

REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1934-35

Volume II—Evidence

Part II—Railways.



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Evidence taken at the third meeting of the Public Accounts Committee held on Monday, the 20th July 1936, at 11 a.m.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,	<i>Chairman.</i>
Mr. B. DAS, M.L.A.	} <i>Members.</i>
Mr. S. SATYAMURTI, M.L.A.	
Professor N. G. RANGA, M.L.A.	
Dr. THEIN MAUNG, M.L.A.	
Mr J. RAMBAY SCOTT, M.L.A.	
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.	
Captain SHEER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.	
Bhai PARMA NAND, M.L.A.	
Dr. R. D. DALAL, C.I.E., M.L.A.	
Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt., C.B.E., M.L.A.	
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA, M.L.A.	} <i>Were also present.</i>
Sir ERNEST BURDON, K.C.I.E., C.S.I, I.C.S., Auditor-General.	
Mr. B. N. MITRA, Director of Railway Audit.	
Mr. P. R. RAU, Financial Commissioner, Rail- ways.	} <i>Witnesses.</i>
Mr. V. S. SUNDARAM, Controller, Railway Accounts.	
Khan Bahadur BARKAT ALL, Director of Finance.	

Chairman.—Mr. Rau, we have more or less tried to divide up the subjects on which the Committee would like to ask you some questions,— (1) the general financial position as set out in your Report including the measures taken to ameliorate it, (2) accuracy of estimating, (3) your memorandum on the freight policy, (4) the accounting changes and (5) some points of detail. We will take the financial position first. I think it is fairly summarised in your Report, and that without making any provision for betterment or amortisation of capital your deficit is somewhere near four crores at present. I think the mileage has increased by something like 17 per cent., capitalisation, as far as my memory goes, something like 79 per cent, the number of people employed has increased, and the cost of the people employed by about 150 per cent. I think the Committee would like to ask you in general terms whether you see any prospects of natural improvement, and secondly what measures, since we last raised this subject, have actually been taken by the Agents of Railways or by the Railway Board for amelioration. I think we might let Mr. Rau develop his answer to these questions in his own way.

Mr. Rau.—I could say something in a general way, but if you are having Sir Guthrie Russell also, I do not know if you would wish to postpone the discussion on the general position till to-morrow.

Chairman.—Let us have a general statement from you. If necessary, the Committee will ask a few questions from Sir Guthrie Russell.

Mr. Rau.—I think probably the best way I could begin the subject is by telling you something about the results of the current year. So far as the receipts go, for the first three months of the year, we are about 70 lakhs above last year. We have provided in our estimates for an increase of 60 lakhs. As a matter of fact the budget estimate was 125 lakhs over our revised estimates, but the actual receipts were 65 lakhs above our revised estimates, and that means we have to get only 60 lakhs more than last year to reach our estimates. In the first quarter we have got 70 lakhs.

Mr. Satyamurti.—Is there any exceptional circumstance for it ?

Mr. Rau.—A large part of the increase in April was due to a carry forward from last year. Cotton was late in moving and we got our receipts later than usual. As regards expenditure, we have figures for the first two months of the year and they show an increase of 18 lakhs. Out of these 18 lakhs about 11 lakhs is due to the fact that some payments were made earlier than usual, so that the real increase in expenditure is 7 lakhs and our budget figure for the whole year is 45 lakhs over last year. So it does not look at the present moment that our budget figure with regard to expenses is going to be exceeded. As regards receipts, it is very difficult to say. For instance, our revised estimates for 1935-36 were only 90 crores, but we got 90.65 crores. In the last twenty days of March we have got 60 lakhs more than in the previous year. So far as that goes, therefore, all I can say at present is that it looks as if our anticipations of a deficit of 3½ crores will probably be better ; we shall not have such a large deficit. On the other hand we shall be 45 lakhs worse off as a result of the changes we are proposing on the whole, I think we may be a crore better. Sir Guthrie Russell and myself are proposing to go round at the end of this week and see the Railway Administrations to discuss the capital programme for next year. We have already written to them to say that we propose to discuss with them both their expenditure and revenue position, because we expected that we should get at least about 10 or 15 lakhs a month more than last year owing to the various alterations in fares we have made, and it does not look as if we are going to get all that. We have also written to the Agents saying that we want to discuss with them further the question as to what they can do with regard to reduction in expenditure. You must have seen in the papers that the All-India Railwaymen's Federation who met us at the beginning of this month wanted that we should give up all our retrenchment schemes, and they are threatening a strike. I do not really believe it will materialise, but still that shows the strength of the opposition we have to meet in the case of reduction of expenditure.

Chairman.—What actual measures have been undertaken by the Agents since last year ?

Mr. Rau.—Mostly they have been in the direction of trying to increase revenue, and to a certain extent in every railway administration they have been continuing what they call job analysis by which a special

establishment goes round examining each department or office or workshop and trying to pick out wherever possible any savings, but most of the savings in the long run come out of a reduction in staff. The North-Western Railway told us towards the beginning of the year that they had about 3,000 people surplus, but they have tried to accommodate them by putting them in lower posts. I think their latest estimate is they have got only 600 surplus for discharge. I think I circulated to the Committee a statement last year showing what the organisation branches have estimated as having been saved in 1934-35. Some Railways have told us,—we have not got complete information,—that they have been able to achieve further savings in 1935-36.

Mr. Satyamurti.—Now, since we last met, can you tell us what is the total value of the savings in working expenses of all the Railways put together ?

Mr. Rau.—I am afraid I have not got complete information for all the Railways. I have information only about certain Railways and they have told us that in 1935-36 their job analyses have resulted in a saving. I shall circulate that to the Committee to-morrow morning.

Chairman—Job analysis produces savings of a minor order.

Mr. Satyamurti.—I am thinking of big savings that the Railways have effected.

Mr. Rau.—Last year I think I said that at the utmost we could get about a crore out of this, but we are gradually getting rid of our surplus staff. I can let the Committee know to-morrow the information we have about 1935-36 in the direction of savings.

Mr. Satyamurti.—Can you give this Committee any idea of the proposals which are under contemplation or which have been given effect to by way of increasing the revenues ?

Mr. Rau.—I think we mentioned it in our budget memorandum. Our total increase was expected to be about $1\frac{1}{4}$ crores gross. They are mostly due to alteration in fares and not due to any increase in traffic, and so they must be taken as net. Then again there are proposals made by the Railway Conference Association to increase the classification of a certain number of commodities like piece-goods and sugar, to which there has been a lot of objection, and we propose to discuss this question with the Agents and to find out what they expect to get by such increase. After all, in the case of articles like piece-goods and sugar, we cannot afford the risk of raising the freight and losing the traffic on account of motor competition. Then again last year, I think, the Conference changed the classification from 10 classes to 16 classes by interpolating some classes in between. They are also considering proposals for alteration in classification of about 200 commodities,—they are all of minor importance,—but the most important are these five, to which we have not yet definitely given our sanction. The approval of the Railway Board is only required with regard to maxima and minima, and the Agents are empowered to put in any rate they like but the immediate result of our approving a higher classification is that, in cases where there is no special rate, the goods are carried according to the ordinary classification rate. Before we agree to an increase, we want to know definitely the advantage the Railways expect to derive from this.

Mr. Satyamurti.—What is your estimate of the betterment on the whole ?

Mr. Rau.—In 1936-37, as I told you, the betterment should be about a crore.

Mr. Satyamurti.—Now, I want to ask you something about the writing down of capital. Look at page 30 of your Review. What do you mean by paragraph one at the bottom of page 30 ? Is it the case that besides what the Railways pay as interest charges the general revenues also pay a certain portion ?

Mr. Rau.—What happened was that up to 1923-24 the Railways were every year repaying a part of the debt. They were paying about 3½ millions every year. That was in the shape of annuities including both capital and interest. So by each payment they paid the interest and also a portion of the capital. Government decided that that debt of about 60 million pounds should be taken finally as a debt from Railways and the general revenues would take over the responsibility of paying the annuities.

Mr. Satyamurti.—To-day the Railways actually pay 2 million pounds ?

Mr. Rau.—They pay the full interest or the interest portion of the capital on the annuities at that time. The general revenues go on paying part of the capital but still the interest paid by Railways remains unaltered.

Mr. Satyamurti.—The general revenues are paying to the tune of one million which the Railways should pay ?

Mr. Rau.—No. What happens is that originally Railways were paying interest and part of the capital every year, but since 1923-24, Railways don't repay any part of the capital, but pay only interest on the full capital outstanding.

Mr. Satyamurti.—But for years you are saving ?

Mr. Rau.—No. The capital remains unaltered instead of being reduced from year to year. We pay the full amount of interest on the capital as it existed in 1923-24.

Mr. Satyamurti.—Do general revenues get the saving in the interest charges ?

Mr. Rau.—Yes.

Mr. Satyamurti.—So in the net result we do not suffer ?

Mr. Rau.—No.

Chairman.—As the Auditor-General pointed out, we discovered that the 3 crores sinking fund was not adequate to pay out of revenue the whole of this liability so that we are ourselves borrowing a part of it.

Mr. Rau.—At the beginning of 1924-25 the total debt was about 66 million pounds. Out of this the general revenues have repaid 19 million pounds. Their debt to the public is 47 million pounds, while our debt to the Government of India is 66 million pounds, and we are paying interest on the latter.

Mr. Satyamurti.—I take it that all these interest charges are there and by writing down any of the capital you won't save anything ?

Mr. Rau.—The Government of India as a whole will not save anything. If Railways have to pay less, the general revenues will have to pay more. As regards losses from Railways from the beginning, I think if you don't take interest into account, up to the current year from the beginning the general revenues received 55 crores. If you take compound interest into account say at the rate of $3\frac{1}{2}$ per cent. which is, I think, a fair rate, for the whole period, the accumulated loss up to the end of 1923-24 was 184 crores.

Mr. Satyamurti.—Before the convention you owed us a lot of money ?

Mr. Rau.—I do not know how it would strike an impartial arbitrator. For instance, but this is a matter which Sir Guthrie Russell could elaborate at greater length than I can, the Railways can claim you must also take into account the indirect advantages to the country by the opening up of the country. In the earlier years the Railways were not treated really as a purely money-making proposition at all.

Mr. Satyamurti.—No doubt you and I are agreed that writing down is nonsense. It may benefit you on paper but the taxpayer will have to pay all the same.

Mr. Rau.—Looking at it from the point of view of the Government of India as a whole or India as a whole, writing down has no real effect.

Mr. Satyamurti.—Is there any possibility of doing this ? At page 31, you say, "But any immediate and large savings in interest by replacement of railway debt at lower rates of interest can only be obtained by compulsory repayment of loans before they can be terminated." Is there any possibility of conversion operations by offering premium to these people at the present rates of interest ?

Chairman.—If you divide the thing into two bits, if you have got a loan outstanding which is a comparatively distant maturity, say, 5, 6, 7 or 8 years and it is bearing a rate of interest well above the current market rate, there is not the slightest chance of any conversion of such a loan. But what you might do and what you could at times when the trend of interest rates is ripe, if you have got comparatively near maturities, say, one, two or three years, and if people are expecting interest rates generally to move downwards, it may arouse a possibility of premature conversion before the actual maturity date. But those possibilities are confined to near maturities and are absolutely dependent upon an expectation in the public mind that the interest rates are going downwards and are going to continue to do so for some time to come.

Mr. Satyamurti.—Is that not the position to-day ?

Chairman.—Barring accidents, I should have thought it was for the next year or eighteen months ; over three years, I should have thought not. Compulsory repayment of loans, before they can be terminated, you cannot do. Take, for instance, we have lent money to the Provinces and they are repaying, say, at an average rate of 4 or $4\frac{1}{2}$ per cent. We are paying $4\frac{1}{2}$ per cent. to the market. If they repay now to us, we shall be losing $4\frac{1}{2}$ per cent. and we can only employ our money under something like three per cent.

Mr. Satyamurti.—Is there any possibility now of our getting anything by way of reduced interest charges ?

Chairman.—It is constantly going on,—for instance 16 millions of sterling loan which carried $5\frac{1}{2}$ per cent. are now replaced by $2\frac{1}{2}$ per cent. rupee debt. It is in fact equivalent to a conversion and the effect of that operation will be felt in the railway interest charges. They have come down in five years—the average rate from 5.65 to 4.9. Generally speaking, if we see a chance of converting before maturity, and if the conditions are ripe for that, I can assure you that we watch the situation and that when it arises it will be seized.

Mr. Satyamurti.—I take it that all Government debt is common debt ; there is no such thing as railway debt and non-railway debt. Then how can you apportion the benefit to the Railways when you get conversion operations ?

Chairman.—What happens is that most of the railway debt is earmarked as being the proceeds of specific loans.

Mr. Rau.—It is only on 300 crores that the amount of interest is changeable from year to year.

Mr. Satyamurti.—Whatever benefit you get out of the Government of India loan operations by way of a reduction in interest rates.....

Chairman.—Is passed on automatically to the Railways.

Mr. Ramsay Scott.—There is a specific debt of 184 crores that is borrowed at rates of interest which are specified here.

Mr. Rau.—That comes roughly to about $3\frac{1}{2}$ per cent. or something like that.

Mr. Ramsay Scott.—That cannot be changed ?

Mr. Rau.—No.

Mr. Ramsay Scott.—But the other items of 274 and 297 crores ?

Mr. Rau.—These, of course, are monies which Railways owe to the Government of India, and if the Government of India are prepared to reduce the rates of interest, then Railways would get a benefit.

Chairman.—(To Mr. Satyamurti). The Railways have got a permanent non-terminable debt at $3\frac{1}{2}$ per cent., and the Government of India's non-terminable debt, $3\frac{1}{2}$ paper, is standing at par, and the Government of India is losing $\frac{1}{4}$ per cent. on the whole of that.

Mr. Satyamurti.—We cannot expect any appreciable benefit to the Railways by a reduction of interest charges immediately ?

Mr. Rau.—We stand or fall with the Government of India.

Mr. Satyamurti.—For calculating the future financial position of the Railways we cannot make much allowance for interest ?

Chairman.—A few tens of lakhs a year.

Mr. Rau.—Between 1934-35 and 35-36 we dropped about half a crore. in the preceding year about $\frac{1}{2}$ crore.

Mr. Satyamurti.—Between you and the Finance Member can you give an idea roughly of the credit we can give to ourselves in assessing the financial position of the Railways by way of reduction of interest charges ?

Mr. Rau.—As I said here, this process must continue, in the absence of any specially unfavourable circumstances, such as a big war raising the general rate of interest everywhere. If you can ensure against a big war and so on, you can say roughly it would fall at about Rs. 30 lakhs a year ; that is, subject to any unforeseen contingencies.

Mr. Satyamurti.—If you come to paragraph 120 of your Report I think the Finance Member and the Auditor-General will bear me out when I say that these proposals are generally acceptable to both Government and the Auditor-General.

Chairman.—The Auditor-General at one time was a little inclined to think that it was not worth taking two bites at the cherry.....

Mr. Satyamurti.—If you look, at paragraph 6 of the Auditor-General's letter, at page 2, it says, "The only comments I desire to make here are, (a) that as practical financial measures the proposals of Government are undoubtedly sound, (b) that they will simplify work both in administration and accounts offices, and (c) that while not inconsistent with the letter of the Railway Separation Convention of 1924, they depart from the basis on which that convention was settled ; and for this reason I required, Government agreeing, that they should be laid before the Public Accounts Committee and explained to the Legislative Assembly." I take it therefore that the Government and the Auditor-General generally approve of your proposals. You give the financial effect of them in paragraph 121, and you summarise, "The gap between revenue and expenditure in the widest sense would be 11 crores in 1934-35 and 10½ crores in 1936-37." I take it you make allowance for everything. Although the Finance Member does not agree with me—I am not discussing the merits of the question,—I merely want to know what, from the accounts point of view, is the monetary value of the loss as it is called on strategic lines in relation to the military. 2½ crores ?

Mr. Rau.—The loss on the strategic Railways is roughly on an average about 2 crores.

Mr. Satyamurti.—And the concessions to the military, about 55 lakhs ?

Mr. Rau.—But it is not as if, if we charged them public fares, we would get that 55 lakhs

Mr. Satyamurti.—If you make an allowance for that, what will you get ?

Mr. Rau.—We may not get that. It is very difficult to say.

Mr. Satyamurti.—You would not give the Railways any credit for military concessions ?

Mr. Rau.—If you want the difference between the public rates and the rates we actually charge the military, it may be taken at 55 lakhs, but there is no certainty that that traffic will bear the public rates and if you lose that traffic it might be possible that you might lose all these 55 lakhs. I do not know how much, but we might lose quite a lot of it.

Mr. Satyamurti.—I am now referring to the Railway Board's note on the various concessions ; you have given us a long and informative

note. You classify these concessions. Can you make, to-day, or later some time before we rise, a calculation of the value of these concessions put together on any basis which you consider as reasonable, making allowance for diversion of traffic, for loss and so on and so forth—I am merely trying to get a fair financial picture of the Railways.

Mr. Rau—It is a very difficult thing, and it is quite likely that two people working on the same data given here might come to widely different conclusions. I do not think it is any use my trying to give a personal opinion on this matter. I could not do it offhand.

Chairman.—As I understand it, the ideal to aim at is something like 10½ or 11 crores better than the present position. Even taking into account all the concessions the Railways make, what is the net real deficit even on the most favourable calculations that you can yourself make ? That is what Mr. Satyamurti is trying to get at.

Mr. Rau.—It is absolutely impossible to say what annual improvements in receipts you can effect. We dropped in receipts from 102 to 95 crores in one year and then again to 86 crores, so that in two years we dropped 16 crores, and it is quite possible we might go up rapidly.

Chairman.—May we take it at a crore a year ? But that is not net because, ultimately if not immediately, further wagons, further staff will have to be got to handle the traffic, and if the ordinary operating ratio continues, it will be something between the complete value of a crore a year and 30 lakhs.

Mr. Rau.—A net increase of a crore a year seems to be not over-optimistic. We can carry small increments of traffic without much additional expense.

Chairman.—In the first year it may be a crore, in the second year it may be a crore, but afterwards you will have to make some provision for increased costs, and the actual gain from an increase in traffic of a crore a year will be between a full crore and 30 lakhs. If you take it halfway, 60 lakhs a year is your net gain from increased traffic on the present traffic rate of increase which assumes no intensification of economic revival.

Mr. Satyamurti.—I am quite prepared to go further and assume you get a net increase of a crore a year. In order to make up this gap of 10½ or 11 crores, you have got to find, besides the increase at the rate of a crore a year—on the revenue side you have got to find 3 or 4 crores by way of saving in expenses if at any time within the next 3, 4 or 5 years the Railways are to be in anything like a decent financial position apart from making any profits. You have got to make savings to the extent of 3 or 4 crores in the working expenses. We have exhausted all possibilities of increased traffic, increased income, saving of interest charges, and various other factors, and what remains is retrenchment, and have you thought over the matter and may I know what your ideas are ?

Mr. Rau.—I would prefer that you examined Sir Guthrie Russell along with me on that point because I cannot commit the Railway Board to anything I may say.

Mr. Satyamurti.—Have you made a careful calculation of how much you can save on higher salaries ? In 1913-14 your wage bill was 14 crores.

Mr. Rau.—I have got all the figures here at page 6, and for each Railway too.

Mr. Satyamurti.—It has gone from 13.62 to 32.57 and now it is 35 crores. On page 7 the only thing you can say is, "The cost of staff in all departments of Government was increased considerably".

Mr. Rau.—That is all due to post-war conditions.

Mr. Satyamurti.—You gave them an increase for increased cost of living and you did not provide for a decrease when the cost of living went down. Apart from touching those people for whom Prof. Ranga and Mr. Jannadas Mehta speak, are there any other means of finding these 3 or 4 crores ?

Mr. Rau.—Our last cut was a graduated cut to some extent and that brought us two crores. It was 10 per cent. on every salary above 1,000 a year, then 6½ per cent. between 30 and 83½ per month and 3½ per cent. below 30 per month. That was the cut imposed.

Chairman.—What about foremen ?

Mr. Rau.—Nobody was exempted.

Mr. Ramsay Scott.—A full 10 per cent. would give you 3½ crores and a graduated cut 1.98 crores.

Chairman.—Supposing you left out the lower paid people up to a thousand a year, what is the amount of saving ?

Mr. Rau.—I can tell you in the afternoon. I have certain figures worked out, showing the salaries drawn by people in different grades.

Mr. Satyamurti.—Supposing you start with 10 per cent. and go up to 25 per cent., how much will you get ?

Mr. Rau.—The Retrenchment Committee suggested a cut which was also expected to amount to about 2 crores, but that cut was graduated. For the first 30, 3½ per cent., the next Rs. 70, 6½ per cent. the next Rs. 400, 7½ per cent. the next Rs. 1,000, 10 per cent., the next is Rs. 1,500, 15 per cent. and the remainder 20 per cent.

Chairman.—If you omit the first two, how much will it give ?

Mr. Rau.—I shall have to work it out.

Mr. Satyamurti.—Supposing there is no cut on salaries below Rs. 1,000 a year, and the cut goes on from 10 to 25 per cent. in some graduated scale on salaries above that amount, I should like to know the amount you can save.

Chairman.—The Rs. 83 a month class is almost entirely clerical ?

Mr. Rau.—Yes. The average workshop labourer is probably between Rs. 30 and 50 I should say.

Mr. Satyamurti.—So that the bulk of the labourers would not have any reduction by this cut.

Mr. Rau.—If you do not have a reduction on lower wages you would not gain very much by cuts unless the cut on the higher salaries is very steep.

Mr. Das.—While you give this information, may I know also the amount of saving if you have a cut on everybody above Rs. 30 ?

Mr. Ramsay Scott.—You are employing about 22 men per mile whereas 20 years ago you only employed 19 men, and it looks to me as if you have got 100,000 men surplus. Have you considered whether you are over-staffed, and if so, by what number ?

Mr. Rau.—There, again, it is a question of opinion. We got rid of 50,000 men between 1931-32 and 1933-34. In 1929-30 we had about 60,000 men, open line, and in 1934-35 it came down to 46,000, that is, a fall of about 14,000 men.

Mr. Ramsay Scott.—You are now going up again.

Mr. Rau.—There was an increase of 3,000 on all class I Railways between 1933-34 and 1934-35.

Mr. Satyamurti.—Is there any automatic examination of this question of adequate, over-staffed, and under-staffed ?

Mr. Rau.—That is what the job analysis people are supposed to do.

Mr. Satyamurti.—When was the question last examined from a comprehensive point of view ?

Mr. Rau.—Continuously in 1931-32. We have recently again taken up the question and asked the Railways what exactly are their surpluses so that we can get rid of the surplus.

Mr. Ramsay Scott.—Can you give me any reason why there should be that big increase per mile between that period ?

Mr. Rau.—I am afraid I could not say anything as to what happened in 1913-14.

Mr. Ramsay Scott.—It looks as if the Railways are less efficient now and therefore you want more men.

Chairman.—Hours of employment regulations.

Mr. Rau.—Hours of employment regulations for one thing. If you want to improve the efficiency of railway working, it requires in many cases more staff. For instance, you can have a certain number of gangmen per mile to maintain the permanent way, but very often it happens if you want to get to a higher level of efficiency, you have to employ more men for that particular section. Sir Guthrie Russell will be able to tell you more definitely about it.

Mr. Ramsay Scott.—Have you any figures of the surplus men on the Railways ?

Mr. Rau.—We have got some information from the State-managed Railways and I can give you those figures.

Mr. Satyamurti.—Has the time arrived for an examination of the whole question whether the Railways are over-staffed or not by an expert committee or enquiry, from top to bottom ?

Mr. Rau.—The last examination was made by Mr. Pope and some Deputy Agents of State-managed Railways. That was in 1932-33.

Prof. Ranga.—If you look at this table in Annexure F, page 66, you will find that in 1929-30 you had 784,000 people, and now you have got 670,000. Does that prove you are over-staffed ?

Mr. Rau.—It probably proves that they were over-staffed in 1929-30 but the traffic has fallen since then.

Prof. Ranga.—In 1930-31 it was reduced by 40,000. But you have increased your total mileage since then.

Mr. Rau.—Since 1929-30, not very much, you will find the figures here in column 1, about 700 miles. The work to be done on railways is not entirely dependent on mileage, it depends on traffic, and traffic has fallen considerably.

Chairman.—You have gone down 114,000 in staff between 1929-30 and 1934-35, that is, 15 per cent. What is the decrease in traffic between those two years ?

Mr. Rau.—We have got the figures of tons carried of goods traffic. It was 113 millions in 1929-30 and 107 millions in 1934-35, a fall of 6 per cent.

Chairman.—What about ton miles ?

Mr. Rau.—That is item No. 16—21,625 to 20,091 millions, that is a fall of 7 per cent. The number of passengers has fallen from 623 to 486, that is about 20 per cent.

Chairman.—The nearest joint criterion is gross earnings. If you take the gross earnings per mean mile worked per week, what is the position ?

Mr. Rau.—From Rs. 569 to 488, that is, between 14 and 15 per cent.

Chairman.—So that the reduction in staff is not very incommensurate with the reduction in traffic.

Mr. Rau.—Yes. But the cost of staff has not fallen in the same proportion.

Prof. Ranga.—Last year it was admitted by the acting Chief Commissioner that the reduction of staff was made more from the ranks than from the higher grades, and that 160,000 of the lower people were retrenched whereas there was not even a corresponding amount of retrenchment in the case of the higher staff.

Mr. Rau.—From the administrative point of view, it does not pay to cut down your supervision when your earnings are falling ; you want more people to supervise the work.

Prof. Ranga.—With regard to the gang workers, for instance, there could not be any reduction in their case ?

Mr. Rau.—We have tried to reduce the number of people required to maintain a certain length of line ; in the old days they were unnecessarily extravagant with regard to the number of people required for maintenance

Mr. Satyamurti.—I suggest that some Committee, expert or otherwise, should go into the question of the adequacy of the various staffs in various grades to find out whether in any grade there is an excessive staff and if so whether it can be reduced without loss of efficiency.

Mr. Rau.—The Railways have been doing it especially since 1931-32 and they have been going very carefully into that.

Mr. Satyamurti.—We want some independent Committee ; the Railways are the last people to advise.

Mr. Rau.—Perhaps you will consult Sir Guthrie Russell with regard to that.

Mr. Ramsay Scott.—I suppose, in this reduction of tonnage, the export tonnage is about the same ; although the value is very much decreased, the export tonnage is probably about the same but your import tonnage is probably down ?

Mr. Rau.—I will get you the figures for 1929-30.

Chairman.—I imagine the exports from India have diminished in value something like 150 crores, that is, by 50 per cent., but prices have gone down to about 40 per cent. ; the volume of exports has not gone down as much as prices.

Mr. Rau.—I will get the average price levels both for exports and imports for 1929-30 and 1934-35. We can give the ton mileage for 1929-30 but not separately for export trade.

Mr. Satyamurti.—Apart from the suggestions with regard to a cut in salaries and the question of the examination of over-staffing, are there any other directions in which we can hope for economy ?

Mr. Rau.—The only other direction is the question of the prices of material, and prices are more likely to go up than down. Take coal. There are proposals for the conservation of coal which will probably increase the cost of extraction, and the coal bill will probably come to more.

Mr. Satyamurti.—There are no other major heads ?

Mr. Rau.—No.

Sir Mohammad Yakub.—Have you considered the question of the withdrawal of railway concessions ?

Mr. Rau.—We circulated a memorandum with regard to the concessions.

Sir Mohammad Yakub.—I refer to the passes to all your retired servants and their families.

Mr. Rau.—The present rule is I think that they get two passes a year.

Sir Mohammad Yakub.—Will you kindly let us know how much we pay out in the shape of these passes ?

Mr. Rau.—I wonder if there are figures.

Prof. Ranga.—Have you come to any decision as regards the strategic lines ?

Chairman.—There is a note on that. The result of the old convention was that, if and when the Railways were paying, they reduced their contribution by the loss on the strategic lines ; in other words, when the Railways were prosperous, they were relieved of the cost of the strategic lines. The contribution was one per cent., but now it makes no difference to anybody ; now the Railways are losing. Thus, if you charge the military and the Post Office more, it merely involves another charge on the central budget which does not do anybody any good ; it involves increased taxation.

Mr. Satyamurti.—The Assembly gave the definition of strategic lines in September 1924 thus :

“ The interest on the capital at charge of and the loss in working of strategic lines shall be borne by general revenues ”.

What the Government of India meant then, I am prepared to abide by that.

Chairman.—There is the qualification, “ when the Railways are making a profit ”.

Mr. Satyamurti.—We lose two crores over it.

Chairman.—The Railways are meeting their deficits not from the central exchequer but by borrowing from their Depreciation Fund. If you get to the stage when the Depreciation Fund is reduced to zero, and the only source of the deficits of the Railways is general revenues, it makes no difference.

Mr. Satyamurti.—At the moment it means the central budget is two crores a year worse off.

Mr. Rau.—As regards this Depreciation Fund, in 1935-36, though our deficits were four crores, we did not reduce our Depreciation Fund balance ; it still stands at 9½ crores.

Chairman.—Well, the big period of replacement is not coming yet ; and if you merely say that you are neither adding to or taking away from the Fund, that is not a very effective argument.

Mr. Rau.—I was trying to meet the argument that in two years we shall have no Depreciation Fund left at this rate.

Prof. Ranga.—We should be in a position to say how far and to what extent we are losing commercially on these railway lines and to what extent, in order to make good that loss, we have to cut down our staff, and, if so, which portion of the staff.

Chairman.—That is precisely the set of figures Mr. Satyamurti has asked for.

Prof. Ranga.—I want information at least as regards the reduction that has been made since 1929 in the superior and in the lower staff, and the cost also.

Sir Mohammad Yakub.—You have got different grades of salaries for different services ; thus you have got, A, B and C guards. Can you give some figures to show how much saving would be effected if all men performing the same duties were placed in the same scale.

Mr. Rau.—Those grades are only methods of remunerating employees.

Sir Mohammad Yakub.—Would it not be better if you were to employ all of them on C grade to start with, and do away with the A and B gradations? At present in certain cases you employ men directly in grade B.

Mr. Rau.—That is very unusual now-a-days. However, this is a matter for Sir Guthrie Russell.

Sir Mohammad Yakub.—Have you considered the question of employing the system of mechanical accounting? I asked the military authorities and they said they were employing a system of accounts and they got results much sooner and more economically by means of a reduction of staff.

Mr. Rau.—Our experience of mechanical accounting has not been so favourable.

Mr. Das.—When you give this retrenchment of hands from 1929-30, will you also please indicate how many of them were temporary hands?

Mr. Rau.—I am not sure whether we have got the information ready. In 1929-30 our construction staff was 15,000; in 1934-35 it came down to less than a thousand, that is, for temporary construction staff. As regards permanent open line staff, it came down from 759,000 to 640,000,—that is the measure of retrenchment—partly due to the fall in traffic.

Mr. Satyamurti.—Paragraph 120; it says that the full cost of replacement should be charged to the Depreciation Fund and the balance to capital. What does that exactly mean?

Chairman.—The improvement element in any renewal should be charged to capital. That really is rather unduly lenient from the point of view of strict commercial accounting. Minor improvements ought certainly to be charged to revenue. That is the modern practice. Is not that so?

Sir Ernest Burdon.—Yes.

Chairman.—Supposing you have got a railway engine costing a lakh. The cost of that railway engine at present-day prices is a lakh and a half. Supposing you buy an improved engine which costs a lakh and three quarters. Under the old plan a lakh was charged to Depreciation and three-quarters to capital. Under the new plan a lakh and a half will be charged to Depreciation and a quarter of a lakh to capital. On a strict commercial basis the whole lakh and three-quarters ought to be charged to Depreciation.

Mr. Satyamurti.—Paragraph 121. First sub-paragraph. You say that during the year they were higher than 1/60th?

Mr. Rau.—By about half a crore.

Mr. Satyamurti.—Under your scheme it will be 1/60th plus 60 lakhs.

Mr. Rau.—It would be 1/6th, but the exact effect of these proposals is explained in paragraph 104.

Chairman.—Now, we will go on to the question of control and accounting. Paragraph 4 of the Auditor-General's letter.

Mr. Satyamurti.—It is in paragraph 6 of the Audit Report that you notice these defects in budgeting. I should like to remind Mr. Rau of what we said last year in our Report. If you will turn to the Audit Report issued by the Director of Railway Audit you will find from paragraphs 6 to 13 that the same defects have been perpetrated and in some cases in a worst form. Take, for example, paragraph 6 where it is said that the emergency reduction from pay in most of the grants has not been quite accurate.

Mr. Rau.—The difference is $1\frac{1}{2}$ per cent. Our estimate was 100 lakhs and the actuals are $98\frac{1}{2}$ lakhs.

Mr. Satyamurti.—Do you think it is inevitable ?

Mr. Rau.—I should say it is excusable.

Mr. Satyamurti.—Are you making any attempts to improve the estimating ?

Mr. Rau.—We are trying our best. These estimates were made by the Railway Board on the information available at the time. When you go on retrenching the staff, you do not know who will be left and what will be the ultimate effect.

Mr. Satyamurti.—Don't you make up your mind at least one year in advance about these things ?

Mr. Rau.—Seeing the number of staff involved, I do not think the difference of a lakh and a half in an expenditure of 100 lakhs is very serious.

Mr. Satyamurti.—Anyhow, you are attending to it and hope to improve matters ?

Mr. Rau.—Yes.

Prof. Ranga.—May I invite your attention to paragraph 7 regarding the Madras and Southern Mahratta Railway ?

Mr. Rau.—I agree that it is a bad case.

Mr. Satyamurti.—Paragraph 8. Provident Fund gratuities. Whenever the Agents are asked they say that the Railway Board has cut down this Fund. Is the Railway Board taking any steps to tell these gentlemen that the Railway Board cuts it and the Assembly votes it ?

Chairman.—May I ask a question about this ? If you make a cut under demands which you have got to pay, then you have no control over them. In that case it behoves you to make the cut properly. There are some cases where you can obviously make a cut and you ought to. And then you say that you have got to accept it and thus you stultify yourself. Is this a contractual payment ?

Mr. Rau.—Our financial instructions are that if it is a contractual payment, it has to be paid in spite of the cut. These contributions to the Provident Fund and the gratuities are contractual. Under the head Provident Fund there was an increase of 4 lakhs and that I have explained in paragraph 36 of the review. This was due to a decision to which we came later.

Mr. Das.—In paragraph 29 you have also referred to that.

Mr. Rau.—This increase of 4 lakhs was due to a decision which was arrived at because of the institution of the sterling provident fund in the middle of the year. It does not really mean an extra expenditure. It is only crediting certain amounts in advance to the sterling provident fund. As regards gratuities, it is purely a question of the number of people retrenched. It is almost impossible to be accurate about them.

Mr. Satyamurti.—I want to go to paragraph 9 of the Audit Review.

Prof. Ranga.—Before you go to that paragraph we ought to make sure that the Railway Agents do conform themselves to the directions of the Railway Board. Should we not also make sure that the Railway Board could not overdo this work ?

Chairman.—Do you want to mention that point in the report ?

Prof. Ranga.—Yes.

Chairman.—I think that you ought not to. I think it is an extremely bad illustration of over-estimating.

Prof. Ranga.—They cannot do it in an arbitrary fashion.

Mr. Rau.—If you look at page 19 of my Review you will notice that generally our estimate has always been nearer the mark.

Chairman.—These cases are probably due to the fact that the Railways have retrenched more staff than the Railway Board thought they would do. That is what you are grumbling at.

Prof. Ranga.—I am not satisfied even with regard to control.

Chairman.—If you mean that the Railway Board should not make arbitrary cuts without some regard to the possibilities of their being fulfilled, that I think is common ground.

Mr. Satyamurti.—There is no justification for that comment at all. On the other hand, in this case their provision has proved to be false. Mr. Rau has explained that these increases are not due to causes which the Railway Board could not foresee. On the other hand, my own feeling is that if you look at the next paragraph which relates to new construction, open line works, etc., the difference would have been much greater but for the Railway Board's cutting.

Mr. Rau.—Even the revenue expenditure estimates, as you will see from page 19, were very much nearer the mark than the estimates of Railways. If we go on giving them what they ask for it will be impossible to carry on the work.

Chairman.—There is no difference of opinion on that point. The only point is about the allocation of their cuts to various heads. It is incumbent on the Railway Board to allocate them to heads where cuts are practicable and within the control of the Railway.

Mr. Satyamurti.—There is no case on record to suggest that they have done anything else.

Chairman.—That is a general statement of principle.

Mr. Satyamurti.—There is nothing to trace that principle because there is no case before us now to show that the Railway Board have made any cuts which were not practicable.

Prof. Ranga.—Paragraph 8, third section. The variations from the original under gratuities were as high as in the previous year. Why should there have been so much variation ?

Mr. Satyamurti.—Because more people were retrenched.

Mr. Ramsay Scott.—May I ask why the Director of Railway Audit put in that remark at the bottom of the first paragraph on page 3 ? Is he satisfied that his remark is justified ?

Mr. Rau.—He must have based his remarks on facts.

Mr. Mitra.—The reasons appear in the explanation.

Mr. Rau.—The explanation must have been given by the Railways themselves.

Mr. Satyamurti.—Is the Director of Railway Audit bound to put in an explanation like this unless he is satisfied that that is so ? Is he not bound to examine these remarks ?

Mr. Das.—Certainly he has been satisfied from the audit point of view.

Mr. Satyamurti.—My simple point is whether the Auditor-General was satisfied with the explanation of these two Railways.

Sir Ernest Burdon.—It has been accepted by the Railway Board.

Mr. Rau.—I am quite sure that the Railway did put in this sort of explanation. As I pointed out last year, whenever they are in a difficulty, they say it is due to over-budgeting or under-budgeting.

Chairman.—To make the story complete, you will have to say, as Mr. Satyamurti proposes, that it is true as a statement of fact but it is certainly not a complete explanation.

Mr. Rau.—In the Appropriation Accounts I cannot discover it.

Chairman.—If conditions had remained unchanged throughout the year, the Railway Board cut would have been justified, but as they changed, the Railway Board cut ought not to be justified. Therefore, Mr. Satyamurti's point is that this cut by the Railway Board is not justified.

Mr. Satyamurti.—I am surprised at the Railway Board for having accepted it without a comment.

Sir Ernest Burdon.—The Auditor-General is not the final authority on questions of fact. Everything goes to the Railway Board. If they accept it, what can we do ?

Mr. Satyamurti.—I would like to suggest that when an allegation is made against you, you ought to answer it.

Mr. Rau.—I am quite prepared to accept it because I am quite certain that the Director of Railway Audit would not have put it in if it was not justified by the remarks of the Administration. Of course, whenever the Railway Administration cannot explain a thing, they generally say it is over-budgeting or under-budgeting. However, I will look at their explanation and see what it is.

Chairman.—Just tell me in what Grant or Grants your overhead cuts are being made ?

Mr. Rau.—It is in the next Grant No. 12.

Mr. Satyamurti.—Paragraph 47 of your Review. You will find that the situation is not improving at all and it has been getting worse and worse. All the figures mentioned there are simply staggering.

Mr. Rau.—It very often happens that after a construction is completed there are still certain credits and debits coming to that construction account, e.g., contractors' payments, stores being adjusted, etc., with the result that in the beginning of the year we have no information as to what is likely to happen. Sometimes these things come in three or four years later. Sometimes the accounts are kept open for a long time. Sometimes there is the question of land acquisition and sometimes there are legal delays.

Mr. Satyamurti.—Do you think it is a satisfactory position ?

Mr. Rau.—In most cases when the lines have been constructed it is impossible to foresee what will be the amounts that will be debited or credited to the account. In many cases the debits and credits nearly cancel each other.

Mr. Satyamurti.—Are they all unforeseeable completely ?

Mr. Rau.—Unless the Railways give us information as to what are the liabilities.

Mr. Satyamurti.—If they do not give this information, punish them. I find that all the departments when they come before us tell us that they will be very careful with the future but for the past they want us to forgive and forget. They ought to be more careful with the past. I would like you to find out how these people behaved in the past and you should smack some people for having been remiss. That will put some fear in their hearts.

Prof. Ranga.—Is it not in the power of the Railway Board to estimate how much will be necessary for these things as a result of their past experience ?

Mr. Rau.—From your past experience you cannot say that a certain percentage of expenditure will be incurred in the third year of the construction and so on. In the case of new constructions, we know how much money is to be spent on the total line. Then we say so much will be spent in the first year and so much in the second year. As I have explained in paragraph 50 of my Review, it is in regard to capital expenditure that it is impossible even for the Railways to foresee what difficulties will arise in the future.

Chairman.—May we take up the same question on the next Grant which is a much bigger one ?

Mr. Satyamurti.—Penultimate paragraph of paragraph 59. The percentages are fairly big ?

Chairman.—As the Auditor-General said, they are due to the current control being defective. From the point of view of control, the discrepancies between the revised and final estimates are much worse than the original estimates.

I now wish to get on to Grant No. 12. We seem to have made a cut of 10 per cent. If you look at the previous figures, you will find that the general average has been over 13 per cent. Did we not underdo it that year ?

Mr. Rau.—I can say from these figures that we would have been quite justified in going up to 25 per cent.

Chairman.—If this 10 per cent. does not prove sufficient, we have go to cut it next year. Though it is a much smaller Grant, particularly in its present form, cannot you proceed on the principle that if these bills are not paid they will disappear ?

Mr. Rau.—We will have to do it for “ new construction ” also.

Chairman.—It would, I think, probably meet the desire of the Committee if we were to suggest the principle of an overhead cut, assuming that it should be applied not only to open line works but wherever it is applicable. If the Committee likes we might add, “ in regard to open line works, *prima facie* a 10 per cent. overhead cut is inadequate ”.

Mr. Rau.—From these figures, that is a proper inference to draw.

Mr. Satyamurti.—If you look at paragraph 49, page 29, there seems to be no relation between budgeting and expenditure. They seem to make mere shots in the air.

Chairman.—Your overhead cut is not going to remedy that much because your overhead cut is a block cut and no cut is really specifically distributed.

Mr. Rau.—We have asked them to allocate it.

Mr. Satyamurti.—I find in every item there has been underspending below the revised budget.

Mr. Rau.—In 1935-36, there has been overspending as compared with the budget.

Chairman.—That is a question which we might mention. One swallow does not make a summer. The Auditor-General said just now that he is extremely keen that the revised estimates should be more accurate because that is the test of actual control during the year of expenditure. We might mention something on that.

Mr. Rau.—In 1934-35 the revised estimate was not so bad ; the difference between the revised and the actuals was about 50 lakhs.

Mr. Satyamurti.—The unanticipated credits do not help us either.

Mr. Rau.—These are things which are usually with us and we ought generally to proceed on the basis of getting unanticipated credits.

Mr. Satyamurti.—Then they cannot take it as an unforeseen item.

Mr. Rau.—Detailed credits would be unanticipated, but we know we shall get unanticipated credits as a matter of fact.

The Committee then adjourned till 2-30 p.m.

Evidence taken at the fourth meeting of the Public Accounts Committee held on Monday, the 20th July 1936, at 2-30 p.m.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., *Chairman.*
Finance Member,

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A. *Members.*

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.,
C.I.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General. *Were also present.*

Mr. B. N. MITRA, Director of Railway Audit.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Controller of Railway
Accounts. *Witnesses.*

Khan Bahadur BARKAT ALI, Director of Finance.

Mr. Satyamurti.—Grant No. 11 (page 60 of the Appropriation Accounts). Under Burma Railways why was there such a big saving ?

Mr. Rau.—The explanation is, "Due to the postponement of contractors' claims". They were in dispute and had to be referred to arbitration. They must have been paid in the next year.

Chairman.—Have you got any rule that you will pay the portion not in dispute ?

Mr. Rau.—We have told the Railways that they must do that ; otherwise there will be claims for interest and the arbitrator usually grants that.

Mr. Satyamurti.—What does this expression, "more anticipated credits for rails and plant" mean ?

Mr. Rau.—They got rid of certain old rails and plant for which there was an increased demand and I think the prices had also gone up a little bit, so that they got more money back.

Mr. Satyamurti.—So they could not anticipate it ?

Mr. Rau.—No, it is a question of valuation.

Mr. Satyamurti.—On the Eastern Bengal Railway there was no original provision, then you reappropriated 4 lakhs odd and you spent only 1 lakh odd. Why was that ?

Mr. Rau.—The explanation was the same,—the contractors' claims were disputed and referred to arbitration and they were paid only later.

Mr. Satyamurti.—On page 61 there is the Jodhpur Railway on which there was a saving.

Mr. Rau.—That was the Jhudo-Pithoro Branch. We settled that in the middle of the year and got a vote from the Assembly.

Prof. Ranga.—The South Indian Railway was another bad case.

Mr. Rau.—Here they started the work late. This line was started because of some arrangement with the Tanjore District Board. I do not know exactly why it was that they started late.

Mr. Satyamurti.—In our report I should like something to be put in about Grant 11, something on the lines of what we put in last year.

Chairman.—Our remarks will apply to other Grants where they are applicable. We will also mention this difference between the revised and the final.

Grant No. 12. There are two cases which are rather bad and they both occur on the East Indian Railway. You surrendered 17 lakhs first and then again 25 lakhs. Then for the Depreciation Reserve Fund you took a supplementary appropriation of 9 lakhs and then you did not want it.

Mr. Rau.—They put down an original estimate of what they would want to spend in the year and that is cut down in the revised. But the final grant or appropriation is a different thing. As between individual Railways we reappropriate but in the total we do not reduce the appropriation.

Chairman.—There may be inaccuracies in the original provision which may be met by a block cut but there cannot be these variations in the revised estimates. Take this East Indian Railway. They proposed to surrender 17 lakhs and they actually surrendered 42 lakhs. I think this is rather alarming. When do you take the revised estimates ?

Mr. Rau.—We get the figures up to the end of December.

Chairman.—You get the figures for 9 months and even then there is a saving of 25 lakhs. It is pretty bad.

Mr. Rau.—Even at the end of 9 months the individual Railways want to keep a margin.

Chairman.—It is inconceivable that the East Indian Railway would want to keep a margin of 25 lakhs. And there is no explanation except in the vaguest terms.

Mr. Rau.—On the whole our estimate was 9.25 crores and our actuals were 8.75 crores.

Mr. Satyamurti.—With regard to this all-over cut, I want to suggest that it must not be uniform in regard to all Railways.

Mr. Rau.—That is what we did last year.

Mr. Satyamurti.—And with regard to good Railways which do not show over-budgeting or lack of control you must have a different standard.

Mr. Rau.—Yes, that is what we are doing.

Prof. Ranga.—Page 64. It is stated that there was a saving of about 3 lakhs because of the use of second-hand material. What is the use of making provision for purchase of new material when you can make use of second-hand material ?

Mr. Rau.—Because they found that by using second-hand material they could save a little money and get quite as good a job.

Prof. Ranga.—Where was it used first ?

Mr. Rau.—It was taken from somewhere else. During the economy campaign they have been trying their best to use second-hand material.

Prof. Ranga.—Then in the third sub-paragraph it is stated “ partly reduced by curtailment of boiler programme owing to engines not having done sufficient mileage ”.

Mr. Rau.—That is due to fall in traffic. Railways put in a new boiler after an engine has done a certain number of miles. Owing to the fall in traffic the engines did not do that work, and so they postponed it till next year.

Chairman.—Was not the fall in traffic foreseen ?

Mr. Rau.—Yes, it was foreseen, but not sufficiently, I fear.

Mr. Satyamurti.—Will you kindly explain, Mr. Rau, at page 65—what is meant by “ Capital voted ”. I want to know what it represents, both voted and non-voted ?

Mr. Rau.—Non-voted refers only to salaries of officers who are doing the actual work.

Mr. Satyamurti.—You will see the original was 26, then you cut it down by 15, you had 11, you spent 3 and surrendered 8,—mainly due to over-estimating in budget estimates.

Mr. Rau.—They expected to do a certain amount of work, but the estimates were not sanctioned. When anything is scrapped, you credit capital and debit the depreciation fund. The minus there means there is a plus on the other side.

Mr. Satyamurti.—Could not all these things have been foreseen ?

Mr. Rau.—Yes, I quite agree with you, there is no justification for asking for 13 crores when you are spending less than 9.

Prof. Ranga.—Column I, second sub-paragraph, page 65. You state there that the decrease is chiefly under “ Works ” 25 lakhs, “ Rolling stock and stores suspense ”, and “ Manufacture suspense ”.

Mr. Rau.—That is the only thing we can do.

Prof. Ranga.—The next thing is, under rolling stock, the decrease is mainly due to postponement of works owing to non-receipt of boilers.

Mr. Rau.—Boilers are imported from England, and if they are not received in time, the expenditure is postponed to the next year.

Chairman.—All these things are incidental to any works programme, and there is no doubt that you can by an allowance for delays avoid such things.

Mr. Satyamurti.—On the North-Western Railway at page 66 at bottom, instead of 9 lakhs, it is minus 102. With these figures what is it that you are presenting to us as budget, and what is it that we are passing ?

Chairman.—May I say that we are all in agreement about this and we have decided to comment on it in our Report. All these things occur regularly.

Mr. Satyamurti.—I want to go back to page 65 and refer to the statement showing the works figures, provision for which was not made specifically in the budget estimates. Are they all emergencies really ?

Mr. Rau.—Yes, they arise in the course of the year, and for this there is an estimate of about 10 lakhs a year.

Mr. Satyamurti.—Who controls it ? And are you all satisfied that they are genuine emergencies ?

Mr. Rau.—We have to sanction them in the Railway Board. We are satisfied that they are genuine emergencies.

Mr. Satyamurti.—We will now go back to page 29, paragraph 49 of your Part I. You will notice there that, except in three minor items, Rolling Stock, Hardinge Bridge Protection and Training Works, in all other major items there has been under-spending below the revised estimates.

Mr. Rau.—Yes, there is a difference of 50 lakhs.

Mr. Satyamurti.—That is very unsatisfactory ?

Mr. Rau.—I quite agree.

Mr. Satyamurti.—Then in paragraph 50 you point out “ During the last 3 years, the expenditure has roughly been a third less than the original budget. On the other hand the capital expenditure was only 10 lakhs against original estimate.

Mr. Rau.—It is partly due to transfers between capital and depreciation fund.

Mr. Satyamurti.—Making allowance for that, what remains ?

Mr. Rau.—In this Grant, you must take the two together as between capital and depreciation fund. There were two separate grants before, and they were amalgamated. 69 lakhs were, as I said, quite unexpected, and the balance is due to bad estimating.

Prof. Runga.—There is a big fall in expenditure. What is the certificate you get about safety in travelling. Strengthening and renewals of girders are very important things.

Mr. Rau.—The certificates we get are with regard to maintenance more than anything else. Safety comes in from the maintenance point of view. I think the Auditor-General has drawn attention to that in one of his comments.

Prof. Ranga.—I know that a number of accidents are taking place because they don't attend to these things like renewals and so on.

Chairman.—As a matter of interest, have you got any statistics of accidents ?

Mr. Rau.—Yes, we have got them in the Administration Report.

Chairman.—Have you made a comparison with other big continental systems ?

Mr. Rau.—I don't think we have got comparisons with Railways elsewhere. Page 83 of the Administration Report shows the number of railway servants and other persons killed in India through accidents.

Prof. Ranga.—I myself was a sufferer in one of these accidents. The connecting links broke twice and they gave a terrific shock. Many of the passengers were thrown one against another. If the authorities were unable to spend all the sanctioned expenditure, then why did they ask for so much ? Strengthening and renewals of girders is a very important thing. Why did you grant this sum for renewals when you thought that so much amount was not necessary. I am particularly anxious that to the extent that the Railway authorities think that this expenditure is necessary and you have accepted their estimates, we should see to it that they spend the money on the renewals and so forth.

Chairman.—They appeared to be scientific estimates then, and no allowance was made for the general intractability of time. We propose to comment on it in our Report.

Mr. Rau.—For next year there will be an improvement in this.

Mr. Satyamurti.—Shall we take 51 ? I don't want to make any comments on it, I simply want to draw attention to page 30. I think they are all damnatory—1½ crores under engineering and structural work.

Mr. Rau.—I am not satisfied myself.

Mr. Satyamurti.—Page 4. I take it that the action mentioned by the Director of Railway Audit is all-over cut.

Mr. Rau.—Yes.

Mr. Satyamurti.—I should like you to look at this, page 4, of the Report issued by the Director of Railway Audit, where he says—“ The large savings under Capital bear reference not only to the original grants, which are said to be prepared much in advance of the year, but also to the final grants, which are sanctioned at the close of the year and should be possible of more accurate estimation ”. Then it goes on to say “ The large savings on individual railways are made up of substantial excesses and savings not only under Capital and Depreciation Fund but also in different sub-heads of accounts..... It was also noticed that the variations under the Depreciation Fund were generally of the nature of excesses on State-managed, and savings on Company-managed railways ”.

Mr. Rau.—That is probably due to the fact that in State-managed Railways capital is written off when asset are abandoned, while under the company-managed Railways, even if they abandon assets under the contract we cannot force them to write down capital.

Mr. Satyamurti.—Have you ever exercised that power ?

Mr. Rau.—Yes, but we cannot give them absolute instructions in the matter, because they have got a right of arbitration. We have to refer everything to the Secretary of State and it may finally come to arbitration.

Mr. Satyamurti.—I should like something said about it in our Report. I think the company-managed Railways are getting into arrears.

Prof. Ranga.—The Madras and Southern Marhatta Railways have been very unreasonable.

Mr. Rau.—I don't think so. For instance, they themselves suggested a plan by which in the case of rolling stock which it is not necessary to replace they would write off the original value of the rolling stock, because they did not want to be accused finally of having neglected the rolling stock. I think on the whole the Madras and Southern Marhatta have behaved well in this matter.

Mr. Satyamurti.—Have these facts been examined by the Railway Board, the question of the company-managed Railways not keeping sufficient stock ?

Mr. Rau.—Yes, we have our Government Inspectors.

Mr. Satyamurti.—Then at page 10 of the Administration Report, it is stated that the company is bound to keep the line in good condition and to maintain it efficiently.

Mr. Rau.—Yes, to the satisfaction of the Secretary of State. Finally it will come to arbitration. There is a general clause of arbitration.

Mr. Satyamurti.—Have you ever taken any case to the Secretary of State ?

Mr. Rau.—Yes, we have reported 2 or 3 cases on the Bengal Nagpur Railway in which the Managing Director does not see eye to eye with us.

Mr. Satyamurti.—I should like a sentence or two to be put in on this matter.

Chairman.—We will ask the Chief Commissioner about it.

Prof. Ranga.—On several occasions the Grand Trunk Express ran late on account of the failure of engines. Between Bezvada and Madras in the course of two months, the train was late three times.

Mr. Satyamurti.—Paragraph 11 : have you anything to say on this ?

Mr. Rau.—All that I can say is that the defect has been removed in the estimates for the following year. As regards paragraph 12, I have mentioned the specific reappropriations in paragraph 58 of my Review.

Mr. Satyamurti.—Have you taken steps to remove these defects ?

Mr. Rau.—Yes : this was due to a misunderstanding : they thought that the convention agreed to by the Public Accounts Committee entitled them to reappropriate from one grant to another, which was irregular.

Chairman.—Probably they were thinking of the time when it was really one grant with different heads.

Mr. Rau.—We had two instead of eight grants as we have now.

Mr. Satyamurti.—After you have got eight this ought not to arise ?

Mr. Rau.—The need is greater : they could reappropriate more easily between two than between eight.

With regard to grant No. 6-G. (paragraph 13) I think there the Director of Railway Audit is referring to the offices of the Indian Railway Conference Association and the Director of Wagon Interchange : I am not sure that I agree with him that it is incorrect because we give them a ret grant : they are not Government offices at all and there is no necessity really for showing emergency cut separately.

Sir Ernest Burdon.—It is really a question of a sort of net grant for them : that is what I understand.

Mr. Satyamurti.—Paragraph 59 of the Review : Have you taken any steps to have this over-estimating prevented or at least reduced ?

Mr. Rau.—All that we can do is to bring to the notice of the Railways these particular instances and tell them they have to be as careful as they possibly can : the only test is whether there has been improvement from year to year.

Mr. Satyamurti.—With regard to these four cases you have mentioned, have you taken steps to prevent their recurrence ?

Mr. Rau.—So far as pensionary charges are concerned, I think we have been trying to correct them by taking the average of the last four or five years : but even that did not prove very satisfactory. I have got an explanation about it under miscellaneous expenditure. (Reads paragraph 44, at page 26 of the Review.) The question has to be considered afresh and we are trying to find out whether we cannot have a better basis than that for the current year's estimates. As a matter of fact these charges are being gradually reduced from year to year.

As regards paragraph 59 (ii) we are telling every Railway to indicate what is the provision they have made for receipts from other Railways and compare it with the provision made by the other Railway.

(iv) is particularly bad : we are bringing it to the notice of the Agent of the North-Western Railway, telling him to have it more carefully looked into in future.

Prof. Ranga.—We noticed some such thing with regard to this North-Western Railway last year even.

Mr. Rau.—I do not think I had a separate paragraph about defects in estimating last year.

Mr. Satyamurti.—Paragraph 60 : How does this arise at all ? You make a general criticism here.

Mr. Rau.—What happens is that provision was made incorrectly in some Grants. The expenditure is booked under the proper account by the Accounts Officer.

Mr. Satyamurti.—Is this regular ?

Mr. Rau.—It is wrong ; when the provision is made they make mistakes, and then automatically the accounts officer makes provision under the proper grant. It is only a question when there is some doubt about it in the minds of the executive authority : in time these points are bound to be reduced ; there is no question of excess.

Chairman.—The accounts officers are your people ?

Mr. Rau.—In the State-managed Railways. In the company-managed Railways they are under the Agent. Among the company-managed Railways the general principle is that the Chief Auditor is directly under the Home Board : he has got the right of direct correspondence with the Home Board, though in practice I do not think he exercises that right very often.

Mr. Satyamurti.—Are you satisfied that these accounts officers are fulfilling their functions ?

Mr. Rau.—On the whole I think they are. The Accounts Department is functioning more or less properly ?

Mr. Mitra.—Yes.

Mr. Satyamurti.—Are they independent of the Agent ?

Mr. Rau.—In the State-managed Railways they are independent of the Agent.

Mr. Satyamurti.—Can we not have the same position on the other Railways ?

Mr. Rau.—No : the staff are entirely their business ; their internal arrangements are their business ; but the financial control is there already : there is audit by the Director of Railway Audit and there is the Government Examiner on the spot and when he examines the accounts it is both on behalf of the Railway Board and the Auditor-General.

Mr. Satyamurti.—Paragraph 14 of the Audit Report : Unanticipated Credits. Are these actually spent by the Railways without so much as a " by your leave " by any one ?

Chairman.—We had a discussion on this last year. Were these utilised to incur expenditure in excess ? Were the new items of expenditure or merely excesses over current expenditure ?

Mr. Rau.—None of them were new.

Mr. Satyamurti.—I would like this matter to be re-examined by the Committee. I feel that simply because there are unanticipated credits the spending departments do not get any right to spend them on items for which the sanction of the competent authority should be obtained.

Mr. Rau.—The arrangement entered into with the Public Accounts Committee, I think, was that we would mention it to the Standing Finance Committee if we were aware of it in time.

Chairman.—If it is a question of ordinary running expenditure you have got to incur it ?

Mr. Rau.—Yes : otherwise we would have to have a larger supplementary grant.

Mr. Das.—But not on a new service ?

Chairman.—The use of appropriations in aid is not to be permitted to allow anybody to sneak in new items which they would otherwise have to take a vote for.

Mr. Ramsay Scott.—Yes.

Mr. Satyamurti.—If you vote 20 lakhs for a particular item and get 10 lakhs saved on it, and if there is another item for which you have already provided 5 lakhs, can they spend the 10 lakhs they have saved on this latter item in addition, in the same grant ?

Chairman.—If the item has been provided for in the original estimate, I think you can ; if it is not, you cannot do it without putting it before the Standing Finance Committee.

Mr. Satyamurti.—Under what section of the Government of India Act or under what financial rules ?

Sir Ernest Burdon.—I do not think there is anything more than what the Chairman has already stated : that when it is a question of embarking on new expenditure which, apart from the unanticipated credit, would have required a new allotment, you have got to get the new allotment.

Mr. Satyamurti.—Within the allotment itself, under what section of the Government of India Act itself can it be done ?

Chairman.—I think the standard in using appropriations in aid to meet grant expenditure is not so strict here as the standard at home : I do not think you can use increased appropriations in aid even for grant expenditure, apart from new items, without a supplementary vote.

Mr. Satyamurti.—You take a token vote : why do you not do it here ?

Sir Ernest Burdon.—That must be a matter of convention of the treasury.

Chairman.—Mr. Badenoch said here that under the Government of India Act that rule did not apply. Under the Government of India Act the Assembly grants a total grant as a whole ; and so long as the expenditure does not exceed that amount granted, it is legal : the department is not bound to come up for a fresh grant.

Mr. Rau.—I think we usually come up for a token vote. The point is only whether a fresh vote of the Assembly is necessary or not. So long as the total is not increased, there is no necessity for fresh legislative sanction under the present Government of India Act.

Mr. Satyamurti.—Read out from page 68 of the previous Report of the Public Accounts Committee—Evidence Volume.

Chairman.—I think you cannot use unanticipated credits for grant expenditure without authority.

Mr. Rau.—That is true and that is why we usually, when we prepare our revised estimates and find that we have taken into account these credits, we put up the matter before the Standing Finance Committee, and we get their authority to utilise this in reduction of the expenditure : if we do not know at the time, then it is a question of an excess grant.

Chairman.—You have covered all the cases excepting one, where you would have had an excess but for the unanticipated credit : that is, you are utilising windfalls to disguise under-budgeting.

Mr. Rau.—It is brought to the notice of the Public Accounts Committee in this way : whether legislative sanction is necessary or not, would you like me to consult the Legislative Department ?

Sir Ernest Burdon.—Quite definitely it is not : it is not necessary at all. We have taken legal opinion in the Legislative Department : this was examined two years ago most thoroughly. There is no doubt about it. You cannot ask for an excess grant when actually according to the figures before you there is no excess.

Mr. Satyamurti.—The budget is not budgeted under different items : on the whole therefore if the Government do not spend more than 60 crores, they need not observe any rule at all ? Where do you get this distinction ?

Chairman.—You cannot have an excess grant if there is no excess. Even in cases where there is no excess grant, but unanticipated credits are spent on new items, they have to be put to the Standing Finance Committee on any question about which there can be a difference of opinion. When on the ordinary expenditure, instead of being forced into a supplementary grant, you use up unanticipated credits, the Auditor General says that Legislative Department has advised that it does not require a supplementary grant. But I see that the Director of Railway Audit's practice is rather stricter than the practice which the Public Accounts Committee laid down.

Mr. Satyamurti.—I should like to be told the particular section of the Act or the financial rule.

Mr. Rau.—(Read out from the Government of India Act.) This is the section on which the Legislative Department relies in support of its contention that powers of reappropriation are reserved to the executive.

Mr. Satyamurti.—That is reappropriation : are the two things the same ?

Mr. Rau.—Reappropriation arises when you anticipate that you ought to spend a little more on a particular item and you are able to save under another.

Mr. Satyamurti.—Here it is no reappropriation at all : they simply underspend in one case and overspend in the other.

Sir Ernest Burdon.—There is no question of reappropriation at all because there is no occasion for reappropriation : the money is there : it is a question of a net grant. The total grant has been sanctioned by the Assembly : if you alter your accounting arrangements and you do not have these credits shown by deduction of expenditure, then the position which Mr. Satyamurti desires would automatically arise. In this particular method of accounting under which these credits are taken, this situation did arise, which required this convention to be adopted ; it was adopted at the suggestion of the Public Accounts Committee and it was in pursuance of that convention that all these individual items of

unanticipated credits are shown by Mr. Rau in his review and by the Director of Audit who draws attention to the more obvious cases in which the increased spending power has been given. Actually where these things are foreseen, it is the practice of the Financial Commissioner to take these cases to the Standing Finance Committee and get their authority to use them for expenditure.

Mr. Satyamurti.—This does not come within the four cases contemplated in the Government of India Act : where does it come in ?

Sir Ernest Burdon.—It is nothing at all : there is no excess required : there is no reappropriation required : the money is there. The point is we are within the original grant.

Mr. Satyamurti.—That is not enough. Why do you then reappropriate ?

Chairman.—May I read the two previous utterances on this subject by the Public Accounts Committee, one on the 1930-31 accounts. It says :

“ More than one instance has been given by the Director of Railway Audit where unanticipated credits have been utilised to increase the supply at the disposal of spending authorities. We have already made a recommendation on this subject in the First Part of our Report which we desire to reiterate. No controlling officer should be permitted to utilize, in order to increase his spending power, any unanticipated credits. The Director of Railway Audit has made certain proposals in paragraph 49 of his Report for carrying out this recommendation.”

In the following year, that is, on the accounts of 1931-32, they said : “ We adhere to the recommendation already made in paragraph 11 of the first part of the Report on the Accounts of 1931-32, viz., that in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.”

Mr. Satyamurti.—It means “ fresh ” expenditure. You must go to the Standing Finance Committee and then to the Assembly.

Chairman.—The crux of this is the word “ fresh ”. Let us leave out the word “ fresh ” for the moment. Then it reads, “ to incur expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained. . . . ” If you foresee these before the end of the year, do you take all encroachments on unanticipated credits to the Standing Finance Committee ?

Mr. Rau.—Yes.

Chairman.—When you do not foresee and it is too late to take them, you do not get an excess grant because there was no excess, and then the only thing left to you is to report them to the Public Accounts Committee ?

Mr. Rau.—Yes.

Chairman.—When there is still room to submit them to the Standing Finance Committee before the end of the year, I gather in all cases it is

done whether it is a new item or merely current expenditure. But, supposing after that you found that there were unanticipated credits within the year to keep yourself within the total of the grant, you cannot have an excess because you are within the total of the grant, and the only publicity left to you is to report to the Public Accounts Committee and that is done.

Mr. Satyamurti.—The spending department has only to wait and throw dust into the eyes of the Railway Board and the Finance Department and spend just as it likes, even crores it can, and then simply tell us that this is the position. It is very unsatisfactory and you ought to remedy that state of affairs.

Chairman.—The only way you have got is to examine individual cases and the actual procedure and to see whether there was any reason why they should not have taken the instructions of the Standing Finance Committee in time and pillory them if you find that they have failed to do so.

Mr. Rau.—They come up to us for sanction.

Prof. Ranga.—You sanction that sort of adjustment ?

Mr. Rau.—If it is known in time, and I go to the Standing Finance Committee. If it is known at the end of the year, I bring it to the notice of the Public Accounts Committee.

Chairman.—In that particularly narrow case we are discussing we have no remedy except to go, if you wish, into the details of individual cases, and, if necessary, pillory the perpetrators of them.

Prof. Ranga.—Don't you think it is necessary and salutary ?

Mr. Ramsay Scott.—The first of these cases was the Tatanagar workshops.

Mr. Rau.—Yes.

Mr. Ramsay Scott.—Whether it was a new service, and they said it was not a new service, that was about painting the workshop, and we said that it was a new service.

Mr. Satyamurti.—I am afraid you are right, Mr. Chairman, and I am wrong over this excess, but although I am defeated there, I think the Auditor-General must welcome my help in stopping this. It is a dangerous practice.

Chairman.—The Railway Board can issue an executive rule to the Railways and the spending departments that they shall not spend any amount from unanticipated credits.

Mr. Rau.—As a matter of fact we have told them that they must report to us.

Chairman.—Let us take page 153. The two excesses which come under the category we are now considering are under Grants 6-A. and 6-G. An additional vote of 9½ lakhs would have been necessary under 6-A and ¼ lakh under 6-G.

Mr. Satyamurti.—Page 153 only gives the list of grants, but that does not show how it has been utilised. They have all been utilised without sanction.

Mr. Rau.—I am not sure of that. On other items we had supplementary grants but they were insufficient.

Chairman.—Supposing you give an opportunity to the Assembly of passing a judgment on these, here, again, you come across some constitutional difficulty. If the Assembly says we are not going to regularise, you have not got the machinery of surcharge up here.

Mr. Satyamurti.—They have omitted to ask the House for that portion of the excess which they got out of the unanticipated credits.

Mr. Rau.—It is still to come.

Chairman.—I suggest that we recommend the total excess being sanctioned by the House.

Mr. Das.—I would suggest before we reverse the decision which we took only two years ago it is better to examine it in its entire perspective because some of us have been parties to that decision. We must have thrashed out this question before we came to those conclusions.

Chairman.—I am pretty clear in my mind that you cannot ask the Assembly to vote. At the same time it seems to me there is no sufficient information on the face of the accounts. If you wish to pursue the matter you have got to have the circumstances under which the credits occurred, and then when you report the matter to the Assembly, as regards those cases where there have already been excesses, you mention the fact if you wish, which you can do in your Public Accounts Committee Report. You can mention it there. Although the Assembly has got no locus in these other cases, the condemnation of the Public Accounts Committee will be on record, and if you wish to pursue these matters, you have got to pursue them as individual cases.

Mr. Satyamurti.—I agree with your first suggestion that we should recommend to the Assembly the sanction of these excess grants but in the very recommendation you ought to include that these grants are asked for after making allowance for expenditure from unanticipated credits,—that the actual expenditure was so much but part of it has been met by unanticipated credits and the balance asked for is recommended as excess grant.

Mr. Rau.—An unanticipated credit does not necessarily mean that the credit is unanticipated ; it only means that the credit was in excess of what was anticipated at the time. I explained it in one of my Reviews in the old days.

Chairman.—That is quite clear. In the first class of case the matter has got to be brought to the notice of the Assembly through the ordinary machinery of grants, but in the second class of case, if you like to put it so, where there is no excess, no information can be brought to notice through the machinery of grants and the only disciplinary measures which are possible are for the Committee, if they so desire, to ask questions on the individual cases and see what degree of blame attaches to them. There is nothing on the face of the accounts which shows whether there was any blame or not. And what occurs to me, I do not know if the Auditor-General will agree with me, is if the Director of Railway Audit, in considering these cases of this narrow category where information

cannot become available to the Assembly and the Assembly might like to know if there is any degree of moral blame attaching to anybody....

Mr. Rau.—If you like, I can arrange in this Review that an explanation should be given for the total excesses excluding the unanticipated credits, rather than for the excesses including unanticipated credits. Instead of the ten lakhs I am explaining, I ought to explain why there is an excess of 18 lakhs. That I can do.

Mr. Satyamurti.—I want to suggest that the Railway Board should issue orders that no expenditure ought to be incurred out of unanticipated credits without going through the normal process.

Mr. Rau.—That goes without saying but the only point is that this expenditure is not incurred out of these unanticipated credits.

Chairman.—By analogy, are you not really asking the Railway Board or the Financial Commissioner of Railways to issue instructions to the effect that in no circumstances are they to exceed the vote, but if they do exceed it, what you have got to do in the case is, where the machinery of excess grants is available, to bring it to the notice of the Assembly, and where it is not available, to have it examined by the Public Accounts Committee.

Mr. Satyamurti.—I quite agree. Where they can bring it as an excess grant, it is all right, the second class of case is where they cannot foresee. But I think there is a third class of case where they can take the sanction of the sanctioning authority.

Chairman.—In cases of specific identifiable items of new expenditure they must do that.

Mr. Rau.—It is only when they know that they require the extra money. May I read out the letter which we wrote to the Railways in September 1934 on this point? (Reads.)

Mr. Satyamurti.—My impression is that the financial procedure for watching expenditure operates six weeks in arrears.

Mr. Rau.—We get monthly reports from the Controller of Railway Accounts showing actual expenditure month by month. The accounts of May were received about the end of June.

Chairman.—These cases, provided there is no breakdown in the financial sanction machinery, can really be possible only in cases which arose, say, in the last two months.

Mr. Rau.—When you get them earlier, you take them to the Standing Finance Committee. Many of them happen after the close of the year owing to accounts adjustment, bills from another department, and so on and so forth.

Prof. Ranga.—Can you not devise a means by which before they actually spend these excess grants which are available to them they are made to come to you.

Mr. Rau.—I will try and think out something in relation to your point, Mr. Satyamurti, and see if we cannot manage things better.

Chairman.—I would like to be certain whether, as I think is the case, there does exist a machinery up to the ten months, which will make this impossible.

Mr. Satyamurti.—I want an assurance from Mr. Rau. I do not want spending officers to have the feeling that because there is some saving in some other head and on the whole there will not be any excess, they can spend more liberally than otherwise. It must be a case of a genuine excess grant. I want you to enforce that.

Mr. Rau.—I agree.

Chairman.—That is due to the fact of decentralization and inadequate and incomplete development of the banking system ; an excess grant in England is an extremely rare thing.

Prof. Ranga.—The present practice also tends to disguise the true facts with regard to certain grants.

Sir Ernest Burdon.—The Financial Commissioner will hold his disbursing authorities to the gross figure laid down for expenditure in all cases whether there is a credit or not. The credit does not matter. It is a question of domestic financial administration.

Mr. Ramsay Scott.—Paragraph 15. Why are not reappropriations made more frequently ?

Mr. Rau.—We have recently issued instructions to the Railways saying that criticisms have frequently been expressed that demands for supplementary grants are not placed before the Assembly till after the expenditure has already been incurred, and that we are anxious to avoid grounds for criticism in this respect and desire the Railways' co-operation. We have pointed out that since the Assembly sessions generally take place in August-September and January-March, estimates of Railway Administrations regarding additional funds required should reach the Railway Board by the 15th August and 15th December each year. We said that the whole object is to ensure that as far as possible funds not required are withdrawn from disbursing officers as soon as it is definitely known that they are not required and, incidentally, to provide that any really unavoidable expenditure is met from such savings as far as possible. We recognized that it would probably conduce to more effective financial control if reappropriations are not made haphazard on the basis of individual items of expenditure where the original provision is exceeded, and that in many respects it is better to review the position as a whole at intervals and carry out the necessary reappropriations. We therefore considered that advantage should be taken of the review of the whole position which, as prescribed in the above paragraphs, will be undertaken in August, December and February to carry out the reappropriations necessary ; but, when funds have to be provided for new expenditure under one of the sub-heads and the Administration are definitely in a position to withdraw the grant from another sub-head for this purpose, reappropriations can suitably be made at the time. I shall send a copy of this letter to the Committee.

Mr. Das.—What view does the Auditor-General take in connection with paragraph 15 ?

Sir Ernest Burdon.—Mr. Das, the instructions apparently coincide with what we want.

Mr. Rau.—Paragraph 16 of the Director's Report, last three lines. On the question of principle I entirely agree.

Chairman.—It was an ordinary domestic arrangement.

Mr. Satyamurti.—Paragraph 17 of the Director's Report. I think there is not much improvement since last year. I would like Mr. Rau to look at the dates—1932, 1929, etc.

Mr. Rau.—It is a question of land charges. It is only kept under technical objection. The whole thing is under dispute. The case is pending in the Lahore High Court.

Mr. Satyamurti.—I ask whether really this is a sort of thing which should wait till the court has decided? I want to know whether anybody except the company has satisfied himself that because this is a pending suit, it cannot be adjusted.

Mr. Rau.—At present you cannot prepare the completion report till the whole amount has been finally settled. I shall look into the question of improving the procedure.

Mr. Mitra.—Until the amount is finally paid, the land acquisition officer will not account for it. He keeps it under civil court deposits.

Mr. Satyamurti.—Page 91, there are so many completion reports under consideration, why should they take five years?

Chairman.—I think the accounts ought to be cleared up much quicker than this.

Sir Ernest Burdon.—I have taken it up; I imagine there is some technical detail. For instance it may be a file which holds it up and is dependent on the Railway Board.

Mr. Ramsay Scott.—Collieries: Look at 94 and 95. It is under submission to the Railway Board. How is that? Last year we made a recommendation and nothing seems to have happened.

Mr. Rau.—In February 1936 the Railway Board said they observed that in the case of a large number of these items the expenditure is held under objection owing to the delay in the preparation of final completion reports for the works and that the delay is not confined to cases of new projects or large open line works but relates also to works of comparatively small magnitude. We therefore requested that necessary steps may be taken to impress on all departments the desirability of closing the accounts of individual works as soon as possible after completion, and preparing a final completion report immediately thereafter, for sanction by competent authority, and we invited the attention of Agents to paragraphs 159 and 178 of the State Railway Code for the Engineering Department and suggested that steps might be taken to avoid delays in the disposal of surplus and released materials to which delays in the preparation of completion reports are attributable in the majority of cases. However, I shall look into that.

Chairman.—The only thing is, don't have any complicated system of valuation. It seems to me even this year we should say something a little more acid than last year.

Mr. Satyamurti.—Cannot somebody devote a month to these items and give us a report whether these things are wound up or not? Let us put it in the quarterly progress report.

Mr. Satyamurti.—Paragraph 56 of your report: Grant No. 5. I think it is a fairly bad case.

Mr. Rau.—We put it before the Standing Finance Committee, they approved of that grant, but before I put it before the Assembly, I got information that it was not likely to be required.

Mr. Satyamurti.—Who gave you the original information?

Mr. Rau.—I got it from the Railways.

Mr. Satyamurti.—Did the original supplementary grant which you asked of the Standing Finance Committee include these items?

Mr. Rau.—Yes.

Mr. Satyamurti.—As soon as such cases occur, I think they should be reported to the next meeting of the Standing Finance Committee.

Mr. Rau.—I think I mentioned it in the Assembly when moving supplementary grants.

Mr. Satyamurti.—Top of page 21. You must get rid of this mentality,—this idea that you can have an excess.

Chairman.—That must be qualified by the fact that in relation to the figure of 7 lakhs the total grant was 17 crores, we must not pitch it too high.

Mr. Satyamurti.—Page 20. The largest excess was on the North-Western Railway.

Mr. Rau.—That was absolutely unexpected.

Prof. Ranga.—Grant 6-C, heavier repairs to coaching. Paragraph 32. What is the position?

Chairman.—Obviously, in the event it was wise to repair rather than buy new wagons.

Mr. Satyamurti.—The total expenditure was 25 lakhs for the budget and 8 for the revised. Even at that time it could not have been foreseen?

Mr. Rau.—It was provided for in the capital budget, but as it is an experiment we said we would charge it to revenue in the first instance.

Mr. Satyamurti.—6. E. Paragraph 34. The variations of individual Railways are somewhat striking in this grant. I suppose these are due to payments from one Railway to another not being fully provided for in the budget. That you said this morning.

Mr. Rau.—Yes.

Chairman.—Is that due to the question which I have raised with you to see if we cannot get some sort of rough and ready arrangement instead?

of accounting up every penny of traffic. Every ticket is exactly apportioned between the two Railways. What we wish to investigate is whether some empirical method of dividing it up cannot be devised which would save a great deal of trouble.

Mr. Satyamurti.—What would be the saving in expenditure if the Hon'ble the Finance Member's suggestion is accepted ?

Mr. Rau.—We are trying to work that out.

Mr. Satyamurti.—I think it is a thing well worth pursuing. Apart from the saving in accounts, it will save staff considerably.

Mr. Rau.—Yes.

Chairman.—I was wondering whether this is not a convenient place to stop. We have not taken up the outstanding questions. Most of them are in process of being dealt with or have got to be dealt with in connection with general financial inquiries.

Mr. Satyamurti.—On the whole, they have done better than last year. But I think there are some items which require looking up.

Chairman.—The first item is in process of examination. On the second item there is now a specific recommendation.

Mr. Rau.—Can I assume that the Committee approves of it ? I have got to put it up before the Standing Finance Committee on the 27th July.

Chairman.—I think you can proceed on the assumption that the Committee approves of it.

Mr. Das.—I have no objection to this but the memorandum is a very weighty one and we should also go through it.

Chairman.—But the specific proposals at the end are comparatively minor ones. Those are the ones that Mr. Rau wants to put before the Standing Finance Committee. Other points can be discussed later on.

Mr. Das.—I wanted to discuss it with Mr. Rau and I will do so to-morrow.

Mr. Rau.—For my present purposes if the Committee approves of I (a) and (b), that is enough.

Chairman.—Item 3 is done already.

Mr. Satyamurti.—I want to know about this item whether since November 1935 the Railway Board have had any information as to how these services are being carried out ?

Mr. Rau.—We have not yet heard in the matter. I believe we had a letter from the East Indian Railway and Bengal Nagpur Railway saying that they wanted a slight modification of these orders.

Mr. Satyamurti.—I suggest that in this matter we should get a six monthly report from the Railway concerned.

Chairman.—Let us have a report once a year.

Chairman.—Item 4. What about the railway codes ? Have you got any report ?

Mr. Rau.—We have put a man on special duty in the Railway Board to bring the old codes up-to-date by carrying out all the corrections that have been issued since they were first started. I should think it will take about a year to complete this work.

Chairman.—Item No. 5. This is a general question. There is not much to be done by way of freights and fares and we are going to ask the Chief Commissioner about rail-road competition. We may also ask him about the military traffic and the Tata's.

Prof. Ranga.—I think we had agreed last year that we should sit together in regard to the supply of wagons.

Chairman.—A note was sent round on this subject about six months ago.

Mr. Satyamurti.—I am of opinion that we must abolish all these saloons and special carriages.

Mr. Rau.—I will tell the Chief Commissioner to be prepared to reply to it to-morrow. The Retrenchment Committee recommended that no new saloons should be built and the Standing Finance Committee are very rightly objecting to that expenditure. We are only renewing old ones. Of course, the cost is the cost of maintenance.

Mr. Satyamurti.—I should like to ask a few questions on Item No. 6 from Mr. Rau to-morrow.

Chairman.—I would like to suggest that we break off at this point this evening.

The Committee then adjourned till 11 a.m. on Tuesday, the 21st July 1936.

**Evidence taken at the fifth meeting of the Public Accounts Committee
held on Tuesday, the 21st July 1936, at 11 a.m.**

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,
Chairman.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.I.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. B. N. MITRA, Director of Railway Audit.

The Hon'ble Sir GUTHRIE RUSSELL, Kt.,
Chief Commissioner, Railways.

Mr. P. R. RAU, Financial Commissioner,
Railways.

Mr. V. S. SUNDARAM, Controller, Railway
Accounts.

Khan Bahadur BARKAT ALI, Director of
Finance.

Members.

Were also present.

Witnesses.

Chairman.—We had some discussion with Mr. Rau on the inevitable topic of the general financial position of the Railways. We went into the existing position of the Railways. We asked Mr. Rau questions which tended to elicit the fact that there was very little money and that the Railway Board are more or less satisfied that there was no scope of any further increase in earnings even though the fares and freights are increased. But the Committee would like to know what actual retrenchment measures have been put in train in the Railways and what sort of figures you expect to get out of them. Mr. Satyamurti incidentally wanted to ask what betterment you expect, in any humanly possible degree, of the co-ordination between railway and road traffic. Then, Mr. Satyamurti also asked Mr. Rau certain figures based on a desire to arrive at what would in fact be the position of the Railways assuming that all these claims which have been made on behalf of the Railways for the removal of the conces-

sions or taking them over to the central budget were given effect to, and what would still, on a full commercial accounting basis, be the shortage from solvency. At this stage, I want to add a word of warning, that it must be perfectly clearly understood that whatever may be the betterment to the strategic railways or to the military, somebody has got to pay for it, and that somebody is the central budget, so that I personally do not attach a great deal of hope to these things. But I gather that Mr. Satyamurti's purpose is merely to prove that even if you get everything that you can conceivably ask for in that way, you are still short of a full balance on a commercial basis. I am not quite sure in which order you would like to take up these points : first possibly what you think is conceivable in the way of freight proportions and what you expect to get by way of betterment of finance as the outcome of the road-rail conference.

Mr. Satyamurti.—Also the figures which Mr. Rau gave us yesterday.

Chairman.—That is the datum line for the last part of it.

Mr. Satyamurti.—10½ crores.

Chairman.—That is accepted.

Sir Guthrie Russell.—I generally agree with the statement that we cannot expect a tremendous amount from increasing freights. Traffic is better this year than last year. Even granting there is a trade revival, I do not think you can earn much by increasing the freights for goods traffic. We hope to get possibly half a crore by adjustments.

Mr. Satyamurti.—On goods alone.

Sir Guthrie Russell.—Yes. Our passenger earnings are not going down in the way they were formerly.

Chairman.—What about the Ticketless Travellers Bill ?

Sir Guthrie Russell.—No doubt there is a drifting of passengers back from road to rail. That was the case in Great Britain also some time ago.

Chairman.—But for long distance traffic, motor travel is extraordinarily boring.

Sir Guthrie Russell.—At one time people in Great Britain used to go from London to Edinburgh by road. But very few people do it more than once now. Now they are drifting back to Railways. I have great hope that in India a similar process will take place but no doubt it will be very slow.

Mr. Rau.—In 1935-36, the passenger earnings are actually half a crore more than in the previous year.

Mr. Satyamurti.—Mr. Rau has given us a note which is rather inconclusive with regard to the reaction of passenger traffic to your manipulation of passenger rates and traffic. Is it impossible for you with the expert knowledge you have obtained in this country and also with the knowledge you got from other countries to draw some useful conclusion as to the reaction of passenger traffic to raising or lowering the rates ?

Sir Guthrie Russell.—I can give you the history of passenger rates on one Railway. When I was on the Great Indian Peninsula Railway we were considering the question of reducing passenger fares and I had a graph made out showing the effect of reducing or raising fares from as far back as about 30 or 40 years. In certain cases the raising of fares gave us increased traffic, in certain cases reducing the fares gave us increased traffic, but there was no uniformity whatsoever, and it was not possible to base any definite conclusions on these graphs. Recently on the North-Western Railway we reduced fares, and, speaking from memory, we got an increase of 13 per cent. in numbers but a very small percentage increase in earnings. Before we decided whether we should continue the reduced fares, we asked the East Indian Railway (which Railway had made no reductions), to prepare statistics for exactly the same period as the reduced fares had been in force on North-Western Railway. The East Indian Railway statistics showed an increase in the number of passengers, so we could not definitely conclude that the decreased rates had been entirely responsible for the increase in passengers on the North-Western Railway. Further, the position was complicated by the fact that the decrease in fares had not been uniform, as the North-Western Railway had quoted very many special rates in competition with motor traffic. Our present conclusions are based on the analogy of the East Indian Railway, that we should stick to our present fares generally and reduce only in special cases.

We are also trying out an experiment on the Assam-Bengal Railway whereby we quote a maximum fare. This means that for a certain portion of his journey a passenger may travel free. If this scheme brings us in increased earnings we shall try it out on other lines. Further, some time ago on the Eastern Bengal Railway we started a system of return fares for third class passengers. Railways have always been opposed to return fares for third class passengers as it opened the door to swindling. However, so far as the first few months are concerned, it would appear that this experiment has brought us in increased earnings. This undoubtedly is an attractive proposition so far as the travelling public are concerned, but, as I have pointed out, it is difficult to form general conclusions from individual experiments.

Chairman.—I am not sure what the position is with regard to your draft Bill for ticketless travel.

Sir Guthrie Russell.—It is being circulated to everybody concerned. We propose to bring it up in the next Simla session.

Mr. Satyamurti.—With regard to this rail-road competition, have the Railway Board any policy of reducing the third class passenger rates so as to compete successfully with motor traffic ?

Sir Guthrie Russell.—I have been in Bombay recently and I discussed this Bill with five or six Agents and asked them what they have been doing with regard to ticketless travel. We hope to get this Bill printed to-morrow and the Committee may have it soon.

Chairman.—Would you mind giving a summary of the conclusions arrived at in the road-rail conference ?

Sir Guthrie Russell.—The most pleasing feature is that every Province agreed entirely that road traffic should not be allowed to compete

with long distance goods traffic by Railways since that is from our point of view a very much greater menace than passenger traffic on roads. There was a difference of opinion as far as passenger traffic was concerned. The Punjab said they did not want any control at all. United Provinces have control and the reports from the East Indian Railway are that it is helping them. The U. P. Government have reduced the number of buses on roads and generally the Provinces have agreed to control bus traffic. Stricter control means buses must raise their fares and I think if the buses raise their fares to an economic level, we can compete with them successfully.

Mr. Satyamurti.—Are Railways taking steps to give facilities to long distance goods traffic, such facilities as placing wagons without undue trouble, sending and receiving goods to and from the station, etc., more than is done at present? Quick delivery of goods, prompt receipt of goods for despatch, supply of wagons by elimination of corruption. It is notorious there is much corruption in Railways.

Sir Guthrie Russell.—If you can tell me how to eliminate this corruption, I will take prompt steps to carry them out. We all know there is a certain amount of corruption; actually we are trying to do our best. Our idea is if we can get one or two people summarily dismissed it will serve as a very good example. But it is very difficult to get proof. The merchants and the railway staff are in league.

Chairman.—It must be reducing your gross traffic.

Mr. Satyamurti.—Such action on the part of the railway staff only helps the road traffic.

Chairman.—I can confirm this statement that there is a lot of corruption. Recently I was in Bombay and it came to my notice that there was much corruption in Kathiawar ports. I got dozens of merchants in Bombay who gave me a general impression as to what was happening in those ports. One of them gave me specific information. But when I asked that particular merchant if he would give me authenticated copies of certain correspondence, he said, "Yes, but only on condition that you do not use them". Hundreds of people come and tell me about "A", "B" or "C" being corrupt in general terms, but none of them would give me specific information, the reason being quite definitely that they are all in it.

Sir Guthrie Russell.—There is a specific case. In Bombay on the Great Indian Peninsula Railway we got an Indian Army officer with absolutely unblemished record to supervise and for the first three months everything was splendid and everything worked well, but after three months things reverted to the old state.

Mr. Satyamurti.—Do you ever make a surprise visit to find out what is going on?

Sir Guthrie Russell.—We do pay surprise visits.

Mr. Satyamurti.—With no results?

Sir Guthrie Russell.—No.

Mr. Satyamurti.—Are we to hold up our hands in despair and say nothing can be done?

Chairman.—I was going to ask the Chief Commissioner whether anything was possible, short of a change in the public conscience.

Sir Guthrie Russell.—Because people who pay the railway staff do not come out to prove the case.

Mr. Satyamurti.—Why don't you take the help of the Home Department and their police ?

Sir Guthrie Russell.—Supposing a man goes to the station with a lot of luggage and that when his luggage is weighed he finds he has to pay for 4 or 5 maunds and supposing the parcel clerk says it could be managed with less charges. The man pays the parcel clerk who puts down the weight as 2 maunds and in this way the Railway loses.

Mr. Ramsay Scott.—Why don't you verify the weight afterwards.

Sir Guthrie Russell.—If you will give me specific instances, I will have the man dismissed straightaway without prosecution.

Mr. Ramsay Scott.—I guarantee to give you such cases in Delhi station.

Mr. Satyamurti.—I should like you to consider whether with the assistance of your staff and others, you cannot do something more ?

Mr. Rau.—When we met the members of the Railwaymen's Federation, we impressed upon them the necessity of the Federation taking steps to root out corruption in the interests of the staff themselves and expose the black sheep among them. All of them recognised there was a lot of corruption, although they were unable to say how it could be stopped.

Mr. Satyamurti.—You therefore expect no financial betterment by elimination of corruption.

Sir Guthrie Russell.—I may hope for it, but I cannot guarantee it.

Mr. Satyamurti.—The next point is with regard to the long distance traffic. Are you providing facilities for taking the goods from the godown and delivering them to the owner just as they do with the perishables in some places.

Chairman.—I personally am keen on running a feeder lorry service.

Sir Guthrie Russell.—We have discussed this with many merchants in Delhi and other places and we asked them if it would help them if we ran a motor lorry service for the delivery of goods. In Bombay and Calcutta we do not expect very much increase in earnings on this account. In those big places you have got private lorry contractors who take the goods to the station for despatch and take the goods from the station and deliver them to the merchants. The contractors charge a small amount to the merchants for this service. The merchants in those places told me that they preferred this private lorry contract system to the railway system. But I do think we should introduce this experiment in some stations.

Mr. Satyamurti.—You do not have cold storage for perishable articles. For instance, in Madras Presidency, things like fruits and betels definitely go from railway to motor traffic. I know fruits and betel leaves from Salem to Madura or from Ooty to Bangalore are all taken in big lorries and in this way we get them in much shorter time.

Sir Guthrie Russell.—Actually with regard to cold storage, there is a scheme which we are putting up before the Standing Finance Committee for Railways next week. We want 20 vans. There is no financial implication as far as we are concerned, because we are hiring them to private firms and to the Army Department, at rates which will cover the cost of interest, depreciation and maintenance. In addition the user will pay haulage charges.

Chairman.—As far as the Army is concerned, I can send over their cold storage. You can make a profit out of that.

Sir Guthrie Russell.—We start with 20 now and I am sure as the traffic develops we will provide all facilities.

Mr. Satyamurti.—Taking all possible betterments by way of traffic receipts and passenger traffic as well as goods traffic, what do you expect to earn ?

Chairman.—May I just complete the passenger traffic ? I want to ask one question about the Ticketless Travel Bill. It makes all the difference whether you get a really effective punitive Bill. Everybody will agree with the principle of the Bill, but they will change it in such a way that it will be of no use.

Sir Guthrie Russell.—The Bill was discussed in the Central Advisory Council for Railways. But most of the members said "What happens if a man loses his ticket genuinely". We tried to persuade the members that nothing would happen in a genuine case of loss of ticket. If we get the Bill properly working, we would estimate the earnings at about $\frac{1}{2}$ or $\frac{1}{3}$ crore a year.

Mr. Satyamurti.—You throw the burden of proof on the accused. I can assure you that such a Bill won't get through the present Assembly.

Sir Guthrie Russell.—That is the only possible way of checking this evil.

Mr. Satyamurti.—Some of us are very doubtful about the principle of rigorous imprisonment. Let there be no misunderstanding as to how the members will deal with the Bill. But I am now asking you with regard to these figures given by Mr. Rau. We have all discussed about the possible increase in traffic. He gave us a crore betterment if nothing untoward happens.

Sir Guthrie Russell.—That was also my estimate. It is I think a pessimistic estimate. I think we can safely say at present that up till the end of June we were $\frac{2}{3}$ crore more than last year.

Chairman.—We got that in one month.

Sir Guthrie Russell.—24 lakhs in May and June through adjustments.

Chairman.—What are these adjustments ? Under estimates and receipts ?

Sir Guthrie Russell.—I do not think in my experience till now I have seen an over-estimate.

Mr. Das.—I want to understand this rates and freights policy. Please refer to Annexure F at page 65. I find you have paid more attention to freights and the changing of freight rates than to passenger fares. Was it not so ?

Sir Guthrie Russell.—I do not think so but changing of passenger fares is given much more publicity because it affects everybody. I do not think you will notice the change in goods freights so much because every Railway from day to day is adjusting its goods freights to attract a particular traffic.

Mr. Das.—I can say that you are adjusting your goods freights to create a better movement of goods while as regards passengers you were adamant and in certain cases you have increased the fares.

Sir Guthrie Russell.—In the North-Western, Great Indian Peninsula, Bombay, Baroda and Central India Railways, etc., they have all altered their passenger fares from time to time.

Mr. Das.—But it came very late. And I am led to the conclusion that it is only by reducing your fares that you can have a large number of passengers and go back to your 1930-31 passenger mile figures.

Sir Guthrie Russell.—On the North-Western Railway for two years we had a big reduction of passenger fares. We increased passenger miles but we decreased our earnings, and surely that is not sound business.

Mr. Das.—While you decreased your passenger fares you so adjusted them that they did not give any facility to the passengers.

Sir Guthrie Russell.—We had 13 per cent. more passengers and $\frac{1}{2}$ per cent. increase in earnings. While the Bombay, Baroda and Central India Railway increased their fares and also increased their earnings. Of course they are in an advantageous position because their main line is not affected by motor transport.

Mr. Das.—Under item 16 on page 65 I find that the figure of 1934-35 is nearing the figure of 1930-31. The same is the case with item 18. Then the average rate in pies per passenger mile (item 13) is also gradually coming down. If you bring it down further you can raise your passengers from 486 millions to 550 millions, instead of dabbling in this ticketless travel business. Ticketless travel is only due to something wrong on the part of your supervising staff and the ticketless travellers are all your railway servants and their families and friends.

Chairman.—It is no good decreasing one unless you increase another by a corresponding amount.

Sir Guthrie Russell.—Our goods rates, barring Japan and Poland, are the lowest in the world.

Mr. Das.—You have done well in your goods traffic, and if you apply a little bit of imagination to the passenger rates you will find a great improvement.

Sir Guthrie Russell.—There are many places where owing to motor competition our rate for passenger fares was even below 3.25 pies.

Chairman.—It is not unnatural to pay more attention to goods earnings because it is 2½ times as much as passenger earnings.

Mr. Das.—But still you must pay a little more attention to passenger traffic, because your high rates is one reason why the motor bus has started competition with you.

Sir Guthrie Russell.—You must remember that by a large reduction of passenger fares you risk a large amount of money. The North-Western Railway risked a loss of 45 lakhs, though they actually lost 2 lakhs. But that is only the gross loss. For that amount of traffic we had to run additional trains and the loss in net earnings must be considerably more.

Mr. Satyamurti.—I should like the Railway Board to tackle this problem of how to encourage people to travel and how to make travel comfortable and convenient. After all there is something in what Mr. Das says. There is a good deal of passenger traffic which can be tapped provided the Railways put their heart into it and also look at this problem of reaction of traffic to lowering of rates.

Sir Guthrie Russell.—I entirely agree, and we will make some more experiments but if we lose on them we must not be blamed.

Mr. Satyamurti.—Provided the causes are beyond your control.

Chairman.—I think we have now covered all the review ground except the actual existing and contemplated measures of retrenchment.

Sir Guthrie Russell.—At present our estimate is 3,500 surplus staff whom we are discharging. In addition to that we expect that during the next six months about 2,281 will become surplus. So 3,500 are being retrenched right away and if you also allow for the company Railways it will probably be double that figure. If you take it as Rs. 30 a head it will come to 15 lakhs a year.

Mr. Satyamurti.—Are you going to re-absorb them in the vacancies that arise ?

Sir Guthrie Russell.—No, because last time on the recommendation of the committee of inquiry we retrenched all the younger men. Now we are going to retrench on grounds of inefficiency.

Mr. Ramsay Scott.—It is better to retire some of your older men and put younger men in their places.

Sir Guthrie Russell.—The men at the top who can be retrenched will be retrenched. The most inefficient will be retrenched right down the scale.

Mr. Satyamurti.—Taking these figures how many are at the top, i.e., drawing Rs. 100 and more ?

Sir Guthrie Russell.—I could not say. We will save 16 lakhs on immediate retrenchment and we hope to save another 18 lakhs at the end of this year.

Mr. Ramsay Scott.—I find that you are now employing 22 men per mile whereas you formerly employed 19.

Sir Guthrie Russell.—No ; on the State Railways our actual figure was 23 and we are now employing 21.

Mr. Rau.—You will find the mileage given on page 4 and the staff on page 7.

Mr. Das.—Do you mean to say that your supervising staff is the barest minimum which cannot be reduced ?

Sir Guthrie Russell.—I do not think we can say that there are too many. In some cases it is too few.

Mr. Das.—After the separation of railway revenues from the general revenues in 1924 there was an extravagance of ideas. Formerly there were not so many divisions and so many divisional officers as after 1924.

Sir Guthrie Russell.—I have also inquired into that, whether the divisional system is more expensive than the district system and my final conclusion was that there was practically nothing in it and the divisional system really was not more expensive. You only get a concentration of officers in one station whereas in the district system they are scattered over 500 or 600 miles. There is no proof that the divisional system is more expensive.

Chairman.—Can we get anywhere a division of the increase in working costs since 1913-14 between wages, salaries, interest and materials? Materials you can only economise by economical use and I think there is little scope for it, and that depends on world prices. Interest has gone up a great deal but you can only economise at the expense of the taxpayer. Wages and salaries costs can be reduced either by cutting rates or by cutting the numbers or by both. Mr. Rau might look into that question as to the scope for administrative economy.

Mr. Rau.—In the comparative figures in paragraph 7 the interest and the total working expenses are shown separately for a number of years. The wages bill is given on page 6. You can find that for a certain number of years.

Sir Mohammad Yakub.—In connection with retrenchment, what will be the criterion of efficiency and who will judge it? Is there not a danger that personal favouritism and personal prejudices will have more play and certain persons will suffer?

Sir Guthrie Russell.—We are trying to avoid that. That is an admitted danger. Actually on the Great Indian Peninsula Railway, we have got a committee, and we have asked for the Bombay Government Labour Officer to be associated with it: he is entirely neutral and he will examine the reports on each man and each man will have the right of appearing before the committee: on the North-Western Railway also we have a committee of three officers. There is no labour officer in the Punjab, but we are doing our best to avoid the danger.

Sir Mohammad Yakub.—I hope you are alive to it: it is a great danger.

Sir Guthrie Russell.—I will not say it is a great danger, but we are alive to it.

Chairman.—I want a table showing some comparison between pre-war and post-war working expenses divided up into the main heads of which interest is certainly one: I want salaries and wages shown separately—I do not know what is the dividing line here between salaries and wages. Mr. Rau has given some figures of staff showing the difference between gazetted and non-gazetted: gazetted under 2,000, and non-gazetted 650,000; obviously a good portion of the non-gazetted staff are getting good salaries.

Mr. Rau.—The ordinary limit is 600 rupees—new scales Rs. 400. The maximum now is Rs. 800—some foremen on the Great Indian Peninsula and Bombay, Baroda and Central India Railways on the electric side, they are specialists brought out from Home.

Chairman.—In England you have a perfectly clear cut dividing line between salaries and wages and everybody knows what it means : people remunerated for manual labour and others.

Sir Guthrie Russell.—I think you can get gazetted staff, upper subordinates, lower subordinates and labour. I am not quite sure about the pre-war statistics : we have got some statistics but they are not exactly the same as present day statistics, but we will look it up and see what we can get.

Prof. Ranga.—As regards these 114,000 people who have been retrenched, I would like to have some definite information in regard to those scales by which Sir James wants this staff : then only we will be in a position to say how far we can justly insist upon retrenchment of different grades of these employees.

Sir Guthrie Russell.—The only criterion is whether the staff are required for the working of the Railway or not.

Prof. Ranga.—I agree : the question of justice does not arise in regard to yourself, but it does in regard to others. I would like to have information from you as regards that. Next, Sir George Rainy, when he was Commerece Member gave certain figures about staff who were paid Rs. 100 and less in his budget speech. I would like you to look them up. Again one section of your staff are not paid pension or provident fund—the wage earners.

Sir Guthrie Russell.—Generally speaking, every one who draws more than Rs. 30 a month gets provident fund : for workshop staff below Rs. 30 it is optional whether they subscribe to the provident fund or not : ordinarily a labourer does not get the provident fund, but he gets gratuity of half a month's pay for every year of service.

Prof. Ranga.—I would like to have that division.

Sir Guthrie Russell.—We will see if we can do it.

Chairman.—I would like to have my information first : he wants a much narrower sub-division : if you can give him the information, do. But if it means a great deal of research, I want mine first.

Mr. Ramsay Scott.—Why do not these figures in the statement just supplied agree with the figures in the pink book ? None of them are correct—numbers or the amounts. Surely about 1929-30 there can be no argument about the figures.

Mr. Rau.—As regards 1934-35, the figures seem to be correct.

Mr. Satyamurti.—Could you give us the figures you promised yesterday as regards likely savings if we were to impose a cut on salaries ?

Mr. Rau.—If we go on the figures supplied to the Retrenchment Committee in 1931-32, the wages of people getting Rs. 30 and under amounted to Rs. 8 crores : between Rs. 31 and 50 amounted to 6 crores ; between

Rs. 51 and 100, Rs. 8 crores ; between Rs. 101 and 500 to Rs. 7 crores ; between Rs. 501 and 1,000 to Rs. 1½ crores ; between Rs. 1,001 and 2,000 to Rs. 1½ crores ; and Rs. 2,001 and above to Rs. ½ crore—or a total of 52 crores.

Mr. Satyamurti.—Now it is 35 crores.

Mr. Rau.—It includes all sorts of allowances. Now, if you omit the first category below Rs. 30 and work out a scheme as follows :

Between 31 and 100	cut of 5 per cent.
Between 101 and 500	cut of 10 per cent.
Between 501 and 1,000	cut of 15 per cent.
Between 1,001 and 2,000	cut of 20 per cent.
Rs. 2,001 and above	cut of 25 per cent.,

that gives you roughly Rs. 195 lakhs or 2 crores.

Mr. Das.—The Finance Member will have to consider the allowances to the higher staff ; the Railway Board has no power over it.

Mr. Rau.—If we raise the lowest limit to Rs. 50 and have the same cuts as above, that gives Rs. 165 lakhs.

Chairman.—Assuming everything is settled in favour of the Railways, how far short are they still of solvency ?

Mr. Satyamurti.—I only want to ask this of the Chief Commissioner. You do not believe in writing down of the capital ? You have heard of it frequently.

Sir Guthrie Russell.—I do not believe in it.

Mr. Satyamurti.—It makes no difference : it means transferring it from one pocket to another.

Chairman.—Mr. Rau has calculated all these concessions : some of them will have to go out at once. About these concessions to Tata's and the rebate on export of coal from Calcutta, do you count them as concessions or as commercial good business ?

Mr. Satyamurti.—I would like to hear from the Chief Commissioner.

Sir Guthrie Russell.—The rebate on coal is commercially good business though a concession : I would not cut it out straightaway. As regards Tata's I do not think it is a commercial concession : I do not think it is necessary. Originally it might have been. To-day we could get more out of them ; there is no doubt about it.

Chairman.—The loss of revenue thrown upon the Railways comes to a maximum figure of Rs. 4 crores : on the present basis Mr. Rau's paragraph 121 puts on an ideal basis the deficit at 10½ to 11 crores.

Mr. Satyamurti.—On a proper basis, I should say.

Chairman.—Mr. Rau gave us some figure for improvement in receipts.

Mr. Rau.—One crore net per year : and you can take ½ crore in addition for interest.

Chairman.—On the one side we have got 11 : on the other side we have now got 4 plus 1 plus $\frac{1}{2}$ plus $\frac{1}{2}$ under Burma separation. What other possible savings are there automatically, apart from retrenchment ?

Mr. Rau.—I would say there is very little to be got from the introduction of the present scales for three years at least to come : you may get some small benefits after five years : in the first few years the increments will cancel out the possible reductions. At the end of thirty years or more, when the new scales are completely introduced the saving will be 3 crores. The contracts with Tata's for electric energy to the Great Indian Peninsula and Bombay, Baroda and Central India Railways will expire in 4 years and we will get 25 lakhs after that.

Chairman.—Have you any other reductions which you can count on absolutely ? Interest is not cumulative.

Mr. Rau.—Probably the best thing is to take the position three years hence : thus we will have about 4 crores by increase in earnings and reduction of interest. As against that we have to take into account the interest we may have to pay on fresh capital.

Sir Guthrie Russell.—This year our net earnings as regards receipts went up by 45 lakhs and our working expenses came down by 57 lakhs.

Chairman.—But that is obviously *post* and not *propter*. I think personally an increase of one crore net is excessive : I am prepared to give 75 per cent. : that makes it $2\frac{1}{2}$ crores for three years. Adding the 4 crores we took for all concessions and $\frac{1}{2}$ crore in interest, the betterment at the end of three years will be Rs. 6 $\frac{1}{2}$ crores and that means that you are still Rs. 3 $\frac{1}{2}$ crores down. There ought to be a very definite programme of writing off.

Mr. Satyamurti.—I want to make it quite clear that the Railways will never be really solvent until they produce the extra 4 crores also. We ought to put it in our Report. If you want to work on a commercial basis, I am perfectly willing, I am prepared to give you credit of 4 crores, but produce the other 4 crores.

Chairman.—Mr. Satyamurti wants now to present you with the task of producing a betterment which must come largely from reductions of expenditure, he wants you to produce by the end of 3 years from now a betterment of 3 to 4 crores on a definite yearly programme.

Sir Guthrie Russell.—This ideal scheme is followed in no other Railway in the world, and no Railway in the world would possibly be able to do it unless something drastic is done. If the world depression disappears, and there does not seem to be any signs of it,—you will probably be able to get 5 crores straightaway. You cannot reduce your staff,—of course you can get minor reductions by reducing the staff. Therefore, the only one thing to do is to reduce your pay. If the Government of India definitely decide to do that, that is another matter.

Mr. Satyamurti.—Mr. Rau has produced two sets of schemes.

Sir Guthrie Russell.—Neither gives you what you want.

Mr. Satyamurti.—I want you, Sir Guthrie, to consider both these schemes and give us your own suggestions. You can reduce your wages and give us half of what we want or reduce the higher paid staff.

Sir Guthrie Russell.—It is quite possible by this method you may get 1½ crores or so, but that is not going to be anything like net, and you will be creating terrible dissatisfaction throughout the Railways of India.

Mr. Satyamurti.—Sir Guthrie, either you must admit that you are a commercial department or you are not ; you must stand the cuts which any department that runs commercially must stand.

Sir Guthrie Russell.—Supposing the Railways began to earn profits, what happens ?

Mr. Satyamurti.—I give you a promise that when the Railways do make a profit and pay these 4 crores, I will then consider an increase of salaries, I will give them a vote in advance, but that won't happen for another 15 years. Supposing you were the director of a company, what would you do ? Now tell us frankly what you would recommend should be done in this case ?

Sir Guthrie Russell.—I certainly would not make proposals like those you make. The British Railways have restored the 2½ per cent. cut. There has never been in the history of any commercial concern cuts of that description. These cuts may seem to work well on paper, but they will create terrific dissatisfaction and you will get terrible trouble on your Railways by the superior staff joining with the subordinate staff.

Mr. Satyamurti.—Therefore, according to you, we have got to run the Railways at the sweet will of your staff. That shows that you have got such an undisciplined staff that if we slightly reduce their wages, they will rebel. Is that what you mean ? Let them rebel, we will fight them.

Sir Guthrie Russell.—I am telling you exactly what will happen.

Mr. Satyamurti.—That shows that your Railways ought to be managed with the maximum of discipline. Every Government in the world has got cuts and we are having it not for the mere love of it,

Chairman.—There is one very material difference between the British Railways and Indian Railways, and that is, the ordinary shareholder takes his chance, and the burden of bad times falls on his shoulders. We have not got the ordinary shareholders out here, we have got all debentures, the State is a debenture holder here. That is the difference.

Capt. Sher Md. Khan.—Dissatisfaction there will be if you put the scheme of reducing wages or retrenchment into effect, but you have to work your Railways on a commercial basis. Either you will have to appoint a Committee or do something to cut down wages.

Mr. Satyamurti.—I do ask Sir Guthrie Russell's help in this matter, I do want him to tell us how he can help us in making these 4 crores. Give me some scheme.

Mr. Ramsay Scott.—The Government of India expect 6 per cent., while the Railways only make 3½ per cent.

Chairman.—It is no good your saying so. It is no good saying that Railways are a public utility service. If the process of paying for it is to be adopted, then the whole structure of Indian finance, provincial and central, will come down.

Prof. Ranga.—Public utility services have got to be maintained at any cost.

Chairman.—They can obviously be maintained on the basis you want only by increasing taxation, either in the provinces or in the centre.

Prof. Ranga.—I am certainly prepared to agree to any feasible scheme by which you can cut down your expenditure, but supposing you come to an irreducible minimum and you find yourself even there with a deficit, then what will happen? Either you will have to liquidate the whole thing and hand over these Railways to companies or you have to give up the idea of having any railways at all. I suppose you want to hand over the Railways to companies, and we are not prepared for it.

Chairman.—If you cannot make the Railways solvent, then you have got to subsidise them from some source or other. All I say is, if they have got to be subsidised to any material extent from the Centre, then it means either a considerable increase in taxation or the Provinces will not get the grants.

Mr. Ramsay Scott.—The Railways now make about 3½ per cent. on the total capital.

Chairman.—They are not paying any debenture interest.

Mr. Ramsay Scott.—No commercial concern of any standing would borrow all its money at the rate of 5 per cent. for debentures and you take the risk. I consider 3½ per cent. on their total capital is a very good earning under present conditions.

Chairman.—That is perfectly irrelevant from the point of view of the present position. The Railways in India had up till 1929 made a very big profit. What we are after is, is it reasonably practicable to ask,—that is all that the Committee can do,—that solvency should be produced in any particular way? If the Committee or the Government comes to the conclusion after considering the demand of the Committee that that standard of solvency is not conceivable, then the whole basis of the Government of India Act is a false one. That is the issue before us. I am certainly not going to join in any recommendation of specific measures. I do feel inclined to suggest that the Committee should recommend to Government that a certain measure of betterment in the railway position ought to be aimed at at the end of three years.

Sir Guthrie Russell.—We are taking a conservative view, and we may be stating a case worse than it may be. I mean, if there is a general rise in the price of our commodities, we can easily get 3 or 4 crores within a short time.

Chairman.—Incidentally, if you do get a general rise in prices, the other side of the picture comes in immediately, you will be perfectly entitled to increase the freights and fares.

Sir Guthrie Russell.—Freights should be raised in a boom time. Last time they were reduced. If rates and fares had not been reduced, people would have got accustomed to those rates. That is another loss, say about 5 crores, for which the Railways are not responsible.

Chairman.—If the freights had not been reduced, probably you would have had 10 or 15 crores in your reserves?

Sir Guthrie Russell.—Yes.

Mr. Satyamurti.—There are several items in Mr. Pope's Report which have not been touched on. I want to know if you are looking into that.

Sir Guthrie Russell.—I believe you refer to the question of the amalgamation of the Railways. That cannot happen for some time.

Mr. Satyamurti.—May I know if the Government have any decided policy with regard to amalgamation of some of these Railways like the Bombay, Baroda and Central India and the Great Indian Peninsula.

Sir Guthrie Russell.—We have considered the possibility of amalgamating the Great Indian Peninsula and Bombay, Baroda and Central India Railways when the Bombay, Baroda and Central India contract falls in. It is fairly easy to estimate what paper economies there will be, but these may not be realised in practice, as the larger the system the more difficult is control. This is one of the reasons why the smaller systems show in many cases apparently better returns than the larger systems.

Chairman.—If you have got two Railways, one which is a State Railway and the other a company-managed Railway, as a preliminary to amalgamating them, the State has got to acquire the company Railway.

Mr. Satyamurti.—There is no doubt that the working expenses of these Railways have increased directly they have come under the State. The wages bill on the East Indian Railway has mounted up very much considering the earlier profits they used to make.

Sir Guthrie Russell.—The wages on the company-managed Railways also have gone up. On the Eastern Bengal Railway the wages Bill since 1913-14 is three times higher, Bengal Nagpur is three times higher, Bombay, Baroda and Central India Railway $2\frac{1}{2}$ times, Burma has gone up just over twice. East Indian Railway has gone up by about $2\frac{1}{2}$. Eastern Bengal Railway is $2\frac{1}{2}$, Great Indian Peninsula is just over $2\frac{1}{4}$. Bengal and North-Western Railway is just over two.

Chairman.—Bengal and North-Western Railway ?

Sir Guthrie Russell.—47 lakhs to a crore.

Mr. Satyamurti.—That is usually taken as the standing example.

Sir Guthrie Russell.—I may say this that company-managed Railways are more efficient than State-managed Railways.

Mr. Satyamurti.—I want facts from you to prove it. I can tell you that the State-managed Railways are more courteous and more polite than company-managed Railways.

The Committee then adjourned till 2-30 p.m.

Evidence taken at the sixth meeting of the Public Accounts Committee held on Tuesday, the 21st July 1936, at 2-30 p.m.

PRESENT :

The Honourable Sir JAMES GRIGG, K.C.B., K.C.S.I.,
Finance Member, *Chairman*.

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Maulvi Sir MUHAMMAD YAKUB, Kt., M.L.A.

Captain SHEER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A. } *Members.*

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Raj Bahadur Sir SATYACHARAN MUKHERJEE,
Kt., C.I.E., M.L.A.

Khan Bahadur Shaikh FAZI-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General. } *Were also present.*

Mr. B. N. MITRA, Director of Railway Audit.

The Honourable Sir GUTHRIE RUSSELL, Kt.,
Chief Commissioner, Railways.

Mr. P. R. RAU, Financial Commissioner, Railways.

Mr. V. S. SUNDARAM, Controller, Railway Accounts. } *Witnesses.*

Khan Bahadur BARKAT ALI, Director of Finance.

Mr. Satyamurti.—Last year we put in in our Report a number of flamboyant things and hoped that something would stir even in Delhi and Simla. On page 6 of our Report we said :

“ We think therefore that it is vitally necessary that the Railway Board should conduct an exhaustive review of their freights and fares policy and should consider every possible means of increasing their revenue. Apart from what is normally understood by reviewing freight policy, we urge that they should press on with their consideration of the steps required to meet road competition. We do not at all intend to imply that the expenditure side should be neglected. We are most reluctant to accept the Railway Board's estimate of the possible further economies and we think that the search for them must be relentlessly pursued ”.

May I know the results of this relentless pursuit of retrenchment and also whether every possible effort has been made to increase the revenue ?

Sir Guthrie Russell.—As a result of the Public Accounts Committee meetings and also of the Conference of Agents (I think it was in July last year) every Railway was asked to send in a stock taking report detailing the possible increase expected through an increase in freights and fares and also what savings could be made. The Indian Railway Conference Association were asked to put up proposals for increasing the freights and for changing the classification. Certain number of increases have been sanctioned and actually at the present moment three hundred changes in classification are under consideration.

Mr. Satyamurti.—Has anything else been done to increase the revenue ?

Sir Guthrie Russell.—These alterations should bring us in about a crore of rupees. As I said this morning, I am rather chary of putting very heavy increases on freights at the present moment.

Mr. Satyamurti.—Is this all that has been done ?

Sir Guthrie Russell.—We have considered every aspect of this matter and we are doing everything possible. The only way of increasing the gross revenue is to increase freights or to reduce freights in the hope of getting more traffic. Actually we are considering a proposal for a reduction at the moment.

Mr. Satyamurti.—Has any action been taken ?

Sir Guthrie Russell.—We have actually increased the rates in the case of a certain number of commodities. I think it was in April or May. If you take last year, you will find that we have got an increase of 45 lakhs with a decrease in working expenses.

Mr. Satyamurti.—I want to know whether in pursuance of the report of this Committee anything has been done by the Railway Board ?

Sir Guthrie Russell.—Take for instance the case of coal. There the saving is entirely fortuitous. The Railway Board cannot claim any credit for it. We have taken every possible step for the economic use of coal and coal is one of our biggest items. I have got statistics here. It is not a question of audit control. These statistics are published every month and they are scrutinized in the Railway Board's Office.

Mr. Satyamurti.—I want to know whether consciously the Railway Board did anything last year in the matter of retrenchment and if so, what are the results.

Sir Guthrie Russell.—We have got at present a scheme for retrenching 4,000 men.

Prof. Ranga.—I find that eight items have been mentioned by Pope for effecting economies in the Railways. You do not say what action has been taken in that direction ?

Sir Guthrie Russell.—Take for example the intensive use of locomotives. Take the case of the Great Indian Peninsula Railway with which I am familiar. There, they are taking every step to secure the intensive use of locomotive power.

Mr. Satyamurti.—Do other Railways come into line ?

Sir Guthrie Russell.—Yes. Every Railway is doing it now.

Mr. Satyamurti.—What is the machinery to test whether the job is being done properly ?

Sir Guthrie Russell.—The Chief Mechanical Engineer.

Mr. Satyamurti.—How do you check it ?

Sir Guthrie Russell.—We get returns of the operating expenses.

Chairman.—Your control only arises when you find from the statistics that a particular Railway is not doing its job properly ?

Sir Guthrie Russell.—That is so.

Mr. Satyamurti.—That means that you shut the stable after the horse has been stolen ?

Sir Guthrie Russell.—No. We get these statistics every month.

Mr. Satyamurti.—What is the test you adopt to find out whether the Railways are doing their job properly or not ?

Sir Guthrie Russell.—We check the engine usage figures.

Chairman.—This subject is reviewed in connection with their wagon programme. I know that at my suggestion the Chief Commissioner went into the question to what extent it is cheaper to repair the wagons or to produce new ones.

Sir Guthrie Russell.—Actually in recent years our engine usage figures had shown an improvement. In the past our policy was to provide engines which could draw the heaviest load for the longest distance. With the appearance of a competitor in the shape of motor transport it will be necessary for us to change our method of operation and run lighter and faster trains. This obviously is not quite so economical a method of operation, but it will require to be faced. We have still got a large number of heavy locomotives, but these can still be utilized on heavy mineral traffic, and if we have to make a change this is the time to do it. Actually we are placing before the Standing Finance Committee proposals to buy 16 new locomotives of four new types, which, we hope, will meet the changing needs of traffic.

Mr. Satyamurti.—Is there any machinery which looks into these matters and sees that these locomotives are put to the best possible use ? Have you got any standard tests ?

Sir Guthrie Russell.—We got certain operating statistics from British Railways. I worked out the operating efficiency on the Indian Railways and in every case we were better. It is not of course quite a fair comparison. In some respects they get some advantages and disadvantages. In other respects we get some advantages and disadvantages.

Chairman.—There cannot be in the very nature of things accurate and absolute standards but what you have got to see is that there is a steady improvement.

Sir Guthrie Russell.—I have not got the figures with me but at one time we published a series of statistics showing the operating expenses on each Railway and we underlined the best. That cheers the staff up and shows other Railways what they can do.

Mr. Satyamurti.—What is done about uneconomical wagons ?

Sir Guthrie Russell.—That is reviewed every year and we consider whether it is worth while to keep a wagon in service by reconditioning it. We assess how much it costs to repair it and whether it is worth while taking up the repairs. We have in all got 20,000 so called uneconomical wagons and we scrap about 2,000 a year. If you keep uneconomical wagons, they cost more to maintain. A 22-ton wagon is much more economical than a 16-ton wagon. In some cases it is cheaper to go in for a new wagon than to recondition an old wagon.

Mr. Rau.—If we recondition a wagon, we get about 16 years life and we spend about Rs. 1,000 on each. Buying a new wagon may cost us from Rs. 3,000 to Rs. 4,000.

Sir Guthrie Russell.—The whole question is reviewed every year by us and also by the Indian Railway Conference Association. The Railway Board deal with this matter themselves along with the Finance Member who, if I may say so, is very critical.

Mr. Satyamurti.—Cannot you combine all resources ?

Sir Guthrie Russell.—Yes, we do. One Railway, for instance, wants half a dozen locomotives. Before we agree to the purchase, we go round and take the locomotives stock for every other Railway. We interchange locomotives. The same thing is done with stores.

Chairman.—You still have a large number of different types of wagons and locomotives handed over from the time when the Railways were company-managed ? Is the reduction of types a continuous process ?

Sir Guthrie Russell.—Yes, but the South Indian Railway want lower capacity wagons than the standard types. We however do not agree. Every other Railway has fallen in, so in about 25 years' time there will be a standard equipment on all Indian Railways.

Mr. Satyamurti.—In presenting the budget to the Assembly, do you make allowance for this combination of resources, cutting down the figures ?

Sir Guthrie Russell.—Yes. Our budget programme depends upon the adjustments between the locomotives on the different Railways.

Prof. Ranga.—What are the losses sustained by the Railways in maintaining these uneconomical wagons ?

Sir Guthrie Russell.—It may pay you because you have got to pay interest on a new wagon plus depreciation and off-set that against the additional cost of repairs.

Chairman.—But if it will pay you better to buy a new one, you will scrap it ?

Sir Guthrie Russell.—Yes. When a wagon reaches its age-limit, it is scrapped, but these are wagons which have not reached their age-limit. We do need these 20,000 wagons during the peak traffic in January and February.

Mr. Satyamurti.—What is the maximum number of wagons you ever used ?

Sir Guthrie Russell.—This year there were two thousand in excess.

Mr. Rau.—About ten or twelve thousand are in course of repair.

Sir Guthrie Russell.—Last year it was down at one time to a very narrow margin.

Mr. Satyamurti.—Page 8, what is the position here ?

Sir Guthrie Russell.—In the old days they had a great many transhipment stations and stores were transhipped at these stations taking twenty-four hours. Now we make up wagons which will go much longer distances. The North Western Railway have done a lot in that way.

Mr. Satyamurti.—We may have a statement in the Administration Report showing the progress of the experiment year after year.

Sir Guthrie Russell.—Yes.

Chairman.—We do in point of fact tend to go rather more closely into your Report than the Administration Report.

Sir Guthrie Russell.—I shall send you some minutes showing what has been done by the Railways ; the minutes of that meeting will give you a lot of the information you want.

Mr. Ramsay Scott.—Have you had many experiments with Diesel locomotives ?

Sir Guthrie Russell.—The two on the North-Western Railway are so far not very successful. There is a limited value for heavy Diesel locomotives.

Mr. Ramsay Scott.—In England these Diesel engines seem to have helped a lot in the road-rail traffic ?

Prof. Ranga.—What is the special advantage of a Diesel engine ?

Sir Guthrie Russell.—Diesel cars are cheaper and more elastic in operation. The Diesel rail car on the Kalka-Simla Railway has been successful. Its cost, speaking from memory, about Rs. 75,000, but the running cost is considerably less than that of a petrol car. The cost of fuel for the double trip works out at about Rs. 5 as against Rs. 29 in the case of petrol cars.

Prof. Ranga.—In some cases Railways themselves are plying buses ?

Sir Guthrie Russell.—If motor transport was put on a proper footing and was run economically, then it might pay us in certain places.

Mr. Das.—I suggest we cannot interfere with Provincial Governments' powers ; this is a provincial subject.

Mr. Satyamurti.—It does seem to me to be rather strange that this pamphlet.....

Sir Guthrie Russell.—It has nothing to do with the Public Accounts Committee, it was published for the Transport Advisory Council.

Mr. Satyamurti.—What will be the effect of this paragraph on your own subordinates ? Take page 3 : You say, " everything possible consistent with safety and efficiency, etc. " " Possible " is a very big word.

Prof. Ranga.—What is the monthly value of all the concessions to railway servants and Government servants and military concessions ?

Chairman.—Concessions to military personnel, not to goods traffic.

Sir Guthrie Russell.—Barring railway staff, I do not think we now grant more than five periodical passes.

Chairman.—As far as you are concerned, the Railways are fully paid for that ; it is only the Government of India which suffers ?

Mr. Satyamurti.—We want a statement showing the cost of making a saloon, the interest and depreciation on these saloons, the cost of maintaining them, the cost of stabling them and the cost of hauling them, and then, how much do you get out of the Government. Also on the saloons, you get from the Government the full fare as you would charge to a private individual ?

Sir Guthrie Russell.—We get half fare.

Mr. Satyamurti.—We want a statement showing how many saloons you maintain, what is their capital cost, what is the depreciation, maintenance and stabling cost, what is the railway room they take, for the whole of India, in the case of all saloons maintained by Railways.

Sir Guthrie Russell.—The cost of the big saloons is now about Rs. 75,000. The smaller ones cost about Rs. 20,000.

Prof. Ranga.—There are 89 coaches specially kept for military purposes. How much do they cost ?

Sir Guthrie Russell.—Those on the Great Indian Peninsula Railway were built in 1917, and they then cost about Rs. 80,000.

Chairman.—The Government of India I understand pays you interest on repairs and maintenance ?

Sir Guthrie Russell.—We are a commercial department ; I think we have taken over all the capital.

Chairman.—The Railway Board does in effect get full commercial rates for the Government of India's saloons. My original contention was right that though it might be extremely extravagant for the Government of India, there is no injury to the Railways.

Mr. Satyamurti.—We want a statement showing the actual cost of the saloons,—cost of construction, maintenance, depreciation, stabling, haulage, everything possible.

Chairman.—In the information Mr. Satyamurti has called for, the Railways get no payment from the Government of India for their own saloons.

Mr. Rau.—We must separate Government saloons from railway saloons.

Sir Guthrie Russell.—Conditions in India are entirely different ; they are the same as for instance on the Egyptian and the African railways, and the procedure is exactly the same.

Chairman.—Mr. Satyamurti can raise the question so far as the Government of India are concerned on vote No. 28.

Mr. Satyamurti.—What is the value of other concessions apart from saloons for their officials ?

Sir Guthrie Russell.—We have made a calculation of the average number of passes a railway servant gets.

Mr. Satyamurti.—We want the total number of railway passes issued free every year.

Prof. Ranga.—I also want the number of special coaches and also the kind of officers who are allowed to make use of them.

Mr. Satyamurti.—And the numbers for those officers who do not get saloons.

Captain Sher Mohammad Khan.—Do they get travelling allowance also ?

Mr. Rau.—They get a daily allowance.

Captain Sher Mohammad Khan.—There is no limit of mileage ?

Mr. Rau.—No.

Prof. Ranga.—What about junior military officers going first-class ? Are these concessions in the interest of the Government of India or of the Railways ?

Sir Guthrie Russell.—These concessions are made in the interest of the Railways because they would not otherwise travel.

Mr. Satyamurti.—That argument can be over-worked.

Sir Guthrie Russell.—In England even a Lieutenant-General can travel at half fare.

Chairman.—Military officers are not able to use excursion facilities or cheap return tickets owing to the fact that they get their leave only at special times, so that it is a commercial proposition and is much the same as excursion traffic for the ordinary public.

Mr. Satyamurti.—Because of this concession, you are making money which you would not otherwise make ?

Chairman.—The rank and file as opposed to officers is mainly Indian personnel and people who might be stationed in Quetta and live in the Punjab.

Captain Sher Mohammad Khan.—The Indian rank and file get return ticket on payment of a single fare. The Indian rank and file travel on warrant if their homes are 800 miles away from their regiments.

Mr. Rau.—Those are not railway concessions.

Mr. Satyamurti.—Why do you give them these concessions ? What is the railway policy behind it ?

Sir Guthrie Russell.—It pays us. These people could not possibly travel long distances if they did not get concessions.

Mr. Satyamurti.—Then there is a case for general reduction of fares because thereby you will increase your traffic.

Sir Guthrie Russell.—On the North-Western Railway we did increase our traffic by 13 per cent.

Mr. Satyamurti.—Then it is a claim in favour of the general lowering of rates. But why do you make a distinction between men and men ?

Sir Guthrie Russell.—It is in the Company contracts from time immemorial that the army personnel should get a concession.

Mr. Satyamurti.—When we were being conquered we were told that these army fellows were much superior to us. But those days are now gone.

Sir Guthrie Russell.—The army people also get concessions in Great Britain.

Chairman.—Is there any other way of checking this except by stopping the concession for six months and then watching the fall in the traffic ?

Sir Guthrie Russell.—We would not know who those persons were. How will you differentiate ?

Prof. Ranga.—These army officers purchase a second class ticket and you allow them to travel first class ?

Sir Guthrie Russell.—Take an army officer who is a Captain in the army. He is going on leave and he gets a concession. But there is no concession for his wife. What happens is that the Captain travels by first class and his wife also travels first class. If there was no concession the wife would travel second class.

Mr. Satyamurti.—What is the gain that you make ?

Sir Guthrie Russell.—It is a gain but we will try and get you the figures.

Sir Mohammad Yakub.—Sometimes you run special trains for the children of railway officers when they go to their schools ?

Sir Guthrie Russell.—If there were 200 children going from one place to another particular place, it would certainly be a paying proposition to run a special train for them. Besides, it would not be easy to find accommodation for them in the ordinary train.

Sir Mohammad Yakub.—But we have also got our Universities and thousands of our students leave their Universities when the colleges are closed and yet they have to travel by ordinary trains as ordinary passengers ?

Sir Guthrie Russell.—All school children throughout India get concessions.

Sir Mohammad Yakub.—But no special carriages are attached for them ?

Sir Guthrie Russell.—If any school can produce 200 children destined for one particular place, we will give them a special train.

Mr. Rau.—But the point is that they all must be going to the same place. We give special concessions for groups of 25 even if they go on excursions.

Prof. Ranga.—But you do not run special trains for them ?

Sir Guthrie Russell.—You produce 200 students to go from one place to another and we will give you a special train.

Chairman.—Are you going to do that for his Kisan ? (Laughter.)

Prof. Ranga.—What about abolishing one of these classes ?

Chairman.—I have a recollection that on one Railway you have considered the amalgamation of these two classes.

Sir Guthrie Russell.—The Assam Bengal Railway are considering the abolition of first class except on mails and expresses.

Prof. Ranga.—You have chosen a very bad time. Why don't you do it on North-Western Railway or some other Railway.

Chairman.—Let us now proceed to Item No. 4—the Railway Codes.

Mr. Satyamurti.—Sir Ernest Burdon gave me this morning a list of 36 codes which he says are incapable of revision.

Sir Ernest Burdon.—They are capable of abolition.

Sir Guthrie Russell.—There is a man on special duty in my office for this very work and we are thinking of putting another man on special duty.

Mr. Satyamurti.—Have you seen the list ?

Sir Ernest Burdon.—Mr. P. R. Rau is very familiar with all these books.

Mr. Rau.—An officer has been put on special duty. The first task is, as I explained yesterday, to get the codes into proper shape. After that the officer on special duty will try to find out whether any simplification is possible and finally issue them. We expect to finish them in six months.

Mr. Satyamurti.—How many codes are there ?

Mr. Rau.—There is the Engineering Code ; there is the Open Line Code. Then the Fundamental Rules apply to railways as well as to the civil departments. Then there is the Railway Audit Code. There is also the Railway Accounts Code, which has only recently been issued and I do not think it is capable of any revision. Then there are the Provident Fund Rules, which we are going to consolidate now.

Mr. Satyamurti.—These codes are merely executive orders. Is there any magic in increasing their number ?

Sir Guthrie Russell.—The magic would be in decreasing their number.

Mr. Satyamurti.—Then why don't you do it ?

Mr. Rau.—That is what we are trying to do.

Mr. Satyamurti.—I am glad to hear that. I am sure this list of 36 codes can drive any man mad. Shall we now go to the collieries. The first question is the question of the rebate from Calcutta. That is a commercial proposition.

Sir Guthrie Russell.—The rebate on coal from Calcutta was originally granted to encourage the export of coal from Calcutta to foreign ports. It was originally 25 per cent. off the freight, but this was subsequently increased to 37½ per cent. If we withdraw the rebate on coal exported to foreign ports there is one thing certain, and that is that India will not export one ton of coal. At present India exports about 150,000 tons of coal to Ceylon, Singapore and other places. As, however, no differentiation was made between coal destined for foreign ports and Indian coastal ports the latter have got the benefit of the rebate. We are at present considering whether it would not be possible to withdraw the rebate for at least certain specified Indian ports.

Prof. Ranga.—What is the cost of this coal ?

Mr. Rau.—On the average you can take it at Rs. 3 a ton and the rebate is Re. 1-5-0 per ton.

Mr. Satyamurti.—What is the net cost of this concession ?

Sir Guthrie Russell.—If the traffic remains as it is, we would get 36 lakhs more. Even if they reduce the traffic down to 40 per cent. of the present traffic, we will still get the same gross earnings.

Mr. Satyamurti.—Your considered opinion is that on this rebate the Railways lose nothing ?

Sir Guthrie Russell.—Yes ; because if you reduce the output by a million tons, you lose a lot of return traffic, such as stores and there is a distinct effect on the general prosperity of the country.

Mr. Das.—Is not this 45 per cent. rebate a sort of subsidy to the shipping companies ? I am particularly referring to the Bengal Nagpur Railway which is losing traffic. The coal is going by steamers and the steamers are charging these Railway companies certain freight.

Sir Guthrie Russell.—What happens is this. Some amount of coal is brought from South Africa by certain shipping companies. In fact, the margin between the South African coal and the Indian coal is very small.

Mr. Rau.—I particularly wish to refer to Madras. The coal that is going from Calcutta to Madras could have been supplied by the collieries situated in the Central Provinces and in Orissa. I believe the Railway Board ought to pay more attention to the supply of Talchar coal ?

Sir Guthrie Russell.—Is Talchar in Orissa ?

Mr. Das.—Yes. I am thinking of Central Provinces and Talchar both. Will you please consider this point ? It does need examination.

Sir Guthrie Russell.—The only possible way for the Talchar coal to get to Madras is to give it a rebate.

Mr. Das.—It is better to give rebate to a colliery than to give a subsidy to Indian Shipping Companies. Will you please examine that point ?

Sir Guthrie Russell.—I will.

Mr. Satyamurti.—The net result is that there is no loss to the Railway on this rebate.

Chairman.—Do I understand that it is the considered view of the Railway Board that unless prices show an upward tendency, it is not in fact going to pay to increase the output of coal from the collieries ?

Mr. Das.—I am satisfied that the railway collieries are not working economically.

Mr. Satyamurti.—I am surprised that the Railway Board have gone over to the other side.

Mr. Rau.—This is a question which requires to be examined every year.

Mr. Satyamurti.—On the whole this is a document which the Indian Mining Federation would have produced. As a matter of fact, I have in my possession a document from the Indian Mining Federation which does not differ from the document produced by the Railway Board.

Chairman.—As this has been mentioned in last year's Report, it will have to be mentioned this year also, namely the opinion of the Railway Board that expansion of output would not benefit the Railways at the present rate of development.

Mr. Ramsay Scott.—It will do a lot of harm.

Chairman.—I think we ought as a Committee to add that should any change of circumstances occur in that direction, the matter ought to be watched.

Mr. Satyamurti.—The matter must be continuously examined.

Mr. Rau.—We are forbidden to sell slack coal. That is really an important question and if the Committee would come to the conclusion that we ought not to be bound down by a self-denying ordinance, it would help us. It is often a source of danger for us to stock slack coal.

Mr. Satyamurti.—What is the origin of this restriction on sale of slack coal ?

Sir Guthrie Russell.—It is due to a promise made by a previous Commerce Member on the floor of the Assembly.

Chairman.—I must say that for a Government to make promises which prevent its running its own concern on a commercial basis is really extraordinary as a matter of general principle. I quite understand that vested interests have grown up. However I am content to wait for a better opportunity for extending the colliery outputs. But I do suggest that the Committee should recommend that the Railway Board should be relieved of its obligation not to sell their slack coal because not only do they not get the value for slack coal, but it is extremely dangerous to store the slack coal near their collieries.

Mr. Satyamurti.—Is there any commercial reason why they should not sell slack coal ?

Mr. Rau.—It was probably based on the principle that Government should not interfere with the interests of private collieries.

Mr. Satyamurti.—Then hand over all these railway collieries to private companies altogether. I think this question of Railways not being allowed to sell their slack coal should be severely commented upon by the Public Accounts Committee in spite of my friends, Mr. Ramsay Scott and Mr. Das.

Mr. Das.—Do not come to quick conclusions, because in life we have to change rash conclusions that we come to.

Chairman.—Whatever may be the interests of outsiders, I think a restriction like the present one of compelling the railway collieries to keep lying idle their slack coal is extremely dangerous and I am against it.

Mr. Satyamurti.—Can Mr. Rau tell us any further commercial reasons for this self-denying ordinance ?

Sir Guthrie Russell.—The commercial community object to the Railways having any coal mines of their own at all. When they could not avoid that, then the commercial community raised the question of the sale of slack coal. They say that private coal interests are ruined. It was Sir George Rainy who promised that railway collieries would not sell slack.

Mr. Satyamurti.—What is the loss to Government ?

Mr. Ramsay Scott.—Probably in those days the engines were using coal mixed with sand.

Mr. Das.—I will just tell Mr. Satyamurti that we should not come to hasty and quick conclusions. I know of a certain Railway which started developing a new colliery and they brought a European staff to work this colliery. I am referring to Talchar. There were very few Indian shareholders. It is no use our saying that railway collieries are running at a loss and that private collieries are making profits.

Mr. Satyamurti.—They have yielded to you in that matter.

Mr. Das.—One lakh was spent by the Bengal Nagpur Railway.

Mr. Satyamurti.—Can my friend Mr. Das tell me why the Railways should not sell slack ?

Mr. Das.—That is for the Government of India to say. They will consult commercial bodies and ask them what they think of their present policy.

Chairman.—We, as a Public Accounts Committee, are quite definitely of opinion that it is against the interests of the Government that the Railways should be prohibited from selling their slack.

Mr. Satyamurti.—We are pretty sure that the Government will consult commercial opinion, but this Committee can say that this self-denying ordinance is not in the interest of the Railways.

Sir Guthrie Russell.—What is the use of consulting commercial opinion when you already know their opinion. They are very definitely of the opinion that Railways should not sell slack.

Chairman.—The other thing is that you can retrace your steps from that promise given to vested interests when we are all agreed that by storing slack you are incurring great danger to lives all round and to the employees by carrying out that policy. It seems to me a great outrage.

Mr. Ramsay Scott.—It seems to me that this slack question can be kept out by your not increasing your outputs because if you probably decrease your outputs, you can use up your slacks.

Sir Guthrie Russell.—We are using every ounce of our slack that we can possibly use. There are about 200,000 tons of slack in our collieries at present.

Mr. Ramsay Scott.—They cannot be used by power houses at present ?

Mr. Rau.—It does not pay us to transport slack from the coal fields to Bombay and other places. We have to pay 4 annas per ton for taking the slack from the coal fields to a safe place. Nowadays slack is sold at the same rate as second class coal, at Rs. 2.

Chairman.—We can put in the draft Report that they should reconsider this question of slack coal not from the point of view of finance but from the point of view of safety.

Mr. Das.—And also so that they may not upset the market.

Mr. Satyamurti.—Before we adjourn for the day I wish to know whether we are going to have a concise statement about the financial effects of the policy outlined in the road-rail conference ?

Sir Guthrie Russell.—We shall try to get out copies as soon as possible, to-night if possible.

Mr. Satyamurti.—Will you tell me your policy about the amalgamation of Railways ? You gave your opinion this morning that nothing would be gained by amalgamation of Railways ?

Sir Guthrie Russell.—I did not say so. What I said was that it is a risky thing to do now. For instance the North-Western Railway is too big a concern to be amalgamated with any other block.

Mr. Satyamurti.—Sometime ago, the idea was discussed of having three or four systems for the whole country.

Sir Guthrie Russell.—Some time ago I drew up a scheme for amalgamating all the broad gauge Railways into four systems, and the metre gauge Railways of the north, east and west into two metre gauge systems. We have also considered the possibility of, while still maintaining three systems, redistributing the mileage of the North-Western, East Indian and Eastern Bengal, the idea being that, possibly, three medium-sized systems would be a more economical proposition than the existing vast systems of the North-Western and East Indian and the small systems of the Eastern Bengal. When the Bengal Nagpur contract falls in it might be possible to amalgamate the eastern portion of this with the new East Indian Railway system, the western portion going to the Great Indian Peninsula. There are many possible amalgamations but I shall endeavour to draw up a scheme for the consideration of the Public Accounts Committee before they meet next year.

Mr. Satyamurti.—May I ask you whether you can show any savings by amalgamating these systems into two or three ? We are not bound by historical accidents in every matter. These systems have grown up from a long time. Can we not apply fresh minds to these problems ?

Sir Guthrie Russell.—That is what we are trying to do.

Mr. Satyamurti.—I should like to have a report from you as to the possible financial savings to be effected by regrouping of these Railways.

Chairman.—The Committee would like to ask the Railways to let them have next year an up-to-date review of the possibilities of economy by regrouping of the Railways or amalgamation of the different systems.

Prof. Ranga.—Do you think the two Railway Administrations in the south will co-operate with you if you ask them their opinion about amalgamation? They will refuse to coalesce with each other.

Mr. Satyamurti.—We ask the Government to take steps.

Chairman.—Government can produce a dispassionate review.

Mr. Satyamurti.—With regard to company-managed Railways, we have got to consider the financial implications.

Mr. Rau.—If we cannot get the company-managed Railways into it, then there is no possibility of amalgamation on the most economic lines.

Mr. Satyamurti.—We can ask the company-managed Railways if they would come under State control. If they will not come, then we can ask the company-managed Railways to amalgamate themselves under their own management. For instance as Sir Guthrie pointed out the South Indian Railway and the Madras and Southern Mahratta can easily be combined into one system.

Chairman.—After their contract expires.

Mr. Satyamurti.—I want to mention as a possible saving one item. I am told that in the case of all through traffic, whether passenger or goods, there is an interminable system of credits and debits and I understand a lot of time and money and man power are wasted in this process. There is no means of automatic collection of debits and credits. If we can have any such automatic system, that by itself will be a possible saving and this can be achieved only by amalgamation of Railways.

Chairman.—If you have got an approximate formula which gives results which the company-managed Railways would accept, then there would be no difficulty.

Mr. Rau.—There will be considerable difficulty with regard to worked lines.

Sir Ernest Burdon.—At the present moment, when you are attempting exact calculation and exact distribution, even some company-managed Railways have their own special party of auditors in the Clearing Accounts Office in Delhi.

Mr. Rau.—For instance the Bombay, Baroda and Central India have their own auditors.

Sir Ernest Burdon.—The Clearing Accounts Office in Delhi exists for the distribution of receipts. That is a State organisation and yet the Bombay, Baroda and Central India send their own party to see that it is correctly done.

Chairman.—If they can be assured of an approximate system which would allocate the receipts in such a way that the possibility of loss would be less than the cost of staff which they engage for checking then they might agree.

Mr. Rau.—We are looking into that aspect also. We can save the cost of the staff.

Mr. Satyamurti.—You may make allowance for possible loss.

Sir Guthrie Russell.—But the Bombay, Baroda and Central India approximate formula would be so wide as to be in their favour.

Mr. Das.—I want to ask you some questions about the electrification scheme on the South Indian Railway. Who was the Consulting Engineer for the South Indian Railway in regard to this electrification scheme? Was he the same as for the Madras and Southern Mahratta?

Sir Guthrie Russell.—He was the same for the Great Indian Peninsula and Bombay, Baroda and Central India but not the South Indian Railway.

Mr. Das.—Then did his estimates go wrong?

Sir Guthrie Russell.—The actual construction of the electrification was economically done.

Mr. Satyamurti.—Are you sure that these improvements could not have been effected but for electrification scheme?

Sir Guthrie Russell.—All these over-bridges, etc., would not have automatically come.

Mr. Satyamurti.—May I inform the Committee that the South Indian Railway imported all the window frames from England. They could have utilised wooden frames available in India or they could have purchased steel frames in India.

Sir Guthrie Russell.—Steel window frames are much cheaper than wooden frames in the long run and they are more lasting.

Mr. Das.—If you take item 14 in this statement, you will find that the South Indian Railway percentage as regards estimates was 15.96, but the actuals in 1934-35 were only 4.82. On the Great Indian Peninsula the forecast was 13.6 whereas it was actually 7.45. You will see that the Bombay, Baroda and Central India estimate was more accurate. Was the Consulting Engineer the same for Bombay, Baroda and Central India and Great Indian Peninsula?

Sir Guthrie Russell.—You cannot blame the Consulting Engineer for the traffic estimates because the traffic estimates were supplied by the Railways. The Consulting Engineers made the estimate for construction. As far as construction was concerned, they were correct within one per cent. of the total estimates both in Great Indian Peninsula and Bombay, Baroda and Central India.

Mr. Das.—Then what is the saving on the outlay?

Sir Guthrie Russell.—That depends on the traffic receipts.

Mr. Das.—Why is there this difference of opinion between the Director of Railway Audit and the Railway Board?

Sir Guthrie Russell.—There is no difference at all.

Mr. Das.—Do not the Railway Board agree with the Audit Report, paragraphs 7 and 8?

Mr. Satyamurti.—Before my friend, Mr. Das draws conclusions from these figures, may I put this question? If you refer to item 16 in this statement, you find the percentage of net savings after allowing for depreciation on net outlay: it was estimated at 13.00, whereas you got 2.46 in 1932-33 and it went down to .48 next year and in the subsequent year it became 1.81. Again if you refer to item 12 which gives the net savings in working expenses due to electrification, it was estimated at 1.19 whereas the actuals were .67 in 1932-33, .18 in 1933-34 and .68 in 1934-35. Am I wrong in saying from these figures that the electrification was a failure?

Sir Guthrie Russell.—From these figures you can say so.

Mr. Das.—How is it that the Consulting Engineer did not know at that time that the electrification scheme will work in collaboration with the city improvement scheme? I think the Director of Railway Audit is right in his observations on this point.

Mr. Das.—When the Consulting Engineer's scheme came to the Railway Board, did they not know that this sum of 22 lakhs would go to the Madras improvement scheme and so his estimates are partly correct. Here I am inclined to agree with the remarks of the Director of Railway Audit.

Mr. Rau.—The Director of Railway Audit has not commented on paragraph 4.

Chairman.—To what purpose is the argument of Mr. Das directed? To prove that this was a flop.

Mr. Das.—Somehow extravagant estimates were taken. They were not controlled by the Railway Board; but now to save their face they try to balance it up by putting 22 lakhs to the Madras development scheme.

Chairman.—You cannot in arriving at an estimated cost exclude something which you do not foresee which however turns out to be necessary.

Mr. Rau.—This was included in another scheme, the Madras improvement scheme.

Mr. Satyamurti.—If it was originally considered to be part of the Madras improvement scheme, you would be perfectly all right if the Railway Board had agreed to 15 lakhs for the original improvement scheme. They did not agree to it.

Mr. Rau.—That is included in the estimate sanctioned by the Railway Board. It means that in the estimate sanctioned by the Railway Board, this was considered to be part of the Madras improvement scheme, but finally they were found to be so interconnected that it was difficult to split the expenditure between the two.

Mr. Satyamurti.—If now you are going to tell me that but for this electrification scheme, we would not have those luxurious stations with enormous numbers of gates, platforms and covered overbridges and electric lights and so on, then I can only say, if that is the attitude of the Railway Board, then God help us. They have wasted a lot of money even on the most insignificant stations.

Mr. Rau.—The amount also includes the cost for automatic signals, quarters for the staff and so on.

Mr. Satyamurti.—I should like the committee to say that there has been gross lack of financial control, in order that the Railway Board may be more careful hereafter in sanctioning schemes.

Chairman.—You can certainly say that the scheme has turned out to be a flop. But if you want to say that the reason for the flop is inadequate control by the Railway Board, you have got to give them a chance of defending themselves.

Mr. Satyamurti.—Very well, I give them notice now and they can tell us to-morrow.

Prof. Ranga.—I take great objection to this statement which has been made on page 3 :

“ On the other hand, steam operation could not provide an equivalent service to that which is being maintained with electric traction and it is the improved service which has created the demand.”

This is all in theory ; in actual practice we do not find the improvement that they want us to believe there is.

Mr. Satyamurti.—Yes, I agree.

The Committee then adjourned till 2-30 p.m. on Wednesday, the 22nd July, 1936.

Evidence taken at the seventh meeting of the Public Accounts Committee held on Wednesday, the 22nd July, 1936, at 2-30 p.m.

PRESENT :

Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A., *Chairman.*

Mr. B. DAS, M.L.A.

Mr. S. SATYAMURTI, M.L.A.

Professor N. G. RANGA, M.L.A.

Dr. THEIN MAUNG, M.L.A.

Mr. J. RAMSAY SCOTT, M.L.A.

Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

BHAI PARMA NAND, M.L.A.

Dr. R. D. DALAL, C.I.E., M.L.A.

Rai Bahadur Sir SATYACHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General.

Mr. B. N. MITRA, Director of Railway Audit.

The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief
Commissioner, Railways.

Mr. P. R. RAU, Financial Commissioner,
Railways.

Mr. V. S. SUNDARAM, Controller, Railway
Accounts.

Khan Bahadur BARKAT ALI, Director of
Finance.

Members.

Were also
present.

Witnesses.

Mr. Satyamurti.—Regarding the electrification scheme, the South Indian Railway have badly blundered both in regard to expenditure and in regard to the anticipated results.

Sir Guthrie Russell.—This is another case of defending our predecessors : it is easier to defend ourselves. But I should say this : one of the reasons for this is that certain things were transferred from one estimate to another : the original estimate figures were 37.42 plus 4.85 or a total of 42.27 : Madras improvements were 104.76 plus 13.96 or a total of 118.72 : the grand total is 160.99. The original estimate did not include a sum which was sanctioned later on : the final figure was 160.97. Actually the excess on the total was only about 3 per cent.

Mr. Satyamurti.—If you take electrification alone ?

Sir Guthrie Russell.—For some reason certain portions of improvement were transferred to the electrification scheme : hence the apparent large increase under electrification.

Mr. Satyamurti.—As regards results, I see they have been very much less than anticipated.

Sir Guthrie Russell.—I agree : there is no question about it.

Mr. Satyamurti.—I hope the Railway Board will be very careful in sanctioning electrification schemes in future.

Sir Guthrie Russell.—Actually it was done on an estimate of the traffic made at that time.

Mr. Satyamurti.—As regards the Great Indian Peninsula Railway electrification—item 8 of the statement attached (gross savings) seems bad.

Sir Guthrie Russell.—When these estimates were made the Bombay Development Scheme had started and our traffic estimates were based to a certain extent on that scheme : admittedly we were too optimistic. But at that time in 1920, we were more or less justified in doing it, considering the circumstances then.

Prof. Ranga.—Have Government any other electrification schemes in mind ?

Sir Guthrie Russell.—No : the only one we have taken up is an estimate for electrification between Igatpuri and Manmad but the prospects were not good : if traffic improves and there is another boom, it will certainly pay. In the last six years capital has increased at one crore a year and so we cannot be accused of being too extravagant.

Mr. Satyamurti.—Paragraph 4 of the Auditor-General's letter : do you agree as regards the revised form and arrangement of grants ?

Sir Guthrie Russell.—I agree there.

Mr. Satyamurti.—What about the next paragraph read with paragraph 29 of the Financial Commissioner's Review ?

Mr. Rau.—I thought of giving the final appropriations : but the difficulty is that the final appropriations do not really mean anything. But I can give you the figures now and I am quite prepared to put them in future. I think the Auditor-General will be quite satisfied if I give an additional column showing final appropriations in each Railway.

Sir Ernest Burdon.—Yes.

Prof. Ranga.—In this paragraph 29, on the East Indian and Great Indian Peninsula railways the actuals are less than the revised ?

Mr. Rau.—They have spent less than they asked for.

Sir Guthrie Russell.—If in a budget of 9 to 10 crores, you can be nearer than one per cent., it would be pretty clever.

Mr. Rau.—In 1932-33 we were within 8 lakhs in an estimate of 49 crores, and in 1935-36 we were within 5 lakhs in an estimate of 50 crores : but as regards the distribution between Railways it is very difficult

estimating : we can be more sure of our totals than of individual estimates. Of course I quite recognise that it is a thing to be aimed at to have accuracy in details as well as in totals.

Mr. Satyamurti.—I draw attention to paragraphs 56 and 57 (excesses in 6 voted grants) and paragraph 58 (irregular re-appropriations).

Sir Guthrie Russell.—I would suggest this : you should work out the percentage of the differences, they are very small.

Mr. Satyamurti.—That would be a dangerous test. I merely wanted to draw your attention to it. As Mr. Ramsay Scott suggested you must keep a black list of these Railways and treat them more severely than before.

Mr. Rau.—(Referred to the Legislative Assembly debates of 1935 and cited an instance where he had not moved a supplementary grant as it was not necessary to do so in the light of subsequent information). In this particular case of excess in Grant 5, I might explain that there was some discussion with regard to the actual accounting arrangements and the question was whether we should put in the demand the actual payment or our actual liabilities and after consultation with the Auditor-General we decided that the actual liabilities should be shown there.

Mr. Nixon.—May I ask if this is correct—that this Grant shows liabilities and not actual payments in the year ?

Mr. Rau.—Of course : otherwise the result would have been that what is really in deposit would be shown as an addition to our surplus and you would have had to pay interest on it : it was to save general revenues from having to pay interest that we decided like this.

Mr. Ramsay Scott.—It is a liability at the end of the year ?

Mr. Rau.—Yes : and it has been discharged by this method.

Mr. Das.—May I put some questions on the general financial position ?

Chairman.—Yes.

Mr. Das.—Referred to the stores purchase policy and asked if the London Stores Department had to do over 5,000 drawings a year.

Sir Guthrie Russell.—One new locomotive itself would require about 500 drawings. As regards the experiments on fishplates, probably our central standards office had to consult their consulting engineers but this number of drawings is a very small number. Designs are made in India and sent home for vetting. I would suggest you visit the central standards office and see the work that is being done there. As regards experiments, we make them in the hope of getting better equipment and saving more money : sometimes our experiments are failures.

Mr. Das.—In a time of actual financial depression it is better to go on with old models and not lose on experiments.

Sir Guthrie Russell.—That is the time when you have to make experiments in order to attempt to make savings : the British Railways are doing far more experimental work now than before for the simple reason that their earnings are dropping.

Mr. Rau.—The Committee, I think, have been impressing upon us the desirability of giving up our old methods and trying experiments and new methods.

Mr. Das.—Then referred to paragraph 120 of the Review (page 57) : With regard to I (c) and II and III, will it come up before the Committee ?

Mr. Rau.—If the Committee approve of I (c), II and III, that would help us. Our proposals should be taken as a whole : I said I would like to have the approval of the Committee for I (a) and (b) because that is the particular thing on which action is immediately necessary and I want to place it before the Standing Finance Committee shortly. But I want approval to the proposals as a whole. You will see from the Auditor-General's letter [para. 6 (c)], that he says " and for this reason I required, Government agreeing, that they should be laid before the Public Accounts Committee and explained to the Legislative Assembly ".

Mr. Das.—As regards paragraph 120—I (c)—your estimate is that 1/6th will give you one and a third crores ?

Mr. Rau.—The Government of India have approved of these proposals.

Mr. Das.—I am not clear in my mind about your proposal about amortisation. Will that fund be earmarked before you make your general contribution ?

Mr. Rau.—That is the intention. The Railways will not be considered to have earned a surplus until they have provided for amortisation and minor improvements. At present, the general revenues have a liability for amortisation and they are providing certain funds for that purpose. If Railways provide for amortisation of their own capital, the provision made from general revenues can be reduced.

Mr. Das.—When you set apart funds for amortisation, your capital is reduced by so much, and so the Finance Department is not benefited.

Mr. Rau.—The general revenues will be relieved of their liability, and the Railways will undertake them directly.

Mr. Das.—If it is a commercial concern, from a financial point of view, I quite agree with you, but your arrangement with us is that you contribute 5 crores, and if there was any amortisation, it was done by general revenues and they got certain interest, and if you write off your capital, the general revenues lose so much.

Mr. Rau.—It is just as if you are devoting the 5 crores to repayment of capital. These 5 crores the general revenues would get as a contribution under the convention itself.

Mr. Ramsay Scott.—You are behind your payments by about 57½ crores. If this sum is paid, will you have any further liability ?

Mr. Rau.—If these liabilities are not written off, they will have to be met. They will have to be met before we make any further contribution to reserves or general revenues. Out of future surpluses the loan from the depreciation fund is first to be met and secondly all the arrears of the contributions.

Mr. Ramsay Scott.—So your 10½ crores is now increased by 57½ before you make a single payment ?

Mr. Rau.—10½ crores is recurring : 57½ crores is non-recurring.

Mr. Ramsay Scott.—What are you going to do about it ?

Mr. Rau.—Either it must be written off or the liability must continue. So far as the contribution to general revenues is concerned, the liability does not arise until the Railways begin earning surpluses. So it is not a loan in that sense, but the loan from the depreciation fund is a liability, because it was used to meet deficits.

Mr. Ramsay Scott.—But this loan will go on increasing year by year until you become solvent ?

Mr. Rau.—Not solvent under the 11 crore calculation, but solvent under the present method.

Mr. Satyamurti.—When can the Railways be expected to improve sufficiently their finances ? It is a matter to be decided here as to what that sufficient improvement will be. Whether it will include 57½ crores or not is a matter for the Government to decide.

Mr. Rau.—This is a contingent liability which you must take into account in considering the finances of the Railways.

Mr. Das.—Don't you think from the point of view of Railways as a commercial concern, it is more important that they should provide from their own revenues for amortisation ?

Mr. Nixon.—If this item were introduced, it will be a new feature completely outside the 1924 convention, and therefore for the purposes of distributing money to the Provinces it would be ignored. So the Provinces would not suffer if the Railways were to do this. I think I can give an assurance to Mr. Das on that.

Mr. Das.—Do you want us to express our opinion on the whole or only on (a) and (b) from your point of view ?

Sir Ernest Burdon.—I myself express my own agreement.

Mr. Ramsay Scott.—What Mr. Nixon has just said should be put in the Report, I think.

Chairman.—Let us take page 3 of the Auditor-General's letter, paragraph 8.

Mr. Satyamurti.—Before you go on with it, I should just like to ask a question on last year's Report where it is stated " We are of opinion that there is considerable room for improvement ". It means that Railway Administrations should see to accuracy. Then on the top of page 4 it is stated " We consider that the Railway Board should take all possible steps to secure greater accuracy in estimating ". Then there is the next paragraph which says—" While examining the question of the control of the Railway Board over Railway Administrations..... ". Have you done anything in the matter ?

Sir Guthrie Russell.—We have delegated considerable powers to Agents, and Mr. Rau and I propose to go into the question again.

Mr. Satyamurti.—Has it resulted in any more effective results ?

Sir Guthrie Russell.—Certain delegations of powers have led to a reduction of work and this is why we propose going into the question of further delegation. Delegations are always directed to decentralisation.

Mr. Satyamurti.—Paragraph 59, Annexure B, page 34 of the Pink Book. Look at the impressive list there.

Sir Guthrie Russell.—I entirely agree. When these come to notice, they are taken up with the Railways.

Prof. Ranga.—Page 4, third paragraph, first sentence.

Mr. Rau.—We have already taken action about it. We have tried to reduce it as far as possible by the system of lump sum cut which you have introduced.

Mr. Satyamurti.—I am surprised to note this, that because the Railway Board cuts down 10 per cent., in the original estimates they put 10 per cent. more. What sort of dishonesty is this ? I think we must apply to each estimate a vigorous test and you must punish people. I want your help in advising us whether you can evolve a system by which you can control this sort of thing. You must have some kind of cutting down with reference to actual figures with reference to the last 2 or 3 years.

Sir Guthrie Russell.—We are doing it now. Mr. Rau and I go through the programmes. We know pretty well which of the Railways come near their estimates, and those which are extravagant.

Prof. Ranga.—I have already drawn Mr. Rau's attention to this, page 34 of Mr. Rau's Report, item 4, paragraph 59.

Mr. Rau.—I have already promised to write to the North-Western Railway about it.

Chairman.—Let us take page 3 of the Auditor-General's letter.

Mr. Satyamurti.—I have some paragraphs besides the paragraphs mentioned there. Auditor-General's letter paragraph 19, page 8, allocation of expenditure.

Sir Guthrie Russell.—As regards the Bengal Nagpur Railway, we have taken up the matter with the Secretary of State.

Mr. Rau.—Only the Bombay, Baroda and Central India Railway are objecting to the principle. The convention is that there should be classification of the rolling stock and that we must act on the general principle that renewals have precedence over additions. Only Bombay, Baroda and Central India Railway say that it is not in consonance with their contract provisions and past practice. We are trying to persuade them that it is not so. The whole thing is at present under correspondence between the Secretary of State and the Board of Directors. Most of the Railways have agreed to it. With regard to other company-managed Railways the only question has been one of classification of details, and I think we can come to some compromise with them.

Sir Guthrie Russell.—Paragraph 20. This is at present under correspondence with the Secretary of State, and he has raised queries.

Mr. Satyamurti.—What is your experience of the Secretary of State ? Does he side with you or with the company-managed Railways ? Ultimately it goes to arbitration if you cannot agree ?

Mr. Rau.—There is an arbitration clause, but it is seldom used.

Mr. Satyamurti.—Can the Railway Board invoke arbitration proceedings ?

Mr. Rau.—We invoke the aid of the Secretary of State, and if he cannot make them agree to a compromise, it goes to arbitration. It is usually the company that asks for arbitration.

Mr. Das.—Can you recover any of the share of surplus profits paid to them ?

Mr. Rau.—Under the contract we can. If any mistake is discovered in the accounts, under the contract it can be rectified.

Mr. Das.—In the past have you had instances where they have paid back ?

Mr. Rau.—Yes ; sometimes the decisions have been in our favour and sometimes not in our favour.

Mr. Satyamurti.—Paragraph 24. When you decided in the Railway Board that this should be abandoned, you anticipated this loss ?

Mr. Rau.—We decided to abandon it to save further loss. The Rs. 31½ lakhs is composed of the following items. The prospecting and purchase of property cost us about 16 lakhs, royalty paid 2 lakhs, colliery equipment 1 lakh, so that the total was 19 lakhs, and interest charges for the period in which we kept the colliery hoping that we might require it sooner or later came to about 10 lakhs.

Mr. Satyamurti.—If you look at the second paragraph, it says, “ In 1923 the Home Boards of the Bombay, Baroda and Central India Railway and the Madras and Southern Mahratta Railway agreed, at the instance of the Railway Board ”. You took the initiative.

Mr. Rau.—The mistake was made when we bought the colliery.

Mr. Satyamurti.—Why ?

Mr. Rau.—At that time the coal prices were so high that the Railways thought that they should have their own collieries.

Mr. Satyamurti.—This was at the instance of the Railway Board.

Mr. Rau.—We asked all Railways.

Mr. Satyamurti.—“ In 1927, when the development of the colliery had hardly commenced, it was decided by the Railway to suspend further development as there was no railway communication to the colliery, and as the outturn of railway collieries was likely to be greater than the requirements ”. I want to know whether the requirements went down in those four years.

Sir Guthrie Russell.—At that time in 1923 the price of coal was Rs. 6-8-0 and the Bombay, Baroda and Central India Railway, estimated

to get coal for Rs. 4-12-0 and save Rs. 7 lakhs a year when the colliery was fully developed. In 1927 the price of coal dropped very considerably and it did not pay to open the colliery. Subsequently the Kurasia Coalfields were developed, these were near Bombay, Baroda and Central India Railway and actually it was cheaper to go on with a colliery in this field than to go on developing this colliery. It was a mistake in 1923, there is no question about it.

Mr. Satyamurti.—You made the mistake first, then you decided to suspend it, and then it took six years to abandon it. What happened in the Railway Board not to abandon it in 1927 when the facts were so clear, and why did you go on paying for these years ?

Sir Guthrie Russell.—I do not think that even in 1927 we could have forecasted that coal prices would continue to go down as they are going down now.

Mr. Rau.—The colliery possesses 30 million tons of first class coal ; we have already spent about 20 lakhs, and we must think twice before abandoning it altogether and losing everything.

Sir Guthrie Russell.—Paragraph 27 deals with the East Indian, Bengal Nagpur, and Eastern Bengal Railways purchasing American wagons. In 1919 we had to get wagons. At that time special permits were issued for importation and these American wagons were bought. America was the only place where we could get them in those days. They came from America, but they were originally meant for Russia.

Mr. Satyamurti.—“ Such as condemnation of unsuitable wagons on an excessive scale ”.

Mr. Rau.—What the Director of Railway Audit means is that more wagons had to be condemned in these years as unsuitable than usual owing to the special factors mentioned.

Sir Guthrie Russell.—It was the case that Railways had to get wagons at that time and they were short of wagons, and this was the only place they could get them from.

Mr. Satyamurti.—Paragraphs 32-33. “ The material had been inspected and passed by the Consulting Engineers, the contractors were not liable for its replacement ”.

Sir Guthrie Russell.—I do not quite agree with the Auditor's Report, because actually these are high voltage insulators, and I do not think you can blame the framers of the specification because it was based on insufficient technical data both as regards the type of insulator and as regards Indian conditions.

Mr. Das.—How much blame was laid at the door of the Consulting Engineers for ordering this type of insulators ?

Sir Guthrie Russell.—I do not think there is any question that the specification was not fulfilled. The specification was not good enough for the work for which it was intended. I do not think you can blame the Consulting Engineers, for I believe they inspected them and the inspection was up to the specification. If you know anything about Bombay, the salt from the sea air there comes on to the insulators and that gave all the trouble.

Mr. Das.—If you had chosen the right type of Consulting Engineers, this loss would not have occurred.

Sir Guthrie Russell.—I do not think so. They are very famous Consulting Engineers.

Mr. Satyamurti.—Paragraph 33, “ The suppliers do not accept this on the grounds that the supply was made according to the Railway’s specification and stood the necessary test at the time ”. Who made the specification ?

Sir Guthrie Russell.—The Consulting Engineers, the same people.

Mr. Satyamurti.—Paragraph 38. It is a matter of accounting.

Mr. Sundaram.—There has been some delay in adjusting. The Chief Accounts Officer had been waiting for certain inspection reports.

Prof. Ranga.—They say this is a very complicated one. Is there any chance of its being disposed of ?

Mr. Satyamurti.—At page 20, it is said, “ The Administration state that they came to a decision in December 1933 with regard to the disposal of the equipment, etc., borne in the Belghuriah Manufacture accounts and also on the Calcutta Chord Railway and Dum Dum junction arrangement account but there was delay in implementing the decision due to the transaction being a very complicated one and also because it involved land relinquishment ”. What is the position to-day ?

Mr. Rau.—It is expected that all adjustments excluding the cost of land will be completed in the current year, 1936-37.

Mr. Satyamurti.—What about land ?

Mr. Rau.—As regards land relinquishment, as I explained to you yesterday, we have to depend upon the courts. I cannot say when the final decision will be given.

Mr. Satyamurti.—All other accounts will be closed before the end of the year.

Mr. Rau.—Yes, they expect to do that.

Mr. Satyamurti.—Paragraph 43. “ This heavy loss was occasioned by the defective wording of the agreement. The engineer, who was responsible for the defective wording, is no longer in service ”. He has retired with all honours I suppose !

Mr. Satyamurti.—Did they consult legal opinion in this matter ?

Sir Guthrie Russell.—Yes. - - -

Mr. Rau.—The point here was that the Court held that, though the contract said that the Chief Engineer was the final authority, he was acting in a quasi-judicial capacity and ought to have heard both sides before giving a final decision.

Mr. Satyamurti.—Paragraph 44. ‘ It appears from the arbitration proceedings that in two cases the original records were missing and that there were delays in taking and recording measurements. It was mainly due to these circumstances and to the absence of supplementary or revised agreements drawn up from time to time that a dispute arose and had to be referred to arbitration ’. Are these things improving at least ?

Sir Guthrie Russell.—The Agent states that the delays in measuring and failure to draw up revised and supplementary agreements were the direct and inevitable result of the endeavour to carry out this new construction with the minimum of supervising staff, in order to keep down the capital cost. These delays and disputes were partly also due to the obstructive tactics adopted by two of the contractors.

Mr. Satyamurti.—Does the Railway Board agree with this explanation ?

Sir Guthrie Russell.—This is a statement of fact.

Mr. Satyamurti.—What about the missing of original records ?

Prof. Ranga.—What action has been taken against these contractors who used these obstructive tactics ?

Mr. Rau.—This was the work of that sort on that Railway and naturally they thought they were quite safe.

Chairman.—Is the contractor's name still on the list ?

Sir Guthrie Russell.—If they have not removed their names, we will give the Railway instructions to do so.

Sir Guthrie Russell.—Paragraph 50. The Chief Controller of Stores and the Deputy Controller of Stores who were responsible have been dismissed.

Mr. Satyamurti.—The East Indian Railway stores are now in a good condition ?

Mr. Sundaram.—I think so.

Mr. Satyamurti.—On what basis is Mr. Sundaram making the statement that the stores are all right now ?

Sir Ernest Burdon.—They have been test-audited.

Mr. Mitra.—There is a continuous test-audit.

Mr. Satyamurti.—You are satisfied that it is all right now ?

Mr. Mitra.—Yes.

Sir Guthrie Russell.—There is a new Controller of Stores, Mr. Martiu, and he has done a great deal to improve efficiency.

Sir Guthrie Russell.—Paragraph 57. What actually happened was this. These fruit consignments were loaded at Chaman between 18 and 24 hours. The train carrying them left at 0-30 hours arriving at Nuttal at 14 hours the same day. After the first fruit train was held up at Nuttal it was estimated that by 14 hours the next day the breach would be repaired as the flood water showed signs of subsiding. Therefore there was no question of stopping the booking. The repairs could not however be carried out as early as was expected. They were completed in time to allow two mail and two passenger trains, which had by then overtaken the fruit train and which had to be given preference, to be passed. After these passenger trains were passed and before the fruit trains could be passed a second flood washed out the repair work already accomplished. The third lot of fruit left Chaman at about this time. As the ice in the bunkers of the vans had melted, it was considered advisable to send the fruit trains to the cooler climate of Quetta instead of keeping them at

Nuttal where it was very hot. The vans were not opened until it was decided to sell the fruit. As it was not thought useful to send the fruit on a long hot journey without being re-iced, it was sold in the best interests of the merchants and the sale proceeds and unearned portion of the freight was offered to them in accordance with previously accepted practice. The officer did not know the law.

Mr. Satyamurti.—This is railway law and he ought to have known it. Should you not punish the railway officer who did not know the law ?

Sir Guthrie Russell.—When the case was decreed against the Railway, they took the opinion of the Government Advocate, Lahore, and also their legal officer at Karachi. He was not sure whether the Judge was quite correct but advised against appeal on account of the costs of appeal. Any man with a train load of fruit which he knew perfectly well was going bad,—the right thing to do was to save the fruit.

Mr. Satyamurti.—But he must also save the Railway from loss.

Mr. Satyamurti.—Page 48, paragraph 101. Have you got any further information on these outstanding points ?

Mr. Rau.—We are informed that the Chief Goods Clerk has been arrested. The Inspector of Station Accounts is under trial and the question of gratuity to him as well to others involved in this case depends upon the results of the trial.

Mr. Satyamurti.—With regard to paragraph 110, may I know why the Railway Board gave up the claim for Rs. 20,000 ? Who is responsible ? Is it not possible to trace the man and punish him, if he is living ?

Mr. Rau.—This thing started in 1917. It is really a war case.

Mr. Satyamurti.—Are there no records to prosecute the man concerned ?

Mr. Ramsay Scott.—Paragraph 111. May I know if it is not possible to terminate these agreements ?

Mr. Rau.—We have consulted the legal advisers and we are told that it is not possible to terminate the agreements except in certain circumstances.

Mr. Satyamurti.—Are any such agreements still going on ?

Mr. Mitra.—No.

Mr. Satyamurti.—Will you take steps to revise them ?

Mr. Rau.—We are advised that it is not possible to do it. We can consult our Solicitor here.

Prof. Ranga.—With regard to 112, has anything been done to convert the line into a broad gauge line ?

Sir Guthrie Russell.—This is a case of a road project and we hope to meet the view point of the Local Government. The proposal to construct a broad gauge line is under consideration.

Prof. Ranga.—With regard to paragraph 114, may I ask why the engineering authorities of four Railways have not found it possible to give clear certificates as to the standard of maintenance of the assets.

Sir Guthrie Russell.—(Read out copies of certificates). These certificates are supplied every year.

Prof. Ranga.—Were they placed before the Director of Railway Audit? Was he satisfied?

Sir Guthrie Russell.—The Director of Railway Audit is perfectly right in pointing out that some of these certificates have been qualified. Of course they have been qualified in some respects. There is no question of safety being involved and that is the main thing.

Prof. Ranga.—Who issues these certificates?

Mr. Rau.—They are issued by the Senior Government Inspector who is appointed by Government.

Sir Ernest Burdon.—May I here, Mr. Chairman, make a few remarks of a general nature in regard to these irregularities. I think a few years ago the same general question was raised more particularly in connection with the Civil Appropriation Reports and Audit Reports and I think the Government of India in the respective departments issued orders, after the meetings of the Public Accounts Committee, drawing the attention of the various departmental authorities to adverse comments which have been made as regards particular transactions in the various Appropriation Accounts and Audit Reports and impressing on them the necessity to read these comments. Even if their attention is not specifically drawn to particular comments, they are expected to take heed and take a warning.

Mr. Rau.—We do that every year.

Sir Ernest Burdon.—The Railways are an enormous organisation. They are represented here by the headquarters people and Agents never come before the Public Accounts Committee and I sometimes wonder whether any impression is made on them by these unsatisfactory cases being discussed. It is hardly possible to bring every individual case into the Report but I take it that the attention of the proper authorities is drawn to each item with a view to avoiding this irregularity.

Mr. Rau.—We draw the attention of every Railway Administration to the points mentioned in the Report and we draw their special attention to the more important and serious cases which have been commented on by the Public Accounts Committee.

Sir Ernest Burdon.—I presume that is being done, Sir Guthrie?

Sir Guthrie Russell.—I can assure you on that point. This Report is very much smaller than it used to be a number of years ago.

Sir Ernest Burdon.—I do agree with you there.

Mr. Satyamurti.—Paragraphs 131, 132 and 133. Your general conclusion is that everything is all right and that everybody is happy?

Sir Ernest Burdon.—We have got very definite instructions under which the Director of Railway Audit is required to search his conscience and to express his general opinion very conscientiously. On previous occasions it has been left to the Public Accounts Committee to draw their own conclusions from a mass of heterogeneous material. As a matter of principle that is not correct and I think that the Auditor ought to express some general opinion on the results disclosed by the year's working.

Mr. Satyamurti.—I should like to put his conscience one or two questions. What is the standard he has in mind having regard to the multitude, variety and magnitude of the transactions on Railways ?

Sir Ernest Burdon.—Having regard to the limits of human capacity, I think he has expressed his view as any reasonable man would have done.

Mr. Mitra.—These are based on my own experience of 25 years and I can confidently say this with some authority.

Mr. Satyamurti.—My standard is a little higher. That is all I can say.

Sir Guthrie Russell.—I have had experience of contracts in England and I can tell you that our record is very much better.

Mr. Satyamurti.—The reason probably is that we are less exacting in our standards.

I will put a question on paragraphs 15 and 16. I merely want to know what is being done about the control of expenditure.

Mr. Rau.—As regards this question of reappropriation we have dealt with it in the circular letter which I read yesterday.

Mr. Satyamurti.—Paragraphs 28 and 29. May I know why the materials were manufactured long before they were required ?

Sir Ernest Burdon.—This is obviously undesirable.

Mr. Rau.—It has been admitted by the Chief Engineer himself that it is irregular.

Mr. Satyamurti.—Has any attempt been made to trace the culprits and bring the charge home to them.

Mr. Rau.—They were not in a position to anticipate at the time that all construction work would be closed down suddenly. There was a sudden debacle in 1928 and 1929 as a result of which all our capital expenditure had to be cut at a moment's notice.

Mr. Satyamurti.—My point is why did he manufacture the materials long before the works were sanctioned ?

Sir Guthrie Russell.—The real explanation is that the world depression started and we had to cut down our capital programme suddenly. But the bricks have been and are being used now for open line works. We have been told that the officers responsible for this have all left the Railways.

Prof. Ranga.—There is some mention of new bridge rules in paragraph 30. Do you think that this loss is due in any way to frequent changes of rules ?

Sir Guthrie Russell.—Under the new standard dimensions they started work on rebuilding the bridge and making preparations. Meanwhile owing to the slump work on the yard stopped and they stopped work on the bridge. Later on, a new bridge was found to be necessary. I do not agree that this was a loss.

Mr. Satyamurti.—Paragraph 39. Do the Railway Board now agree that unless the lowest tenders are accepted, there should be a satisfactory explanation furnished and that some higher authority should look into it ?

Mr. Rau.—The Agent in this case communicates his reasons to the Chief Accounts Officer and if he is not satisfied he is at liberty to represent the matter to the Financial Commissioner.

Prof. Ranga.—Paragraph 39. What is the position as regards the black list of contractors ?

Sir Guthrie Russell.—We took one matter up with the Eastern Bengal Railway.

Mr. Satyamurti.—Paragraph 51. The excess here still remained unregularized so that excesses have been continuing from 1929. Is that another example of "adequacy" ?

Sir Guthrie Russell.—We took exception to the action of the Administration and we agreed entirely with the Home Board.

Mr. Rau.—We are sanctioning the revised estimate now, so this will be finished.

Mr. Satyamurti.—Paragraph 60 : Catering Department. On the South Indian Railway, for instance, the European Refreshment contractors are charged nominal rates although they enjoy the best rooms in the platform, whereas my Indian refreshment rooms are put in a hole and are charged enormous sums. This is not satisfactory ?

Sir Guthrie Russell.—The fact is that Spencers make so little and unless they were charged these rates, there would be no refreshments at all at the stations.

Mr. Satyamurti.—Give us equal rates. Give me a concession also, that is my point. I must also protest against the small compartment for our dining saloon on the Great Indian Peninsula Railway. It is actually too congested : sometimes there are fifty in a small room.

Sir Guthrie Russell.—I do not know what the number is but for the first year I believe the sales were an average of one cup of tea a week.

Mr. Satyamurti.—On the South Indian there is much better food but on the Grand Trunk Express it is bad. I hope the Railway Board will look into the matter of equal charges for European and Indian refreshments.

Sir Guthrie Russell.—Our general aim is to charge a very low rent so that all the money can be spent on giving good food. That is of course on the State Railways.

Mr. Rau.—The whole question of catering arrangements is being placed before the Central Advisory Council.

Mr. Ramsay Scott.—I had occasion once to have dinner in the Hindu restaurant at Delhi and I may say I got a very much better dinner than in the European one upstairs.

Chairman.—There are excellent Mohammedan refreshment rooms in the Punjab.

Mr. Satyamurti.—Paragraph 115 at page 55. Vizagapatam Harbour : I suppose we shall take up its management and loss with the Commerce Department ?

Sir Ernest Burdon.—As a matter of convenience up-to-date accounts of the Vizagapatam Harbour have been kept by an officer working under the supervision of the Director of Railway Audit. The Accounts and Audit Officer will come under one of the Civil Accountants-General and he will be required to prepare proper commercial accounts. The fullest information will then be given.

Prof. Ranga.—Sub-paragraph 3 of paragraph 3 of Financial Commissioner's Memorandum. Stores Purchases. Quarterly reports containing full reason for all cases where orders are placed for articles of foreign manufacture. Instead of asking them to render to you a *post mortem* account, is it not advisable for you to require them to first of all seek your sanction before they accept foreign tenders ?

Sir Guthrie Russell.—A large number of purchases are made by the Railway Board. The cases of rails and wagons and locomotives and such like come up to the Railway Board and the tenders submitted to the Railways concerned are sent up to us with their recommendations, it is for the Railway Board to decide whether a tender for an indigenous manufacture is suitable or what price preference is reasonable. Of course we have no control whatsoever over the company-managed Railways ; under the contract they have got full powers.

Mr. Satyamurti.—Page 1 of the Financial Commissioner's Memorandum of the policy of the Railway Department about stores purchases. Does Government pay them any compensation if they buy Indian material ?

Sir Guthrie Russell.—In the case of certain materials, if we ask companies to purchase indigenous articles there is an adjustment in the profit and loss account. Under the contract they have a right to place that order in the cheapest market. If it is placed in India at our request or under our orders and there is a difference in price, an adjustment is made in the profit and loss account.

Mr. Satyamurti.—Are there exceptions in which they need not come into line with you ?

Sir Guthrie Russell.—For big things like rails, fish plates, sleepers, the purchase of steel sleepers, a reference is made to us.

Prof. Ranga.—Paragraph 3, sub-paragraph 2, purchase of locomotives. Are there any instances in which they refer to you before they purchase foreign materials ?

Sir Guthrie Russell.—In the case of big things like carriage and rail fittings, locomotive fittings and so on they refer to us.

Prof. Ranga.—Do you see that the price preferences fixed are reasonable ?

Sir Guthrie Russell.—There are thousands of cases and it is impossible to check everything. We get a report and if we think that in any case their attitude is unjustifiable, we take it up with them.

Mr. Satyamurti.—Paragraph 191. How does the matter stand now ?

Mr. Rau.—In paragraph 3 (3), this was one of the recommendations and we have accepted it.

Sir Guthrie Russell.—We now purchase more and more through the Indian Stores Department in the case of practically all the big things except, for example, non-ferrous metals, and they settle the price. They give the price preferences.

Mr. Satyamurti.—There is a statement here showing the value of stores purchased by the State and company-managed railways. There are three categories, (a), (b) and (c). I want to know whether the Railway Board have examined this question under (a) and (b) and are satisfied that these are all stores which cannot be purchased or manufactured in India even with the price preferences.

Sir Guthrie Russell.—So far as the State-managed railways are concerned, yes.

Mr. Satyamurti.—Are you constantly exercising your pressure ??

Sir Guthrie Russell.—We are always trying to persuade them.

Prof. Ranga.—Paragraph 119 : system of bulk purchases : what is the position ?

Mr. Rau.—We meet the Indian Stores Department every six months and we decide whether any more items can be usefully handed over to the Indian Stores Department for purchase.

Sir Guthrie Russell.—Every six months the Chief Controller of Stores brings up the list. We go into details with him and decide where we should purchase.

Prof. Ranga.—Since you are the biggest purchaser of some of these things, and since very often you agree to pay a higher price for Indian as against foreign goods, have you ever tried to insist upon these people improving their efficiency ? We cannot subsidize these people eternally and we must certainly insist upon improvement of their efficiency.

Sir Guthrie Russell.—One of the main tasks of the Central Standards Office is to standardise articles with the object of enabling Indian companies to compete against foreign manufacturers.

Prof. Ranga.—What is your experience of the last few years ?

Sir Guthrie Russell.—We are purchasing many things quite easily in India now and the prices also are coming down, and the quality is improving.

Mr. Satyamurti.—We are told that the railway policy is being used to dump manufactured goods in India and to export raw products to foreign countries, and especially your country. We are told that the railway policy is in favour of importing foreign articles and exporting raw products. Is that so ?

Sir Guthrie Russell.—Our researches, and we went into the allegation very thoroughly, do not bear that out.

Mr. Satyamurti.—Historically speaking, however, you admit that this was so at the beginning ?

Sir Guthrie Russell.—The position was different at the beginning when there was practically no manufacture in India.

Mr. Satyamurti.—But since then, conditions have changed radically ?

Sir Guthrie Russell.—Yes.

Mr. Satyamurti.—I merely want to ask one question, whether the detailed examination—*vide* paragraph 9—made by the Railway Board does not indicate that any of these rates is detrimental to Indian industries.

Sir Guthrie Russell.—Mr. DeSouza and we went thoroughly into the matter and our investigations do not bear that allegation out; of course there are one or two cases like wheat to Karachi where there is a rebate on export, and that is to help the wheat grower.

Mr. Satyamurti.—In revising tariffs, do the Railway Board keep in mind that there should be no room for this allegation?

Sir Guthrie Russell.—I agree. But except in the case of wheat to Karachi, manganese, coal and pig-iron, we have not been able to trace any other case, all these special rates are given to benefit the Indian producer.

Prof. Ranga.—Hand-loom weavers have to import yarn from foreigners as well as the Indian cotton mills, but the former feel that they are made to pay higher rates on the finished products. How is that?

Sir Guthrie Russell.—You see khaddar takes up more room. Yarn, if it is packed in exactly the same way in all cases, must be charged exactly the same rate. Khaddar and hand-loom cloth take up more room and are charged higher rates.

Prof. Ranga.—Handloom weavers complain that weaving mills can get their yarn from spinning mills at lower rates than the hand-loom weavers.

Mr. Ramsay Scott.—I think recently you have been encouraging the import of sugar into Kathiawar by reducing rates from the United Provinces to Kathiawar?

Sir Guthrie Russell.—The idea is to get Indian sugar into the ports cheaper than Java sugar.

Mr. Satyamurti.—There is an excellent memorandum which has been sent to us regarding the supplementary grants showing the steps taken to increase budget control and regularize supplementary grants.

Mr. Das.—This report by Mr. Rau is one of the finest reports that I have seen. I hope the Railway Board will continue to produce reports of the same standard.

Mr. Satyamurti.—I should like the Committee to express its appreciation on the excellent note that has been presented to us.

Mr. Satyamurti.—Now, I want to ask one or two questions on the Secretary of State's Report in order to get more information with regard to Railways. Do these gentlemen come into the picture?

Sir Ernest Burdon.—The Home Auditor does that. But you can ask questions.

Mr. Satyamurti.—Page 3. What is the arrangement under which, you agree to a figure? Does it correspond to facts or is it an arbitrary figure?

Mr. Rau.—What the Auditor means apparently is this that the total amount of money is spent in sterling on stores, etc., in England. But when the stores come in here it is not possible for the India Office to say whether they are used here on capital account or on revenue account.

Mr. Satyamurti.—What about the pensionary charges in respect of the railway employees ?

Mr. Rau.—Some military officers are employed by the Railways and when they finally retire they get a pension and for that portion of their service which was on the Railways we bear a proportionate share.

Mr. Satyamurti.—Then I want to ask one or two questions with regard to these outstanding points. With regard to the first point regarding military traffic, Government have decided that these concessions should continue. Why have you done so without consulting us ? Since 1928 we have been dealing with it and before we could be consulted Government coolly says that this thing should be continued.

Mr. Rau.—The Committee desired last year that a decision should be reached by Government on this question as early as possible.

Mr. Satyamurti.—We will take up this matter when the Finance Member returns. What about this postal service ?

Sir Guthrie Russell.—The present position is that the postal authorities have certain claims against us and we have certain claims against them and we are dealing with them.

Mr. Satyamurti.—Then about this rail-road policy. We have got a memorandum on this subject.

Mr. Das.—I would like to know the exact position as to what the Provincial Governments and the Government of India are going to do ? Have they agreed to levy a uniform tax all over India ?

Sir Guthrie Russell.—The Government of India propose to introduce in the next session of the Legislature an enabling Bill which will enable the Provinces to bring in their own Acts for controlling motor traffic. It is generally agreed that if a passenger vehicle has its home in one Province it should only be charged one tax.

Mr. Das.—Is it fair that private motor lorries plying on behalf of private industries should be taxed to the same extent as the public motor vehicles ?

Sir Guthrie Russell.—Yes, because there is much swindling at the present moment. Private motor lorries are taking a considerable amount of public traffic. If they do the business of one man only, all is well and good. But if they are caught carrying public traffic, they will have to pay the same tax as the public vehicles pay."

Mr. Das.—You do not want to make the motor vehicle tax uniform ?

Sir Guthrie Russell.—I thought we were here for the interests of the Railways. That is our main object.

Mr. Satyamurti.—I would like the Railway Board to realise this fact that after all you can meet this competition only by efficiency. You cannot depend upon the strong arm of the Government. The public will be against you.

Sir Guthrie Russell.—We must improve ourselves.

Mr. Satyamurti.—You can only survive if you are fitter.

Sir Guthrie Russell.—I have already said that if we can get a fair field we can improve our services and give the public better service. But unfortunately we do not get a fair field.

Prof. Ranga.—You have done very little to improve the lot of the third class passengers. In spite of this competition you do not seem to be improving in your manners ?

Sir Guthrie Russell.—You read this document and you will find what we have done for the third class passengers. (The document was handed over to Mr. Satyamurti.)

Chairman.—Is the third class passenger really better off when he travels by bus ?

Mr. Satyamurti.—He is taken from his house and is brought to his house.

Mr. Rau.—The risks are much greater and he cannot get the same convenience which he gets if he travels by the railway.

Sir Guthrie Russell.—The number of people who are killed in these buses is about 60 a month ; whereas in the case of railways one year none was killed, in another year 7 were killed and in the next two years about 23 were killed.

Chairman.—All that is required is that the railway officials should show a little more courtesy to the railway passengers. I have noticed that the Indian officials do not behave properly. My complaints are more against Indian officials than against Europeans. Last year there were two occasions when I had to send dead bodies by train and I found that European officials were extremely courteous and were willing to do everything while the behaviour of the Indian guard was most objectionable. Also the porters were very courteous and they did not take a pice for carrying the coffins.

Mr. Satyamurti.—Page 9 of the red book. You must try and pull up the Bengal Nagpur Railway. They charge the highest fares.

Sir Guthrie Russell.—Actually, the cost of haulage on the Bengal Nagpur Railway is the lowest in India except the East Indian Railway. They have got more difficulties to face. They have very much heavier gradients.

Mr. Satyamurti.—I draw your attention to para. 9 of Mr. Rau's Report, top of page 5. I think you will admit that the present state of the Railways is largely due to this foolish fever. Supposing by luck you get some profit, will you again suffer from this foolish fever ?

Sir Guthrie Russell.—As long as I am here they will not get this fever. You must remember that there were two Railway Commissions and the trend of both Reports was that India must spend money if she wants her Railways to prosper. If you will read some of the debates in the Assembly you will find that every Party said that we must have a huge capital programme and they voted 150 crores.

Chairman.—But even in these days of adversity you are going to build a new station at Aligarh. Could you not add some more platforms to the present station ?

Mr. Rau.—They could not widen the railway station, but we will look into the matter.

Prof. Ranga.—You should certainly undertake the construction of railways wherever they are found to be profitable.

Sir Guthrie Russell.—We are going into the financial implications of different railway lines in different Provinces.

Chairman.—Profitable projects must be put through because no civilised country can go on without expanding its Railways.

Mr. Rau.—When we ask the Railways to prepare their capital programme, we ask them to show separately those works which are absolutely essential from the point of view of administration and those which are remunerative and we divide the money that is available accordingly.

Prof. Ranga.—You also ask them to show what their new schemes of development are ?

Mr. Rau.—Yes.

Mr. Satyamurti.—Para. 61 of Mr. Rau's Review, annexure J of the Appropriation Accounts. I hope steps are being taken to correct this. This is a mischief which ought not to happen with an efficient officer.

Sir Guthrie Russell.—We are trying to improve the state of things.

Mr. Satyamurti.—Para. 66. I see that the matter is being further discussed with the Auditor-General.

Mr. Rau.—The Auditor-General has decided that it is the best thing though he does not agree that it shows it quite correctly. He thinks that we can continue the present method till the question of the loss is finally settled.

Sir Ernest Burdon.—That is so.

Mr. Satyamurti.—Page 39. As regards stores, Mr. Rau says it is 40 per cent. I take it that the Railway Board would work up to 40 per cent.

Mr. Rau.—As a matter of fact, it is 45 per cent. at present. But the ideal is to reach 40 per cent. as early as possible.

Sir Guthrie Russell.—One of the reasons why our stores balances are dropping is that we are buying more in the country. In the 'old days we imported six months' or a year's supply at one time. Now we get Indian manufactured stores for two months' supply.

Mr. Satyamurti.—Are the Railways attending to the publicity work in this country ? Are they applying their minds to advertising the beauty spots in this country ?

Sir Guthrie Russell.—Yes. I will send you a package of pamphlets that are broadcast throughout the world.

Mr. Satyamurti.—You ought not to stint money on this.

Sir Guthrie Russell.—I am glad you agree with us.

Chairman.—Before we disperse, we have to thank the Chief Commissioner and the Financial Commissioner and the other members of the Railway Board for the way in which they have answered our questions during the last three days.

The Committee adjourned till 2-30 p.m. on Thursday, the 23rd July 1936.