

Saturday, April 2, 1870

ABSTRACT OF THE PROCEEDINGS

COUNCIL OF THE GOVERNOR GENERAL OF INDIA

LAWS AND REGULATIONS.

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Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament 24 & 25 Vic., cap. 67.

The Council met at Government House on Saturday, the 2nd April 1870.

PRESENT :

His Excellency the Viceroy and Governor General of India, K. P., G. C. S. I.
presiding.

His Excellency the Commander-in-Chief, K. C. B., G. C. S. I.

Major General the Hon'ble Sir H. M. Durand, C. B., K. C. S. I.

The Hon'ble John Strachey.

The Hon'ble Sir Richard Temple, K. C. S. I.

The Hon'ble J. Fitzjames Stephen, Q. C.

The Hon'ble Gordon S. Forbes.

The Hon'ble D. Cowie.

Colonel the Hon'ble R. Strachey, C. S. I.

The Hon'ble Francis Steuart Chapman.

The Hon'ble J. R. Bullen Smith.

The Hon'ble F. R. Cockerell.

FINANCIAL STATEMENT.

INCOME TAX BILL.

The Hon'ble SIR RICHARD TEMPLE, in moving for leave to introduce a Bill for imposing duties on Income and Profits, said—MY LORD, “ I have now to present the Budget for British India for the official year 1870-71, this being the eleventh annual statement presented to the Legislative Council. During my absence from India for six months of the year 1869-70, the finances were administered by my hon'ble colleague Mr. John Strachey, and some of the measures which I shall hereafter have to mention were commenced or carried on by him. The ability and carefulness with which he conducted the administration are too well known to your Lordship and to the Council to require any further commendation from me.

On this, as on former occasions, my statement will be divided into three parts, namely, the actual account for the past year 1868-69; the regular estimate for the year just closed 1869-70; and the budget estimate for the current year 1870-71, now commencing.

Before advertng to the three divisions in the order above named, I must explain certain improvements now made for the first time in the mode of exhibiting the figures.

In the first place I am about to show the account of the working of the State railway, and the account of the Government with the several guaranteed railway companies, in the same manner as all other parts of the public accounts, that is to say, the real receipts will be shown on the receipt side, and the full payments on the expenditure side. Hitherto, as the Council will remember, the plan followed has been a different one. For instead of showing the receipts on one side and the payments on the other, that is treating the account in the gross, we have shown nothing at all on the receipt side, and only the nett payment (after deduction of receipts) on the other side. This has been the meaning of the item which has hitherto appeared in our financial statements, under the designation of guaranteed railway interest, less nett traffic receipts. In my exposition of last year, I furnished a summary of the main facts from which that important item was derived, namely, the gross amount of interest payable by the State to the shareholders of the guaranteed companies, then the amount recovered by the State from the traffic receipts, and so on. Whether the Council was able to follow me through that explanation, I cannot say. But I felt at the time that it was hardly a satisfactory circumstance that so much had to be said to elucidate an item which ought not to need such elucidation at all, and which ought to be in its nature apparent from the face of the statement. Subsequently this consideration further forced itself upon me. The figures of all other departments are exhibited not in the nett but in the gross. No other heavy payment is shown in diminished proportions by reason of a set-off. If this were to be done generally, then the financial statements would lose half their clearness, and the publicity half its value; and the real nature of the income and expenditure would not be intelligible. Why then should an exception be made in the case of the railway expenditure, which has been for years a large and growing item in the charge side of our financial accounts? There is no good reason whatever for this. On the contrary the public has a clear interest in seeing this part shown in the same way as all other parts of the account. For the payments by Government of interest now approach the sum of $4\frac{1}{2}$ millions sterling annually. How is the rapid accretion of this interest to be appreciated, if it is not shown in the annual statements? On the other hand, the set-off against this is the amount of nett traffic receipts, that is the gross traffic receipts, less working expenses. This also is happily growing fast, and now exceeds $2\frac{1}{2}$ millions

sterling. But still it is, and will probably for some time remain, inadequate; in other words it is and will be less than the interest payments. But we hope that this may gradually approach nearer to the balance of the account; and it concerns every one to know how far this desirable approximation is or is not being attained. This depends on the development of railway traffic and the economy of working expenses. Indeed the working expenses now amount to nearly four millions sterling per annum, and constitute virtually a branch of public expenditure in which the public is as nearly concerned as in any other branch. These points are not only fraught with general interest, but also affect the ultimate financial result and the determination of surplus or deficit. I therefore propose to show the two great items each on its proper side of the account. This course too strictly accords with the terms of the contract between the State and the Companies. After providing for the regular payment by Government to the Companies of the five per cent. interest on the capital paid up, the contract goes on to say that "all monies received by or on account of the Railway Company in India * * * shall be paid into the 'Treasury' of Government; that the "nett receipts after deducting all sums * * * for the current expenses of working the railway" * * * "shall be applied in the first place towards the discharge of the interest payable" by the Government.

In the second place, as the Council will recollect, the practice has been to exhibit the expenditure in India in detail under the main heads or branches, and then to show the expenditure on account of India in England in the lump or aggregate. Nevertheless the expenditure in England was for the most part not divisible under any new or separate heads, but really pertained to the several branches of the administration in India. Still it was not divided nor classified in our financial statements. Its amount is very considerable, being almost 12 millions, or more than 22 per cent. of our total expenditure. Though of course classified for official purposes, it has heretofore remained absolutely unclassified in our financial statements. One consequence has been this, that the expenditure shown separately in our regular financial statements has never represented the full and complete cost of many of our greatest departments, such as Army, Marine, Public Works, Interest, and others. That the arrangement is so far improvable seems to be beyond question. Last year I did present a supplementary statement calculated to meet the want. But this year I have prepared the statement with a combination of the figures derived from India, and from England; so that they now display the full cost of each branch, whencesoever derived and wheresoever incurred. The formal and principal state-

ment being thus comprehensively prepared, supplementary statements are added, showing how much is spent for each head in India and how much in England.

In the third place the water rent paid by the landholders for the water obtained from the State canals, has been transferred from the heading of public works income to the heading of land revenue. The amount is important, being more than £500,000, or half a million. The public works income properly includes only sale proceeds of old stores and other items technically called recoveries, with which canal water rent has of course nothing to do; whereas this water rent is income derived by the State from its measures for improving the land by means of irrigation.

In the fourth place, the item of "allowances to village officers" has been combined with the expenditure relating to land revenue, and is no longer shown in a separate heading; and for it has been substituted a heading "Minor Departments" under which will be shown the charges of the trigonometrical, topographical, and geological surveys, and other Departments not readily assignable to any other existing head.

In the fifth place, from the heading of "Education, Science, and Art," we have eliminated, as just explained, the cost of the Survey Department. The surveys, though scientifically conducted, are executed in but a small degree for purposes of science and almost entirely for fiscal, engineering, and other practical purposes. On the other hand, it is of consequence to all those who are interested in the moral and intellectual progress of India that the true charge for education should be shown on the face of the statement. Heretofore the precise progress of this important item has not been perceptible from the statement; and never could be so, while other and foreign charges were mixed up with it. On this occasion, then, the figures which I exhibit are those for education alone.

In the sixth place, the abstract which the Council will remember having seen on former occasions under the title of "statement of estimated cash balances," has been superseded by an improved cash statement, exhibiting an abstract of the entire financial transactions of British India, and showing in a clearer form how for each year the total disbursements of all kinds are actually met, or, in other words, how the ways and means of each year are provided.

So much then for the improvements in the form of the Statements, and I must ask the Council to remember that by reason of these improvements, the figures I now give will not be comparable in detail with those I gave last year, though the ultimate result will be duly comparable.

After this preface (the length of which will be excused from regard to the importance of the topics), I proceed to the actual account of the past year 1868-69.

The receipts were £51,657,658, or more than 51½ millions sterling. The ordinary expenditure amounted to £51,431,688, or near 51½ millions, causing a deficit of £2,774,030, or 2¾ millions of receipts as compared with ordinary expenditure.

In my last financial exposition I explained that there would be a deficit in that year of income as compared with ordinary expenditure. The deficit was then estimated at £970,471, or 1 million. That estimate was necessarily incomplete, being based on eight months' actuals and four months' estimate; the last four months too constituting the most important and critical part of the year. Still the difference between the estimate and the result is very considerable; and I must, as briefly as possible, recapitulate the reasons.

These reasons have arisen in small part only from shortcomings of receipts on the whole. Exclusive of the railway earnings, the receipts in India indeed were £19,077,007, actual, against £19,288,700, of the regular estimate, the difference less being £218,458, or ¼th of a million. I attribute this to the fact of the yield of the Malwa or Bombay opium having been over-estimated by us. The amount indeed taken was fair enough as compared with the actuals of the two preceding years; but the last four months of the year proved abnormally unproductive, and these were the months which did not come within the regular estimate.

The difference, then, between the estimated and the actual deficit was caused mainly by excess of expenditure. In the first place an item of £505,922 is brought about by charging in the accounts the liabilities of the Government in respect to the late Military and Medical funds, which existed chiefly for the benefit of the widows of deceased officers. The arrangements made on the transfer of the fund provided that assets should be gradually year by year appropriated by the Government, which was on the other hand to pay all the pensions and allowances. The transfer occurred during 1867-68. It commenced in that year, and came into full operation during the year under consideration, 1868-69. At the outset these pensions disbursed in England by the Secretary of State were not charged in the English expenditure, but were held by the Secretary of State in a suspense account, that is in the account current between England and India, and were so held at the time when my last financial statement was made. But inasmuch as the Secretary of State has ruled that the pensions are

to be included in the expenditure in England, and as they now constitute a real charge against the revenues, we have deemed it best to include them (subject to the sanction of the Secretary of State) in the English expenditure once for all; and to finally adjust the account. The amount thus to be charged comes, as above stated, to £717,734, of which two-thirds relate to the year 1868-69, and the rest to the previous year 1867-68. Of this sum, £211,812 had already been provided for, being charged in the Madras accounts. The remainder, or £505,922, has now been added, and the whole charged in the English accounts.

Another cause was an excess of £492,004 on the expenditure on public works ordinary. This arose partly on works emergently undertaken in districts suffering from drought or famine. Owing to certain defects in the control of the Public Works Department, some portions of the grants for extraordinary works were made use of for the ordinary works, and the circumstance was not known to the Department when it rendered its estimate to me at the time of my last financial statement. The occurrence of this excess, and the fact of its not being known in time, undoubtedly indicated, as I have above stated, defects in financial control. Those defects have now been carefully searched out, and remedies are being applied, which will we hope prove effectual for prevention in future. Their efficacy will be tested by experience.

Then there was an excess of £186,346 in the Army expenditure, arising partly from the high prices of provisions in drought-stricken districts, and partly from field operations on the frontier. There was a nett excess expenditure again in the Civil departments, chiefly in Marine, Interest, and Miscellaneous, amounting in all to £350,541.

These several items, together with a few others with which I cannot detain the Council, account for the difference between the estimated deficit of one million and the actual deficit of $2\frac{1}{2}$ millions.

Besides the ordinary expenditure above alluded to, there was during the year an extraordinary expenditure of £1,370,613, or $1\frac{1}{2}$ millions devoted in nearly equal proportions to irrigation, to Bombay special fund works, and to the purchase of the State Railway in South-Eastern Bengal.

Thus, the past year 1868-69 ends with a deficit of $2\frac{1}{2}$ millions; and this circumstance suggests the following observation. The Council will remember that in my last financial statement, I put the deficits of the three years 1866-67, 1867-68, and 1868-69, at $4\frac{1}{2}$ millions. This was on the supposition that the deficit of 1868-69 would be one million, whereas it is now seen to be $2\frac{1}{2}$ millions.

Thus the $4\frac{1}{2}$ comes up to $6\frac{1}{2}$ millions. I then showed that there had been an expenditure of $3\frac{1}{2}$ millions on new barracks, which had been undertaken partly in the belief that they would not be treated as ordinary works, and would be excluded from the ordinary account. From that point of view the new barracks would have mainly accounted for the deficits. But now this can no longer be said. The deficits being $6\frac{1}{2}$ millions, of which only $3\frac{1}{2}$ can be accounted for by the barracks, and are susceptible of special justification, it must be admitted that the remainder, $2\frac{1}{2}$ millions, are due to excess of expenditure accepted as chargeable against current income, and represent deficit pure and simple without such special justification.

So much then, in brief, for the actual account of the year that is passed, 1868-69. I now have to advert to the year just expired 1869-70, the figures for which are derived chiefly from actual accounts and partly from estimates.

For 1869-70, then, the receipts are taken at £52,912,182, or 53 millions, which amount exceeds by £699,542, or $\frac{1}{4}$ of a million, the sum of £52,212,640, or $52\frac{1}{2}$ millions estimated in my financial statement of March 1869. The Council will remember that these figures will not admit of simple comparison with that statement by reason of the inclusion of the nett railway traffic receipts and of the receipts in England.

This increase of receipts has arisen notwithstanding failure of the customs and the opium to yield the amount estimated in the budget. The customs revenue was taken at £2,773,500; it is now expected to yield only £2,416,500, showing a difference less of £357,000, or about $\frac{1}{3}$ of a million. The opium revenue was taken at £8,286,540; it is now expected to yield only £7,953,800, showing a difference less of £332,740, or $\frac{1}{3}$ of a million. This falling off of opium revenue has occurred entirely in Bengal, where the price per chest was estimated at Rs. 1,330 or £133, while only an average of Rs. 1,199 or £120 has been realized. In the Madras and Bombay Presidencies, the rate of duty on salt has been raised from Rs. 1-8-0 per maund to Rs. 1-13-0 for the latter half of the year. Had it not been for this additional duty, the deficiency in the salt revenue would have been considerable. On the whole, it may be said that the salt estimate has been just maintained and no more. There have been also other items of deficiencies, which, together with the above two main items, bring up the gross deficiency of regular estimate below budget estimate to £899,222, or nearly one million.

The Council will then ask how, despite of this deficiency, is a nett result of increase on the whole arrived at? Well, it is arrived at as follows. There

is an increase of £461,778, or nearly half a million in land revenue. This is caused partly by the adjustment in account of the accumulated proceeds of the sale of waste lands, the Government promissory notes in which these funds were invested having been cancelled, and debt to that extent having been reduced. Also in the Punjab and notably in the Madras Presidency, the collections of the revenue have proved more favorable than was expected. There is an increase of £71,943 in tributes; this arises from the partial capitalization of the political contributions payable by His Highness the Maharaja Holkar. The increase of £151,600 under the head of assessed taxes is entirely produced by the additional one per cent. income tax imposed for the latter half of the year, without which there would have been a deficiency. The yield of the additional duty is estimated at £350,000. There is taken an increase of £448,472 under the head of miscellaneous; this arises chiefly from adjustment of accounts consequent on the arrangements regarding the Police superannuation fund and the transfer to Government of the Bombay Medical fund. The army receipts show an increase of £181,760. These main items, together with some lesser items, bring up the total increase to £1,598,764, or over 1½ million. And thus on the whole the receipts of the year are now taken at an increase over the budget.

On the other hand, the ordinary expenditure in 1869-70 was estimated in the budget at £52,190,290, or nearly 52½ millions; it is now expected to rise to £53,568,076, or upwards of 53½ millions, showing a difference more of £1,377,786, or 1½ million.

This excess has occurred notwithstanding that the expenditure on public works ordinary has been reduced to £5,040,395, instead of £5,834,160 provided in the budget, showing a reduction of £793,765, or ¼ of a million. There have been also various savings, such as £33,938 in the Post Office, £47,673 in the Electric Telegraph, £39,300 in Education, which, together with other items, bring up the total decrease of charges to £1,107,131, or over one million.

Here again the Council will ask, how comes it that, despite these reductions, the total charges and expenditure show an increase on the whole? The answer is that in several departments there have been increases over the budget estimate, some of which I must now explain.

In the two items of interest on public debt and on other accounts, there are increases of £73,516 and £124,925. This has arisen from the proportion of unclaimed dividends having been less than was expected: from the charging

to our accounts of certain interest payments on account of the expedition to Abyssinia, which amount we had hoped to recover from Her Majesty's Government: and from the raising in India of a loan of two and a half millions for public works extraordinary. When the budget was framed, we believed it most probable that this public works loan would be raised in England, and during the latter half of the year, in which case instalments of interest would not fall within this year. Subsequently we received the Secretary of State's sanction to raise the amount in India, and we preferred to bring the loan out at an early period: consequently the payment of interest has fallen within this year.

The increase on forests of £35,084 leads to more than corresponding increase of revenue. The same remark applies to the increase of £123,870 in the payments for opium. This arises from the yield of the opium crop being better than was anticipated when my budget was framed, and consequently greater quantities of the drug being brought to the store-houses. Under the contracts with the cultivators, the quantity brought by them must be paid for. Such payments in a fiscal point of view are not indeed to be regretted, as they conduce on the other hand to enhancement of revenue.

The Police charge was estimated at £2,371,290, and has now risen to £2,410,900, showing an increase of £66,610. This difference, which would have been larger but for counteracting economies, has been caused by the delay in carrying out the abolition of the Police superannuation fund. The delay has arisen (notwithstanding this Council having passed the requisite law) from the difficulty of arranging the details with the several local Governments. The excess charge caused by the delay is neutralized by the consequent increase in the assets credited under Miscellaneous.

There is an increase of £381,882 in Marine. This partly arises from our having charged off finally as expenditure the sum of advances on account of the Mutla or Port Canning port fund, which it is prudent to treat as irrecoverable; and from our proposing, after protracted enquiry, to remit a portion of a long outstanding debt due by the Calcutta port fund to the Government. In this heading, too, is included a sum of £45,000 as a contribution by the Government of India towards the cost of the naval force which Her Majesty's Government is to maintain in the East Indian waters. This is a new charge, entered under instructions from the Secretary of State. It was hardly possible to provide for these in the original estimate, as there was no information at that time as to whether these charges would accrue at all, or in what year they would fall.

The increase of £448,728 in miscellaneous is mainly due to difference between the actual and the estimate of the loss by exchange on Secretary of State's bills and to the charge for the freight of stores from England. The charges of the Political department have increased by £152,290. This increase arises from the payments and presents made to the Ameer of Cabul, which were inadvertently omitted from the estimate.

The increase of £303,972 in superannuation allowances arises from the adjusting of the accounts of the Military Fund already explained. When the budget was framed, the amount of these pensions (£396,292) was entered by the Secretary of State in his remittance account, and not (except the Madras portion (£120,000), which was entered in the estimates in India) included in the charges. But we have deemed it necessary (subject to the sanction of the Secretary of State) to take the remainder, £276,792, out of the English remittance account, and to charge the whole in the regular expenditure in England.

There is an increase of £422,831 in the army charges, of which £292,831 accrued in England for stores, furlough allowances, and pensions, and the rest in India, from the high prices of food and a variety of lesser causes which it would be tedious to detail.

These items, together with some others, for which I need not stop, bring up the total increase to £2,484,917, or 2½ millions.

I have now stated the causes of all the variations in estimate on both sides of the account. That the amount of these variations should be so large is matter for regret. One main cause is traceable to the difficulty of adjusting the accounts under a necessarily complex system dealing with a great variety of interests. And if it be difficult to adjust these accounts with certainty, how much more difficult is it to estimate beforehand what form the adjustment will ultimately take, and what its precise result will be. This year special efforts have been made to clear off all old accounts and to have the books as unencumbered as possible for future years. The subject has my unceasing attention.

The items of expenditure as above specified are taken from the combined figures, Indian and English. It may be interesting however to the Council to note exactly what has been the increase on the English figures taken separately under the old heading of "nett expenditure in England including stores." The amount then for this total set down in the budget, as taken from the Secretary of State's estimate, stood at £10,996,950, it is now expected to stand at £11,868,869, showing an increase of £872,119. This has arisen partly

as already explained from the Military Fund payments (£396,292) not having been included in the estimates of charge, partly from the cost of stores for the different departments in India, and partly from the increased allowances payable under the new rules to civil and military officers.

This particular part of the expenditure is, as the Council knows, under the control of the Secretary of State, and so far no remark is required from me. I should say however that as regards the "stores," the Secretary of State only acts on behalf of the Government of India, like an agent, if the expression may be allowed. The stores are ordered by the India Office in London on indents received from the Government of India; and the Secretary of State's estimate is framed in reference to those indents. It sometimes happens that emergent indents are sent home from India within the year, and these must, *pro tanto*, disturb the estimate, and for that much of disturbance the Government of India is solely answerable. Such has been the case this year in reference to a portion of the stores. I must add that heretofore the financial control in India over the indents sent hence for stores from England has been defective, and measures are being adopted to render it more efficient in future.

Thus much on the details of the receipts and expenditure. In the budget it was estimated that there would be an equilibrium with a small surplus of £52,000. But the receipts being now expected to stand at £52,912,482, or nearly 53 millions, and the expenditure at £53,568,076, or more than 53½ millions, there is anticipated a deficit of £625,594, or more than ½ a million, of receipts below ordinary expenditure.

Besides the above ordinary expenditure, there has been an expenditure extraordinary of £2,616,743, or upwards of 2½ millions, on reproductive public works during the year, such as irrigation, State railways, and on Bombay special fund works.

Instead of an estimated equilibrium, then, the year has ended with a deficit of a considerable amount. In some respects, the adjustment of accounts has improved the figures on the receipt side; while in some respects it has made the figures worse on the expenditure side. If there are windfalls on the one side, there are unexpected drawbacks on the other. Also some share in the responsibility rests with the home authorities. But after allowing for all these considerations, I must fully acknowledge a deficit, for which we are clearly responsible, and regarding which I desire to offer the following observations.

As already seen, we suffered a heavy disappointment in respect to our estimate of the opium revenue on the Bengal side. This arose from a fall in the market price, which fall again is believed to have been caused mainly by the extension of opium cultivation in China itself. We were indeed aware that such cultivation was being in some degree extended, but there was no information at that time to lead to the apprehension that this extension would spread so much as it now appears to be spreading. The further information since obtained of the extension, was not then available. For two years and more previous to the framing of the estimate, the prices had ranged at very high rates which indeed were well sustained up to the eve of the budget being produced. There was no known fact to warrant the rate being taken lower than what was then actually ruling. Still on general and prudential considerations, we took the price at an average of the realizations of the past three years, which brought out a rate less by Rs. 50 or £5 a chest less than what we were then receiving. This estimate has indeed partially failed by reason of events in the interior of a remote, half civilized, and comparatively unknown country like China, the nature of which circumstances is even now but vaguely ascertainable by us.

Then the Customs duties have fallen not only below the budget estimate, but also below the actual realizations of the two preceding years. There has been, as the Council knows, a depression of trade not only in India but in many other countries; and this has mainly caused the falling off in our Customs. But when the budget was produced, there was not a single fact to indicate that such a depression was about to set in. Up to that date the Customs revenue had been increasing yearly for several years; that very year they both increased as was proved by the latest statistics and fiscal returns. The authoritative commercial reports up to date, though noticing fluctuations, and not in all respects sanguine, were yet on the whole favorable and hopeful. There had indeed been drought in some parts of India, but that had not up to date affected trade or Customs, and the prospects of the season had recently improved. There had also been some modifications in the valuations of the tariff in favor of the merchants, but this was allowed for in the estimate.

From the several financial statements made in this Chamber, the Council knows how constant has been the increase in the State income of India. However, not even that normal increase was estimated for. The revenue was estimated at just the sum which had been received in the preceding year, and no more. A slight increase only was taken on account of additional taxation. Does not this look *primá facie* as if the estimate was moderate?

These causes (which were, as I contend, misfortunes hardly to be foreseen), together with lesser circumstances with which I need not now trouble the Council, threatened the Government of India with the prospect of a serious deficit. How has this prospect been met? Why, by increasing resources, that is by additional income tax, and additional salt duty on the one hand, and by reducing public works ordinary expenditure on the other. Moreover there have been numerous savings and retrenchments carried out in all the provinces of India (for which the general finance is much indebted to the cordial exertions of the several local Governments), which it would be tedious to specify, but of which the total effect is estimated at £200,000. The condition of the year's finance has been bettered by the above measures to the extent of £530,000 on the receipt side and £993,765 on the expenditure side, the total improvement being represented by £1,523,765, or 1½ million.

When introducing into this Council in November last the Bills for extra taxation, I stated that every "effort would be made to destroy the remaining deficit, to run it hard, to break its back so to speak." This promise related of course to receipts and expenditure in India. The figures show that it is in a fair way of being fulfilled.

These last figures, however, are not altogether actuals, but belong to the regular estimate. In India these regular estimates have sometimes been so far falsified by results as to have acquired an ominous significance. On previous occasions the practice has been to frame these regular estimates on eight months' actuals and four months' estimates. In some respects the actuals did not extend to eight months, but only to seven or even to six. This method left a large margin for uncertainty, for the four months of estimate were, as I have explained once to-day, about the four most important in the year, and the very ones when the financial transactions were the largest. The regular estimate which I now present, however, ought to be of a better kind, for it is based on eleven months' actuals for nearly all the receipts and for all civil expenditure in India and ten months for army, marine, and public works; leaving only one month, or in some cases two months, for estimate, which estimate is based again on the actuals of the last months of former years. But even for the last month we have obtained actual data for some important branches on the receipt side especially.

Another cause of the uncertainty in the regular estimates has been the adjustment of many items in the twelfth month. And this cause may perhaps to some extent operate to throw out parts even of the regular estimate I now

present. We have striven to ensure these adjustments being made more and more regularly month by month; so that the pressure may cease to be thrown on the close of the year.

Still after allowance shall have been made for all that can fairly be said in defence of our estimates and accounts,—the recurrence of deficits in time of peace, and the discrepancies between estimates and results which have so frequently happened, do compel us to search for and remedy whatever defects there may be in our system. Despite the many improvements that have been effected, the result proves that some defects must still remain. Two main defects I have above indicated—one of which was vital certainly. They have been, as we hope for the most part, remedied. We shall strive to make the remedy more and more complete after each year's experience.

Over and above these, however, there doubtless are lesser defects. Addressing this Council in November last, I said "we must examine more thoroughly than heretofore the monthly statements of actual receipts * * * we have such an examination now; but we must have it more strictly in future; we must check our financial conclusions more immediately by actuals up to the latest day; we must base our estimates more strictly on the actual results up to date, and less on general conclusions."

I need hardly add that we are acting and shall act more and more closely on these views.

Having thus dealt with the years 1868-69 and 1869-70, I arrive at the third and most important part of my exposition, namely, the budget estimate for 1870-71.

The receipts are taken at £52,327,755, or 52½ millions, to be compared with the £52,942,482, or 53 millions estimate for the year just closing, 1869-70.

The land revenue estimate is an aggregate of the estimates received from the local Governments, which have not been materially departed from in any case. There is a decrease of £513,646 as compared with the previous year, of which the return was swollen by the inclusion of the waste land receipts and the collection of some arrears. The effects of the drought of 1868-69 have been felt throughout 1869-70. The stocks of grain in some parts of the country are believed to have become exhausted. The rains of last season, though somewhat delayed, were ultimately abundant. In many

provinces the harvests have been good. In some districts, however, there are still fears. On the whole, the advent of the ensuing rains must be looked for with some anxiety.

The decrease of £28,070 under tributes arises from the capitalization of the Holkar tributes in 1869-70 already alluded to.

The forest revenue shows a continued increase, more than balanced, however, by increased cost on the expenditure side.

Under excise we venture to expect a small increase of £39,300.

The item of assessed taxes I shall reserve for further mention hereafter.

For the Customs we have only taken £2,416,500, being the same amount as that which we have received in the year just expired, during which so much commercial depression has prevailed. That the present yield should not be greater than it is, must be regarded as an unfavorable indication respecting the condition of the people of India. In some places the inhabitants are impoverished by the late drought, or are still apprehensive about their crops; and are unwilling to buy European cloths or other things comparatively luxuries, until they are sure of their food; all which circumstances cause the up-country markets to continue slack. Still in most parts of India the people are advancing in prosperity as much as ever; and regard being had to this consideration, a revival of trade might be hoped for. Again, there have been fluctuations in the trade: January, a very important month, turned out badly; but February was better. March, the month just over, has been a little more favorable. On the other hand, the reports issued by the Calcutta Chamber of Commerce have been and still are unfavorable, and the opening of the Suez Canal has caused some forestalment of imports, and consequently of duty. I trust that things will not become worse than they are, and that we shall receive at least as much in the year 1870-71 as we have received in 1869-70, but I know no fact which would justify me in raising the estimate.

We have carefully considered the expediency of reducing or remitting the export duty on rice exported from India and from Burma. This branch of trade was for some months much depressed, but has of late shown signs of improvement. The depression, however, arose, as we believe, from other causes besides the duties. The prices of produce are rising rather than falling. The demands in China and Japan seem likely to become more brisk; indeed, scarcity is understood to prevail in some parts of Japan. Though fully sensible

of the objections which can be urged against these duties, yet looking to the circumstances of the case and to the financial exigencies of the time, -we have decided not to propose any change in the duties at present.

We propose to remit the export duty on shawls and on a few insignificant articles; and on the other hand to include some others in the tariff, and to levy the duty on galvanized iron *ad valorem*. These modifications are not expected to cause any loss of revenue. The shawl duties have operated as virtually transit dues on the shawls from Cashmere, and as regards the British Indian shawls, it is well that they should not be weighted in their competition with the shawls of other countries.

In my last statement I alluded to the progressive increase in the foreign trade of British India, and I stated that the sum total of value had risen from 95 millions in 1866-67 to 101 millions in 1867-68. Since then the ascertained trade of 1868-69 has amounted to 106 millions in value. But after some years of satisfactory progression, the year 1869-70 is almost certain to prove one of retrogression. We now possess the complete returns for nine months of that year, and they show a decrease of 8 per cent. in value and 5 per cent. in quantity as compared with the corresponding period of the preceding year. That the comparison as regards value should be less favourable than that as regards quantity is accounted for by the fact that there has been a reduction of the valuations by tariff. Still there is a falling off of 5 per cent. on the whole; and this is specially perceptible in some important staples of import, such as piece goods and metals, and of exports, such as cotton, rice and indigo. One important item of export, namely jute (fibres) has kept its place as well as ever. The cotton export of 1868-69 amounted to 700,000,000 lbs., or 1½ millions of bales; but the quantity for 1869-70 will prove considerably less. In 1868-69 there were 11½ millions of lbs. of tea exported; the quantity for 1869-70 seems likely to prove as great. In 1868-69 there were 48 millions of lbs. of coffee exported; the quantity for 1869-70 will certainly prove less. The causes of the depression of trade must doubtless be sought for in other countries besides India. But they have been aggravated by the drought and distress which have prevailed in some parts of India itself.

The salt revenue has been taken at £6,177,370, an amount considerably over that of the previous year, chiefly because the increased duty in Madras and Bombay (5 annas per maund) is to operate for the whole of 1870-71, whereas it operated for only half of 1869-70.

For the opium revenue we have taken £6,922,281, of which £4,905,281 pertain to Bengal and £2,017,000 to Bombay. The Bengal estimate has been taken at Rs. 975 or £97-10 per chest on 49,000 chests. For the first three quarters of the year, the provision is, with the exception of a small deficiency of 1,104 chests, actually in store. For the last quarter, from the information given by the Local Government, we trust that the number of chests is tolerably certain. To provide it we ought to sell 52,000 chests in 1871, a supply which we hope to be in a position to bring forward, but which is certainly not likely to be much exceeded. The real doubt is as to the price per chest, the calculation of which solely depends on forecast. The price, as the Council know, averaged Rs. 1,379, or £137-18 per chest in 1868-69. In 1869-70 it has averaged Rs. 1,199 or £119-18. It has fallen with an unfortunate regularity from Rs. 1,324 or £132-8, at the beginning of the year, to Rs. 1,093 or £109-6 at the close. So far as we can judge from China advices and from local prices, the tendency is downwards. The Government of India possesses now a mass of information, which, though not always clear, does in the main show that the cultivation of the drug is increasing, and is likely to increase further, in China itself. So far as opinion goes, nearly all authorities believe that the opium trade of India with China will be subjected to a degree of competition not heretofore experienced. Taking all these things together, I anticipate the possibility of a further fall in prices, and have considered the rates to which prices have fallen within recent experience. They have gone as low as Rs. 900 and 850 a chest. Though hoping that they will not again fall so low, yet I consider that no estimate of a higher average than Rs. 975 or £97-10 a chest would be safe; and a reasonably safe estimate we must have. So also with the Malwa opium, having regard to the manifold fluctuations of the Bombay market from year to year, even from month to month; and to the probability of its sympathizing with any fall on the Bengal side, I do not consider that any estimate much over 2 millions would be safe. We are indeed receiving 2½ millions (£2,357,000) for the year just closed, which quite fulfils the estimate. But then we only received £1,800,000 in the preceding year, when circumstances were more favorable than this. The estimate of the current year, though realized at last, has been a constant source of anxiety. The present crop is reported to have been seriously injured by unfavorable weather. Judging by all known circumstances, I should fear that a falling off may shortly be looked for. So recently as November last, we were confidently assured by the authorities at Indore that we should not realize even two millions in the year just closed.

On the whole, it will be seen that our opium estimate stands at £6,922,281, or 6½ millions, being less by £1,031,159, or one million, than the receipts

of the previous year; while our expenditure is expected to rise by £164,910, making a total deterioration under this head of £1,196,069.

It will be observed that a decrease of £1,604,600, or $1\frac{1}{2}$ millions under stamps, is balanced by an increase of £1,692,700 under law and justice. This represents the transfer of the receipts of judicial stamps (now levied under the new Court Fees Act) from the one head to the other.

The large decrease of £677,298, or $\frac{2}{3}$ million under the head of miscellaneous, arises from the fact of there having been extraordinary receipts, commonly known as "windfalls," in 1869-70 which are not expected to recur.

The railway receipts net are taken at £3,125,258 at an increase of £211,084 over the year just passed, that is £6,795,058 gross earnings less £3,669,800 working expenses, the traffic being represented by seven millions of tons and fifteen millions passenger journeys; and all this on 4,840 miles of open line. These are high figures: if realized, they will indicate a satisfactory progress of railway traffic; they are rendered by the Public Works Department. Seeing that some 600 miles of new line are to be opened in the year, increase of traffic may be looked for; but then there will be increase of working expenses. On the whole, this item must be regarded as necessarily uncertain, as being dependent on traffic the growth of which we cannot exactly foresee.

I now turn to the expenditure side, and shall notice together firstly the items of the increase; and, secondly, the items of decrease.

There is an increase of £270,032 in interest. This increase is due to our having to pay a full year's interest on the loans of 1869-70, on which only half a year's interest fell to be paid in that year; to a large amount of interest properly pertaining to 1869-70 being thrown forward to 1870-71, owing to the late arrival of the last English mail, and to a new loan to be raised this year, the particulars of which I shall explain presently.

There is an increase of £117,606 for forests, which is almost met by the corresponding increase of revenue. Also there is, as already stated, an increase of £164,910 in opium, owing to extension of cultivation, and of £27,944 in excise for the purchase of opium for home consumption: these items also tend directly to increase of revenue. Similar remarks apply to the increase of £103,299 in salt, attributable chiefly to the arrangements for the manufacture of alimentary salt at the Sambhur lake in Rajpootana and in various parts of North-West Provinces and of Oude, all which measures are connected with fiscal improvement.

The increase of £178,698 in law and justice is due chiefly to the transfer of discount from stamps, the revenue from which is now to be credited as law and justice receipts, and to the charges for the service of processes, which with the corresponding receipts are now entered in the imperial accounts.

The increase of £66,498 in education will not be regretted.

The increase, £126,681, in superannuation allowances is due to the reductions in the police (which involve gratuity payments) and to the anticipated operation of the rule for the compulsory retirement of public servants at the age of 55 years.

There are small increases under several civil departments, such as land revenue, ecclesiastical, medical services. These are inevitable, as they are brought about by the progressive scale of salaries so frequently allowed of late. In recent years it has been thought more economical to sanction gradual progress towards a maximum than to allow the maximum at once. Of course, this practice, however good in itself, does at first cause the expenditure to rise slightly from one year to another. The increase in law and justice arises partly from a transfer of charge from the head of stamps, which department shows a corresponding decrease.

An increase will be observed of £56,181 for the Electric Telegraph department, not counterbalanced by any increase of receipts from this source. This arises chiefly from stores not having been sent out from England during the current year, so that an extra supply must be paid for in 1870-71.

The increase of £275,268 in railway charges relates chiefly to interest, and is due to more capital being raised in England for the prosecution of the works.

The increases of all kinds amount to £1,496,219 or 1½ million, apparently a large sum. But the above analysis shows that £678,964, the aggregate of the increase under forests, excise, assessed taxes, salt, opium, and railways, is absolutely necessary to be laid out in order to bring in a more than corresponding return of revenue. Again, £452,894, the aggregate of the increase, under interest, telegraph, and superannuation allowances, is inevitable, and under existing rules is not preventible by any action we could take. Thus the sum of £1,131,858, or nearly three-fourths of the total increase, is demonstrably indispensable. To this category the increase for education forms, of course, a special exception.

On the other hand, among the decreases of expenditure, there is the item of £129,633 under interest on service and other accounts; this arises from

cessation of payments on the Police Superannuation and Medical funds and to the Presidency Banks for temporary advances.

There is a decrease of £120,936 in the Police department, of which however, a part is owing to the reduction of pay from gross to nett upon the abolition of the Superannuation fund, the rest being due to reduction of establishments. The decrease of £481,009 in the Marine department is mainly owing to the large adjustment in 1869-70 of irrecoverable advances. Here also is included a sum of £70,000 as the contribution of the Government of India towards the maintenance of naval squadron to be kept up by the Admiralty in the Indian seas as already explained.

In the army charges, there is an important reduction of £731,551, or $\frac{3}{4}$ million : the total being lowered from £16,476,892 to £15,745,341 ; this is partly nominal, the expenditure in England in 1869-70 having been, in some respects, abnormal. But about two-thirds are real, brought about chiefly by the reductions in the general staff in India, and in the European cavalry and infantry, as sanctioned by Her Majesty's Government after some correspondence with the Government of India. We have been only able to take a very small decrease on account of the reductions in the artillery and the native army, regarding which the recommendations of the Government of India are under the consideration of Her Majesty's Government in England. After setting off the diminished recoveries which we expect, the net estimated saving in the army is £554,016, or $\frac{1}{2}$ a million, the net expenditure for the army being estimated at £15,009,116, or just 15 millions, a lower sum than has been paid in any year since 1863-64.

The grant for public works ordinary exhibits a reduction of £1,041,995, or more than a million ; the amount for 1870-71 being £3,998,400 against £5,040,395 in 1869-70 and £5,834,160 in 1868-69. Thus in the course of a year, we have lowered our grant by £1,835,760 or more than $1\frac{1}{2}$ millions, or $31\frac{1}{2}$ per cent. on a total of about six millions. The necessity for such reduction, which must of course retard the completion of many useful works, is much to be regretted. But financial exigency is imperative.

I should add that out of the above grant of four millions, £658,955 or more than $\frac{1}{2}$ million represents the expenditure on the new barracks for the European troops.

The total of these decreases amounts to £2,883,669, or nearly 3 millions. This for the most represents real reductions of establishment or of works ; and by it may be measured, to some extent, the efforts made by the Government of India to meet the financial exigency of the time.

The Council—remembering that retrenchments made on paper have sometimes failed to be carried out, and that reductions in estimate are sometimes found to be not realized in actual accounts—may ask me how I can affirm that the above large amount of reduction will really be effected? To this I should answer that the largest part of the reduction, that relating to public works, is so far certain in that the disbursements depend solely upon the grants. No more than what has been granted will be disbursed, and the orders in detail regarding the grants have been sent already to the several Local Governments. So with the army reductions; those which I have allowed for have actually been sanctioned by the Secretary of State, and the orders have gone to the proper authorities: some have even been carried out,—for instance two cavalry regiments have actually embarked for England. Some further reductions are almost certain, but we have ventured to allow for them only the sum of £70,000. So with the interest reduction, the charges in question have actually ceased. Again, as regards the police reduction, a part of it is quite certain, nothing more being needed than orders to the audit department; and to the rest of that reduction the Local Governments have actually signified their agreement.

The increases being balanced against decreases, the result is an expenditure of £52,164,315, or 52½ millions, against £53,568,076, or more than 53½ millions of the preceding year, with a net reduction of £1,403,761, or nearly 1½ million of expenditure.

In framing the estimate I have not forgotten that there are certain pecuniary claims on the part of His Highness the Nāwab Nāzim of Bengal, still pending. I cannot at all foresee whether they will be found sustainable. We have decided that we are not justified in making any budget provision in this year on this account.

After this analysis of the receipts and expenditure of the current year now commencing, I must ask the Council to revert to the heading of assessed taxes which I reserved for separate consideration. We have taken for this the sum of £2,180,000 or nearly 2½ millions sterling. The additional rate of one per cent., levied by Act XXIII of 1869, in order to bring the one per cent., rate up to 2 per cent., expired on the 31st of March. As the law stands then at this moment, the one per cent., is all that is leviable. According to the experience of the year just over, 1869-70, the yield of one per cent., would amount to £700,000. Now, if we were to take that amount only instead of the £2,180,000 now taken, there would be a difference less of receipts to

the extent of £1,480,000, or $1\frac{1}{2}$ million, and this difference would cause a deficit on income below ordinary expenditure of £1,816,560, or $1\frac{1}{2}$ million. As the Council so well knows, we could not at this time appear before the public with a deficit in our budget. At least we could not adopt such an alternative, while any legitimate or reasonable resource remained to us.

My exposition of the estimate of the receipts will have proved to the Council that the revenues generally are flourishing, though not quite so prosperous as they sometimes are. But in one important item, opium, there is a serious falling off, mainly owing to events and circumstances in China.

I have shown to-day what large reductions of expenditure have been effected, always with hard effort, and sometimes with much sacrifice. Then I have shown how inevitable are most of the increases of expenditure. Still after reckoning the sum of these as a set-off, the net result is a decrease on the whole of nearly $1\frac{1}{2}$ million (£1,403,761) of expenditure. I by no means intend to imply that reduction has reached its final limits; we shall continue to strive for further reduction more and more. But it is impossible to say at what time or on what date additional reductions may take effect. Indeed the incessant demands made on the treasury for countless objects of reform and improvement are too well known to the Council to require recapitulation here. Meanwhile we must take the receipts and expenditure as they are expected to stand. And with a deficit of $1\frac{1}{2}$ million distinctly apparent, some recourse to additional taxation, some resort to means of enhancing income, becomes altogether unavoidable. Considering the actual deficits which have occurred in past years, and the circumstance that the year just over is expected to close with a substantial deficit, instead of the equilibrium that was expected, and this too despite all the exertions that have been put forth, we regard it as essential to the due administration of the finances and to the maintaining of the financial credit of the country, that yet further exertions should be made. Moreover, this is, if possible, even more needful than ever, since, as shown in my last financial statement, the public credit is to be pledged for the construction of extraordinary public works of a character remunerative to the State and beneficial to the people.

We are, therefore, compelled to propose, however reluctantly, to raise the income tax to 6 pies in the rupee or $3\frac{1}{2}$ per cent., and to apply to this Council to vote us the power of thus covering, by additional taxation, the deficit which must otherwise be presented.

As explained in my last financial statement, there are great difficulties in immediately adding to our resources by any other means than direct taxation. If then the revenues are to be immediately enhanced, this can only be effected by the help of the income tax.

Such then is the proposal which I have, on behalf of the Government of India, to make to this Council, together with a request for leave to introduce a Bill for the imposition of an income tax, at the rate of six pies in the rupee.

I need not repeat the arguments used in my last financial statement regarding the imposition of an income tax in India. It is with regret and reluctance that we bend to the necessity of raising the rate from 1 to 3½ per cent. within so brief a period. But the recurrence of deficit at this time cannot otherwise be prevented.

I have stated the rate at 3½ per cent. In England, as the Council knows, there is no percentage rate adopted for this purpose; the duty being levied at so many pence in the pound sterling. We have determined to adopt, as in England, a poundage in place of a percentage rate. Following that principle, I have to propose that the duty be for the future taken at so many pies in the rupee: two pies would be assumed as the approximate equivalent of one per cent.; four pies of two per cent., and so on. I should add that this mode of rating the duty will be somewhat (though very slightly) in favor of the revenue.

But if the rate is to be thus raised, then the principle of rough assessment by classes in the schedule which regulates the existing tax, can no longer be adhered to. A system which may have worked sufficiently well while the rate of duty was low (that is, one per cent.) will no longer work satisfactorily when the rate becomes higher. When people come to be assessed to 6 pies in the rupee income tax, they will assuredly demand a more precise mode of assessment than that which now prevails. The tax-payer will require that the assessment be made upon some fair estimate of his particular income, and will not be content to be assessed upon an average derived from the maximum and minimum incomes of a class. Now, if anything like an assessment on estimated income of each individual tax-payer is to be attempted, returns of income must be called for from the tax-payers. Or even if with the lower classes of income the Collector may be able to dispense with the returns, he must clearly have the power of calling for such returns in all cases of more considerable income, and with the higher classes of income he should be obliged to call for such returns. The new Bill, then, which I have

to lay on the table provides for the assimilation of the procedure to the more regular methods of assessing income tax: care having been taken to render it as simple and easy as possible, consistently with the important object in view. If the Council shall grant me leave to introduce the Bill, I shall have further opportunity of explaining its provisions.

Having thus explained the principle of the tax, I must advert to the method by which the estimate of its probable yield has been framed. As the Council will have observed, the amount is taken at £2,180,000, of which £2,100,000 is assumed at the known rate of £700,000 for each one per cent., and £80,000 for the gain by the substitution of 6 pies in the rupee for three per cent. I say known rate, inasmuch as the regular estimate of the one and a half per cent., income tax of 1869-70, based on data of eleven months' actuals, gives £1,051,600, which again gives £700,000 for one per cent. This seems a sure foundation to proceed upon, especially as it is known that in 1869-70 the tax was exposed to disadvantages which will not recur. Some portions of the tax collected in the first month had to be credited to the preceding year; the extra one per cent., imposed in the middle of the year, could not be fully realized at first; some arrears are indeed known to be outstanding. This consideration justifies our expecting more than £700,000 for one per cent., and our assuming £700,000 for each one per cent.; though otherwise it might be apprehended that each ascending step in the percentage would yield somewhat less and less. The estimates of the local Governments embodying what they intend to demand and collect, framed for a $1\frac{1}{2}$ per cent., tax, amount in the aggregate to £1,103,740, which at three per cent., would yield £2,287,480, which is more than what we have ventured to take. Then we have compared the yield of the first income tax of 1860. The only year in which that tax was fully collected was 1861-62, when it produced £2,054,696, or just over two millions at four per cent., on incomes down to Rs. 500 (£50) and at two per cent., on incomes between Rs. 500 and Rs. 200 (£20). What portion of this belonged to the division between Rs. 500 and 200, I cannot state; but it must have been small. On the whole it may be said that we now expect to get from a three per cent., tax rather more than what we got from a four per cent., tax ten years ago, showing an expected improvement of 25 per cent., and more. This seems a reasonable expectation, when it is considered not only that the income of the country has greatly increased within the ten years, but also that our administration of these kinds of taxes has improved. As a proof of the improved administration, I may observe that in 1864-65 there was a three per cent., income tax like the one now proposed. It yielded £1,300,000, which gave £433,000 for each one per

cent. But then the assessments made at the outset had been continued without alteration from year to year, and the administration was less strict than it now is; though it is still far from being as strict as it might be. But we have seen that in 1869-70 one per cent. yields £700,000 for one per cent., showing an improvement of 61·7 per cent. over 1864-65.

As to the duration of the new income tax, I can make no promise whatever. It is our earnest hope that the tax may not last beyond the current year 1870-71, at its present rate. But the realization of any such hope must be entirely dependent on circumstances.

Such then is the budget for 1870-71, the estimate of receipts amounting to £52,327,755 or 52½ millions, and of ordinary expenditure to £52,164,315 or 52½ millions, leaving a small surplus of £163,440, a balance which hardly amounts to more than an equilibrium. We bear in mind that the above estimated surplus is very small; smaller than we should wish it to be; smaller indeed than it ought to be. But then what difficulties, what sacrifices we have had to undergo, in order to make it even the little that it is! The Secretary of State has enjoined us to provide a substantial surplus if we possibly can. His Grace, commenting on my last financial statement, wrote thus:—"In previous financial despatches to the Government of India, it has been stated that your estimates should be so framed as to show a probable surplus of from half a million to a million sterling; in that opinion I concur* * * I have already called your attention to army charges* * * and I shall hope to find that you have been able to effect reduction of expenditure also in some other branches of administration. Unless this can be done, it is clear that it will be necessary to devise some means of increasing the annual income, or otherwise a failure in the full estimated receipt from opium, the loss of any portion of revenue from unfavorable seasons, or any extraordinary military charges, would certainly convert the estimated surplus into a large deficit."

My exposition to-day will have shown how hard we have striven to act up to these instructions. We have reduced the army charges and other expenditure. We have devised means of increasing the annual income. But we have not yet been able to provide a surplus of half a million in the estimate. To effect this, we must have proposed a greater reduction of expenditure than what we can surely reckon on effecting within the year; or else we must have proposed additional taxation even beyond the proposals I am announcing to-day; and the difficulty of doing this is manifest. But though we are unable to provide the surplus to-day, the necessity of such provision within the earliest

practicable time is constantly present to our consideration. Until this is fully effectually provided, I shall not be able to affirm that our finance is in a satisfactory condition. As yet I can only express my hope that it will be found to be improving.

Besides the ordinary expenditure, we are prepared for an expenditure of £3,062,300, or over 3 millions, on public works extraordinary, to be provided for by loan, of which £1,732,500 or 1½ millions are for irrigation works, and £1,229,800 or 1¼ millions for State railways. The irrigation works relate to projects in Bengal, in Madras, in Bombay, in the North-West Provinces, in the Punjab, in Oude, and in the Central Provinces.

The principle of constructing some portion of the railways in India by direct State agency instead of through companies, has been further affirmed during the year by the Secretary of State. The lines on which the above expenditure is to be incurred, are the Lahore and Peshawur Railway, the railway between Delhi and Jyepore passing through the salt-producing districts of Rajpootana. Within the year it has been decided that the Bombay special funds works shall no longer be classed as extraordinary, but shall be included in the category of ordinary works: they are, therefore, not included in the above description. I may here note that the purchase of the property of the Elphinstone Land Company will not form any charge to the State.

I may here add that negotiations are in progress with the Maharaja Holkar, whereby His Highness will provide funds at 4½ per cent. interest for the construction of a railway from Malwa to join the trunk line of the Great Indian Peninsula Railway.

A desire has been often expressed that an audited account should be promulgated annually of the sums raised for, and spent on, public works extraordinary. Such an account is now being prepared, and is to be kept up from year to year. We have decided to commence the account from 1869-70, being the year when the classes of works to be reckoned as extraordinary were for the first time defined, and when the raising and the expending of money for those purposes were regulated on that principle.

I have now to advert to the loan arrangements of the year 1870-71.

It will be recollected that in my last financial statement I announced a series of loans aggregating five millions, of which one million consisted of renewal of old debt, 3½ millions of loans for public works extraordinary, and ¼ a million to recoup the cash balances for advances made to municipalities.

The renewal of one million has been effected within the just expired year. Of the $3\frac{1}{2}$ millions for public works extraordinary, 2 were to be raised in India and $1\frac{1}{2}$ in England. The $\frac{1}{2}$ million has been raised in England, instead of being raised, as was first intended, in India.

In my last financial statement, however, I mentioned that the cash balances are not even yet restored to their due proportions, and I added that "if, as the year proceeds, the accounts shall be unfavorable, some additional temporary resource will have to be provided." Within the year, the Government of India has accepted an offer of the Maharaja of Puttiala to invest £400,000 in our public securities. This having now been treated as permanent debt, we have decided to consider it as having been raised for public works extraordinary.

This sum, added to the sums raised on account of the three millions and a half loan which were slightly in excess of that amount, brings up the total to upwards of four millions.

Out of the four millions raised as above for public works extraordinary, and held at the credit of this branch of the public works department, £2,610,743, or more than $2\frac{1}{2}$ millions, are being spent in the year, leaving £1,383,257, or, nearly $1\frac{1}{2}$ million, balance in hand due by the loan department to the public works, and to be carried on to credit in the State account of the works.

So much for the year 1869-70; then for the year 1870-71, the proposed arrangement is as follows.

As I have already explained to-day, the proposed expenditure during the year on public works extraordinary amounts to £3,062,300, or just three millions to be provided for by loan.

The Secretary of State has intimated his intention of raising two millions in England, leaving us to borrow in India such sums as may be found necessary to carry on the works on the scale intended. But, considering that we have as shown above, a balance in hand of loan money to the sum of $1\frac{1}{2}$ millions from 1869-70, we are unwilling to borrow if we can help it. And in the present state of our cash balances, there is no apparent necessity for bringing out any loan in India at all. It is not then our intention to raise any funds by loan until the autumn at least. By that time, the prospects of the year will be more clear, and our position in respect to ways and means can be reviewed, and a further decision as to the necessity or otherwise of raising any loan can be arrived at. But it is our hope (as at present informed) to conduct the finance of the year without further loan.

I should here add that in December last, we decided that the holders of the 5 per cent. public works loan of 1855, amounting to two millions, which fell due for repayment on the 31st March, should have the option of either receiving payment in cash, or of accepting fresh stock of the four and a half per cent. loan. The returns are not quite made up, but about $\frac{1}{2}$ of the stock has been or is being tendered for conversion; so that it may be said that our terms have been generally accepted. This indeed is only what might have been anticipated, inasmuch as for some time past the $4\frac{1}{2}$ per cent. stock has been quoted at or above 2 per cent. premium.

Such being the provision made for the ways and means of the year, I have to explain the returns of the cash balances. In my statement of last year I explained what a variety of large items, over and above the revenues and expenditure proper of the Government, contributes to make up this great account. It has been found, however, that the old form of statement was in some respects obscure, and an improved form has been devised, as the Council will see, according to which the figures are exhibited for the years 1868-69, 1869-70 and 1870-71. As the returns received from England often affect those obtained in India, both categories have been combined in this statement. I shall just glance at the main features of the statement for 1870-71, so as to make the technical designations intelligible. The headings of ordinary income, of ordinary and of extraordinary expenditure, are taken from the budget of the year as to-day presented. The heading of deposits and advances comprises the finances of the local funds, the funds of the civil services, the judicial deposit branch, the advances for local works and for a variety of purposes. The heads of local remittances and inter-provincial and inter-departmental transactions represent the unadjusted expenditure of India, and are interesting items. The remittance account between England and India comprises a large amount of civil service pensions, and a variety of petty advances in the military branch. There are also a good many unadjusted items under this head. The bills of exchange represent the amount remitted from India annually to meet the expenditure in England. The railway capital heading means the amount raised in England for the construction of railways in India. Here it may be observed that year by year we are spending more in India than we raise in England; this arises from the fact that in previous years we spent less in India than we received in England, and that we have now to make up the difference. The last item, namely, "borrowed," must be taken together with the item of "debt paid." This year we are to borrow $5\frac{1}{2}$ millions (£5,808,770) but then we are to pay off old debt of $2\frac{1}{2}$ millions (£2,220,470), which leaves £1,830,000 for

the Elphinstone property at Bombay and £1,758,300 or nearly 2 millions new loan in England. In all £3,588,300 or 3½ millions will be added to our debt.

I must now advert to the amount of the cash balances. According to my last statement we hoped to commence the year just closed, 1869-70, with a cash balance of £ 11,917,473, or close on 12 millions, but we really did commence it with a balance of only £10,175,804, or less than 10½ millions. In case this discrepancy be attributed to some fault in the Account department, I should, in justice to that department, explain that such is not the case; for that part of the statement which depended on the Account department turned out correct enough; the discrepancy occurred in that part of the estimate for which the Government of India is responsible. The difference indeed arose solely from the income of the year 1868-69 being less, and the expenditure more, than was anticipated. The causes I have already explained to-day in the earlier part of this exposition. Again, in my last statement the cash balance at the close of the year 1869-70, was estimated at £11,627,310, or 11½ millions. It is now expected to amount to £13,644,859, or more than 13½ millions. The Council will naturally ask, how it is that, notwithstanding the financial troubles of the year, we end with more money in the treasury than was expected? The answer is, that out of the 3½ millions borrowed for public works extraordinary during the year, we have still one million in hand, and that there was the Puttiala loan besides to the amount of £400,000. Also the accident of the first English mail of last month, March, not having reached Calcutta till just after the close of that month, has caused a quarter of a million of bills and drafts, which were expected to be paid in March, that is in 1869-70, to fall into the following year, 1870-71. This too partly accounts for the difference observable in the cash statement between bills drawn and bills paid. The last-named sum of the cash balance is still, however, to some extent only an estimate which may be disturbed by variations in items on either side of an account, which, both sides taken together, amounts in all to 168 millions. This estimate then of cash balances is nothing more than the balancing entry at the end of a really vast account. It has however been further checked by the actual assets in the various treasuries in India at the latest dates. On the 31st January last, there were actually £11,839,097, or nearly 12 millions in hand; on the 28th February (the latest month), there were £12,692,129, or over 12½ millions. Telegraphic estimates received from the several local Accountants General so recently as yesterday, make the actual cash balances on the 31st March £13,500,000. These estimates being framed with a knowledge of the actual balances at the presidency towns and with recent information as to the state of the balances at the more important treasuries in

the interior, are not likely to be far wrong. The result—thus derived from opposite and independent data—corresponds very nearly with the amount (£13,644,859) worked out from our estimate and gives me considerable confidence in its general accuracy. The estimate must be exhibited in this manner, under our existing system, although it is exposed to so many chances. But I have now endeavoured to narrow the uncertainty by the comparison with the actual assets at the commencement of the eleventh month of the year, and at even later dates, which leaves a margin of one month only, or even less than one month, for uncertainty.

Commencing then the current year 1870-71 with a cash balance of 13½ millions as above seen, we estimate the receipts of our general treasury, including revenues, deposits, recoveries, loans, and the like at £84,265,466, or 84½ millions on the one side: and the disbursements, including expenditure, ordinary and extraordinary, payments on account of debt, of Secretary of State's bills and the like at £73,696,023, or 73½ millions on the other side, leaving a balance of £10,569,443, or 10½ millions, as the cash balance at the close of the year. It may be here asked why we expect the cash balances to be less by three millions this time twelve month than they are now. The answer is that we are to spend one million on public works extraordinary more than we borrow; that we are to advance half a million for the construction of railways in India more than we receive on that account in England; that the remittance account shows an adverse balance; that in the deposit and advance account the payments are slightly to exceed the receipts. These several items fully account for the difference.

Having now completed my exposition of the finances, I shall, before concluding, mention that the subject of the financial relations between the Supreme Government and the several Local Governments is still under the consideration of the Government of India. I have of course formed and recorded my own opinion on the whole subject. But it is really not in my power to say anything regarding the matter on the present occasion, as I cannot tell what decision will be arrived at, or by what time, if formed, it could be carried out.

I may here add that some additional portion of the cash reserve of the Paper Currency department will probably be invested in Government securities. The Council may remember that in my last financial statement, I mentioned that the note circulation had risen to an amount above ten millions; it has since then risen further at one time to a sum between 11½ and 11½ millions, though of course there are fluctuations from time to time. The gradual and

progressive increase in the circulation has been held to justify our enhancing a portion of the reserve which is held in Government securities. The amount thus to be held in securities is limited by law to four millions. We propose to extend that limitation to six millions, and for this we have the express sanction of the Secretary of State. I have introduced a Bill for this purpose into this Council. The operation if authorized would be cautiously tentative, and some considerable time may elapse before the limit is approached.

It is a source of much regret to me that we have not yet been able to promulgate the rules, long since prepared, for the further development of Savings Banks in the interior of the country. But it has been necessary to consult many local authorities, and some delay has been unavoidable. The matter is however receiving attention.

As the Council probably knows, no marked result has as yet been produced by the Notification of November 1868, whereby it was announced that the sovereign would be taken at the Government treasuries as an equivalent for ten rupees four annas, instead of ten rupees as before. The total number of sovereigns received in the Calcutta Treasury alone since that date exceeds 150,000. The importation of gold into India from November 1868 to January 1870 amounted to 7 millions sterling against 6 millions of the corresponding previous period.

In my last financial statement, allusion was made to the satisfactory condition of our public credit as proved by the prices of the Government stocks of all denominations. This favorable indication has again lasted throughout the year 1869-70, and this notwithstanding the prospect of the revenues turning out less, and the public expenditure more, than was estimated for. During this year the premia on Government 5 per cent. stock reached $9\frac{1}{2}$ per cent., which rate was maintained through the months of June and July 1869; at the same period the premia on $5\frac{1}{2}$ per cent. stock exceeded 14 per cent., the price of 4 per cents. at that time ranged between 94 and 95, a rate that has since been steadily maintained. The gradual decline since 1868 in the value of 5 and $5\frac{1}{2}$ per cent. stocks may of course be attributed to the diminution of the period for which the loans at those rates have currency. The loan of two millions bearing four per cent. interest, which was raised in India in April, the first month of the year, was subscribed on favorable terms, that is to say, at the average rate of $90\frac{1}{8}$ for every hundred rupees; the result being that the money was obtained at just over $4\frac{1}{2}$ per cent. Subscriptions were invited by tenders, that is by open competition. Though the amount required was not more than two mil-

lions, yet the aggregate of tenders came to upwards of 5½ millions, and the number of persons who made tenders came to 611. Of the amount of tenders accepted, about one-fourth belonged to Natives of India; again out of 246 parties whose tenders were successful, 121 were Natives.

Such then is the budget for 1870-71. The main points in my exposition have been—

that, for 1868-69, the deficit of income as compared with the ordinary expenditure, originally estimated at one million, has, from various causes, swollen to 2½ millions;

that, for 1869-70, instead of the equilibrium expected to be maintained between income and ordinary expenditure, there will be a deficit;

that, nevertheless, this deficit, which at one time threatened to be great, has been much reduced by additional taxation and by retrenchment of expenditure;

that from this additional taxation and this retrenchment of expenditure, the total gain to the finances within the year has amounted to 1½ millions;

that, for 1870-71, there is estimated a small surplus of income over ordinary expenditure;

that this estimate is arrived at after doubling the income tax, and reducing expenditure in the army and on the public works by 1½ million;

that after balancing increases against decreases of all kinds, there is still a nett reduction of 1½ million on the total expenditure of all descriptions;

that, in 1870-71, there are to be two millions of new taxation as compared with 1868-69, and three quarters of a million as compared with 1869-70; which taxation, however, for the most part, falls on the middle and upper classes, and but little on the poorer classes of the Natives of India;

that the expenditure on public works ordinary which stood at 6½ millions in 1868-69, has been reduced to 5 millions in 1869-70, and to 4 millions for 1870-71;

that, besides the ordinary expenditure, there has been an extraordinary expenditure on reproductive public works, to be provided for by loan, in 1868-69 of 1½ millions, and in 1869-70 of 2½ millions, and that in 1870-71 there is proposed to be an expenditure of 3 millions;

that while the expenditure on public works ordinary has been falling, the expenditure on public works extraordinary has been proportionably rising;

that for the public works extraordinary, in 1869-70, there were borrowed 4 millions, out of which $2\frac{1}{2}$ millions have been actually expended in the year, leaving $1\frac{1}{2}$ million in hand;

that for the carrying on of public works extraordinary in 1870-71, at an expenditure of 3 millions, there are 2 millions to be raised in England, and that no new loan is to be raised in India at present; save the $\frac{1}{4}$ of a million to be advanced by the Mahārājā Holkar for State railways.

that the object of our financial arrangements at present is to surmount the difficulties of the time, without adding any thing to the national debt for ordinary expenditure;

that we are striving to adhere strictly to the principle of accounting separately for sums borrowed for extraordinary and reproductive public works.

In concluding my exposition last year, I spoke of growing commerce and of expanding income. To-day, unfortunately, I have had to speak of trade depressed and of income diminished. But last year, I spoke also of an ordinary expenditure held in control; of the application of State capital to material improvement; of the resources furnished by public credit. And to-day, fortunately, I have been able again to speak of these. Last year the burden of my exposition was the existence of deficit. My hope then was that the deficit would be put an end to, but to-day I have had to acknowledge that the evil still exists, despite our efforts for its extinction. Once more, however, we have endeavoured to provide for at least an equilibrium, and even for a surplus. It remains to be seen whether this will be accomplished; but at all events no exertion will be spared for its accomplishment. And although great financial difficulties have occurred, still the general condition of the people, and the continued progress of the country, encourage us to hope that those difficulties, already so strenuously encountered, will be ultimately overcome."

His Excellency the COMMANDER-IN-CHIEF,—“MY LORD, the time being very short which is to elapse before I quit India, I trust Your Excellency in Council will excuse me for offering a few remarks to-day, instead of waiting

for the discussion on my hon'ble friend's projects, which will take place at a date prohibiting my presence with regard to my engagements.

"In the first place, I would venture to say that the proposal to raise the income-tax has, under the special circumstances which have been stated, my full support. I have always been opposed to a high income-tax in India, and I am opposed to it still, and I have been engaged in many a struggle against such a tax for this country when reasons could not be assigned sufficient to satisfy my judgment. I believe that a sound policy, under ordinary circumstances, demands that an income-tax should not exceed one per cent. in India, and that a higher rate should be reserved as the resource for extraordinary emergencies.

"It must, I think, be admitted, with regard to what was published under the authority of Government last year, that although it may be inappropriate to apply the word 'crisis' to our difficulties of the autumn, it is certainly accurate to say that an extraordinary emergency had arisen. Unfortunately, as so clearly shown by my hon'ble friend, we are still labouring under the difficulties which may thus be called extraordinary, the inference being that the Government is justified in having recourse to what, I for one, must characterise as extraordinary.

"In support of this position I need hardly remind the Council that, whatever the good-will of the departments of administration, the financial effect of reduction, even if as large as described by my hon'ble friend, stands, as he has so forcibly impressed on the Council, in need of other assistance. In short, it is to the development of resources, as well as to ministerial reduction, that we must look for relief of an effective kind. Perhaps, however, with my views about an income-tax, I may express the hope that, at no great distance of time, other financial arrangements may lead to a reduced income-tax. I may give utterance to the belief that the Budget, now produced by my hon'ble friend, is one of transition; a Budget which, by its trenchant, but as I hope temporary, dealing with the income-tax is to afford the time which is required for the elaboration of other plans—plans calculated to add to the responsibility of local administration, to add to its independence with a corresponding relief of the imperial revenues. In support of this view I may mention that the Income Tax Bill is framed so as to affect but one year only, and that it will expire on the 31st March 1871.

"I now pass on, from the general question of the policy of taxation announced by my hon'ble friend, to a subject with which I am more immediately connected.

"It is apparent to the Council from the figures laid before it, that certain credit is taken for military reductions, which either have been ordered, or which are expected to be ordered, in the course of the current financial year. The actual nett financial result has been stated at half a million of decreased expenditure. This result might have been larger but for circumstances beyond our control. Rather more than a year ago we received a very peremptory order from the Secretary of State to revise our military expenditure with the view, if possible, of reducing it by a million and a half of money. The challenge was fairly accepted by the Government, and after prolonged and careful consultation, comprehensive schemes were sent to England, which, if carried into execution, would not finally have fallen far short of a million in their economical results. These schemes affected the British Cavalry and Infantry in India, the British Artillery and the three Native Armies. It was believed that these schemes had overcome the practical difficulty of all military reductions, namely, the combination of economy with the maintenance of existing strength where it was really wanted, the insurance of a considerable saving of money, without in any manner sacrificing military efficiency or political security. The strength of the British Forces was to be maintained at the same number as that comprehended in the existing establishment, the staffs, both of the Army and of the Administration, were to be clipped, while the Native Forces were to be reduced in the provinces where, with the advance of civilization and in a peace which has now lasted for three-quarters of a century, the Government is able to dispense with a large part of its Army.

"This opinion, with regard to Madras, is not only that of this Government, but we learnt from the Governor of Madras in Council two years ago, that he considered his military establishment too large: this opinion was uttered emphatically, and, to the best of my recollection, without solicitation from elsewhere.

"My testimony may not be worth much, but when appealed to for an opinion as Commander-in-Chief of the Bombay Army about the year 1864, I admitted that that Army was capable of reduction with regard to the wants of the peaceful provinces it guards. At the same time some regiments were employed in guarding jails, that is, performing the duty of policemen.

“ I now understand that Madras is willing to do something of the same sort with her soldiers. But I believe I am not wrong when I assert that the cost of a military sepoy is actually more than double that of a police sepoy, this difference of cost being produced by the larger number of officers connected with the former, the more expensive armament and clothing and so on.

“ Now it is clear that, if the expensive military sepoys are not wanted for other purposes, it is an extravagance to keep them up for civil ones, which would be as well, some say better, performed by the inexpensive policeman.

I have often heard it asserted,—I am not sure that I have not myself made use of the argument in former times—that it may be well to keep up a military reserve beyond immediate actual wants, and to employ this reserve on such duties. I am led to believe, now, that such an argument is hardly defensible, the more especially since our modern means of movement cause the State to hold at its disposal a military reserve not previously existing, namely, in the power for rapid combination and concentration of the Forces from almost any part of the Empire.

“ I believe that my hon'ble friend the Lieutenant Governor of Bengal has strong opinions on this matter, it being one of his recommendations, for an important part of the territory subject to him, to substitute military policemen for soldiers, on the ground of economy first, and, with regard to the special duties required, of efficiency also. I am not prepared to say that I entirely go along with my hon'ble friend, as I cannot hide from myself that the effect of military demonstration on the mind of a barbarous and uncivilized people is not without considerable political advantages, even if the soldiers be kept in a state of idleness as compared with the activity of policemen in discharge of duties. I am not prepared to admit that any duties of a military nature, which may be done by military policemen, may not be at least equally well done by the regimental sepoys. If there be failing with the latter, either as regards efficiency or mobility, this failing of efficiency or mobility is not really to be attributed to a particular organization, but to those who direct forces, whatever may be their denominations. But this I do say, that that opinion is right in principle which asserts that a given duty, if it can be done by economical means, should be so performed, and that we therefore should shut out from our consideration all proposals having in view more expensive means of action for the avowed purpose of cherishing ancient establishments.

“ In this Presidency it may be said, without fear of contradiction, that the Government of India has long been superior to any such considerations, the Army having been treated and considered solely with a view to its public uses only.

“ Accordingly, when reviewing the Forces last year, when considering our wide frontiers, and the extremely dangerous character of a large portion of them the necessity of occasional concentration for the prosecution of a campaign almost at a moment's notice, we came to the conclusion that we must maintain the number of British and Native Troops in Upper India as an absolute military and political necessity, although we might do something, by the reduction of some corps with their officers and the manipulation of the remainder, towards the reduction of expense, and also to show that the Bengal Army would not escape its share of the general discomfort following on a large measure of reduction.

“ I would ask the attention of the Council to consider the enormous area guarded by the Bengal Army, stretching as it does from Pesháwar in the West, over twenty-five degrees of longitude, to Debrugarh in the East; I would invite you to consider the object of an Army posted in the Panjáb, which not only looks to the peace of the frontiers and of the province, but is the guarantee of our foreign relations. I would ask you to recollect the duty of the Government of India as a paramount power to insist on peace being kept by the numerous feudatories subject to her.

“ In a speech which I lately read, of Mr. Grant Duff's, I observed that he could find no proper illustration of the areas and distances in India but the map of the whole of Europe excluding Russia,—in point of fact the hon'ble gentleman was referring to arrangements and distances in this our Presidency of Bengal only. In an Empire of this magnitude it is interesting occasionally to scan the forces holding the possession. I think their slender numbers, when they come to be investigated, may fairly excite the surprise of the civilized world, if those numbers are compared with the duties performed, and the absolute security provided for the vast provinces and populations and outlying dependencies of this Empire. I invite the attention of the Council to a return I hold in my hand furnished by the Military Department at my request.

Return of Nominal Establishment and of actual Strength of Troops in India, 20th March 1870 according to latest Returns received in Military Department.

	Nominal establishment.	Actual Strength.
British Forces in India	61,034	55,333
Bengal Native Army (including Panjáb Frontier Force) ..	63,131	60,900
Madras Native Army (including 4,729 serving in Bengal, China and Straits)	32,431	31,202
Bombay Native Army	26,880	25,178
	184,076	172,613

NOTE.—The establishment of British Troops has been recently altered to some extent, but details of future establishment are not exactly known.

The establishments given do not include 7,086 officers, including those in civil and miscellaneous employments.

The nominal establishment includes certain Corps under the Foreign Department in Rájputána. They are not included in the column of "Actual Strength of Troops under this Department."

Owing to the overland relief being in progress the actual strength of British Troops is lower than it would otherwise be.

' Well, my Lord, from these slender numbers we proposed to reduce ten thousand Native troops on the understanding that they would be taken from the Provinces where they are admittedly not wanted, but that military strength is to be carefully preserved where it is wanted.

"As a Commander-in-Chief about to hand over my not inconsiderable responsibilities to a successor, I can only say that I dare not recommend a reduction on any other principle. If we reduce our troops to a minimum, we must have them in places where they are really wanted and where they are quickly available, and we must pay much attention to the military character of the tribe or population from which our Native regiments are recruited.

"I am sorry to say we have not as yet been able to come to an agreement with the Secretary of State on this matter. I venture to think his advisers have not appreciated the value of the principle I have stated with regard to the slender general figure of our modern military resources. Agreed as we are, both in England and in India, that a reduction is proper, I trust this Government will be permitted to give effect to it in that manner alone which appears to be safe and sound. Otherwise there should be no reduction.

“Financially, this becomes the more important when it is recollected that the troops in Southern India are much more expensive than those in this Presidency.

“So far for the general question of distribution and reduction of troops.

“With reference to our European Forces, according to the figures I have already read, it must I think be clear to the meanest apprehension that we have reached the absolute minimum. I believe that, by means of certain changes which have been laid before the Home Government, these Forces may be actually rendered more efficient than they now are, while their cost is considerably reduced. Our proposals are before Her Majesty's Government, who to a certain extent have moved in the directions indicated by us with regard to the Infantry, although, as respects the Cavalry and Artillery, we are as yet unacquainted with the conclusions formed at home. The number of infantry-corps has been reduced, but the number of infantry-soldiers remains as heretofore.

“My Lord, I have been in the most important situations in these armies for more than twelve years. I have been an acquiescing party to the successive reductions in European strength which began with the cessation of hostilities in 1859, because, till the last reduction of four years ago, I held the opinion that we were still maintaining war-establishments. But I am convinced that we should not go further, and that to attempt a diminution of the existing British Forces in India is an expedient fraught with so much danger as not to be thought of.

“Although it is a mistake to say, as it is so often alleged, that the British Empire in India is merely one of the sword, and although we recollect that this Empire really rests on a policy founded on justice and the rugged British character, it is nevertheless true that a certain armed British demonstration is absolutely necessary for dominion over public opinion, and the insurance of the institutions to which we trust for the civilization of the country. It is, to your administration, what iron is to the blood—on the due proportion of the iron, vital power depends.

“I came out to India in 1857, to assist in putting out the terrible conflagration which had been caused by the forgetfulness of this simple truth on the part of the authorities responsible for India in this country and at home. I pray to God that such blindness may not overcome, again, those who have to answer for the destinies of this magnificent country!

“ My Lord, there are many things on which I could willingly descant with reference to the systems, and the recourse to more economical arrangements, which might be pursued in these Armies. In those with which I am acquainted, namely, of Bengal and Bombay, I believe the existing system is working fairly well. So far as I am able to judge, the discontent which was rife some years ago has generally died out. For Madras I cannot answer, as I have no personal knowledge of the Army of that Presidency. But the changes which have been stereotyped with us, and have now lasted for many years, are comparatively new to Madras. For such things, the action of Time is at least as much required as any artificial resource. This, as yet, Madras has not enjoyed.

Your Excellency has had an opportunity of seeing the troops of this Presidency on two great occasions, and also, I believe, in Bombay; and I will leave it to you to say whether in appearance they can be surpassed by troops of other countries. During the last few years, there have been the campaigns of Bhután, Abyssinia and Hazára; and it is but right to say, for the troops, that their zeal, readiness, mobility and forwardness in the field were not to be surpassed. There is one thing, of which in the interest of true economy and of political safety, I would warn the Government, and, perhaps, I may say the officers of the Army. I would warn them against the vice which is apt to creep insidiously over all Armies in times of peace, namely, the tendency to press for more comforts, more material advantages, in short, for things which cause the soldier to forget the object of his enlistment, and to believe that he is to be preferred to the public economy.

“ In a country of caste like India, unless the officers who deal with the Native troops watch themselves, the influences of caste are apt sometimes to affect even the British officers, and to cause them occasionally to think caste-interests of greater importance than military ones. This mischief was actually seen in the old Bengal Army. It does not, I believe, now exist, at all events in this Army of Bengal; but I must repeat, it requires never-ceasing vigilance to prevent the vicious tendency from cropping out.”

“ In the British Army we have not this to contend against; but we have something else which also requires the utmost watchfulness. I allude to what may be called the exaggeration of sanitation-theories, which, while exhibiting at times the utmost difference of opinion among the authorities proffering their advice, would, not seldom, if listened to in their integrity, deprive the British soldier of his usefulness altogether for the purposes on account of which he is brought to India. Whilst warning against the exaggeration, I gladly admit

the facts of the great improvements of late years for the health of the British soldier, and I believe I have not been slow to forward them during my long term of office in Bombay and this Presidency.

"I have had the great satisfaction of urging forward the two new Hill-stations of Chakráta and Ránikhet, the former of which is already occupied by a British Regiment, and the latter will receive some 500 men this year. I think this policy may be still further extended, and that we may safely create Hill-stations for three more British Regiments, in addition to those already occupied. Then, in addition to our sanitary depots, we should never have less than seven or eight entire Corps on the mountains in this Presidency ; that is to say, a fourth of the Infantry Regiments quartered in the Himalaya as entire Corps, while very large detachments from the remaining Infantry, the Cavalry and Artillery, would fill the depots. My recommendations to this effect have been before the Government for some time.

"As a matter of economy as well as of humanity to our countrymen, this policy should be extended to the utmost limit consistent with political security.

"In the course of my remarks, I have adverted to the new military strength accorded to us in these days, as compared with former times, in the power for immediate combination and concentration. This reflection leads us at once to another point, namely that, in the combination of the Military Departments of the several Presidencies into one War Department under the Government of India, with a corresponding change in the system of Command-in-chief, may be found a measure giving at once improvement in economy and increase of strength. There should be but one War Department, which would at once involve the consequence of one Ordnance Department ; in short, the concentration of the Army in the largest sense in the hand of the Government of India. This need by no means interfere with the local character of the Native Forces of the other Presidencies, a character which, I believe, a sound policy bids us carefully to maintain.

"It has always appeared to me that, in this country, many things are centralized which ought to be local and dependent on the Local Governments ; whereas those establishments are kept separate, and, as it were, almost distinct from the immediate control of the Supreme Government, which, from the nature of things, especially belong to it. Such is the case with military administration. We do not see the Federal States of America maintain distinct military organisations for the payment of which Congress is responsible,

although, in other matters, the provincial Governments of the States exercise a very large power.

“There is no reason for separate military administration in Madras or Bombay, which would not equally apply to the several Governments making up this Presidency. So long as the separate system lasts, I am hopeless of real economy or of breaking down the influences and jealousies which meet your Excellency at every turn when economical schemes issue from this Council. I need hardly remind this Council that I ventured to utter these opinions very many years ago, when they might have been supposed to be contrary to my personal interests. A long and practical experience of government and command, first in Bombay, and afterwards in association with the Governor General, have only tended to convince me that these opinions are right and should be carried into execution. Whenever reforms in such a direction take place, I may say, with regard to the office I am about to lay down, that some modification is necessary.

As your Excellency is aware, I received the instructions of the Secretary of State for India, when I was appointed to this command, to be as much with Government as possible, regard being had to my essential military duties. That instruction was enforced by the orders of His Royal Highness the Field Marshal Commanding in Chief. Well, I have tried to fulfil those instructions, and have been more assiduous in my seat in Council than, I believe, the great majority of my predecessors. Not sparing exertion and activity, I have sought to carry out my duties of inspection in hurried Spring and Autumn tours. I believe that, in consequence, the troops have been visited by Head-quarters quite as much as in former commands. But the strain imposed in the attempt to carry out the instructions with regard to the two sets of duties has been often such as almost to exceed the strength of any man, while my visits to the several stations and my residence among the troops have been shorter than I could have wished; this not unnaturally caused my mode of exercising command to be misconstrued in many quarters. I think, then, that, in any revision of the establishments with regard to economy or other considerations that may be entertained hereafter, the points I have mentioned; although personal to myself, are not without significance, and should be duly weighed. How the necessities of the administration, on account of what is now done by three Military Departments, and how the military command should be dealt with in the three Presidencies, in order to overcome the inconvenience and the want of economy now experienced, I have more than once during the last ten years suggested to Government. It is sufficient to say that we have, in my opinion, the right model in France, where the Head of the Army is the executive War Minister, while the Military

Command of the Corps d'Armée is conducted by Lieutenant-generals, whatever their titular military rank.

“There is one more point to which I would invite the attention of the Council, that being the tendency to growth of non-effective establishments. I need not advert to the statements of General Hanyngton and Colonel Broome, beyond uttering the remark that, while these distinguished authorities differ in detail, they are agreed in presenting a picture of future liability which is positively alarming. In short, we are threatened with the serious danger of all our economies in India, in the combative Forces being eventually greatly more than swallowed up in the growth of the non-effective expenditure. Under such circumstances, a further greater danger might be forced on by public outcry, involving perilous reductions to meet non-effective charges.

“It has been my duty, more than once, to submit my views as to how this difficulty may be fairly and properly encountered while there is yet time. It would be premature to dwell on the suggestions of one member of this Government on this particular subject, which I presume must be sooner or later dealt with in an authoritative manner, and may be said to be still *sub judice*, although this Government and the Secretary of State have not as yet come to an agreement on the subject. But I need not suggest to the Council that the subject is one of great and of increasing importance. My Hon'ble friend in charge of the finances cannot press his attention too strongly to it.

“In conclusion, my Lord, as one who has been intimately associated with the Armies of India for more than a quarter of a century, and, for the latter half of that period, has been in places of the greatest responsibility, who has watched the causes and progress of change through this long period, and has been in general one of the chief executive authorities for carrying out the reforms impressed on us from time to time by Her Majesty's Government, I may, at this last moment of my discharge of duty, declare my confidence in the military arrangements sanctioned by your Excellency in Council, and my belief that the Army does justice to the care bestowed on it by the Government.

His Excellency THE PRESIDENT—“I am anxious on this occasion to deviate somewhat from the usual course, and to make to my colleagues in this Council a statement with regard to the proceedings of the past and ensuing year of the Department of Public Works, of which I am the Member of Council in charge.

“I believe that great advantage would be derived if this practice were more generally adopted, and if Members of Council in charge of the great expending departments of this Government would take advantage of the production of the

Budget to lay before their colleagues a short abstract of the mode in which these great sums of money have been and are to be disposed of, in order to give to the public an opportunity of knowing in detail how these sums are likely to be expended.

"I think, therefore, that in adopting this course, I am adopting a course which is now pursued in almost every Government in the world, namely, that at certain periods of the year, even under the most absolute rule, ministers do, on their own responsibility, make statements on the position of the departments over which they preside.

"Should the course that I now propose to take with regard to Public Works in India receive the general approval of the public, I propose to extend that practice to another year, and endeavour to induce some of my colleagues to make similar statements.

"No other opportunity is likely to occur—I regret that the present hour is so late, but still I am anxious that at the earliest possible moment the public should be placed in possession of those important facts to which I now invite the consideration of my colleagues.

Many of these facts which I now bring forward and state to the Council would, in ordinary course, hereafter be laid before the public. But we are all aware that when facts such as these are merely stated in various departmental reports, they are necessarily stated at great length and in a somewhat disjointed form, and my belief is, that these matters do not receive from the Indian public that fair attention which their importance deserves, and I think the Government would obtain much advantage from wider criticism and greater discussion of these subjects by those who take an interest in public affairs.

With this preface, I propose to make as brief a statement as I can as to the expenditure of the Public Works Department during the past and ensuing years.

The total expenditure on public works in England and India for 1869-70 will be about £8,000,000.

I give the figures as nearly as possible in round numbers.

This great sum will be divided into two heads, *viz.*, Ordinary and Extraordinary expenditure; the Ordinary expenditure representing that which we expect to be able to pay out of the revenues of India, and the Extraordinary, that which is to be defrayed by loan.

Under the head of Ordinary we shall have spent in the year which has just come to a close a sum of something like £5,300,000.

Under the head of Extraordinary we shall have spent the sum of £2,600,000.

Of the £5,300,000 which I have just mentioned under the head of Ordinary, £5,000,000, as nearly as possible, will be spent on public works. The remainder will be made up of smaller items, such as State railways, official expenses connected with guaranteed railways, and loss by exchange.

In the Extraordinary expenditure for the past year, the great item will be that of two millions of money spent on Irrigation works; a small sum has also been taken for the commencement of State railways.

The principal items of expenditure in India under the head of Ordinary will be—first, for Military works nearly a million and a half sterling, of which the original works will take about £1,200,000 and repairs £227,900.

£478,000 will be spent on Agricultural works, of which £192,000 will be taken for original works and £279,000 for repairs.

£680,000 will be spent on Civil buildings, of which the original works will cost £562,000 and the repairs £122,000.

We then come to the important item for communications, which really means the construction and repairs of ordinary roads. In the year that is just closed we shall have spent under this head, as nearly as possible, £1,000,000—£600,000 of which will be spent on original works and £4,900,000 in repairs.

A smaller item of £58,000 follows for miscellaneous and public improvements, and then there will be the great item of £1,000,000 for cost of establishment, of which £70,000 will go for tools and plant.

These will form the principal items of the Ordinary expenditure of the Government of India in the Public Works Department for the year just closed.

Of the million and a half spent in India on Extraordinary works in 1869-70—

Irrigation Works will take about...	...	£ 950,000
State Railways about	...	„ 144,000
The Bombay Special Fund	...	„ 350,000

and the remainder will be made up of smaller items.

It will be interesting to the public to know how this large expenditure of millions was distributed among the various Presidencies.

Madras will have received for its public works about	£	835,000
Bombay	...	1,450,000
Bengal	...	1,360,000
N. W. Provinces	...	865,000
Panjáb	...	800,000
Central Provinces	...	328,000

The remainder will be distributed between British Burma, Oudh, Hyderabad, Rájputána, Central India, Coorg and Port Blair.

In the middle of the year 1869-70, as the Council are aware, upon investigation and enquiry made at Simla into our financial position, the absolute necessity of an immediate reduction in the Public Works Department became apparent to all the Members of the Government. After the fullest and most careful consideration, we came to the conclusion that unless a large reduction was made in this item of expenditure, it would be impossible to look to financial safety in the year. We, therefore, with very great reluctance made up our minds to a reduction of the public works expenditure of the Government of India to an amount of nearly £800,000, the actual sum being £792,500.

Well, the necessity of the case was speedily recognized in a manner that was almost surprising, and with scarcely a single exception, the local Governments so far seconded our efforts that the result has been obtained, and it appears that a saving will have been effected in the Public Works Department's Ordinary expenditure during the year even to a greater extent than was suggested.

There are only two cases in which local Governments will have exceeded their grant. Madras will have exceeded its grant by the small sum of £3,000, while according to the latest accounts Bombay will have spent £29,700 more than the reduced grant.

This is the only case where a local Government has been unable to carry out to the full the orders and wishes of the Government of India.

I find that Bengal will spend less than the reduced grant by £2,400, North-West Provinces £500 less, Panjáb £82,700 less, Central Provinces £14,800 less, British Burma £30,900 less, while the smaller Governments will show a proportionate reduction. The result will be that, under this head of

public works expenditure, the reductions that were ordered in so unusual a way will be entirely and successfully carried out.

When we think of the very great sacrifice that the local Governments have been called upon to make, when we know the great interest they take, and justly take, in all these works, I must say that the Governments of India are deeply indebted to those Governments for the manner in which they have adopted our recommendations, and for the way in which, at very great sacrifice, they have been able to carry out our wishes.

Well, so much for expenditure in the Public Works Department in the year that is just passed.

I now propose to lay before the Council a similar statement with regard to the expenditure of the year upon which we have entered.

I must, however, remind the Council that both as regards the past and the future years these statements are to a certain extent approximate. It is impossible, speaking on the second day of the financial year, that the fullest information with regard to the past can be at the disposal of the Government of India, and, as every one knows, with regard to the future the statement I am about to make is one entirely of estimate. All I can say is that in respect to large expenditure much power rests in the hands of the local Governments, if they choose to exert it, which I am sure they will, to keep the expenditure within the estimate, and in some instances to realize even more than the suggested saving.

The expenditure, then, for the ensuing year in the Public Works Department will be placed at about £7,475,500.

Of this £6,900,000 will be expended in India, and £500,000 in England.

Under the head of Ordinary, £4,300,000 will be expended, and under the head of Extraordinary £3,100,000.

Of Ordinary, the large sum of £3,900,000, or nearly £4,000,000, will be spent entirely on public works; the rest will be made up of the smaller items, such as official expenses connected with guaranteed railways, Calcutta and South-Eastern Railway, and loss by exchange.

In Extraordinary, that is, the loan-works for the ensuing year, the two great items will be £1,730,000 for irrigation, and £1,220,000 for State railways. This head of expenditure appears for the first time in any magnitude in the public accounts. The remaining item is a smaller one for Port-trust works at Bombay.

Well, then, of the £4,300,000 to be devoted to Ordinary works, the Military works will take about £1,120,000; of that £900,000 will be expended on new works, and £200,000 on repairs.

The Ordinary agricultural works will take £490,000, the greater part of which will be spent on original works, repairs, with a small outlay on guaranteed irrigation works.

£518,000 will be spent on Civil buildings, of which the new works will demand £390,000, and the repairs £120,000.

£840,000 will be spent on communications, that is, on roads. The expenditure on roads and repairs will be divided very nearly in equal parts, as the original works will come to £400,000, and the repairs £430,000.

There will be a small sum of £40,000 spent on miscellaneous public improvements.

The cost of establishment which directs the whole will stand at something less than it did last year, being £900,000, and £60,000 for tools and plant.

As I said before, of the £3,100,000 which will be spent on Extraordinary works—

	£
Irrigation will take	1,700,000
Original works	1,200,000
Establishment	300,000
Tools and Plant	180,000
State railways	1,200,000
And Port-trust works	150,000

This gross sum will be as nearly as possible distributed to the different local Governments in the following proportion:—

£
817,000 to Madras,
1,370,000 to Bombay,
1,212,000 to Bengal,
1,137,000 to N. W. Provinces,
1,800,000 to the Panjáb, and
300,000 to the Central Provinces.

The reason for the Panjáb figuring for such a large sum this year is, that the great State railway from Lahore to Pesháwar is to be commenced this year in that province.

“The remainder of this large sum will be divided between British Burma, Oudh, Hyderabad, Rájputána, Central India, Coorg, and Port Blair.

“In round numbers, then, the expenditure on public works in 1869-70 will have been £8,000,000; in 1870-71 £7,500,000, or 7½ millions. But a heavy payment of an unusual character took place in 1869-70. Of the £1,400,000 which was spent in England in 1869-70, £1,040,000 was paid to the shareholders of the East India Irrigation and Canal Company for their property, which is better known under the name of the ‘Orissa and Soane Irrigation Company.’

“If, therefore, this heavy item be left out, it will bring down the real expenditure in 1869-70 to £6,900,000.

“From this point of view, therefore, the total estimated expenditure for 1870-71, namely, £1,400,000, is in reality half a million more than the corresponding expenditure for the past year; so that if we exclude from the expenditure of the year that is just closed the payment for the property of the Orissa Company, we hope during the ensuing year to expend on works of public utility a much larger sum than we spent during the past year.

“But I must remind the Council that those great sums of 8 millions in 1869-70 and 7½ millions in 1870-71 by no means represent the whole of the expenditure on works of public utility, and for which the Government is responsible in India.

“We shall pay in 1869-70 £1,570,000 in interest and nett charge on account of railways. The Railway Companies under Government guarantee will spend in the same year upwards of four millions on construction; so that in reality the gross expenditure on works of public utility in India during the past year, and the necessary expenses, that is, payment of interest on loans expended for similar objects, will amount to the enormous sum of nearly fourteen millions.

“In 1870-71, that is, in the ensuing year, in addition to the 7½ millions before referred to, we shall spend as our nett charge on account of railway interest £1,600,000, and the Railway Companies under Government guarantee propose in the same year to spend upwards of £5,100,000 on construction, making in all a total for the present year of upwards of £14,288,000.

“I wish the Council particularly to note these facts, because I do not believe that it is generally known that there is such an enormous expenditure going on in India for works of public utility.

“If we put these two great sums together, we shall have expended in the two years ending 31st March 1871, either from ordinary revenue, either from

loan for interest, or through the agency of the Railway Companies under Government guarantee, the enormous sum of 28½ millions upon works of public utility in India, and their cognate expenses.

“This sum that we shall spend in two years is considerably more than the annual revenue either of Spain, of Italy, of North Germany, and three times as much as that of Holland.

“Now as to the proportion that these great sums bear to our own revenues. I find that in a calculation which has been kindly made for me by the Secretary of the Financial Department, the amount of nett available revenue of the Government of India for the year 1869-70 can only be counted at £28,900,000. When I say available revenue, I mean those sums placed at the disposal of the Government of India the distribution of which is within their power; that is to say, that in making this calculation I deduct all imperative charges over which we have no control, such as costs of collection, charges, payments of interests, and charges for pensions, any payments made under treaty engagements, &c.

“If after making these deductions we take the nett available revenue of India for this year, we find that it only amounts to about £28,000,000. We shall have spent out of that sum in the year just closed, out of the revenue of the year, as I stated before, a sum of £4,800,000 on public works ordinary, which is nearly 17 per cent. on our nett available revenue. In the year 1870-71 we expect that our nett available revenue will be £28,090,191, and that we shall spend on public works ordinary £3,800,000, which will be nearly 14 per cent. on those resources over which the Government may be said to possess control.

“To look at it in another way. I find that the whole expenditure on public works—that is, the nett expenditure (deducting recoveries)—amounts to £13,800,000 for this year, so that comparing that with our nett available revenue, we shall have spent on works of public utility during the past year something like 47 per cent. The percentage will be increased during the present year, so that in reality we expect to spend within the ensuing year on works of public utility in India a sum nearly equal to half of our entire available revenue, and I believe this is an effort in the direction of public improvement that has hardly ever been attempted by any other nation in the world.

“But I wish now to explain to the Council the different proceedings which are to be undertaken during the ensuing year by the Government of India under various heads in the Public Works Department, and for this purpose I

shall place what I have to say under the heads of Military works, Civil works, Agricultural works, Irrigation, &c., and Railways.

“Under the head of Military works, the total sum spent in 1870-71 will be £913,000 for original new works, and £214,000 for repairs, making a grand total of £1,127,400.

“The sums for new works may be classed under the following main heads, *viz.*—

	£
Accommodation for troops generally	654,305
Ordnance factories	147,100
Gas-works	5,500
Water-supply	21,495
Works of defence... ..	61,000
Roads to important hill stations	19,000
For Port Blair	4,650
	<hr/>
Making in all a sum of	<u>£913,051</u>

“Of the total sum assigned for 1870-71 under the heading of ‘accommodation of troops,’ *viz.*, £654,304, the bulk has been devoted towards carrying on the great scheme of barrack accommodation for the British soldiers that has now been in progress for the last five years.

“It has been necessary to sub-divide the allotment over nearly all the stations at which European troops are quartered, in view to provide for the urgent requirements at each station in the way of shelter; but it has been an object to concentrate the expenditure as much as possible, on the completion of barracks and hospitals now in progress, rather than on the commencement of new buildings, for by so doing, it will be possible to complete a very considerable amount of shelter at each station during the year. The largest assignments have been made for the most unhealthy stations, or for stations at which the accommodation is most backward, thus—

	£
Saugor	29,000
Morar and Gwalior Fortress... ..	25,000
Mhow	19,000
Nusseerabad	19,000
Belgaum	22,000
Kurrachee	20,000
Peshawur	15,000
Ahmednugger	17,000
Jubbulpore	15,000
Fyzabad	20,000

"At other stations, where the call for accommodation is not so urgent, the allotments are somewhat smaller than the foregoing, thus—

	£
Ambála	11,800
Ráwal Pindí	7,500
Seetapore	9,000
Ncemuch	14,000
Nowgong	10,000
Bellary	5,000
St. Thomas' Mount	5,000
Kirkee	10,000

"The allotment for Barrackpore, £7,700, will complete the barracks for both the single and married men of the two companies of artillery at that station.

"The allotment of £8,000 for Allahabad will also complete the accommodation of the regiment of infantry and battery of artillery at that station; so also will the allotment of £5,000 complete the buildings for the single and married men of the regiment of infantry at Cawnpore.

"Liberal provision for extending the accommodation at hill stations has also been made. A sum of £7,500 has been set apart for completing the temporary accommodation of the regiment of infantry at the new hill station at Chakráta.

"An allotment of £10,000 has also been made for proceeding with new barracks at the new hill station, Ráni Khet, and an aggregate sum has also been allotted to the old hill stations at Dugshai, Kussowlie, Subathoo, Baloon and Murree.

"The next item for consideration is that of the ordnance factories. The most important works under this head are the Snider factories and ordnance buildings in Bengal and Bombay,—we do not yet know whether we shall be able to proceed this year with the Madras factory,—and are specified as follow:—

Snider Factory, Dum-Dum,

Ditto Kirkee,

Ditto St. Thomas' Mount, Madras,

Gun Carriage Agency buildings in Allahabad,

Powder Works, Gun Carriage buildings, and Magazine, Kirkee,

Hydraulic Lift, Graving Dock, Bombay, and we hope some progress may be made in the new Gun Foundry at Cossipore.

“Funds are provided for completing the gas-works for lighting the barracks and cantonments at Allahabad and Rawul Pindee. These works are now far advanced, and are expected shortly to be completed.

“The next item is that of the water supply. The important projects under this head are—improved water supply for the large station of Ambála, and also for Trimulgherry, Kirkee, Ulsoos Tank (Bangalore).

“With regard to defence works, the most important of these are the harbour defences of Bombay and the Rangoon pagoda and harbour defences.

“With regard to roads to hill stations, the sum allowed for this work is for opening up communications from the plains to the important hill stations of Ráni Khet and Chakráta.

“This, then, is a description of the works proposed to be undertaken during the ensuing year under the head of Military works.

“Under the head of Civil works, one of the principal grants will be made to Kurrachee Harbour. The grant for these works for 1869-70 was £26,500, which was subsequently reduced to £25,500. The grant for next year is £26,500.

“The estimates for these works aggregate about £430,000, of which it was expected that about £260,500 would be expended up to the 31st March 1870, so that at the present rate it will take many years to carry out the scheme.

“But I wish to say, with regard to these works, that we hope to place them upon a somewhat different footing, and we are already engaged in seeing whether a local trust may not be created by which advances may be made, and therefore it might be possible hereafter that a portion of this expenditure may fall under the head of Extraordinary.

“With regard to the Godavery navigation, the original grant for 1869-70 was £70,000, which was reduced to £50,500. The grant for 1870-71 is £30,500 only; all these figures being exclusive of establishments. The grant for the First Barrier Works will practically complete them, and a good deal of progress may be expected with the anicut and locks at the Second Barrier.

“The construction of the road from the Dharwar Frontier to the Port of Karwár is a very important work.

“The grant for the year 1869-70 was £13,310, and for 1870-71 it is £15,000.

“This will probably complete that line of road.

"A sum of £147,500 has been passed for improvements to the Bombay Harbour, £100,000 of this being for the Moody Bay Reclamation.

"The whole of the expenditure it is proposed to debit against the Port Trust, which, it is hoped, will soon be constituted, on arrangements for the purchase of the property of the Elphinstone Company being concluded.

"With regard to the Madras jails, the great progress made within the past two years with the new central jails in that Presidency has allowed of a considerable reduction in the grant assigned to them in 1870-71, namely, from £32,400 in 1869-70 to £9,768 in 1870-71.

"This latter sum will practically complete the principal jails.

"In Calcutta a sum of £40,000 has been assigned for the new High Court, which sum will complete it if the estimate be reliable.

"It has, however, been found necessary to leave the University and the Imperial Museum without any grant, as it is considered that it is much better to complete one work at a time than to endeavour and only partially to complete four or five.

"Amongst Civil works the reduction in the grant made in 1869-70 was distributed nearly equally between buildings and roads, so that the percentage of the reduction on the latter head was considerably smaller than on the former. The diminished expenditure on ordinary roads is, however, far more than compensated for by the increasing expenditure on Railways.

"I now come to the important item of Agricultural Grants.

"There never was a year in which the benefits of irrigation were more decidedly evidenced than in the last year. The interesting reports from the North-Western Provinces on this subject have attracted the notice of the public, and the statements which have been made are most remarkable and encouraging.

"In the unusually dry season of 1868-69 a great calamity was averted. It is stated on the authority of the Government of the North-Western Provinces and of the Canal Officers engaged there, that in that Province alone 1,425,702 acres were kept in a state of fertility which would otherwise have been unproductive.

“Colonel Brownlow and his officers exerted themselves to the utmost, and the result was that by their influence and constant energy, they persuaded the people to make use of the water principally for this purpose. The result was that in those irrigated districts, there was a considerable increase in the production of the lower class of cereals, and I find that the 2,786 acres of that description of crop, which were under irrigation in 1867-68, have increased in 1868-69 to the amount of 85,281 acres.

“The returns exhibit an increase of the extent of land watered of 665,023 acres over the preceding year, 96 per cent. more than that irrigated in 1860-61, the most recent year of scarcity, and 45 per cent. greater than in 1866-67, the previous maximum of irrigation. In the Meerut Division irrigation reached the extraordinary extent of 308,161 acres, or 30 per cent. of the entire culturable area of the district, exhibiting an increase over the preceding year of 103 per cent. These facts tend completely to show the enormous value of irrigation works.

“The Ordinary grant for Agricultural works for the current year now stands at £478,279, of which £192,199 are for new works, £279,580 for repairs, and £6,500 for State outlay on guaranteed works.

“The Extraordinary grant was originally £1,650,000, but the expenditure is not likely to exceed £900,000.

“For 1870-71 the following amounts are provided:—

ORDINARY.				£
New works	-	-	-	169,420
Repairs	-	-	-	322,500
State outlay on guaranteed works	-	-	-	5,380
				<u>£497,300</u>
EXTRAORDINARY.				£
New works	-	-	-	1,246,400
Establishment	-	-	-	300,700
Tools and Plant	-	-	-	185,400
				<u>£1,732,500</u>
GRAND TOTAL				<u>£2,229,800</u>

making thus £1,415,820 for actual construction of new works, and £322,500 for repairs

"It will be seen that the greater part of the Ordinary grant will be devoted to repairs.' This arises from the necessity of maintaining in good working order the extensive systems of Irrigation works already in operation in different parts of India, particularly in Madras, Scinde, in the Panjáb and the North-Western Provinces. Also, in Bengal, a considerable sum is required for the maintenance of the numerous lines of embankments in the Orissa and other districts.

"The original works to be carried out from the Ordinary grant are numerous, but, with few exceptions, of no great magnitude individually.

"Numerous important works are in progress, and will be continued during the ensuing year from the extraordinary grants in Madras, Bombay, Bengal, North-West Provinces, and Panjáb.

"In Madras the most important work that now engages attention is the completion of the canals in the Godavery and Kistna Delta. The local Government is furnished with such sums as it requires for this object, but owing to the limited supply of labour available, the extension and enlargement of these canals to the standard ultimately required must at best be a slow and gradual operation. During the current year the sum of £52,760 was allotted for these works, but the expenditure is likely to be somewhat less. Other projects on a smaller scale, but still of considerable importance, have been in progress in the Nellore, Madras, Tanjore and Tinnevely Districts, and several entirely new schemes are now under investigation. For the latter the allotments proposed by the local Government have been allowed to stand, but as the estimates will have to be submitted to the Secretary of State for approval, it is not likely that much, if any, progress will be made with them in the coming year.

"In Bombay estimates to the amount of £545,494 have been sanctioned as extraordinary, of which £305,898 pertain to a reservoir and canal near Poona.

"Several other large projects are under consideration, of which the most important is a line of canal from Roree on the Indus to Hyderabad, which is likely to cost upwards of two millions sterling. The estimate for this work is, it is understood, nearly ready, and, in the event of its receiving the sanction of Her Majesty's Government, will probably be commenced in the ensuing year.

"In Bengal the extensive works which had been in progress in Orissa under the management of the East India Canal Company, having been transferred to Government, have been vigorously prosecuted, and the new works on the Soane,

estimated to cost £2,100,000, have been commenced. Also a canal, which is likely to cost half a million sterling, from the Damoodah at Raneegunge to the Hooghly, has been lined out, preparatory to commencement of work on the estimates receiving approval.

“ An extensive system of canals from the Gunduck, at an estimated cost of £1,384,826, for the irrigation of the Tirhoot, Sarun and Champáran Districts, and also for navigation, has been before the Government of India, but information on several important points is required before it can be recommended for approval.

“ The works in progress in the North-Western Provinces comprise various additions to the Ganges Canal, and its system of distribution channels; a canal from the Jumna near Delhi to Agra, estimated at £575,000, and several smaller canals in Rohilkhand. The latter form the commencement of a proper system of irrigation and drainage of the Terai Parganas.

“ A scheme for a canal from the Ganges for the irrigation of Eastern Rohilkhand, estimated to cost about £1,000,000 sterling, has actually been before Government, and will be proceeded with on the necessary authority being obtained from the Secretary of State, and estimates for canals in Rohilkhand have also been under consideration. It is further proposed to open out a new feeder to the Ganges Canal with a view to intercept the whole of the dry-weather supply of the river above Futtehgurh, and thereby to obtain the means of extending irrigation to the terminus of the Doab at Allahabad.

“ In the Panjáb the improvement of the Bári Doab Canal has been in progress. The Kusoor and Sobraon branches, which formed part of the original project, and which were suspended from want of funds several years ago, have now been re-commenced on an estimate amounting to £270,000. The Sirhind Canal, estimated to cost £2,250,000, and designed to convey the water of the Sutlej to irrigate the tract between that river and the Jumna Canal, including the lands belonging to His Highness the Mahárájá of Pütiala, has also been commenced.

“ This will, I believe, be one of the most magnificent works that has ever been designed or carried out in this country, and I am happy to say that the Mahárájá has shown the greatest disposition to assist in the project.

“ A general improvement of the Western Jumna Canal and the opening out of two important branches form the subject of another scheme, and a portion the work has already been commenced.

" A project for a second canal from the Sutlej near Ferozepore, which will intercept the whole cold weather volume of the Beas, and give the means of irrigating the lower portion of the Bári Doab, comprising an area of about 5,000 square miles, is also under investigation, and an estimate will probably be shortly before Government.

" A scheme for a system of canals from the Sardah, and which is likely to cost nearly five millions sterling, has recently been before the Government of India. The detailed estimates for this great work, which is designed to irrigate the greater part of Oude and portions of the Benares and Jounpore Districts, as well as to afford a navigable communication from the foot of the Himalaya to those places, are now being drawn out.

" If any person who takes an interest in these matters wishes to read a really able and interesting document, he might read the elaborate report of Captain Forbes, who is the best authority with regard to this scheme. We have it in our power to undertake great works in that district which will be as important as any that have ever been conducted in India. This is a slight sketch of what we are endeavouring to do for the furtherance of irrigation.

" I hope I am not detaining the Council, but I wish very briefly to refer to what has been done with regard to Railways during the ensuing year.

" The year 1870-71 will be a notable year in the Railway history of India. On the 31st December 1869, 4,264 miles of Railway were open in this country, and we expect 5,061 miles to be open on the 31st December 1870, or at all events before the close of the financial year, so that if our expectations are realized, as I believe they will be, the average number of miles opened within the year will be 801 miles.

" Of this, the Great Indian Peninsula Railway will open 238½ miles of the north-east extension and 158½ miles of the southern. The north-west extension of the Madras Railway will open 94½ miles, and the Bellary Branch of the same line 32 miles, Khamgaon 7½ miles, Oomraotee 5, and Delhi 32½ miles. The East Indian Railway will open its Chord line of 123½ miles, and the same Company the Kurhurbaree Branch of 24½ miles. The Eastern Bengal Railway will open the Goalundo Extension of 45 miles, and the Oude and Rohilkhand Railway, Byrom Ghât, 40 miles, making, as I said before, a total of 801 miles of Railway to be opened during the present year in India.

“ This is the greatest number of miles that has ever been opened in any one single year. In the year 1861, 745 miles were opened, and in 1862, 770 miles. The next largest number opened in one year was in 1864, when 446 miles were opened, but in 1868 we have only opened 80 miles of Railway. However, I hope the honour will be reserved for 1870 to witness within the year by far the greatest number of miles of Railway ever given to public use since Railway construction was first commenced in India.

“ The Council are doubtless aware that a great scheme has been laid down which we propose in the matter of Railways, as far as possible, to adhere to, and that is the scheme for the construction of about 15,000 miles of Railway. Of this 4,000 miles are already opened, 1,000 are in progress, and 900 are about to be commenced. We are actually at this moment endeavouring to do something more or less on fifteen different lines of new Railways. I should like, therefore, to mention very briefly to the Council what the principal of these undertakings are.

“ From Delhi and Agra it is proposed to make a Railway to the Sámbar Lake, which will, we believe, confer enormous advantages on the people of those districts by carrying corn and grain for their consumption, and bringing back return freights of salt and other productions of the district. Part of this system will also pass through the salt district of Sultánpúr near Delhi. I am happy to say that the surveys of the Agra and Delhi Districts of these lines are very far advanced, and we have every reason to hope that, on the Delhi section, work will be almost immediately commenced. The estimates for the whole undertaking will be furnished during the ensuing year, and there is no reason why the actual work of this important line both in the Agra and Delhi divisions should not be commenced during the ensuing cold weather.

“ On the Panjáb State Railway, very considerable progress is being made. The whole of the line has been surveyed between Jhelum and Lahore. The designs for the three great bridges over the Rávi, Chenáb and Jhelum are in progress, and we hope very soon to send home to the Home Government an estimate of, and the necessary orders for, the iron necessary for the construction of these great bridges.

“ Notwithstanding the great expenditure which we shall be obliged to make upon these bridges, we believe that the estimates fully justify us in stating that the whole of that line from Lahore to Jhelum ought to be con-

structed at a cost of something like £11,500 a mile. The surveys through the South Panjáb for the Indus Valley line have been already commenced, and Major Macleod Innes and a party of officers have been engaged during the cold weather in the surveys of that important line in the direction of Sukkur. An Engineer was sent out from England to survey a most important line of Railway between Karwár and the cotton-producing districts of the Southern Mahratta country. Unfortunately, this gentleman arrived too late to make a satisfactory survey. It has therefore been necessary, before the location was finally determined on, to cause a further investigation of the district to take place, but I am in great hopes that, before very long, the Government will be in a position to decide as to the exact direction the line ought to take. I must say, however, that it is likely to be an expensive line.

“ In the north of the Bombay Presidency, considerable Railway extension has been sanctioned.

“ The Bombay and Baroda Railway, the length of which is about 73 miles, is already in course of progress, and the construction of the line to Verungam and Wudwan will be commenced as soon as the estimates are sanctioned.

“ Madras also shares very largely in Railway extension.

“ The Tramway Company's little line to Conjeveram, of which 19 miles will be re-laid on the standard gauge, is about to be extended 84 miles to Cuddalore. It will be re-named the ‘ Carnatic Railway,’ and in respect to guarantee will be placed in the same position as the other Railways in India.

“ It is hoped that a branch of this line will be made to Pondicherry, and the French Government have already expressed their desire to assist in the undertaking.

“ Another line, 210 miles in length, from the present line to Tuticorin, is about to be constructed by the Great Southern of India Company. The surveys have been already undertaken, and it is hoped before long that the works will be commenced.

“ In Burma surveys have been made from Rangoon to Prome, a distance of 168 miles.

“ Investigations have been authorized, and from a communication received from the Chief Commissioner, it is hoped that advantage will be taken of converting the existing road into a line of Railway.

“ In Bengal surveys have been authorized under direct Government agency for determining the best lines ; but it is distinctly understood that the Government's having authorized these surveys, does not settle the question that they are to be constructed by direct Government agency.

“ Much progress has yet to be made in the extension of the Eastern Bengal Railway to Goalunda.

“ The delay in the construction of this work has been mainly due to the unfortunate accident at the Gorai Bridge.

“ Further north, beyond the Ganges, the Oudh and Rohilkhand Company are pushing on their works.

“ The Cawnpore Bridge is rapidly approaching completion, and we hope that before very long the Ganges will be bridged for the first time.

“ The designs for the erection of another great bridge across the Ganges at Rájghát have been approved, and the earth-works for nearly the whole of the system of the Oudh and Rohilkhand Railway have been marked out.

“ We believe that this system of lines under the able direction of the officers of the Company is likely to be made more cheaply and with greater economy than any Railway that has hitherto been made under guarantee in India, and General Beadle informed me the other day that, including the large bridges over the Ganges, he hoped that the average cost of the Oudh and Rohilkhand Railway would not exceed £11,000 a mile.

“ A portion of this system includes the line from Moradabad to Ramnagar and the foot of the Himalayas and running near the Kumaon Iron Works, about 45 miles in length.

“ In the Central Provinces orders have been lately issued by the Government for the survey of the line which will convey coal and iron lately discovered in those districts, and we hope during the ensuing year, the work will be actually commenced. The surveys east of the Wurdah have already been completed ; we hope before a month or six weeks are over, we shall be in a position to decide with regard to the Oomraottee Branch in the Berars.

“ But the two most important of the year in Railway are those connected with the Hyderabad State Railway and the proposed Railway to Indore.

"I am sure the public have heard with the greatest satisfaction that two Native Governments have proposed to come forward and subscribe a million of money each for Railway construction in their respective States.

"Sir Salar Jung has already made financial arrangements to construct a branch line from Goolburga to Hyderabad entirely at the expense of the Hyderabad State, and though it will really be under British management and constructed by British Engineers in a way similar to State-railways, it will be essentially the property of the Nizam's Government, and before three years and a half are over, we may hope that the Hyderabad State will be in possession of a Railway of its own.

"The Maharájá Holkar has also made a proposition of a different kind, but which will have precisely the same result. He has agreed to lend the Government at $4\frac{1}{2}$ per cent. a million of money to construct a line which will meet the Great Indian Peninsula system somewhere near Khundwah.

"The financial arrangements in this matter have been perfectly satisfactory, and His Highness has proposed to place at the disposal of the Government of India more than half the amount in the first two years, the remainder being paid by instalments spread over a greater length of time.

"There is therefore no reason to doubt that, before very long, we shall see in India two great Railways in process of construction entirely by capital supplied by Native States, one of which has determined to do the whole thing itself, and the other to place a sufficient sum in the hands of the Government to carry out the enterprise.

"In many ways the Government are endeavouring to provide materials for the construction of those works which they are about to undertake, with, if possible, much greater expedition and less waste of time than has hitherto attended their action in this respect.

"Attention has also been given to the provision of fuel; various investigations are being made in different directions with regard to coal and petroleum, which has been long known to exist in small quantities in the Panjáb and other parts of India.

"We hope that the Nerbudda Valley and also the Chanda District will before long produce a large supply of coal: we have heard of the existence of a large quantity of coal on the Godavery, and we have every prospect that during the ensuing year, or eighteen months, we shall be in a position to say

that there is in this country a supply of coal sufficient to work a very large portion of the Railways at present in existence as well as those about to be constructed.

“Of course some districts will always be so remote that we cannot venture to hope that they will derive any very material benefit from this increase in the supply of coal, and for this reason efforts are about to be made in these cases to increase the supply of wood-fuel as much as possible.

“It is very late, and had I more time I could have brought to your notice many other interesting facts with regard to this important matter; but I am satisfied that, even brief and imperfect as is the statement I have now made, it will attract some attention generally to this subject; and I can truly say that there is nothing the Government of India value more than public support in these gigantic undertakings, which have no other object but the general good of the people of this vast empire.”

The Motion was put and agreed to.

The Hon'ble SIR RICHARD TEMPLE having then applied to His Excellency the President to suspend the Rules for the Conduct of Business,

The President declared the Rules suspended.

The Hon'ble SIR RICHARD TEMPLE then introduced the Bill, and moved that it be referred to a Select Committee with instructions to report in a week.

The Motion was put and agreed to.

CUSTOMS DUTIES' BILL.

The Hon'ble SIR RICHARD TEMPLE then moved for leave to introduce a Bill to amend the law relating to Customs Duties.

The Motion was put and agreed to.

The Hon'ble SIR RICHARD TEMPLE then applied to His Excellency the President to suspend the Rules for the Conduct of Business,

The President declared the Rules suspended.

The Hon'ble SIR RICHARD TEMPLE then introduced the Bill, and moved that it be referred to a Select Committee with instructions to report in a week.

The Motion was put and agreed to.

The following Select Committees were named :—

On the Bill for imposing duties on Income and Profits arising from Offices, Property, Professions and Trades—The Hon'ble Messrs. Stephen, Forbes, Cowie, Chapman, Bullen Smith, Cockerell and the Mover.

On the Bill to amend the law relating to Customs' Duties—The Hon'ble Messrs. Stephen, Forbes, Cowie, Chapman, Bullen Smith and the Mover.

The Council adjourned to the 5th April 1870.

WHITLEY STOKES,

Secy. to the Council of the Govr. Genl.

for making Laws and Regulations.

CALCUTTA,
The 2nd April 1870. }