pakistan is likely to be compensated by the specially heavy traffic to the Kumbh Mela at Haridwar. The fact remains that there are several indeterminate and unstable factors to take account of, and I consider it prudent to err in the next year on the side of a conservative estimating of revenue. The Budget, therefore, estimates the revenue from Indian Government Railways at Rs. 215.50 crores which is about Rs. 10 crores less than the revised estimates of the current year. The receipts from the States Railway lines which will be worked under Central control are estimated to yield another Rs. 17 crores, thus bringing up the figure of gross receipts of Indian Railways to Rs. 232.50 crores.

Working expenses for Indian Government Railways have been placed at Rs. 156 crores which is Rs. 1.99 crores less than the revised requirements of the current year. This has been found possible because the effect of economy measures introduced late in the current year will be fully reflected in the working expenses of the coming year. These reduced estimates, however, include provision for additional benefits to the staff sanctioned during the year amounting to Rs. 172 lakhs. A provision of Rs. 430 lakhs has also been made for the implementation of the Adjudicator's Award. As against these additional provisions, smaller expenditure is contemplated on maintenance of track, buildings, quarters and the like and on repairs to locomotives. As a result of the special drive in the current year for the settlement of outstanding claims - cases, it has been found possible to reduce the allotment under this head by Rs. 132 lakhs. As all States lines will come under the control of the Central Government, the provision for payment of worked lines has been reduced from Rs. 202 lakhs provided in the revised estimates of the current year to Rs. 33 lakhs. Working expenses of the States lines taken over are put at Rs. 10.58 crores, a figure which is based on the rough estimates obtained from the States. The bill for working expenses of the entire Indian railway system will, therefore, be of the order of Rs. 166.59 crores.

In terms of the revised Convention, General Revenues have to be paid a dividend of 4 per cent on the capital-at-charge. The correct computation of the capital-at-charge, involving an investigation of the principles on which the capital structure of the Railway undertaking may be reconstructed, is a matter which requires careful investigation and discussion. To what extent there has been over-capitalization in the past is a problem, the solution of which bristles with more than ordinary difficulties. And if over-capitalization is established, it would be unreasonable in times of general financial stress, like the present, merely to write it down and thereby make the general financial position more difficult than it is. The issues arising will, however, require consideration at a more appropriate time when the general economic situation in the country has improved. The Convention Committee was not invited to tackle this problem owing to these obvious considerations. In view, therefore, of the present difficult budgetary position of the Central Government and of the fact that General Revenues have to make subventions to States and Unions of States during the transition period of 5 years to cover the budgetary gap created in their finances by the transfer of federal functions and revenues, including Railway revenues, to the Centre, I feel that it is only appropriate not only to defer the raising of any issue regarding overcapitalization now but to include the proforma capital-at-charge of the States' Railways also in the calculation of the dividend for the period indicated by the Convention. The whole position will however come under review in the 5th year as provided in the Convention. A sum of Rs. 31.85 crores has accordingly been provided under a separate demand head entitled "Dividend payable to General Revenues", being 4 per cent on the capital-at-charge as computed on the lines indicated above. The compulsory contribution to the Depreciation Reserve Fund will be Rs. 15 crores. After charging these amounts to Revenue, the surplus for the coming year is estimated at Rs. 14.01 crores. It is proposed to distribute this surplus as follows : -

To the Railway Development Fund	10 crores
To the Revenue Reserve Fund	2.01 crores
To the Depreciation Reserve Fund	2.00 crores

12. For a proper appreciation of the allocations proposed, I should like to give Hon'ble Members an indication of the position of each of these Reserve Funds. The new Development Fund, into which the old Betterment Fund will be merged, will be used for financing expenditure not only on passenger amenities, but also on labour welfare and on projects, which, though unremunerative, are necessary. This Fund will open the budget year with a sum of Rs. 14.06 crores to its credit, being the closing balance of the Betterment Fund at the end of the current year. During 1950-51, the Development Fund will receive credits of Rs. 44 lakhs, being the balance in the Betterment Funds of States' Railways, Rs. 53 lakhs being the interest on the balance in the Fund and Rs. 10 crores out of the estimated surplus of the year 1950-51. The withdrawal from the Fund will amount to Rs. 6 crores and the closing balance at the end of the budget year will be Rs. 19.03 crores.

The Railway Reserve Fund re-named the Revenue Reserve Fund will be earmarked for utilisation for purposes of financing the payment of the prescribed dividend, if necessary, and to bridge the budgetary gap, if any, in the undertaking. Starting with a balance of Rs. 6.82 crores on the 1<sup>st</sup> of April 1950, the Fund will receive credits during the year as follows : -

	Rs.
From the Revenue Reserves of States' Lines .	1.27 crores
From Interest on Balances .	0.29 crore
From net gain on the cancellation of the shares of the Mayurbhanj railway to be purchased	0.02 crore
From the estimated surplus of the budget year	2.01 crores

No withdrawals from the Fund will be necessary during the coming year and the closing balance at the end of it will, therefore, amount to Rs. 10.41 crores.

The amount to the credit of the Depreciation Reserve Fund on the 1<sup>st</sup> of April, 1949 was Rs. 101.57 crores. The normal contribution during the current year will be Rs. 11.58 crores, to which a further appropriation of Rs. 4.02 crores, out of the anticipated surplus of the year, has to be added. A sum of Rs. 10 crores has also been written back to the credit of the Fund by debit to Revenue, representing the inflationary element in replacement costs. Out of a total thus of Rs. 127.17 crores, it is estimated that a sum of Rs. 29.75 crores will be withdrawn in the year on replacement account. The closing balance on the 31<sup>st</sup> of March 1950 will, therefore, stand at Rs. 97.42 crores. During the year 1950-51, there will be the following accretions to the Fund : -

From the Depreciation Reserve Funds of States' Railways	Rs. 7.29 crores
From interest on balances .	Rs. 3.30 “
From normal annual contribution	Rs. 15.00 “
From additional contribution from the estimated surplus of 1950-51.	Rs. 2.00 “

After allowing for a withdrawal of Rs. 20.24 crores, the closing balance of the Fund on the 31<sup>st</sup> of March, 1951 is estimated to be Rs. 104.77 crores.

In the light of the analysis given above, I trust Hon'ble Members will agree that the present position of the Depreciation Reserve Fund is satisfactory. Even if the entire accumulations to the credit of the Fund at the close of the budget year are expended in the remaining 4 years of the Convention period at the rate of Rs. 26 crores per year-which is Rs. 4 crores more than the figure of the annual contribution of Rs. 22 crores recommended by the Indian Railway Enquiry Committee-there will still be left in the Fund a sum of at least Rs. 60 crores at the end of the period, being the total of the minimum annual contributions payable during the period.

13. Before proceeding to deal generally with works expenditure, I should like to refer at this stage to the completion during the current year of the Assam Rail Link. Its importance from both the economic and the political angle can hardly be overstressed. As Hon'ble Members are aware, partition isolated the province of Assam and the northern districts of Bengal from the rest of India so far as through rail communication was concerned. The economic life of these areas came to depend on the goodwill of the Pakistan Government in continuing the free use of transit facilities through East Bengal. This was a risk which, the Government decided, should not be allowed to remain for long. The Assam through rail link was,

therefore, planned in the year 1947 and work commenced thereon in 1948. It was anticipated that under optimum conditions, the project would be completed by the 1st of April 1950, but as a result of the uncommon energy and skill displayed by our railwaymen, both engineers and other workers, in difficult and unhealthy terrain, the line was completed and opened to goods traffic on the 9th December, 1949 and to passenger traffic on the 26th January, 1950. This achievement was timely in enabling us to deal with the transport difficulties created by Pakistan action in recent months. The original plan was to build up the capacity of the line for carrying traffic gradually; but in view of the Pakistan Government taking one step after another for the purpose of creating economic difficulties for India in this region, and holding up traffic in transit, both rail and waterborne, it became necessary to step up the capacity of the link rapidly to carry all traffic between Assam and the rest of India. I am glad to say that, despite teething troubles in bringing a new line into use, traffic movements have been so regulated and organised as to avoid any serious injury to the economy of Assam or Bengal. I am sure the House will join with me in paying a tribute to the Railway engineers and men who have made this achievement possible.

14. The budget estimate of works expenditure in the current year covering the rolling stock programme, acquisition of machinery and open line works, was Rs. 62.35 crores, against which the provision in the revised estimate is Rs. 55.60 crores. The reduction has had to be made as a result of compelling considerations of economy to ease the ways and means position of Government ; but the investigation undertaken in this connection furnished an opportunity for examining the projects in progress and reviewing their urgency and necessity. As a result, the Burwadih-Sarnadih project, which was initiated for the benefit of the coal-field area, has now been abandoned, as the development of the area, it was intended to serve, has not yet made any progress. The bridge over the Ganga at Mokameh has also been postponed until the alignment of the bridge is finally decided on. Other important projects which have had to be postponed for reasons of economy are the high level bridge over the Mahi at Sevalia and the establishment of a Central Railway Staff College at Baroda. It is, however, hoped that it would become possible to start the college during the coming year. The provision for the Assam Rail Link and the Chittaranjan Locomotive Works has not, however, been disturbed. The provision for passenger amenities has actually been increased by Rs. 25 lakhs to Rs. 1.75 crores. None of these adjustments is, however, likely to interfere with operational efficiency or the programme of providing amenities to the travelling public.

15. The position of the works programme in the year 1950-51 will, however, be somewhat difficult. A sum of Rs. 36.5 crores only has been allocated for financing the capital programme of Indian Government Railways against a sum of Rs. 62.35 crores provided in the current year. This has naturally involved a considerable curtailment of the rehabilitation programme which Railways had originally estimated for. But care has been taken to ensure that projects which are essential for the maintenance of operational efficiency are not unduly affected. Rs. 150 lakhs have, therefore, been provided for payments that will come to be made in the coming year in connection with the Assam Rail Link and Rs. 423 lakhs have been allotted for getting on with the factory for the manufacture of locomotives at Chittaranjan. The constitution of the new Railway Development Fund for financing projects which are necessary in the economic interest of the country, but are unremunerative in the first instance, has, however, enabled us to undertake two important projects, namely, the construction of a metre gauge link between Kandla and Deesa and the provision for adequate ferry and other arrangements at the Manihari-Sakrigali Ghat. The first is vital "for connecting the new Major Port at Kandla with northern India, a development which is expected to compensate us for the loss of the port of Karachi. The second is calculated to augment the transshipment capacity at the ghats referred to for enabling the proper handling of all traffic to and from Assam and is obviously necessary for the purpose of getting the maximum results by intensive use of the Assam Rail Link. A provision of Rs. 1 crore has been made for each of these two projects in the coming year.

16. While it has been possible to prevent the curtailment of the capital programme in the budget year from causing serious detriment to operational efficiency, the second phase of rehabilitation on an extensive scale envisaged earlier has necessarily had to be slowed down. Considerable improvement in the power position has, however, been effected in the current year. A certain measure of rationalization and renovation of workshop capacity has also been achieved. Unfortunately, it has not been possible, however, to maintain the pace of progress within the reduced allotment. The total provision for the next year for the programme of replacement of rolling stock is Rs. 14.92 crores of which only Rs. 3.19 crores will be available for new works, Rs. 11.73 crores being required for works in progress. The original proposal for the budget year was to place orders for 291 locomotives, 240 boilers, 868 coaches and 7972 wagons in 1950-51 and this was approved by the Standing Finance Committee for Railways in August last. The programme has, however, had to be reduced to provide for the replacement only of 35 locomotives, 160 boilers, 407 coaches and 1016 wagons. This curtailment will undoubtedly affect the pace of progress towards the target set in the original rehabilitation plan but it could not be helped in view of the limited funds available.

17. My appreciation of the financial position would not be complete without a brief reference to the

dollar loan taken by the Government from the International Bank of Reconstruction and Development for financing the purchase of rolling stock and other equipment from the dollar area. For overtaking the heavy arrears of rehabilitation, which had accumulated as a result of the war and the aftermath of partition, large orders for locomotives and other equipment had to be placed in the U. S. A. and Canada. It was found that our dollar earnings during the current year would not be adequate for financing our payments in connection with these orders and the question of finding dollars in America became urgent. We applied, therefore, for a loan from the International Bank: An expert commission from the Bank made a complete technical and financial examination of our Railways and on their report the Bank finally agreed to provide the necessary dollar finance. As to the terms and conditions of the loan agreement, there is nothing for me to add to the very full and comprehensive statement which on the 29th November, 1949, my Hon'ble colleague, the Finance Minister, made to the House. The loan for Railways amounting to 34 million dollars is being utilised for financing the purchase of 418 locomotives, 26 boilers and certain spare parts, the deliveries of which will be completed before the end of this financial year.

18. As a result of the review that was carried out of our freight structure, we introduced in the latter half of 1948-49, a measure of rationalization, which has been in operation during the whole of the current year. I am aware that there has been some criticism of the policy behind the revised freights, but, generally speaking, the Chambers of Commerce in the country appear to be satisfied that the changes made serve the larger interests of trade and industry. Despite the mounting costs of operation, we have found it possible to continue the rates of passenger fares in force previously with one exception. Hon'ble Members are aware that the abolition of the old Second Class from the 1st January, 1949, was neither popular nor did it make any addition to railway revenues. While the original intention was to have only three classes, with provision for sleeping accommodation only in the First Class, we were soon compelled to introduce sleeping accommodation for Class II also in special coaches on payment of a surcharge. This arrangement was neither satisfactory, nor financially remunerative, and, with the concurrence of the Central Advisory Council, it was decided to revert more or less to the previous system of 4 classes with effect from 1<sup>st</sup> December, 1949. The fare for the new Class II (Special) has been fixed at 14 pies per mile. I have reason to think that the arrangements introduced on the 1st of December last have met with public approval, but it is too early to say what effect this will have on revenue trends and on the pressure of accommodation in Class II (Ordinary). The position is, however, being carefully watched.

19. I shall now turn to the operating aspects of our Railways - a subject in which Hon'ble Members of this House and the public outside have always shown an even greater interest than in the details of the financial picture. This is only to be expected as transport is a factor which affects all sectors of our economic life. Shortages in the availability of transport in the past and all that they brought in their wake have been the target of criticism. I referred to this subject at some length in my budget speech last year and indicated that it was essentially a question of the adequacy of power, rolling-stock and capacity. I am glad to say that our power position has improved very considerably in recent months, mainly as a result of the coming into use of a large number of locomotives. 447 broad gauge and 51 metre gauge locomotives have been received during the period between the partition and the 31st of January, 1950. The delivery of another 209 broad gauge, 156 metre gauge and 20 narrow gauge locomotives is expected to be completed in the course of the coming year. As I indicated earlier, it has not been possible, on account of financial stringency, to provide for normal replacement of locomotives in 1950-51. It became necessary, therefore, to take special steps for securing the spares position for keeping existing locomotives in efficient operation. A special mission of officers, was, therefore, deputed to Europe to establish contacts with manufacturing units and to negotiate rate contracts for the manufacture and supply of spares for the obsolescent types of locomotives, which we have perforce to retain in use temporarily. The mission returned after entering into satisfactory arrangements with firms in Europe for the supply of the spares required for the next 2 years. It is expected that, as a result, it will be possible to avoid the adverse effects of the suspension of the normal replacement programme in the coming year.

20. Our project for the manufacture of locomotives in the country is making good progress. A technical aid agreement has been concluded with the Locomotive Manufacturing Company of Great Britain through the British Locomotive Manufacturers Association. Under this agreement, the company will make available advice, technicians and skilled supervisory staff for service at Chittaranjan and will also provide facilities for the training of the required number of Indian technicians in the factories of member firms of the Company. The targets of production at Chittaranjan, which have been agreed on, will be 3 locomotives in the year 1950, 33 in 1951, 45 in 1952, 66 in 1953 and 90 in 1954; the subsequent annual production will be of the order of 120 locomotives per year. The output targets could have been stepped up but this would have been at the cost of the attainment of self-sufficiency in the manufacture of the parts and components which are



assembled in a locomotive. At the end of 5 years, we would be turning out locomotives entirely of Indian manufacture, except for such few proprietary fittings as Indian industry is unable to supply. Chittaranjan itself is being developed into a modern township, self-contained in respect of all requirements, with shops, schools, dispensary, playground and other social amenities. All houses in the township will have electricity and a continuous supply of filtered water and will be served by water-borne sewage arrangements. When completed, it will be a model labour colony in the country.

21. The wagon position on the broad gauge is now a great deal easier but from the operational as well as the financial points of view it would be imprudent to allow the replacement programme of 3250 wagons per year to get into heavy arrears. We can slow down the programme for a year but no longer. The wagon position on the metre gauge is unfortunately unsatisfactory. Our present deficiency is of the order of 4000 wagons. Our requirements for the metre gauge have also increased as a result of the opening of the Assam Rail Link and the intensive traffic which it has to carry. We have been able, however, to make a provision for the purchase of about 1,000 metre gauge wagons in the coming year. The availability of coaching stock has, however, been far from satisfactory and has to be increased. Mainly with the object of relieving overcrowding in passenger trains, it had been planned to obtain as many coaches as the financial position and productive capacity in the country made possible. Accordingly orders for 350 coaches were placed during the current year-200 with the Hindustan Aircraft Ltd. and 250 with the Wagon Manufacturing Panel. While the Hindustan Aircraft Ltd. have supplied 50 coaches within the current year, no supplies are likely to be received from the Wagon Manufacturing Panel until next year. A provision for 407 coaches has therefore been made in the estimates for the budget year. Of these, 50 will be from Messrs. Schlieren of Switzerland, to a design which provides wider seats, more leg room, better lighting, wash basins, mirrors and insulation against heat. 150 coaches of an interim design providing similar amenities will be obtained from Hindustan Aircraft Ltd. and 207 from the manufacture in the Railway workshops. An agreement has been entered into with Messrs. Schlieren, a Swiss firm of specialists in this line, for establishing a factory for manufacturing an all-steel light weight integral type of coach. This type will dispense with under-frames and will be mounted on bogies. It will secure considerable economies in the consumption of steel and, what is more important, will be anti-telescopic. The agreement provides for obtaining from this specialist firm all the technical advice and assistance for a factory for the mass production of these coaches. It has been decided that the factory should be established at Bangalore as a self-contained wing of the Hindustan Aircraft Ltd., suitably equipped and adequately staffed. The building of the factory will be taken in hand in the coming year. The production of this new factory, when completed, will go a considerable way towards meeting the normal annual replacement programme, and existing arrangements will have to be continued even after the establishment of the factory to overtake the heavy arrears that have accumulated. The bottleneck in the existing arrangements has been the production of under-frames on which coaches are mounted. In spite of the existence of adequate capacity, fabricating firms concentrate on more remunerative work to the detriment of production of under-frames. We are, therefore planning to establish an under-frame manufacturing unit ourselves.

22. On a review of the adequacy of existing workshop capacity, it had been decided to establish two new major workshops, one on the broad gauge and the other on the metre gauge. Financial provision for proceeding with this project in the current and coming years not being available, a further - examination was undertaken with special reference to the capacity which will from the 1st April next become available on the integration of the Indian States' Railways with the Centre. As a result, it is now proposed to rationalize workshop capacity, to modify the layout of existing shops and to introduce new productive methods for a fuller utilisation of installed capacity. We have been assisted in this process by the availability of good machine tools and equipment in the consignments received as reparations from Germany. Along with the import of essential spare parts to which reference has already been made by me, workshops can now be more fully employed to overtake the heavy arrears of maintenance and overhauling. The manufacturing in these workshops of new coaches has also been stepped up and in the period between 1st April and 31st October, 1949, 302 new coaches in terms of four-wheelers were completed, compared with 172 in the corresponding period of last year. The monthly average outturn of locomotives, coaches and wagons repaired in railway workshops increased to 172, 1,527 and 6,353, as compared with 145, 1,273 and 5,292 in the year 1948-49.

23. The programme for machinery and plant approved by the Railway Standing Finance Committee in August, 1949, was for a sum of Rs. 99 lakhs only. In view of the alterations which I have mentioned above, this provision has now been increased to Rs. 3.20 crores with the approval of the Committee with a view to enable us to acquire reparation plant and equipment to the extent of availability.

24. The more comfortable power position would have proved less effective than it has actually done had it not been for the general recovery in the operating efficiency of the Railways. According to the composite index of operating efficiency prepared by our Economic Adviser, the broad gauge railways have recorded a steady improvement from the nadir that they touched in 1946-47. The performance for the first

six months of the current year shows a further improvement over last year of 3 per cent on the broad gauge and 4 per cent on the metre gauge railways. As 15 factors relating to different aspects of railway working enter into the index, these increases represent a commendable improvement in operational efficiency. It is this that has made it possible for railways to move a volume of traffic which in certain respects has broken all past records. As Hon'ble Members will find from the Railway Board's report for 1948-49, the number of passengers and passenger miles in that year were the highest ever reached on our railways. The strain borne by the railways is, perhaps, better indicated by the ratio of traffic carried per route mile. As compared with the pre-war year 1938-39 the passenger miles per route mile have increased in 1948-49 from 590,000 to 1,630,000 on the broad gauge and from 410,000 to 920,000 on the metre gauge; so also the net ton miles per route mile have risen from 880,000 to 1,350,000 on the broad gauge. The number of trains running per track mile attained the all-time record figure of 16.1 over the broad gauge this year. The figures available for the first six months of the current year indicate even further increases. The passenger miles are up by 2.73 per cent on the broad gauge and by 1.39 per cent on the metre gauge as compared with the corresponding figures for the previous year. We have run 4 per cent more train miles on broad and metre gauge passenger services. The number of goods train miles is 1g per cent more on the broad gauge and 9 per cent more on the metre gauge, as compared with what we operated in the first half of the year 1948-49. The net ton miles carried disclose an increase of 19.6 per cent and 16.4 per cent respectively on the broad and metre gauge systems. The loading position illustrates even more strikingly our increased capacity to handle traffic. The freight awaiting dispatch on the broad gauge railways in November, 194.9 was less than half a day's loading against two days' loading in November 1948. The turn-round of wagons had improved to 1087 days in November 1949 against 1297 days in the corresponding month of the previous year. The tonnage lifted in the first nine months of the current year was 15.5 per cent more than what was moved in the corresponding period of 1948-49.

25. Passenger services which had attracted considerable comment last year have also recorded perceptible improvement. The punctuality figures tell the story. The percentage of trains not losing time on the different railways varied from 53.4 per cent to 86.5 per cent in November 1948. During 1949, the percentages had risen from 61.1 to 91.9. The reduction of overcrowding in passenger trains has been constantly under examination. There is obviously considerable leeway yet to be made up and it will be some time before the position improves substantially. Some improvement, however, has been made by the introduction of 127 new trains and the extension of 88 existing trains. Express trains for Class III passengers only, called the 'Janata' Express, have been introduced on the E.I., E.P., G.I.P., B.B. & C.I., S.I. and O.T. Railways between important places.

26. The provision of passenger amenities continues to engage the closest attention of the Railway Administrations. I am sure the House will appreciate that the problem of raising the standards of earlier constructions both of station premises and coaching stock cannot be resolved overnight. A special committee of 3 engineers appointed for the M. & S. M. and S. I. Railways submitted a valuable report in this connection which is under consideration. A 5-year plan with a minimum provision of Rs. 3 crores a year will commence working from the budget year. Despite a heavy reduction in other programmes of expenditure for reasons of economy, the allotment provided for passenger amenities in the current year has not been interfered with. On the other hand, clear directions have been issued periodically to Railway Administrations to give top priority to amenity works. As a result, the budget provision of Rs. 1.5 crores for the current year is likely to be exceeded by Rs. 25 lakhs. A pamphlet on passenger amenities detailing the steps which have been taken and which are under contemplation is being circulated to Hon'ble Members along with other budget literature.

27. The enormous delays in the settlement of claims had, in the past, aroused a large volume of discontent with Railway Administrations. A special drive was initiated on the 1<sup>st</sup> January 1949 to improve matters. On that date, there were no less than 163,425 unsettled claims cases. Within 8 months, the figure had been brought down to 64,959, representing only three months' intake of new claims. Simultaneously, steps have been taken to reduce the number of claims preferred by exercising stricter control over the processes which give rise to these claims. A publicity campaign launched on a countrywide basis to seek the co-operation of the public in improving standards of packing, labelling and marking of consignments, which will assist both industry and Railway Administrations, is also bearing fruit. As a result of the cumulative effect of these measures, the number of fresh claims preferred in the first eight months of 1949-50 had dropped to 249,460 from 421, 840 in the corresponding period of 1948-49.

28. The procedure for the booking of goods has also been simplified by the elimination of risk notes. Under the simplified system, the lower rate at owner's risk will automatically apply to all consignments unless the consignor elects in writing in the forwarding note at the time of booking to pay the higher rate. In either

case no separate risk note is to be executed. Another modification of the Indian Railways Act, long overdue, related to the payment of compensation for death or injury in accidents. Government have now been statutorily empowered to appoint a special Claims Commissioner who will observe such summary procedure as he deems fit for the disposal of claims and is authorised to make interim payments in deserving cases pending determination of the final amount.

29. The record of Indian Railways for avoidance of accidents has stood high and compares favourably with the records even in countries like the U. S. A. and the U. K. It is unfortunate that, during the last two months, there have been one major and two minor accidents. The major accident at Sirhind on the E. P. Railway resulted in heavy loss of life. The magnitude of this disaster has caused great distress. We could only take such steps as provision of medical aid, quick settlement of compensation claims and grant of interim relief to abate the suffering of the survivors and the families of the dead. Hon'ble Members will appreciate, however, that the safety of railway operation depends mainly on the efficiency of the mechanical and human elements employed. Sometimes the one and sometimes the other fails, and this results in' an accident. All the usual precautions are taken, but accidents cannot be entirely eliminated. We can only endeavour to keep their occurrence at the minimum possible. Judged by the record of other comparable railway undertakings, the measures taken on our railways for the safety of passengers must be considered to be satisfactory.

30. I referred last year to a scheme evolved by the Railway Board in consultation with the head of the Special Police Establishment and General Managers of Railways for coordinating the endeavours of the Special Police and Railway Administrations for eradicating corruption. The important feature of the scheme was the setting up of an organisation on each Railway for the prevention, detection and departmental investigation of corruption. The E. P. Railway set up an organisation which was considered to be a model one, and a memorandum describing the organisation, its functions and the steps taken to check corruption as well as the result, achieved was circulated to all other Railways. Action has been taken on a number of Indian Government Railways to implement this scheme and departmental machinery has been organised for this purpose. The following figures relating to the working of the Special Police Establishment will be of some interest to Hon'ble Members:-

No. of cases investigated .	1,064
No. of cases sent up for trial to Courts or Tribunals	394
No. of persons convicted	307
No. of persons acquitted	220
No. of cases referred back to the Railway Administrations for departmental action	165
No. of Railway Gazetted officers implicated	47

31. In my budget speech last year, I referred to the steps that were in train for a reorientation of railway statistics for the purpose of helping in better management and in the promotion of efficiency. This question has acquired added importance in view of the impending integration of the Indian railway system. It is necessary that the efficiency of operation and the effectiveness of financial control in the different administrative zones that will come into existence should be founded to a large extent on accurate and regular statistical returns and on them correct technical and economic interpretation. Rationalisation in this respect was, therefore, undertaken recently. Unnecessary returns have been eliminated and those retained have been modified to give only essential information for purposes of coordination and control. Hon'ble Members should have noticed one result of these special steps. The annual Administration Report of the Railway Board for 1948-49 has been published this year much earlier than at any time during the last 20 years. Along with the budget papers, a small booklet containing a number of charts on various aspects of railway working is also being circulated to Hon'ble Members, which, I am sure, they will find interesting.

32. The need for an intensification and expansion of the activities of the Research Organisation both in the technical and in the economic field has not been overlooked though, I must confess, it has not been possible to extend these activities as much as I should desire. In the field of technical research, the Central Standards Office has been engaged in the all important work of the standardization of the types of locomotives for use on Indian railways. As a result of this effort, we have adopted about half a dozen types for future manufacture. The new W. P. locomotives, though built in the U. S. A. and Canada, were, as a matter of fact, designed in our Central Standards Office. Some of the locomotives built on this design which

have been received from America have exhibited certain teething and other troubles mostly of a minor character. The rectification of these has either been done in our own workshops or has been taken up with the manufacturers in America and our Consulting Engineers in London. The performance of these locomotives has been magnificent and they have been reported by our railway experts to be the most economical and efficient type so far used in this country. Some of the features of the boiler design have attracted special attention in the U. K. and in America, among the users of steam locomotives. Fuel economy is a very important factor in railway operation and attention has, therefore, been focused on fuel research. The results have been encouraging and considerable economy in fuel consumption is being progressively effected. The Research organisation is also engaged in evolving improved designs of permanent way components, bridges and structures. The design of the new all-steel welded coaches is again being prepared by our officers in the Central Standards Office in collaboration with the technical experts of Messrs Schlieren of Switzerland.

Plans are now under preparation for a reorganisation of the Central Standards Office to equip it more adequately for handling technical problems connected with railway operation. These plans provide for the association of technical experts in other scientific organisations with the railway experts and the provision of observers to keep in close touch with developments in foreign countries.

33. I referred last year to the importance and urgency of economic research on problems of rail transport and to the modest start proposed to be made during the current year. Certain problems of immediate interest to the railways are under detailed investigation and study by the Economic Adviser attached to the Ministry. The results of the investigation he has so far completed have placed in our possession facts and evaluations not previously available. I hope to be able to have these studies published in suitable form as they should be of value to those interested in obtaining a clear understanding and appreciation of the varied activities of the transport industry.

34. I have given an indication already of the fact that the relations between railway management and railway labour have, since last I dealt with the matter in this House, entered a new phase of friendly and beneficent co-operation. When I presented the budget for the current year, I referred to the then impending possibility of the All India Railwaymen's Federation deciding to call a strike of railwaymen all over the country and expressed the hope that, in view of the friendly negotiations which were then proceeding between me and the President of that Federation, good sense would ultimately prevail and the decision would be against a strike. Subsequent events have, as Hon'ble Members are aware, justified my expectations. The actual decision of the Federation was not only against the strike but it took disciplinary action against Unions affiliated to it which had taken or proposed to take, action in contravention of its directive. This, coupled with the strong action that Government took against Unions and individual railwaymen who made sporadic attempts at bringing about a strike and with the support of other non-Federation labour unions, averted the creation of a situation on the railways which otherwise would have paralysed economic life in the country. In the further negotiations that took place between the representatives of labour and myself, agreement was reached on evolving a machinery by which outstanding issues could be resolved after appreciation at joint discussions of each other's view-points and difficulties. A Joint Advisory Committee was accordingly set up with 4 representatives each of labour and the Railway Board with a chairman nominated by the Ministry of Labour. Amongst the four labour representatives is one representing railway labour not affiliated to the All India Railwaymen's Federation. As a result of the deliberations of this Committee which are continuing, many of the anomalies arising out of the application of the C.P.C. scales are being gradually removed. Legitimate grievances of labour other than those which come under the description of these anomalies are also being separately redressed. Apart from these developments, the conditions of employment have been gradually liberalised and improved. The House might be interested if I here refer to some of the major steps taken in this direction. In accordance with the recommendations of the C.P.C. substantial improvements in pay scales had already been effected. The leave rules have since been liberalised, and temporary railway servants with one year's continuous service have been given the same terms as are applicable to permanent employees. The method of calculating leave salary has been revised. The Provident Fund scheme has been extended to the lower categories of railway employees, whether permanent or temporary. Though the Central Pay Commission had not made any recommendation on this matter and labour also had not raised the specific issue, it was considered only just that the insurance against old age and calamity which a provident fund provides, should be extended to all railway employees. Daily-rated employees in railway workshops have now been brought on to monthly rates of pay which, in the majority of cases are higher than the scales recommended by the Central Pay Commission. The conditions regarding over-time work and holidays have been standardised. The financial effect of all these and other measures of liberalisation of terms of employment is of the order of Rs. 52 crores against which a sum of Rs. 19 crores representing savings in grainshop working should be set off, the net addition being Rs. 33 crores to the wage bill as it was before these revised terms were sanctioned. A brochure giving full details regarding

labour is being circulated along with the budget papers to give Hon'ble Members a fuller picture of how railway labour is being dealt with in regard to work, wages and welfare. The total number of workers on Indian Government Railways alone has increased from 6,41,000 in 1938-39 to 8,50,000 in 1948-49 while the wage bill went up during the same period from Rs. 35 crores to Rs. 107 crores. Against the increase in strength of 30 per cent the increased wage bill is nearly 300 per cent of 1938-39. The average cost of staff per head was Rs. 547 in 1938-39; it had increased to Rs. 1,265 at the end of 1948-49. Our statistical returns show, however, that the productivity of railway labour measured by the yardstick of train miles, vehicle miles, gross ton miles and traffic units fell from 100 in 1938-39 to 69.38 in 1948-49. Not only has this decline to be arrested but labour should make an active effort rapidly to regain the pre-war level of per capita productivity.

35. Need I emphasize that it has been the constant endeavour of the Government to deal with railway labour not only justly but generously and indeed to set an example in this respect for other industrial undertakings? We have plans for the greater association of labour wherever possible in the administration of this nationalised undertaking. I, for one, have no doubt that, with the reorientation in the attitude of the railway undertaking towards its workers of all grades and its increasing positive efforts to ameliorate their service conditions, a sense of greater responsibility and a healthy pride in the work they perform is finding increasing expression in the workers themselves. The railways belong to the workers in a very real sense and the quantum and quality of the public service rendered is almost entirely in their hands. I look forward with confidence to labour rising to the height of the opportunities that are open to it and putting forth its best in increasing both output and efficiency.

36. I think a few words are necessary from me as regards the deterioration in the economic and political relations with Pakistan which has developed in recent months and the effect this has had on movement of traffic. Soon after partition, the Pakistan railways stopped accounting for through goods and coaching traffic and crediting Indian Railways with their share of the earnings from such traffic. An amount of Rs. 54 lakhs was outstanding in respect of traffic up to December 1948. The question was raised by us at an Inter-Dominion Conference held in Delhi in April 1949, and it was agreed at the suggestion of the Finance Minister of Pakistan that a special meeting of railway officers of the two countries should be held in Karachi to arrive at a settlement of India's dues. At this meeting over which the Finance Minister of Pakistan himself presided, the Pakistan Government agreed to pay provisionally a sum of Rs. 20.5 lakhs being the net amount claimed by Indian Railways on Pakistan traffic up to 31st December 1948. Both countries also agreed that the system of "paid to-pay" booking should be introduced for inter-Dominion traffic. The Pakistan Government, however, proposed that inter-Dominion coal traffic should not be dealt with under the "paid to-pay" system. Their main object in making this proposal appears to have been to hold back sufficient money to counter balance their share of cross traffic which was apportioned by India and which could not, by the very nature of it, be brought under the "paid to-pay" system. As there was no justification for the suggestion that we would not pay their share of earnings from cross traffic and as there was no logic or reason in favour of excluding coal from the operation of the "paid to-pay" system, we declined to accept their proposal. In the middle of September 1949, the Indian rupee was devalued, but the Government of Pakistan decided not to devalue the Pakistani rupee. They thereafter asked us repeatedly to collect their share of freights and fares on through and cross traffic according to the new exchange ratio fixed by them, even though in respect of such traffic originating in Pakistan freights and fares continue to be collected at the old rates. We declined to agree to this, but suggested, in order mainly to overcome the difficulties created by the exchange position, that the "paid to-pay" system should be introduced immediately in regard to coal traffic and that in regard to other traffic such as passenger and cross traffic the existing procedure should continue. The Government of Pakistan insisted, however, that, unless coal was excluded from the "paid to-pay" system, a deposit of Rs. 10 lakhs every month in advance in Pakistani currency should be made with the East Bengal Railway to meet their claim on all cross traffic. We refused to agree to making this deposit. The "paid to-pay" system was, however, introduced with effect from the 6th November 1949 in respect of all traffic including coal traffic, though the Pakistan Government entered a caveat against it.

37. The new "paid to-pay" system was working satisfactorily after its introduction, but, in the middle of last month, the Pakistan Government informed us all of a sudden that they had decided to stop all through booking of passengers and luggage to and from the East Bengal Railway and cross traffic over that Railway from the midnight of 19-20th January 1950, and that passengers and luggage would have to get rebooked from the Pakistan border stations. Before taking corresponding action on our side, we again explained to the Government of Pakistan that their suggestion regarding a deposit was inappropriate and unacceptable and that the normal procedure regarding financial adjustment of inter-Dominion traffic should continue to operate. As Pakistan would not reconsider their decision, we stopped their cross traffic over the E. I. Railway with effect from the 22nd January 1950. The action of the Pakistan Government in this connection would have caused great dislocation to traffic relating to India had the Assam Link not been completed and arrangements had not been made to carry all traffic to and from Assam over that line.

38. Towards the end of December 1949 it came to notice that the Haldibari-Siliguri section in Indian territory which, in terms of the agreement entered into with Pakistan at the time of partition, was being worked by the East Bengal Railway was not being worked satisfactorily. The Pakistan authorities were levying a surcharge on all traffic including paid traffic and had also hoisted their flag in our territory on installations belonging to us. In these circumstances, we decided to give notice to the Government of Pakistan of the termination of the agency arrangements. The section was, at the end of the period of notice, taken over by Indian Railways and has since been 'converted from broad to metre gauge. The Pakistan Government have similarly assumed control of sections which were under the management of Indian Railways.

39. These developments indeed have been unfortunate, but the Government of India had no alternative to the steps they had to decide on. We fully appreciate the difficulties to which passengers from Indian Railways to and through the East Bengal Railway and *vice versa* are being put as a result of the suspension of through booking, and we have taken and will continue to take whatever action is possible to mitigate inconvenience and hardship. On our part, we have always been willing to discuss the issues and come to an understanding with the Government of Pakistan in order to restore normal conditions of booking of both goods and passenger traffic, but the intransigence of Pakistan stands in the way of such an understanding.

40. To the Railway Board and to officers and men working under their control all over the country, I desire to convey my appreciation of the hard work they have done during the year that is passing and the healthy spirit in which generally they have tackled their respective duties. I do not say this merely as a matter of convention. They know that nobody is keener than I am that they should render an account of themselves which the nation will regard as worthy of the best traditions of a public utility service. The response which they have made to stimuli from the Centre for improved; efficiency in every respect has been heartening and has sustained me in the faith that I have in their capacity and patriotism. I trust that this tribute from me will go forth to them with wholehearted endorsement from the House. I wish to acknowledge also my debt to Hon'ble Members who are members of the Railway Standing Finance Committee and the Central Advisory Council for Railways. They have, as representatives of this House and the nation outside, exhibited an alert watchfulness over public interests which has throughout been of the greatest help to me and the Railway Board.

41. My annual tale is ended. It must have been wearying to Hon'ble Members to listen to. The telling of it has, however, given me the opportunity of conveying to the House my feeling of satisfaction with the present condition of this magnificent national asset, and I do hope that Hon'ble Members will share this satisfaction with me. Indian Railways are doing well and will do better.

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