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SEVENTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY,
1934



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1934.

Legislative Assembly.

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CONTENTS.

VOLUME II.—17th February to 10th March, 1934.

	PAGES.		PAGES.
SATURDAY, 17TH FEBRUARY, 1934—		FRIDAY, 23RD FEBRUARY, 1934—	
Messages from the Council of State	979	The Railway Budget—List of Demands— <i>contd.</i>	1219—73
Presentation of the Railway Budget for 1934-35	979—86	Demand No. 1—Railway Board— <i>contd.</i>	1219—73
MONDAY, 19TH FEBRUARY, 1934—		Importance of Road-Rail Co-ordination and of the Organisation of Communication Boards throughout the country	1219—39
Member Sworn	987	Maladministration of the Railway Board	1239—53
Questions and Answers	987—96	Muslim Representation in Railway Services	1253—73
Unstarred Questions and Answers	996—1001	Statement of Business	1273—74
Statements laid on the Table	1001—05	Appendix	1275
The Railway Budget—General Discussion	1005—64	SATURDAY, 24TH FEBRUARY 1934—	
WEDNESDAY, 21ST FEBRUARY, 1934—		Questions and Answers	1277—97
Questions and Answers	1065—91	Unstarred Questions and Answers	1297—1302
Short Notice Question and Answer	1091—93	The Railway Budget—List of Demands— <i>concl.</i>	1302—64
Unstarred Questions and Answers	1093—96	Demand No. 1—Railway Board— <i>concl.</i>	1302—61
Message from the Council of State	1096	Unreasonable Rates	1302—40
The Railway Budget—List of Demands	1096—1156	System of Appeals	1340—59
Demand No. 1—Railway Board	1097—1156	Condition of State Railway Press Employees	1359—61
Passengers' Amenities	1097—1118	First Class Railway Station for Cuttack	1361
Statutory Railway Board	1118—56	Demand No. 2—Audit	1361
THURSDAY, 22ND FEBRUARY, 1934—		Demand No. 3—Miscellaneous Expenditure	1361
The Railway Budget—List of Demands— <i>contd.</i>	1157—1217	Demand No. 4—Refunds	1362
Demand No. 1—Railway Board— <i>contd.</i>	1157—1217	Demand No. 5—Payments to Indian States and Companies	1362
Statutory Railway Board— <i>concl.</i>	1157—96	Demand No. 6-A.—Working Expenses—Maintenance of Structural Works	1362
Indianisation of the Railway Services	1196—1217	Demand No. 6-B.—Working Expenses—Maintenance and Supply of Locomotive Power	1362

	PAGES.
SATURDAY, 24TH FEBRUARY 1934—contd.	
Demand No. 6-C—Working Expenses—Maintenance of Carriage and Wagon Stock	1362
Demand No. 6-D—Working Expenses—Maintenance of Ferry Steamers and Harbours	1363
Demand No. 6-E—Working Expenses—Expenses of Traffic Department	1363
Demand No. 6-F—Working Expenses—Expenses of General Departments	1363
Demand No. 6-G—Working Expenses—Miscellaneous Expenses	1363
Demand No. 6-H—Working Expenses—Electric Service Department	1363
Demand No. 7—Working Expenses—Appropriation to Depreciation Fund	1364
Demand No. 8—Interest Charges	1364
Demand No. 9—Temporary Withdrawals from Depreciation Fund	1364
Demand No. 11—New Construction	1364
Demand No. 12—Open Line Works	1364
MONDAY, 26TH FEBRUARY 1934	
Member Sworn	1365
Questions and Answers	1365—86
Unstarred Questions and Answers	1386—88
Statements laid on the Table	1388—96
The Negotiable Instruments (Amendment) Bill—Presentation of the Report of the Select Committee	1397
The Salt Additional Import Duty (Extending) Bill—Introduced	1397
The Trade Disputes (Extending) Bill—Introduced	1397—98
The Cotton Textile Industry Protection (Amendment) Bill—Introduced and Passed	1398—99
The Reserve Bank of India Bill—Amendments made by the Council of State agreed to	1399—1400

	PAGES.
MONDAY, 26TH FEBRUARY 1934—contd.	
The Wheat Import Duty (Extending) Bill—Passed	1400—2
The Steel and Wire Industries Protection (Extending) Bill Passed	1423—33
The Indian Medical Council (Amendment) Bill—Passed	1423
TUESDAY, 27TH FEBRUARY, 1934—	
The Factories Bill—Presentation of the Report of the Select Committee	
Election of the Standing Committee for the Department of Education, Health and Lands	1435—36
Demands for Supplementary Grants in respect of Railways	1436—49
The Indian Navy (Discipline) Bill—Circulated	1449—87
Presentation of the Budget for 1934-35	1488—1538
The Indian Finance Bill—Introduced	1538
FRIDAY, 2ND MARCH, 1934—	
Members Sworn	1539
Questions and Answers	1539—56
General Discussion of the General Budget	1556—1612
SATURDAY, 3RD MARCH, 1934—	
Questions and Answers	1613—16
Unstarred Questions and Answers	1616—35
General Discussion of the General Budget	1635—
TUESDAY, 6TH MARCH, 1934—	
Questions and Answers	1691—1
Unstarred Questions and Answers	1723—3
Election of the Standing Committee for the Department of Education, Health and Lands	1736
The General Budget—List of Demands	1736—85
Demand No. 39—Army Department	1736—47
Retrenchment in Defence Expenditure and Military Policy	1736
Demand No. 28—Executive Council	1767
Federal Finance	176

**WEDNESDAY, 7TH MARCH
1934—**

	PAGES.
Questions and Answers	1787—92
Message from the Council of State	1793
The General Budget—List of Demands— <i>contd.</i>	1793—1845
Demand No. 28—Executive Council— <i>contd.</i>	1793—1845
Reorganisation of the Public Services under the proposed Federal Constitution	1793—1821
Necessity of Expediting the Constitutional Reforms	1821—45

**THURSDAY, 8TH MARCH,
1934—**

Message from the Council of State	1847
The General Budget—List of Demands— <i>contd.</i>	1847—1903
Demand No. 28—Executive Council— <i>concl'd.</i>	1847—1903
Planned Economy	1847—1903
Statement of Business	1903—04

FRIDAY, 9TH MARCH, 1934—

Questions and Answers	1907—14
The General Budget—List of Demands— <i>contd.</i>	1915—75
Demand No. 16—Customs	1915—49
Absence of Oriyas in the Customs Department	1917—19
Status and Salary of Assistant Preventive Officers at Madras	1919—23
Grievances of the Hindus of Sind in the Customs Department	1923—49
Demand No. 17—Taxes on Income	1949—54
Paucity of Oriyas in the Bihar and Orissa Income-tax Department	1950
Hearing of Appeals on Assessment by the same officers and not by Independent Judicial Officers	1951
Arbitrary Assessment by Income-tax Officers	1951—52
Policy of the Income-tax Department	1953
Demand No. 18—Salt	1954
Demand No. 19—Opium	1954

**FRIDAY, 9TH MARCH, 1934—
*contd.***

	PAGES.
Demand No. 19-A.—Excise	1954
Demand No. 20—Stamps	1954
Demand No. 21.—Forest	1954
Demand No. 22—Irrigation (including Working Expenses), Navigation, Embankment and Drainage works	1954
Demand No. 23—Indian Posts and Telegraphs Department (including Working Expenses)—Paucity of Muslims in the services.	1955—75
Paucity of Muslims in the Services	1955—75

**SATURDAY, 10TH MARCH,
1934—**

Questions and Answers	1977—83
Unstarred Questions and Answers	1983—93
The General Budget—List of Demands— <i>concl'd.</i>	1993—2072
Demand No. 23—Indian Posts and Telegraphs Department (including Working Expenses)— <i>concl'd.</i>	1993—2058
Compensatory Allowance for Lower Division Clerks and Sorters	1993—96
Retrenchment Policy adopted in the Posts and Telegraphs Department	1996—2035
Condition of the Extra Departmental Agents	2035—40
Selection Grade Posts	2040—46
Grievances of Railway Mail Service Employees.	2046—50
Protest against the Appointment of the Postal Committee	2050—55
Measures of Earthquake Relief for Postal and Railway Mail Service Staff in North Bihar	2055—57
Wynad Allowances	2057
Demand No. 25—Interest on debt and Reduction or avoidance of Debt	2058
Demand No. 26—Interest on Miscellaneous Obligations	2058

**SATURDAY, 10TH MARCH,
1934—contd.**
PAGES.

Demand No. 27—Staff, Household and Allowances of the Governor-General	2058
Demand No. 29—Council of State	2058
Demand No. 30—Legislative Assembly and Legislative Assembly Department	2059
Demand No. 31—Foreign and Political Department	2059
Demand No. 32—Home Department	2059
Demand No. 33—Public Service Commission	2059
Demand No. 34—Legislative Department	2059
Demand No. 35—Department of Education, Health and Lands	2060
Demand No. 36—Finance Department	2060
Demand No. 38—Commerce Department	2060
Demand No. 40—Department of Industries and Labour	2060
Demand No. 41—Central Board of Revenue	2060
Demand No. 42—Payments to Provincial Governments on account of Administration of Agency Subjects	2061
Demand No. 43—Audit	2061
Demand No. 44—Administration of Justice	2061
Demand No. 45—Police	2061
Demand No. 46—Ports and Pilotage	2061
Demand No. 47—Light-houses and Lightships	2062
Demand No. 48—Survey of India	2062
Demand No. 49—Meteorology	2062
Demand No. 50—Geological Survey	2062
Demand No. 51—Botanical Survey	2062
Demand No. 52—Zoological Survey	2062
Demand No. 53—Archæology	2063
Demand No. 54—Mines	2063

**SATURDAY, 10TH MARCH,
1934—contd.**
PAGES.

Demand No. 55— Other Scientific Departments	2063
Demand No. 56—Education	2063
Demand No. 57—Medical Services	2063
Demand No. 58—Public Health	2063
Demand No. 59—Agriculture	2064
Demand No. 60—Imperial Council of Agricultural Research Department	2064
Demand No. 61—Civil Veterinary Services	2064
Demand No. 62—Industries	2064
Demand No. 63—Aviation	2064
Demand No. 64—Commercial Intelligence and Statistics	2064
Demand No. 65—Census	2065
Demand No. 66—Emigration—Internal	2065
Demand No. 67—Emigration—External	2065
Demand No. 68—Joint Stock Companies	2065
Demand No. 69—Miscellaneous Departments	2065
Demand No. 70—Indian Stores Department	2065
Demand No. 71—Currency	2066
Demand No. 72—Mint	2066
Demand No. 73—Civil Works	2066
Demand No. 74—Superannuation Allowances and Pensions	2066
Demand No. 75—Stationery and Printing	2066
Demand No. 76—Miscellaneous	2067
Demand No. 76-A.—Expenditure on Retrenched Personnel charged to Revenue	2067
Demand No. 76-B.—Miscellaneous Adjustments between the Central and Provincial Governments	2067

	PAGES.
SATURDAY, 10TH MARCH 1934—	
<i>contd.</i>	
Demand No. 77—Refunds .	2067
Demand No. 79—Baluchis- tan	2067
Demand No. 80.—Delhi .	2068
Demand No. 81—Ajmer- Merwara	2068
Demand No. 82—Andamans and Nicobar Islands .	2068
Demand No. 83—Rajputana	2068
Demand No. 84—Central India	2068
Demand No. 85—Hydera- bad	2069
Demand No. 85-A—Aden .	2069
Demand No. 86—Expendi- ture in England—Secre- tary of State for India .	2069
Demand No. 87—Expendi- ture in England—High Commissioner for India,	2069
Demand No. 88—Capital Outlay on Security Print- ing	2069
Demand No. 89—Forest Capital Outlay	2070

	PAGES.
SATURDAY, 10TH MARCH 1934—	
<i>contd.</i>	
Demand No. 90—Irrigation	2070
Demand No. 91—Indian Posts and Telegraphs .	2070
Demand No. 93—Capital Outlay on Currency Note Press	2070
Demand No. 94—Capital Outlay on Vizagapatam Harbour	2070
Demand No. 95—Capital Outlay on Lighthouses and Lightships	2071
Demand No. 96—Commuted Value of Pensions	2071
Demand No. 96-A—Expen- diture on Retrenched Per- sonnel charged to Capital	2071
Demand No. 97—Delhi Capital Outlay	2071
Demand No. 98—Interest- free Advances	2071
Demand No. 99—Loans and Advances bearing Interest	2072

LEGISLATIVE ASSEMBLY.

Saturday, 17th February, 1934.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

MESSAGES FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, two Messages have been received from the Council of State. The first Message runs thus:

"Sir, I am directed to inform you that the Bill to constitute a Reserve Bank of India, which was passed by the Legislative Assembly at its meeting held on the 22nd December, 1933, was passed by the Council of State at its meeting held on the 16th February, 1934, with the following amendments, namely :

1. In sub-clause (1) of clause 1 for the figures "1933" the figures "1934" were substituted.

2. In the proviso to sub-clause (c) of clause 2 for the word "society" where it last occurs the word "bank" was substituted.

3. In sub-clause (3) of clause 14 for the words "five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares" the following words were substituted, namely—

"five or more shares shall have one vote and on a poll being demanded each shareholder so registered".

4. In sub-clause (4) of clause 15 for the word "registers" where it first occurs the word "register" was substituted.

5. In sub-clause (2) of clause 48 for the figures "44" the figures "47" were substituted.

6. In the Third Schedule for the figures "1933" wherever they occur the figures "1934" were substituted.

7. In the Fifth Schedule for the figures "1933" the figures "1934" were substituted."

The Council of State requests the concurrence of the Legislative Assembly in the amendments."

Sir, I lay on the table the Bill, as amended by the Council of State.

The second Message is as follows:

"Sir, I am directed to inform you that the Council of State has, at its meeting held on the 16th February, 1934, agreed without any amendments to the Bill further to amend the Imperial Bank of India Act, 1920, for certain purposes, which was passed by the Legislative Assembly at its meeting held on the 31st January, 1934."

RAILWAY BUDGET FOR 1934-35.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways) : Sir, when presenting my first Railway Budget to the House last year, I ventured with some diffidence to suggest that, though the encircling economic gloom showed no tangible sign of lightening, yet indications were not wanting

[Sir Joseph Bhore.]

that we had plumbed the depths of the depression which had overtaken us in common with the rest of the world. Even that guarded opinion was in some quarters regarded as unwarranted by anything more substantial than a facile optimism, and doubts were freely cast on the wisdom of budgeting for so substantial an increase in our earnings for the current year. Though our estimate of receipts for the year may not eventually be reached, it is a matter for some gratification to find that our anticipations of improvement have been substantially justified and that our earnings up-to-date show a material advance over those for the corresponding period of the previous year.

2. Following custom, I will first refer to changes in form before dealing with matters of substance. Very important changes have been made in the forms of demands placed in the hands of Honourable Members, but the limits of a budget speech preclude any detailed description, or explanation, of these changes despite their undoubted interest and importance. One of the major changes concerns the form in which the demands for grants have been recast. These demands are now in the form in which the accounts of railways are kept, and the change has been made in order to facilitate control of expenditure. This change has not only the general approval of the Auditor-General, but has been considered in detail by two committees of this House, *viz.*, the Public Accounts Committee and the Standing Finance Committee for Railways which were unanimous in recommending its adoption.

3. Another important change in the form of our estimates has been caused by the decision to include in them the receipts and expenditure of lines belonging to private companies or Indian States, but worked by our State Railway Systems for a percentage of the gross earnings. This change in procedure follows a recommendation made by Sir Arthur Dickinson and approved by the Standing Finance Committee for Railways. The practice hitherto followed was to deduct both the receipts and expenditure of these lines from the total receipts and expenditure of the system by which they were administered. This procedure, as pointed out by Sir Arthur Dickinson, is fundamentally wrong in principle as the officials of a railway system are engaged in operating all the lines comprising that system, including these worked portions, and the statistics and accounts should properly be based on the total receipts and expenditure of the entire system. As a result of the change, the receipts of the worked lines will, from 1934-35 onwards, be added to the receipts of the State owned lines, and out of the total the Legislature will be asked to vote the gross expenditure for working the railway system as a whole including the worked lines. The Legislature will also be asked to vote the sums which will be handed over to the owners of these lines as the share of the earnings which, under contract, the working agency is required to hand over to them after retaining the percentage fixed in the contract.

To Honourable Members who would like to know in greater detail the reasons for the changes adopted, I would commend a perusal of the Financial Commissioner's Review of the appropriation accounts of Railways for 1931-32 which discusses the question very fully.

It is perhaps difficult to realise, when perusing the papers that will shortly be in the hands of Honourable Members, how great has been the labour involved in preparing the budget in the new form, and I should like to add a word of acknowledgment of the untiring and devoted labours of the Superintendent and staff of the Budget Branch of the Railway Board who have literally worked night and day to ensure that these statements would be ready in time and in as accurate a form as possible.

I also take this opportunity of paying a tribute to the members of the Standing Finance Committee for Railways who have, as always, been assiduous in their duty of scrutinising in detail the estimates of railway expenditure but have had a harder task than usual owing to the radical alterations in the demands made this year. From the reports of the Committee's proceedings which have been prepared in greater detail in accordance with the general wish expressed in this House last year and the large number of memoranda on the estimates which the Members have had to examine in detail, the House will realise the nature and extent of the work which this Committee has had to attend to.

4. It is now superfluous, I am sure, to remind Honourable Members of the advantages of the practice that they have generally followed in recent years of indicating, when giving notices of reductions in demands, the questions which they intend to raise. It enables Government members to supply the House with fuller information on the points raised than would otherwise be possible.

Financial results of 1932-33.

5. Before I go on to deal with the estimates for 1933-34 and 1934-35 which it is my main business to-day to explain to the House, I ought, in order to present a more complete picture, to refer briefly to the results of the year 1932-33, full details of which are available in the Railway Board's report which has recently been published. When I presented the railway budget last year, I anticipated a deficit during 1932-33 of $9\frac{1}{2}$ crores. The actual loss due entirely to a fall in traffic receipts was unfortunately larger. The total loss of $10\frac{1}{2}$ crores was met by a temporary loan from the depreciation fund which, after this transaction, was left with an actual balance of just over 12 crores. The total loans made from the fund to cover deficits amounted at the end of the year to $14\frac{1}{2}$ crores.

Revised estimates for 1933-34.

6. We budgeted for an income during the current year from all sources of $89\frac{1}{2}$ crores and for a total expenditure including depreciation, of just over 64 crores, which would have brought our net revenue to nearly $25\frac{1}{2}$ crores. We now anticipate that our receipts will bring us in $88\frac{1}{2}$ crores instead of $89\frac{1}{2}$ crores, while our expenditure will remain at about the anticipated figure, thus bringing our net traffic receipts to $24\frac{1}{2}$ crores. As our interest charges will amount to $32\frac{1}{2}$ crores, the deficiency for the year will aggregate $7\frac{1}{2}$ crores including the loss of 2 crores on strategic lines, and this will be met again by a temporary loan from the Depreciation Fund, which will now show a balance at the end of the year of $11\frac{1}{2}$ crores, as against 12 crores at the beginning of the year. These are the bare figures, and a brief comment on them may be of some assistance in realising their significance. It is a matter for gratification that our anticipations of an increase in our traffic receipts have in a large measure been fulfilled. The traffic in 1933-34 has been well above the previous year, though we may not be able to reach our original estimates. But though our revised estimate of receipts is half a crore below our original anticipations, it is over 2 crores or $2\frac{1}{2}$ per cent. higher than the figure of last year. It is noteworthy that our goods earnings during the current year are now expected to be nearly $3\frac{1}{2}$ crores, or about 6 per cent. above our earnings in 1932-33. The fact that the increase in traffic has been general and has not been confined to any particular commodity is, I venture to think, of considerable significance as affording

[Sir Joseph Bhore.]

some sign of the beginning of a general revival of trade. But for a serious fall in our passenger earnings, we should have had a still better tale to tell of the results of the year. Our passenger earnings are now expected to be about a crore, or nearly 4 per cent., below what we earned in 1932-33. Railways are taking various steps to deal with this situation. On most railways efforts are being made to recover traffic by quoting specially reduced return fares between particular stations and by introducing extra services. We are also trying an important experiment on the North Western Railway on the possibilities of large scale reductions in 3rd class passenger fares. Revised third class fares were introduced over that system with effect from 1st December 1933. These revisions include a reduction in the previous basis of charge of half a pie per mile for distances up to 50 miles and of a quarter pie per mile for distances from 51 to 300 miles and an increase of half a pie per mile for distances over 300 miles. The general effect of the revised basis of charge is a reduction of fares up to distances of 460 miles and a small increase of fares for distances over that figure. The magnitude of this experiment can be realised from the fact that, if no increase of traffic results, it is expected to lead to a loss in earnings of about 45 lakhs. It is, however, an experiment worth making, for it may well be productive of results of real value in determining our future policy in this matter. It is too early to pronounce on the results, but there are indications that traffic is responding, though as yet insufficiently, to the stimulus of our revised rates. We have found that during the first 8 weeks of the period in which these have been in force, the number of passengers increased by 6 per cent. though the earnings fell by 6 per cent. There are, however, indications of further improvement, and the future course of traffic under this experiment will be followed with interest.

Turning to our working expenses, these are not expected to differ very much from our budget estimate. But for the fact that we have had during this year disasters of unparalleled magnitude to meet, they would in all probability have been slightly lower than our original estimate. During the year, however, two railways in particular have suffered heavily from the effects of the earthquake. Particulars of the extent of the damage and of the cost of repairing or reconstructing buildings, bridges and track that have been affected are still scanty. From such information as we have received at present, however, it appears likely that the damage will amount to over three quarters of a crore and may well reach a crore. Fortune has dealt hardly with us in another matter. Once again have the unchained forces of nature proved the limitations of human skill, science and experience. In September last the sudden action of the river Ganges in flood caused a considerable breach in one of the protective works of the Hardinge Bridge on the Eastern Bengal Railway, popularly known as the Sara Bridge. We can only be thankful that the damage was no worse and did not go far enough to cause any immediate danger to the safety of the bridge. But we have had a sufficiently serious warning to compel us to incur the expenditure of very large sums of money in strengthening and extending the protection and training works connected with the bridge. Here again the total cost is estimated to be well over a crore and might possibly reach a crore and a half. At the same time, we have had to sanction extra expenditure in order to be ready with other alternative means of communication in case the worst happens and if, during the course of the next monsoon, the safety of the bridge is seriously threatened.

Of the total expenditure involved in repairs and reconstruction necessary in these two cases, a considerable amount is an addition to our assets and correctly chargeable to capital, but an amount of between a crore and a crore

and a half of rupees would in the ordinary course have been charged to revenue during this year and the next and possibly the year after. After careful consideration and with the concurrence of the Standing Finance Committee for Railways, we have come to the conclusion that, in all the circumstances, it is reasonable and proper not to debit expenditure of this nature to current revenues during such a short period as 2 or 3 years but to distribute it in instalments over a longer period. We, therefore, propose to debit the whole expenditure initially to the Depreciation Fund and repay it out of revenue in annual instalments of 15 lakhs a year till complete repayment is made, which, we hope, will not take more than ten years.

Against the deterioration in our traffic receipts we have to set off a welcome fall in our interest charges owing to a reduction in the rate of interest due to the lower rates at which Government have been able to borrow during the year. These factors have balanced each other and our present anticipation is that the final results will, as stated, show an aggregate deficiency of 7½ crores, including the usual loss of about 2 crores on strategic lines. This is in accordance with our anticipations at the beginning of the year, and the loss will be met by a temporary loan from the depreciation fund.

Budget estimate for 1934-35.

7. Stated briefly and, in order to facilitate comparison, neglecting for the moment the effect of the inclusion of the receipts and expenditure of worked lines in our estimates for 1934-35, we estimate our total receipts from State lines next year at 91½ crores and our total expenditure including depreciation at 64½ crores. With our interest charges estimated at 32 crores, the total deficiency should be approximately 5½ crores. A loan of this amount from the Depreciation Fund would leave that fund in credit to the extent of 11½ crores at the end of the year, as compared with 11½ crores at the beginning of the year. We think we shall not be unduly optimistic in estimating, for next year, an increase in traffic receipts to the extent of 2½ crores, an improvement of 3 per cent. on our figures for this year. The steady upward trend in our goods earnings this year justifies us, we believe, in the hope that at last we are fairly on the road to recovery, though it would be rash to anticipate any rapid progress as yet along that road.

We expect our working expenses to be a little higher than during the current year. Our ordinary working expenses have been steadily reduced from year to year since our traffic began to drop, but the major retrenchments have all been effected, and to the extent that reductions represented merely a postponement of expenditure, the time is soon coming, if it has not already come, when it would be unwise and indeed unsafe to postpone it any longer. The most hopeful prospects of reducing expenditure still further seem to us at present to lie in the results of the detailed job analyses now being conducted by the special temporary organisation we have set up on various railways on the advice of Mr. Pope. The possible savings may be small individually, but we have no doubt that in the aggregate they will amount to something substantial. Apart from this, we expect a fall in gratuities payable to railway staff which have been abnormally high during the last few years on account of our retrenchment of staff. If traffic continues to improve, as we hope it will, no further block retrenchments should be necessary.

The total increase in our working expenses we place in the neighbourhood of a quarter of a crore, and this is mainly the result of the normal increments earned by staff on time-scales of pay. It will be offset by a further diminution in interest charges on account of the average rate of interest being

[Sir Joseph Bhore.]

expected to be still lower. In the result, we expect our total deficiency to be reduced to 5½ crores, or very nearly 2½ crores below the figure for the current year.

8. In presenting the budget estimates for the current year, I ventured to lay some emphasis on what I held to be the undeniable strength and soundness of the financial position of Indian railways notwithstanding the deficits that have been experienced since 1931-32. The results of 1933-34, so far as we know them at present, have, if anything, confirmed me in that view. Taking the period of eleven years beginning from 1924-25 and ending 1934-35, we find that the first six years were a period of prosperity and the following five years have been otherwise. The crescendo of deficits began in 1930-31 with 5 crores, grew to 9½ crores in 1931-32 and reached its height in 1932-33 with a figure of 10½ crores. We hope that that constitutes the peak, for we expect our deficit to be 7½ crores in 1933-34 and about 5½ crores in 1934-35. A naked statement of these deficits is, however, calculated to give an entirely inaccurate impression of the real financial position. I will endeavour to convey what I think is a more correct picture by stating the financial position of the past three years from a somewhat different angle. Taking our commercial lines alone for the present, it will be seen that even in 1932-33, which may be regarded as the worst year during this period, our net revenue from all sources amounted to 23½ crores and during that year we put by to the depreciation reserve a sum of 7½ crores more than we actually required to withdraw for our current expenditure on renewals and replacements. Even in the worst year of this dark period it will thus be seen that our earnings only fell short by one crore, of the amount, viz., 31½ crores, required to pay the full interest on the Capital at charge. In the following two years, viz., 1933-34 and 1934-35, our estimate of net revenue from all sources is 25½ and 27½ crores respectively. If payments to the depreciation reserve were confined to what was needed to meet our urgent and necessary requirements, our net revenue in each of these two years would be over 32 crores and would exceed the sum necessary for our interest charges on commercial lines by a crore and a half.

Including strategic lines, against our deficits amounting to 13 crores in the two years referred to, must be set the additional appropriations amounting to 12½ crores that we are making to the depreciation account after meeting not only all the normal expenditure on renewals and replacements debitable to the fund during these years, but very heavy abnormal expenditure of 1½ crores to repair earthquake damages and the damages to the Hardinge Bridge caused by the vagaries of the Ganges. These figures, I hope, afford ample justification for the opinion I have expressed as to the intrinsic strength of the financial position of the Indian Railways.

9. Some comment is necessary on our programme of works expenditure for 1934-35 which, though less ambitious than the programmes which Railways were accustomed to in the pre-depression days, is still considerably more extensive than those of the last two years. We propose a total expenditure of just over 14 crores, of which we expect to find three quarters of a crore by a further reduction in stores balances. Except one small new line of five miles, costing 3 lakhs on the South Indian Railway, to which we are committed as part of the arrangements made when the Tanjore District Board Railway was transferred to Government some years ago, the small expenditure of 11 lakhs provided is merely to complete lines started long ago. There are a few projects, like the Bombay Sind Connection and the Pollachi-Vananturai line

in South India, the prospects of which are under examination, but our examination has not yet reached a stage at which we can arrive at a definite conclusion in regard to their remunerativeness. We have not, therefore, felt justified in asking the Assembly to provide funds for them. We hope to complete our examination in the course of the next few months. If we find that these projects are likely to be remunerative under present conditions of cheap money and low prices of material and desire to start construction during the next working season, we shall take steps to place our proposals before the Standing Finance Committee for Railways and ask the Assembly for the requisite additional grant. As regards open line works, our programme includes 4½ crores for track renewals, and 3½ crores for rolling stock in addition to 1½ crores for works in progress. The amount provided for new works is under 4½ crores. Of this, a sum of about 1½ crores is required for repairs and additions to the protection works of the Hardinge Bridge to which I have already referred and for repairing earthquake damages. As I have mentioned, it is our intention not to charge directly to current revenues any expenditure on these items, but to debit initially to the depreciation fund whatever is not chargeable to capital, and repay this amount from revenue by annual instalments of 15 lakhs. Another item of importance is the remodelling of part of the Jamalpur Workshops on the East Indian Railway where, as a measure of economy and efficiency, it was intended to concentrate heavy repairs to engines. This was originally initiated as a remunerative project, but it has since been rendered imperative by the demolition of some of the existing shops by the recent earthquake.

That completes the financial picture which I have to present to the House. If it is not as bright as we might have wished, it might easily have been much darker.

10. I will now pass, before I close, to one or two matters of general interest on which Honourable Members will, I am sure, expect some observations from me.

There is, I believe, much misapprehension as to the attitude of the railways towards those competitive forms of transport which have of recent years been making inroads into their traffic. Speaking for Indian Railways generally, I would like to combat any impression that they desire to maintain, at any cost and by any means, a monopolistic position from which to exploit the public. True, they cannot be expected to welcome unequal competition with open arms, but they recognise its inevitability and appreciate the fact that they must meet it largely by better and more attractive service. But what in the interests of the country they are chiefly concerned with, is the elimination of wasteful competition and the utilisation of the available resources of the State to the best possible advantage of the public. It is obviously, for instance, in the public interest that such limited funds as there are should be spent on opening up unopened tracts rather than on duplicating existing lines of communication. With the object of exchanging ideas, the Government of India convened at Simla in April last a Conference which the representatives of Local Governments, of Railways, and of certain unofficial organisations, were invited to attend. This Conference discussed, and agreed to, some eight Resolutions, framed with the intention of securing the greater co-ordination of transport, the better control of public motor services and the more scientific and economic development and planning of roads. These Resolutions were not of course binding on the parties to the Conference, but as a result of some useful discussions, I feel sure that the representatives of Local Governments who attended came to appreciate how closely the prosperity of the country is bound up with that of its railway system. The Government of India are now

[Sir Joseph Bhore.]

in correspondence with the Local Governments on these resolutions and have every reason to hope that a beginning has been made in attracting the serious attention of the various authorities concerned to a problem which has been found so difficult of solution in other parts of the world and in securing recognition of the fact that it can only be successfully attacked through co-operation between the various administrative units that under the existing system of Government have control over the different parts of this complex problem.

11. I have no doubt that, during the course of the next week, opportunities will be available and will be freely utilised by Honourable Members to give expression to their views on what must be regarded as a matter of first importance to the future administration of Railways in India, the proposed Statutory Railway Authority. Today it is only necessary for me to express our warm appreciation of the spirit in which the members of the Committee which considered this question in London approached their task and of the contribution made towards the solution of this difficult problem by their report.

It will be observed that we have not yet embarked on the investigation which I foreshadowed last year in connection with our Depreciation Fund procedure. This is not due to any change in the perspective in which we view this question, or in our opinion of its importance. But, after a very full preliminary examination, we came to the conclusion that it might well be left for investigation concurrently with other important financial questions which must be settled in connection with the future changes in the administration of Indian Railways.

12. Deficit budgets are not a source of anxiety merely to Finance Members and to Governments. The Administrative Staffs of Commercial, or quasi-Commercial, Departments feel more keenly than outsiders realise, the paralysing influence of continued deficits. Retrenchment, economy and the curtailment of opportunities for development combine to produce an effect calculated to dishearten the most enthusiastic and to discourage the most stouthearted. I would like to pay my tribute to all railwaymen for the steadfastness with which they have faced the depression of the past few years. Happily we may, with some justification, hope that the clouds are at last beginning to exhibit signs of lifting. Such improvement as our revenues have shown in the current year has been persistent and well maintained. The steady enlargement of our goods traffic is an indication that trade and confidence are beginning to revive. If we have still far to go before we can reach normality, we can at least face the coming year with renewed hope and lighter hearts. (Applause.)

The Assembly then adjourned till Eleven of the Clock on Monday, the 19th February, 1934.