

REPORT

OF THE

PUBLIC ACCOUNTS COMMITTEE

ON THE

ACCOUNTS OF 1933-34.

Volume II—Evidence.

Part II—Railways.



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CONTENTS.

PAGE.

EVIDENCE—.

Evidence taken at the Twelfth Meeting held on Thursday the 22nd August 1935, at 11 A.M.	1
Evidence taken at the Thirteenth Meeting held on Thursday the 22nd August 1935, at 2·30 P.M.	13
Evidence taken at the Fourteenth meeting held on Friday the 23rd August 1935, at 10·30 P.M.	27
Evidence taken at the Fifteenth Meeting held on Saturday the 24th August 1935, at 11 A.M.	50
Evidence taken at the Sixteenth Meeting held on Monday the 26th August 1935, at 10·30 A.M.	65
Evidence taken at the Seventeenth Meeting held on Tuesday the 27th August 1935, at 12 noon	90

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**Evidence taken at the 12th meeting of the Public Accounts Committee held
on Thursday, the 22nd August 1935, at 11 A.M.**

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., 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, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Khan Sahib SHAIKH FAZL-I-HAQ PIRACHA, M.L.A.

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor
General.

Mr. B. NEHRU, Director of Railway Audit.

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

Mr. T. S. SANKARA AIYAR, Director of Finance.

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

Members.

*Were also
present.*

Witnesses.

1. *Chairman*.—I propose to ask the witness some questions regarding the financial position of the railways (paragraph 5 of the Auditor General's letter). In the three years referred to by the Auditor General the railway earnings have been falling so much that they failed to pay the interest charges by an average of 9 crores a year. In the year which has closed, 1934-35, I think they failed to meet the interest charges by 5 crores. The estimates of the current year assumed an improvement which left the deficiency to meet the interest charges at 2 crores, but the position is much worse than was presented to the Assembly by Sir Joseph Bore, and it looks as if you are heading for something much nearer 4 or 5 crores in the current year. The expenditure side of your Budget provides for certain allocations, roughly 13½ crores, to the depreciation fund, although you are at present only spending out of that about 9½ crores, 4 crores roughly being accumulated in the Fund against future liabilities in the way of replacements and renewals ; so that it looks as if at the

present moment you are just meeting interest charges without providing anything for depreciation for the future on the large increase of capital assets made in recent years. The situation is not even as favourable as that, because, under your accounting system, whenever you replace an article by a like article, if the excess cost is more than Rs. 2,000, you charge it to capital although there is no increase in the earning capacity whatever. Any new asset, whether it conduces to revenue earning or not, is also charged to capital and even under the present low scale of replacements there is a considerable addition to capital every year of expenditure which, on a strict accounting basis, should be charged to revenue. That tendency, in the days of heavy expenditure of 1925—30, must have been very much exaggerated, and the additions to capital of expenditure which ought to have been charged to revenue in those years must have been very considerable. What are the factors which are making for a betterment of that position and when, if ever, do you expect the position to be completely remedied? The allocation to the Depreciation Fund is calculated on a depreciation basis on the estimated lives of the existing assets. It is more than the expenditure out of the Depreciation Fund at the present moment for two reasons, partly because the capital of the railways and the assets of the railways have been increasing and the big burden on the fund is therefore in future years and not in the immediate present, and the second reason is that probably some of the expenditure which ought to be charged to the Depreciation Fund is being charged to capital. Certain items of expenditure are charged to capital which certainly ought on any decent commercial basis to be charged to revenue.

Mr. Rau.—So far as your statement goes, I am in agreement with it. During the past few years the railway earnings have fallen so considerably that it is patent to every one that if we judge only from those years we shall have to come to the conclusion that the railways are in a state of bankruptcy. But before 1930 they were in a prosperous condition; the earnings were more than enough to pay for all these charges, though of course the surpluses were inflated to the extent of say, two crores a year by the change in the method of allocation adopted in 1924 by which on State-managed Railways the whole difference between the original cost and the cost of replacement was charged to capital; still, they earned I think on the average about 7 or 8 crores a year for the first five years; and though the process of recovery seems to be very slow at the present moment, in a few years they may revert to a position where they would be able to pay their interest charges, particularly as these are falling. At the same time we must take into account the fact that at the present moment we are not paying anything towards amortisation of debt, and if you provide for all that, it is difficult to see when we shall really balance our revenue and outgoings.

2. *Mr. Satyamurti.*—What is the basis on which you provide for amortisation?

Mr. Rau.—We provide nothing at present.

Chairman.—The Blckett Sinking Fund was based on the debt position as a whole—taking the last year something like 7 crores a year. The sinking fund appropriate to the railway debts is two-thirds of the total. Two-thirds of seven is nearly five, so that really on a decent basis the

railways ought to be contributing to the sinking fund five crores a year. In prosperous years they paid a contribution of six crores on the average, but the railways have a complaint that although they were, in essence, allocating to the sinking fund provision they were not allowed to write down their own debt.

Mr. Rau.—Before 1924-25 we were repaying certain annuities incurred in connection with the purchase of certain railways ; they came to about £2 million a year. In 1924-25 when the separation took place it was decided that the total debt outstanding on this account, about £64 million, should be added to the permanent debt of the railways and that they should not pay the annuities but only the interest on the sum then outstanding and the general revenues would take the burden of repaying the annuities as they fell due.

Chairman.—In other words, there has not been a real separation of railway finance from general finance.

3. *Mr. Satyamurti.*—There has been no review of the whole system ? This system has not been reviewed all these years ? These arrangements were to be subjected to a periodical revision ? Is not that so ?

Mr. Rau.—These arrangements were to be subject to periodical review but were to be provisionally tried for at least three years.

Mr. Satyamurti.—Has anybody applied his mind to this problem ?

Chairman.—I can assure you that at least two persons at the present moment in this room are applying their minds to it with a considerable amount of gloom !

Mr. Satyamurti.—Page 3 of the Auditor General's letter : has anything happened since ?

Chairman.—Since then the Financial Commissioner and myself are very near agreement on the main principles which shall govern the allocation of charges ; in other words, what the railways ought to provide in order to comply with the obligation placed on them in this Bill ; but we are arrested by the melancholy fact that at any time in the next few years, unless there is a radical alteration in the situation with regard to the volume of railway traffic, the railways are not likely to be able to do it. A radical alteration of trade conditions may alter all this.

4. *Mr. Das.*—This question of over-capitalization was brought in by the Auditor General in 1930-31 and it was discussed and the Committee recommended that action should be taken immediately. Mr. Rau indicated a few minutes ago as if the Legislature was not exercising pressure on the Government of India. If he will properly examine this question, he will find that pressure was exercised. The only reason why we did not pursue it was the uncertain condition of the Government of India Act and of the Statutory Railway Authority Bill. Everything was in a fluid condition. It is not merely a matter of accounting and reducing a little capital here and there. That will not really solve the issue that the railways are to face. Although I recognise that the railways have reduced their expenditure under many of their heads, they will have to apply fresh outlook of mind in the mentality which the Pope Committee has envisaged whereby they shall be able to reduce their cost of administra-

tion. It is recognised by us, the non-official members, that the railway administration is top-heavy and some of the administrations are over-staffed and spend more money. Of course, they are improving from year to year and Mr. Rau's very able financial review states some of the improvements that the railways have brought in. At the same time, you cannot reduce the capital and therefore cannot pay the interest charges. Mr. Rau hopes that in two or three years time conditions will improve and he will be able to pay the interest charges and even the debt of honour of 5 crores which he owes to us.

Chairman.—He never made a promise about that.

Mr. Das.—It is an implied promise. He has noted down in paragraph 6 of his Review that the Railway Administration owes 15½ crores to the general revenues. The Acworth Committee wrote off 370 crores which the general revenues paid towards guaranteeing the railway system. So, we, the tax-payers, have given a present of 370 crores and, as a result we demanded a contribution of 6 crores to the general finances.

Chairman.—The Railway capital does not pretend to be a capital account but a debt to the Government of India.

Mr. Rau.—That is true.

Chairman.—The separation of the finance took place on an entirely different basis.

Mr. Rau.—If you take the direct gain or loss from the operations of the railways from 1858 to 1923, you will find that there was a gain of 38½ crores to the State.

Mr. Satyamurti.—Mr. Das says that 370 crores was originally borne on the capital. Is that right?

Mr. Rau.—If you accumulate at compound interest, it might come to 370 crores.

Mr. Das.—Sir William Acworth was an Englishman and we have a great respect for his Committee's report. I will go by the figure of his Committee. Mr. Rau has one interpretation and I have many other interpretations. According to me it is the writing down of the capital.

5. *Mr. Satyamurti.*—What proportion does this figure 795 crores bear to the approximate actual value of the assets?

Mr. Badenoch.—It is impossible to state. For one thing lots of the railways were taken over by Government at 125 per cent. of the original expenditure, and the original expenditure probably represented a certain amount of over-capitalisation.

Mr. Rau.—The point made by Mr. Badenoch is that when we bought over the old guaranteed companies, we had to pay them a price based on their net earnings. That price was more than the expenditure incurred on the line by the old guaranteed company. In our accounts at present we have about 40 to 50 crores which represents the difference between the capital expenditure of the company and the amount we had to pay to buy them. Our net earnings now are about 27 crores and our capital is about 800 crores. We are getting an interest of 3½ per cent.

Chairman.—Your credit in the open market will probably be 3½ per cent.

Mr. Rau.—In 1934-35, I think we earned roughly about 3½ per cent.

Mr. Satyamurti.—I may be wrong but I think we are not suffering from over-capitalisation but from under-capitalization.

Mr. Badenoch.—No. Actually the amount shown as the railway debt is in excess of the actual value of the assets.

Prof. Rānga.—At how much would you assess the price of all the land that was granted to the railways free of cost by the State all over India ?

Mr. Rau.—Most of the land is included in our capital account.

Mr. Badenoch.—A large part of it was compulsorily acquired and 15 per cent. was added to it.

Mr. Rau.—When we purchased the guaranteed company, land must have been included in that valuation because we took it over on the basis of net earnings. And we took it over as a going concern including the land.

6. *Mr. Satyamurti.*—The working expenses have gone up in the case of all railways except in the case of two railways. That is what the *Hindustan Times* says.

Mr. Rau.—In the first three months of the year the working expenses went up I believe by 7 lakhs which is due to the fact that the pay cut was restored.

Mr. Satyamurti.—Why should you restore the cut ?

Chairman.—I shall again refer to my old answer. Will you, when the general election comes, go to your constituents who happen to be the lowly paid railway people and suggest that the cut should be imposed again ?

Prof. Ranga.—We shall certainly be able to approach them if the cut is levied on those who get above Rs. 250 a month.

Chairman.—You should remember that the largest amount of the cut came from the lower paid employees.

Mr. Rau.—The total amount of the cut was about one crore and if you imposed it on the superior officers alone it will not come to more than about Rs. 10 lakhs.

7. *Mr. Das.*—May I proceed now, Sir. I did not wish to take part in that political discussion because the views differ and I have definite views in the matter why trade has fallen in India and I do not want to enter into controversy with the Finance Member here. I will be no party to any reduction of the writing up of the capital which will be a loss to the general revenue because an expert committee like the Acworth Committee went over the whole matter and it fixed the capital of the railways.

Mr. Rau.—It did not fix the capital at all. It only took the capital as it existed.

Chairman.—What you have got to apply your mind to is not to obscure the real position but to rectify the position. You have to make the railways solvent.

Mr. Das.—I am at one with you but I do not wish to confuse the issue. I would like the capital to be written down but at the cost of the railway receipts and not at the cost of the general tax-payer.

Chairman.—The railway capital is due to the Federal Government and if you write it down the Federal Government pays.

Mr. Das.—We are now exploring how the over-capitalisation should cease. Suppose it is a commercial firm and the shareholders at a meeting decide to write-off the capital by 50 per cent.

Chairman.—That is one of the great unsolved questions of modern times. In point of fact, if your railways were commercial railways, a large part of the capital would consist of ordinary shares and the ordinary shareholders would take the bump of bad times and will intervene and kick up a row with the management. They have been deliberately taken on the basis of State-owned railways and you have got to pay for them.

Mr. Das.—If it were a commercial concern, the unpaid contribution would have been treated as a floating loan. You have not been paying the general tax-payer. You have not expressed any gratitude for the present of 370 crores.

Mr. Rau.—I do not admit there was any present. You must take into account the advantages that India gets by the development of the country.

Mr. Das.—These are political views. The only remedy I can suggest is that the Government of India should either appoint a departmental committee or if it seeks the assistance of this committee, this committee is willing to help them in the matter and with the help of the Auditor General immediately find out the proper system of allocation of capital.

Chairman.—The conclusions on those points can very quickly be come to and we would not be very far apart even at the start. But when you have done all that, where is the gap coming from? There are two conclusions, first of all to get a proper financial accounting basis and that is in a very advanced stage and there is very little difference of opinion between me and the Railway Board. But we both drew back from completing this task, which could be quite easily done in 10 days, by the horrid gap. As you may have gathered from certain things which appeared in the newspapers, that is the thing in which the Government of India and the Railway Board are indeed engaging themselves.

8. *Mr. Das.*—Are you bringing new experts or economists from abroad?

Chairman.—I made no proposal to have an outside expert for the purpose of overhauling the railways. So far the matter has not gone beyond the Agents of Railways and asking them to consider what can be done about it.

Mr. Das.—The Agents are the last people to reduce the expenses.

Mr. Satyamurti.—Do not ask them to do a thing for which they are not fitted.

Mr. Rau.—Have you realised the reduction in expenditure to the extent of six crores between 1929-30 and 1934-35.

Mr. Satyamurti.—What about the ratio ?

Mr. Rau.—That is because the ratio depends on two factors the working expenses and the earnings. You might reduce the working expenses, but unless you are in a position to increase the earnings, the ratio must go up.

Mr. Satyamurti.—The ratio of working expenses to Gross Traffic Receipts has increased from 51.6 per cent. to 55.8 per cent. excluding Depreciation Fund and from 61.9 per cent. to 71.4 per cent. including Depreciation Fund. Under net traffic receipts it has gone down. You may have reduced here and there, but the net result is that the working expenses have gone up.

Mr. Rau.—Not that the working expenses have gone up, but the ratio has gone up.

Mr. Satyamurti.—While the earnings go down, should not the ratio go down proportionately.

Mr. Rau.—Not under fixed charges which you cannot alter according to the earnings. For example, repairs and maintenance of permanent way. These depend to a very small extent on the actual earnings. The proportion of fixed charges to variable charges, that is charges which vary according to the traffic would be about 50-50.

Mr. Satyamurti.—Then there must be reduction on the un-fixed charges.

Mr. Rau.—We have reduced the un-fixed charges. The total has been reduced from 55½ crores in 1929-30 to 49½ crores in 1933-34, a reduction of about six crores.

Mr. Satyamurti.—In 1929-30 what were your traffic receipts ?

Mr. Rau.—There was a reduction of 17 per cent. in 1933-34 as compared with 1929-30. These figures compare favourably with those of other countries.

Mr. Satyamurti.—But what are the wages paid in England ?

Mr. Rau.—I am only stressing what they have done ; how their working expenses compare with their earnings.

Mr. Satyamurti.—I put it to you that the railway labour in other countries which you have given in the report are paid very much higher, disproportionately higher than what you pay here.

Mr. Rau.—It ought to be remembered that we employ more men to do the same quantity of work.

Mr. Satyamurti.—How many more men do you employ for the same piece of work ?

Mr. Rau.—I cannot give you definite figures.

Mr. Satyamurti.—They are paid ten times what you pay here.

Mr. Rau.—But their passenger rates and goods rates are also higher.

Mr. Satyamurti.—Their passenger rates are higher but not the goods rates.

Mr. Rau.—I think the goods rates also are higher.

9. *Mr. Das.*—I wish to put my final suggestion that the time has come for a departmental committee of the Government of India, not the Finance Committee, with the help of an expert adviser who has knowledge of financial administration of railways to go into the whole question. I would suggest that the time has come for an examination of the whole problem and devising of drastic remedies in reducing the superior staff.

Mr. Rau.—May I remind the Committee that the Railway Retrenchment Committee was such a committee and that committee definitely said that they would not go into the operating expenses of the railways for which they wanted an expert enquiry.

Mr. Das.—True, they could not face the problem. I want the Government to face the problem and to reduce the superior staff by fifty per cent. so as to make both ends meet.

Mr. Rau.—I am not sure you will increase the net revenue thereby.

Mr. Das.—Opinions differ. Several Indian State Railways have done that. For example, the Gondal State and the Porbandar State have done so.

Mr. Rau.—There are other reasons for their increasing revenues.

Chairman.—May I make a suggestion to the Committee. We have had considerable discussion on the present and prospective financial position of the railways, that the position is evidently a disquieting one and it is even doubtful whether under the present accounting system the position is not more disquieting than actually the published figures indicate. Therefore this is not strictly an accounting point but it is one which should receive careful attention of the Government.

10. *Mr. Satyamurti.*—Do you notice that from 1930-31 there was a decline in the net traffic receipts.

Mr. Rau.—Yes.

Mr. Satyamurti.—Do you think the upward trend noticed last year is likely to continue ?

Chairman.—The crux of the whole thing is whether the first four months of 1935-36 are an interruption in the upward trend or whether it means that we have passed the peak. If so, it is very serious indeed.

Mr. Satyamurti.—What is your experience generally of the receipts. How do the first few months compare with the later months ?

Mr. Rau.—It is very difficult to say. I can show you a graph for the first few months.

11. *Mr. Satyamurti.*—Out of the depreciation fund, you have got 9½ crores left ?

Mr. Rau.—Yes.

Mr. Satyamurti.—How does it compare with the annual renewals ?

Mr. Rau.—The balance is after meeting annual renewals, and the deficits of the last few years. This year, the difference between our payments to the fund and the amount which we withdrew from the fund, was about five crores and five lakhs, and we withdrew five crores and one lakh to meet our deficit. This results in a net increase in the depreciation fund of four lakhs.

Mr. Satyamurti.—Hereafter you cannot borrow from the depreciation fund because it is almost exhausted.

Mr. Rau.—In the coming year we expect to pay into the depreciation fund about 4 crores more than we require, and unless our deficit is more, our balance in the depreciation fund will not be reduced.

12. *Mr. Satyamurti.*—Do you take into account what you have to pay to the general revenues? What you have promised to pay?

Mr. Rau.—General Revenues should also consider what we have paid already. Forty-two crores in the first six years. If that had been taken as reducing our capital at charge we would have saved interest charges at the rate of two crores a year.

Mr. Satyamurti.—The contribution to the general revenues is not a gift.

Mr. Rau.—It is a gift in the sense that we pay all the interest charges and in addition pay one per cent. . . .

Chairman.—The argument has some force in it, but not all the force—that the Government had not reduced the capital by the amount of contribution. If they were a commercial concern, the Government would have got a considerable amount by way of income-tax and super-tax so that the Government is entitled to a contribution over and above that.

Mr. Rau.—Only if they make profits. In the first few years they did make profits.

Mr. Satyamurti.—The contribution is not a gift by the railways but it is based of a careful calculation.

Mr. Rau.—Inasmuch as it is a part of the contract or convention, it is not a gift.

13. *Mr. Satyamurti.*—At the bottom of page 9 of the Administration Report it is said that “the work of job analysis is still in hand on most of the railways and the recommendations made by Mr. Pope in his second report are at present under the consideration of the Railway Board.” Can we have a statement on that?

Mr. Rau.—I placed a full memorandum before the Standing Finance Committee some time ago which I can circulate to members. The financial result as claimed by the railways is that in five railways they saved 30 lakhs and the cost of the job analysis organisation was 3 lakhs.

Mr. Das.—Does the Railway Board agree with that?

Mr. Rau.—Yes; this has been checked by their accounts officers. We are still going on with this work of job analysis.

Mr. Satyamurti.—Is there any hope of further retrenchment in this direction?

Mr. Rau.—Not very much, but there is hope that in the next year or two we shall probably get much more than we spend.

14. *Prof. Ranga.*—Is any investigation being made to see whether any economies can be made in the establishment branches ?

Mr. Rau.—Yes.

Mr. Satyamurti.—I should like to know whether in view of the disastrous financial position of the railways any attempt is being made or proposed to be made to reduce expenses on the staff from top to bottom.

Chairman.—I may say that, if you dismiss the whole of the directing staff, you are not going to make any appreciable difference in the net result. Mr. Satyamurti's question is whether steps are being taken to overhaul the establishments from top to bottom.

Mr. Satyamurti.—And if so, whether there are any reasonable prospects of any reduction by way of retrenchment either in numbers or in emoluments so as to help us to have better financial results.

Mr. Rau.—I doubt whether with all the retrenchments that are possible the railways can save much more than half a crore. When you are considering the whole question of the deficit in railway revenues the greater portion must come from increase in earnings.

Mr. Satyamurti.—That is one of the directions in which I suggest an attempt should be made and I should like the results of it to be reported to this Committee now and next year.

Mr. Rau.—I can circulate this memorandum that I placed before the Standing Finance Committee showing the results that we achieved in 1933-34, and any further information that we have at the present moment.

Mr. Satyamurti.—And I should like to have a report next year in this direction.

15. *Sir Mohammad Yakub.*—Have all the recommendations of the Railway Retrenchment Committee been given effect to ?

Mr. Rau.—I think a statement was laid on the table of the House in regard to that as to what were agreed to and what not.

Sir Mohammad Yakub.—Can you tell us what was the result of carrying into effect the recommendations which were accepted by you ?

Mr. Rau.—I think we gave that figure also but I can circulate that figure again.

Mr. Das.—They said they reduced even more than the Committee recommended.

Mr. Rau.—Yes, in certain directions. For instance, the Committee recommended that the number of Members of the Railway Board should be reduced to four and we reduced it to three.

Sir Mohammad Yakub.—But what is required is to reduce the pay and emoluments of the existing officers.

Mr. Rau.—We have introduced new scales of pay almost everywhere, but following the policy of the Government of India in this matter we have decided that these rates of pay should apply only to new entrants ; and it will be a long time before we get the benefit of these new scales of pay.

16. *Mr. Satyamurti.*—Now we come to Chapter II of the Administration Report and I will ask a general question on it. A good deal of your estimates regarding earnings is based upon movements of trade, the monsoon and various conditions in the country. In framing your budget do you consult the other departments who are in a better position to give you figures than your own advisers can be ?

Mr. Rau.—The crop prospects are all published. We consult other departments where necessary but mainly verbally. I don't remember sending a memorandum to another department asking their opinion as to my budget estimate.

Mr. Badenoch.—Probably Mr. Satyamurti does not realise that in every railway there is a statistical branch in which they carefully watch the movements of goods and the statistics of traffic.

Mr. Satyamurti.—Here they have devoted one whole paragraph to this and I am asking that this information should be made available to those who frame the budget at the time they frame it.

17. *Mr. Satyamurti.*—In paragraph 14 of this it is said : “ Working expenses, including the appropriation for depreciation, amounted to 62 crores, or about a quarter crore more than in the previous year ”. Is there any other direction in which you can reduce the working expenses in order to make both ends meet ?

Mr. Rau.—We have definitely asked the Agents to go into this thing again on the assumption that this period of depression is going to continue for some time. We had a preliminary meeting in July and we are discussing it with them again in October.

18. *Mr. Satyamurti.*—What is the position of these Agents ?

Mr. Rau.—They have certain powers delegated from the Government of India.

Mr. Satyamurti.—Do you get any co-operation from these Agents in the matter of economising expenditure ?

Mr. Rau.—Certainly ; without their co-operation we could not have achieved a reduction of six crores.

19. *Mr. Satyamurti.*—Can you give some direction, apart from staff, in which you can hope for a reasonable retrenchment in working expenses ?

Mr. Rau.—Seeing that they have done so much already I do not think that the total decrease, roughly speaking, would be much more than half a crore, as I said before.

20. *Chairman.*—Are the Railways allowed to run buses ?

Mr. Rau.—Not yet. There is nothing against State Railways running buses ; the Company Railways will have to get an Act of Parliament amended. But there are a few railways in India, about 10 or 12, which are more or less tramways, that can under the amended Act of 1932 run buses. Two of them applied to us for permission to run buses. In the case of the Kalighat-Fulta Railway the proposal was turned down by the Bengal Government who thought the existing communications were quite ample. The proposal of another railway is still under consideration.

Chairman.—Is it worth considering whether the State Railways should run feeder services ?

Mr. Rau.—We asked the Agents about that and none of them are very keen on it. They rather prefer coming to an arrangement with some existing bus services to issue through tickets and that sort of thing.

Chairman.—Presumably the private companies do not do too badly. In that case if the State Railways run buses it will be a profit making service.

Mr. Rau.—The Nizam's Railway is running buses at a profit but they have a monopoly. We cannot get a monopoly ; the Local Governments would not agree to that. If we do not have a monopoly, the travelling public would demand a much higher standard of comfort than in private buses, and I am very doubtful whether we can make it a profitable concern without some sort of at least a semimonopoly.

Prof. Ranga.—Have you consulted them ?

Mr. Rau.—We are having meetings of the Transport Advisory Council once or twice a year and we find that some of the provincial Governments are willing to co-operate with us to restrict the number of buses and to have some sort of control over them. But they would never consent to the giving of a monopoly to the Railways.

(Adjourned for Lunch till 2-30 P.M.)

Evidence taken at the 13th meeting of the Public Accounts Committee held on Thursday, the 22nd August 1935, at 2-30 P.M.

PRESENT :

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

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

Mr. F. D'SOUZA, Director of Traffic, Railway
Board.

Members.

*Were also
present.*

Witnesses.

21. *Mr. Satyamurti.*—There are two matters which I should like to consider : one is the failure to review the Financial arrangement of 1924—the separation of railway from general finances : that was subject definitely to periodical revision and provisional trial of at least three years. Somebody has omitted to do that and I think this committee ought to say something about it.

Chairman.—I wonder if Mr. Rau could give us some information on this.

Mr. Rau.—A committee was appointed by the Assembly in 1929 and met once or twice. I was secretary of that committee. They appointed a sub-committee which held one or two meetings ; then what happened was that the committee became *functus officio* because of a dissolution of the Assembly. Afterwards the question was not brought up again because at the time the Simon Commission came in and we expected a reformed

constitution almost any day and I believe that was the reason why this thing was allowed to go on till it was settled in connection with the new constitutional position. To the best of my recollection that is the position.

Mr. Satyamurti.—Had this been taken up early enough, this confusion would not have become so great as it has become now.

Chairman.—When did the surplus period end ?

Mr. Rau.—In 1929-30 I believe ; in 1930-31 we paid a contribution though there was no surplus ; we paid it from reserves.

Mr. Satyamurti.—I should like some mention of it—I leave it to you how you should mention it.

Chairman.—In what respect is the revision of the convention relevant ? The convention purported to regulate the contribution to general revenues and the method of charging interest to railways.

Mr. Badenoch.—I think it also involved the whole financial settlement—allocation between revenue and capital too : it was all part of one scheme really.

Chairman.—At the moment it does not seem to me that the revision of the financial convention was so much the question at issue because no financial convention for distribution of a surplus or making a contribution is any good once it became clear that there was no surplus. The gravamen of your charge is whether steps might not have been taken at an earlier stage—even earlier than 1929—in the first instance to consider the policy of a large capital expenditure on railways ; and secondly to rehabilitate the railways after the slump. When did Pope come out ?

Mr. Rau.—I believe the retrenchment committee was in 1931 ; Mr. Pope came out at the end of 1932 and again at the end of 1933.

Mr. Satyamurti.—I am suggesting that any examination by the legislature or by a committee would have involved examination of the whole financial position. The thing has gone on as if nobody cared what happens ; now it is 3 or 4 years too late.

Mr. Rau.—The convention was really for the purpose of distributing the surplus between the Government and the railways, and after 1929 there was no surplus to distribute.

Mr. Satyamurti.—The convention was for two purposes : in order to relieve the general budget from the fluctuations.....

Mr. Rau.—It has succeeded in that.

Mr. Satyamurti.—By transferring the fluctuation to itself ?

Mr. Rau.—That was the object, because it was always assumed that the railways were subject to much larger fluctuations than general revenues.

Mr. Satyamurti.—You have been fluctuating on the wrong side all the time.

Mr. Rau.—No : in the beginning you had it on the right side.

Chairman.—The Auditor General's report for 1930-31, which was in fact written in 1932, drew attention to various tendencies towards over-capitalisation. Did you at that time raise the question of the financial results of the railways and the effect on them ?

Mr. Badenoch.—The attitude of the Auditor General always has been that he would not agree to a revision of the methods of allocation without reconsideration of the convention. He considered that the convention crystallised the methods of allocation between capital and revenue, and he thought that it was part of the same thing, that actually you must revise your convention and your methods of allocation between capital and revenue together.

Mr. Rau.—The method of allocation is not directly referred to in the convention.

Mr. Badenoch.—No ; but the convention was definitely based on certain allocations between capital and revenue. The Auditor General was rather constituted as the guardian of the convention, and obviously he could not agree to any important modification of the system without saying that the convention must be reconsidered.

Mr. Satyamurti.—If it had been considered at that time, all this confusion would not have happened.

Chairman.—The review of the convention was undertaken at a not unreasonable time because the Assembly set up a committee on the 21st September 1928 to review this. The committee met in February and March 1929 and appointed a sub-committee. The sub-committee held one meeting in June 1929 and has never met since ; and the Auditor General said in 1932 that these things ought to be settled.

Prof. Ranga.—And nothing has been done.

Chairman.—I would not say that ; nothing public has been done perhaps ; but a good deal of work has been done privately.

Prof. Ranga.—The Auditor General says that the tendencies towards over-capitalisation that were brought to notice three years ago are still in operation.

Mr. Satyamurti.—I want this to be stressed by the Committee, that is our unhappiness or dissatisfaction at the state of things disclosed in paragraph 3 of the Auditor General's letter.

Mr. Rau.—As regards over-capitalisation, if we are charging more to capital than we ought to charge, we are charging less to revenue than we ought to. If steps had been taken to revise the convention entirely on sound financial and accounting principles, the result would have been that the capital at charge would have been less but our charges to revenue would have been more and our deficits would have been more.

Mr. Ramsay Scott.—If the deficits had been more, probably you would then have reconsidered the whole position or taken some steps about it.

Chairman.—On the other hand, there is no doubt that, if accounting methods had been right, this contribution to general revenues would have been considerably less ; on the capital there would have been less interest charged in these deficit years, but the charge to revenue would have been more, and on balance I think probably the deficit position would have been worse ; but what is quite clear is that, if in the heavily surplus period proper accounting methods had been pursued, the optimistic expectations of a gold mine and the continuance of that gold mine for ever could not possibly have been entertained.

Mr. Badenoch.—I quite agree. I think it was based on an incorrect revenue position which made it appear that this capital expenditure could be borne.

Chairman.—We can quote from the Auditor-General's report and say something to this effect—that the unofficial members of this committee felt that it would have been better if the separation convention had been revised earlier with a view to remove the tendencies towards over-capitalisation ; the result of this would be that the optimistic appearance of the accounts in the surplus period would have been diminished and it is possible that some capital expenditure which was then undertaken might not have been undertaken for the benefit of the present financial position of the railways.

Mr. Rau.—May I mention that the capital expenditure was definitely reduced to very small proportions in 1929-30 ? It was 13 crores in 1924-25 ; 19 crores in 1925-26 ; 27 crores in 1926-27 ; 32 crores in 1927-28 ; 29 crores in 1928-29 ; 30 crores in 1929-30 ; and thereafter in 1930-31 it was 13 crores and in 1931-32 it was 6 crores ; in 1932-33 it was *minus* 2 crores. As regards the action taken by the Railway Department, after it was brought to our notice by the Auditor General, this is what we did. In this connection I would just like to read a small portion of Sir Joseph Bhore's speech in 1933 ; he said this :—“ In this connection, we have also to consider the point raised by the Public Accounts Committee this year, that it is desirable to have an early settlement of the permanent basis on which works expenditure should be charged to capital, to the Depreciation Fund and to revenue. It is obviously desirable that the question of withdrawals from the Depreciation Fund should be considered along with the method of contributions to it.” He further said—“ All these questions deserve careful and detailed examination, and it is our intention to have the whole of the arrangements connected with the Depreciation Fund investigated thoroughly during the coming year.” In 1934, as a matter of fact, I wrote a very long note and placed it before Government. In his budget speech this is what Sir Joseph Bhore said :—“ It will be observed that we have not yet embarked on the investigation which I foreshadowed last year in connection with our Depreciation Fund procedure. This is not due to any change in the perspective in which we view this question, or in our opinion of its importance. But, after a very full preliminary examination, we came to the conclusion that might well be left for investigation concurrently with other important financial questions which must be settled in connection with the future changes in the administration of Indian Railways ”. We are now proceeding on that.

22. *Mr. Satyamurti.*—Let me go on to page 22 of Mr. Rau's Review, and I want to take up this question of Depreciation Fund. I should like a categorical statement as to what the basis of it is to-day, what it ought to be according to the Railway Board, and what the relative advantages of both systems are. He mentions here that the procedure has been simplified with the approval of the Assembly, and the appropriation is to be 1/60th. Is there any reason behind it or is it a mere arbitrary figure ?

Chairman.—The interim arrangement of 1/60th is very much on my initiative. On Mr. Rau's memorandum which was prepared in 1933, there was a long discussion on the method of calculating the allocation to depreciation fund. It was the amalgam of a large number of separate calcula-

tions of different kinds of assets based on assumed lives which were probably extremely inaccurate, and he could not guarantee that the actual calculation of the proper amount of depreciation arrived at by these results was correct within 10 per cent. Then I said, well, if you look at the figures you have actually allocated, it is a fairly constant proportion of the capital at charge; why not therefore adopt some simplified multiplier and use that instead of spending a lot of time on things which you know are going to be inaccurate. That is the history of the interim method. I think the Auditor General will tell you that he is not too happy over it. An interim method is intended to give at least as good a result much more easily and much more economically than the previous complicated calculations.

Mr. Satyamurti.—Please refer to page 22, the last 2 lines.

Mr. Rau.—Yes, because Government has not come to any final decision as to whether 1|60th should be the proper figure.

Mr. Satyamurti.—What is the depreciation fund for?

Mr. Rau.—The depreciation fund in strict theory is supposed to represent the accrued depreciation during the year. When you buy a new asset, a certain percentage of its value can be supposed to have disappeared, every year. The object of the present depreciation fund is for the purpose of finding money for renewing the assets which require to be renewed.

Mr. Satyamurti.—Are you satisfied that the contribution you are called upon to make year after year represents that much and no more and no less?

Mr. Rau.—Government have not made up their mind.

Chairman.—As regards the actual amount of 1|60th or the previous calculation, Mr. Rau says that he is not going to pretend that that allocation is scientifically accurate within 10 per cent. My view is, and I think Mr. Rau does not differ from this, modern accounting theory is moving away from the idea of depreciation fund into making a provision for renewals and replacements, and in the end that renewals and replacement fund must be built up very much on an empirical basis. Indeed accountancy is moving away from a spurious scientific system into an enlightened empiricism.

Mr. Satyamurti.—Is that the Railway Board's view?

Mr. Rau.—The Railway Board has not yet considered the matter. I have considered the matter, but I cannot commit the Chief Commissioner of Railways or the Railway Board to any agreement with my views in the matter.

Chairman.—There is no difference of opinion between Mr. Rau, the Auditor General and myself that undoubtedly the Railways ought to provide out of revenue for replacements, renewals and minor betterments.

23. *Mr. Satyamurti.*—Now about amortisation, what is the position?

Mr. Rau.—We should set aside a reasonable sum from the profits of Railways every year to provide for paying back our capital. In lean years it may happen that we will not be able to pay, but in prosperous years, I think it is sound finance to set aside something.

Chairman.—I was careful to explain that so far we have considered the two problems separately. One is the ideal system and the other is what to do to arrive at the ways by which you can carry out that ideal system, and the two lines have not met yet. We have only got to the stage of the ideal system. I do not mind very much whether the amortisation takes the form of amortisation or a contribution to central revenues, but the fact remains that the Government is responsible for a debt of 1,200 crores, and therefore either by way of a definite contribution to amortisation of your own debt or by a general contribution, the Railways ought to pay to the central revenues a sum in the neighbourhood of 5 crores a year in order that the Government may be assisted in managing their debt, for which they are finally responsible.

Mr. Satyamurti.—That is in addition to the depreciation fund. That is an ideal system where you want the Railways to pay the central revenues.

Chairman.—The debt of the Central Government is about 1,200 crores. Of that say 800 crores is due to the Railways. Any decent financial system will provide for the allocation to the sinking fund every year a sum which will have some relation to your total debt, and unless the Railways in some form or other make a contribution to the central revenues, I think the Government will be inadequately caring for its debt position.

Mr. Satyamurti.—You will reduce the capital charge also ?

Chairman.—That has not been done in the past, and I was proposing that it should be done.

24. *Mr. Satyamurti.*—Have you any proposals for increasing passenger traffic ?

Mr. Rau.—We have made another experiment. On the E. B. Railway we have introduced return tickets for third class passengers at one and two-thirds fare ; that has not been adopted on any other railways.

Prof. Ranga.—Why do you not adopt the coupon ticket system for third class in the case of business people ?

Mr. Rau.—We have difficulties even with regard to upper class passengers. There is, the question of identification.

Prof. Ranga.—Have a photo on the coupon.

Mr. Rau.—That is what we are thinking of.

Prof. Ranga.—You will find it a paying proposition if you introduce third class coupon system.

Mr. Satyamurti.—My point is we are losing very heavily on the passenger traffic. I know in my part of the country, at any rate, the bus is a serious rival in many districts in the Madras Presidency to the rail. On the Madras and Southern Mahratta Railway they introduced a ten-rupee ticket last year and they made lots of money on it, and I do want the railways to do something in the matter of this problem of increasing the passenger traffic. For instance, you can introduce electric fans in the third class.

Mr. Rau.—The expenditure on it would be two to three crores.

Chairman.—You want to boost the railways.

Mr. Badenoch.—I know of one experiment that is going on, and that is the diesel engine cars.

Mr. Rau.—We have got that on the Madras and Southern Mahratta.

Mr. Badenoch.—Which will very much reduce the cost of running and give better service.

Mr. Satyamurti.—What I am thinking of is we must attract the third class traffic. That is the most paying proportion at least in my part of the country. You must meet this bus competition by a better service, a quicker service, a cheaper service, and as the Finance Member said, by boosting it and arranging the timings suitably. Again, the stations are miles away from populous villages, that I know on the Madras and Southern Mahratta, and are you trying to do anything in that matter?

Mr. Satyamurti.—What have you been doing during the last one year to draw more third class traffic on the Southern India Railway?

Mr. Rau.—I do not know about the Southern India Railway. But I know something about the North Western Railway. What they are doing is to have special day return tickets from place to place in each line so as, as far as possible, to get back the traffic that they had lost. They are reducing fares, they have more frequent services, services at a time which would really be the time when people want to utilise those services, quicker service.....

Mr. Satyamurti.—What are the results?

Mr. Rau.—The results on the North Western Railway are mixed up with the results of the reduction of third class fares. We have obtained an increase of 13 per cent. in the number of passengers, but we have not had an increase in earnings yet.

Prof. Ranga.—Apart from all these things, the latrines provided in the third class are horrible. I have asked people going in the buses why they prefer the buses and they have told me one of the reasons is the state of the latrines in the train. Another thing is that your employes are not courteous to the third class passenger.

Mr. Satyamurti.—I entirely agree with Prof. Ranga that the third class passenger is treated as an unwanted man to whom it is a privilege to be allowed to have a ticket and to be allowed to travel.....

Sir Mohammad Yakub.—At big stations like Delhi the third class passenger cannot get a ticket unless he pays the porter one or two pice. Without that it is impossible for the passenger to get a ticket.

Mr. Rau.—As a matter of fact, we have been issuing circulars and circulars to all railway administrations and they have been issuing circulars to all their staff that they must show courtesy and attend to the passengers' comforts, and all that sort of thing.

Mr. Satyamurti.—Even in stations where it is notified that you can get tickets all the 24 hours, very often you cannot get a ticket even half an hour before the arrival of the train.

Prof. Ranga.—Last month I made a complaint at the Guntur station. The booking office is supposed to be opened at least one hour before the arrival of the train, but it was opened before only ten minutes, and when

I gave a rupee and the cost of the ticket was nine annas three pies the booking clerk said he had no change and refused to give a ticket. Then I complained to the station master and got the ticket.

Sir Mohammad Yakub.—The complaints made by Messrs. Ranga and Satyamurti are substantially correct and every one of us can vouch for the same.

Mr. Satyamurti.—No doubt if we advertise ourselves as M.L.A.'s we do get some attention, but what about the ordinary man ?

Sir Mohammad Yakub.—But even if you make all the improvements, it will still be difficult for the railways to compete with the bus.

Chairman.—I am told that the ultimate solution is for the railways to run their own bus services and also a service for collecting goods.

Mr. Rau.—They have this pull over us in that they can pick a passenger wherever he wants and drop him wherever he wants to alight.

Mr. Satyamurti.—Why should not railways have buses and take passengers from their homes and to their homes ?

Mr. Rau.—As regards competition with motor buses we should realise that the ordinary motor driver does not provide for depreciation, nor for insurance. As soon as a bus is useless, he leaves it and goes and buys another secondhand bus. It is very difficult for us to compete successfully with them. Another thing is, will the passengers pay more than for the ordinary motor bus ?

Prof. Ranga.—They cannot.

Mr. Satyamurti.—There was some conference here on the road-rail competition. May I know what is the result of that conference ?

Mr. Rau.—A communiqué was published. I can send you a copy.

Mr. Satyamurti.—Was anything done by way of reducing the competition on existing roads between the railways and buses ?

Mr. Rau.—It is mainly the business of Local Governments. It is very difficult for us to interfere because it is constitutionally a matter for Local Governments and they stand to lose in license fees if buses are restricted.

Mr. Satyamurti.—We have already sunk 800 crores on Railways.

Mr. Rau.—We have explained all that to the Local Governments.

Mr. Satyamurti.—Have Government examined the question of utilising the existing transport resources so as to serve different classes of needs and not serve the same needs and thereby merely increase the competition ?

Mr. Rau.—We have done what all lies in our power. We have no means of coercing Local Governments in this matter. Under the present constitution roads are provincial.

Prof. Ranga.—Is the road-rail competition to be allowed to go on unchecked ?

Mr. Satyamurti.—Is that the position of the Government of India ?

Chairman.—The railways are owned by the Central Government and buses are regulated by Local Governments, and local patriotism and pride, in some of the instances that I have seen, have always asserted themselves.

Mr. Satyamurti.—The Central Government when it wants a thing seriously, gets it done all right. The Government of India Act comes in the way only when the Central Government does not think seriously about a matter.

25. *Mr. Satyamurti.*—Page 11 of the Financial Commissioner's Review, paragraph 16 of the Administration Report. It is said there, "From another point of view, Railways have saved in ordinary working expenses over 45 per cent. of the fall in receipts". Is that a matter for congratulation ?

Mr. Rau.—Yes.

Mr. Satyamurti.—On what basis do you calculate fixed and unfixed charges ?

Mr. Rau.—There are varying charges, for instance, the cost of coal, the cost of oil and water, and things like that, stores to some extent. But more than half is fixed. Take your permanent way, take your maintenance of permanent way ; then you have to run a train, you must have an engine whether the number of passengers is 100 per cent. capacity or 50 per cent. capacity or 25 per cent. capacity, the station staff has to be maintained.

Mr. Satyamurti.—Are you satisfied that this 48.31 represents the minimum working expenses for getting a receipt of 86.63 ?

Mr. Rau.—How can I say ?

Mr. Satyamurti.—That is, are you still trying to make economies which will be effective in bringing down the expenses ?

Mr. Rau.—We are trying to do that.

Mr. Satyamurti.—"There is an increase in most railways, partly due to the reduction in the emergency cut, with the exception of the East Indian, South Indian, Great Indian Peninsula, and Bombay, Baroda and Central India Railways." These railways are able to manage.

Mr. Rau.—We will have to go into the accounts of each railway before I can deal with that.

Mr. Satyamurti.—My point is that those railways have not reduced their working expenses which they should have done considering the fall in receipts. Has that matter been examined by anybody in your office ?

Mr. Rau.—You are taking only one year. I should like you to compare 1933-34 with 1929-30 figures, and you will find that practically every railway has reduced the expenses.

Mr. Satyamurti.—Take the previous year. Have you got the figures for 1934-35 for these railways ?

Mr. Rau.—I am afraid I have not got the figures.

Mr. Satyamurti.—I want this problem of working expenses to be examined.

Chairman.—Certainly. It is part of the main problem.

26. *Mr. Satyamurti.*—I am not satisfied that as much as should have been done has been done, considering the fall in receipts. I come to the stores balance, Annexure D, page 50. It is page 19 of the Administration Report, paragraph 21. What is your basis of stores balance? Is it, as we had in certain other departments, a twelve months' consumption, or six months, or what?

Mr. Rau.—In the case of imported stores, it is, I believe, about six to three months, and in the case of indigenous stores, it is much less.

Mr. Satyamurti.—What is the proportion of indigenous stores to the foreign stores that are consumed by the railways in India as a whole?

Mr. Rau.—That you have got in the Administration report, at page 48.

Mr. Satyamurti.—You imported nearly 4.37 crores worth out of a total purchase of 11.97 crores.

Prof. Ranga.—How do you explain this big drop? No doubt it is a very good record, but why do you keep so much stores? You have ordinary stores, special stores, and surplus stores. How many months' supply do you keep in the ordinary stores?

Mr. Rau.—It varies with regard to different commodities. I think it is generally three months, I could not say offhand.

Prof. Ranga.—Page 50 of your Review. You started with 23.67 crores and you have come down to 10.18 crores, but how do you explain such a large amount of stores having been kept by the Government of India?

Mr. Satyamurti.—Even the present figure of 7 crores 59 lakhs ordinary stores, can you assure us that 50 per cent. at least of this is really necessary for your three months' consumption?

Mr. Rau.—If you look at the appropriation accounts for railways for 1933-34, at pages 72-73 you will find the receipts and issues and balances separately for ordinary stores, stores for special works and surplus stores and that sort of thing. You will find what are roughly the purchases during the year.

Mr. Satyamurti.—Paragraph 79 of your Review. "The stores balances at the end of 1933-34 amounted to 53 per cent. of the issues during the year as compared to 66 per cent. in the previous year. In normal times, closing balances are expected to be in the neighbourhood of 40 per cent. of the issues."

Mr. Rau.—40 per cent. is not possible in cases where your works programme is falling rapidly or your relaying programme. The rails released from relaying track go back into surplus stores and you cannot dispose of them. Sometimes when you have got a programme of new construction or some such thing you can dispose of them, but it is no good merely throwing them away.

Mr. Satyamurti.—Are you working towards this 40 per cent. basis?

Mr. Rau.—Yes.

Mr. Satyamurti.—Are you reducing your stores year by year. What were your purchases in 1934?

Mr. Rau.—The total balance is 80 lakhs less. We are reducing our purchases as far as possible.

27. *Mr. Satyamurti.*—I want to know from the results of the last five years how the company-managed railways and the State-managed railways compare as regards profit and loss accounts ?

Mr. Rau.—It is very difficult to say. The B. N. Railway has lost consistently during the last five years. The B., B. and C. I. which is also a company-managed railway has gained consistently. The East Indian Railway which is a State-managed railway has been gaining throughout, while the North Western Railway, which is a State-managed railway has lost consistently. It is impossible to say definitely one way or the other.

Mr. Satyamurti.—Comparing the profit and loss account of the State-managed railways as against the company-managed railways, what is the impression which you have got from the results of the working during the last five years as regards their economic management ?

Mr. Rau.—I am afraid I would not say. I will give you the figures.

Mr. Satyamurti.—I have got the figures but I want to test the soundness of my conclusion ?

Mr. Rau.—My view is that it has no necessary relation to the method of management.

Mr. Satyamurti.—Are there not three classes of railways, first class, second class and third class ?

Mr. Rau.—The railways which earn more than 50 lakhs a year are classed as 1st class. Those which earn from 10 to 50 lakhs are classed as 2nd class and the third class are those which earn below 10 lakhs. That is my recollection.

28. *Mr. Satyamurti.*—May I ask whether it is the Government's policy to acquire these company-managed railways as and when their contracts terminate or to consider them on their merits and then decide ?

Mr. Rau.—Each case is considered on its merits.

Mr. Satyamurti.—From the point of view of the general management of the railways, don't you think it is unremunerative to have two classes of management, with duplication of staff, want of co-ordination and differences in rates and fares.

Chairman.—I believe there is scope for a certain amount of amalgamation but the contracts do not terminate simultaneously. The cost of the premature acquisition of one constituent would far outweigh the saving on overhead charges but I think this question of amalgamation is being considered.

Mr. Rau.—That is true.

Chairman.—These questions can be considered only if there is going to be a great deal of saving or extra revenue to the State by acquiring the railways but at the present moment. I do not think there is.

29. *Mr. Satyamurti.*—I should like to take up paragraph 50, page 42. Have we got an adequate supply of wagons, for all the goods traffic that is going. I often hear complaints that merchants cannot get wagons

without a heavy bribe to the goods clerks and even then they cannot get wagons. Have any complaints reached the Railway Board? Has this question been examined at all from this point of view?

Mr. Rau.—I do not think that any particular definite allegation has been brought to the notice of the Railway Board, but the statement is generally made. I can assure the Committee that any cases of bribery brought to the notice of the Railway Board are severely dealt with.

Mr. Satyamurti.—The real point of my remark is that, if there were enough wagons, there will be no temptation either to the Station Master or the clerk to ask for bribes.

Mr. Rau.—I have not the slightest doubt in my mind that for the present traffic there are more than enough wagons.

Mr. Satyamurti.—Have you got any accounts to show how long it takes for a wagon to travel from one station to another and can you tell us whether there is inordinate delay in the transport of goods?

Mr. Rau.—I do not know whether there are any statistics in my office but there must be in the railway offices which will show whether there has been any undue delay.

Mr. Satyamurti.—It takes four weeks for a consignment to come from Delhi to Madras.

Mr. Rau.—Ordinarily it should not take as much as that. It must have been misdirected.

Mr. Ramsay Scott.—What is the time taken by a wagon to travel about 100 miles?

Mr. Rau.—Probably a day; I think the average speed is about 10 miles an hour but I could not tell you off hand. I must have notice of that. I can get that information for you.

Mr. Ramsay Scott.—If you can get it for me later on, that will do.

Chairman.—Have you got statistics showing the number of wagons not in use?

Mr. Rau.—We get the statistics thrice a month.

Chairman.—Have you got any block of statistics showing whether the public are getting proper service and whether the service is improving?

Mr. Rau.—I can get the statistics.

Mr. Ramsay Scott.—I happen to know that in the East Indian Railway you can get a wagon from Calcutta to Cawnpore in about 7 days. That is 760 miles. That means slightly over 100 miles a day. That is considered good.

Mr. Satyamurti.—How long does it take for a man to get a wagon after he applies for it.

Mr. Rau.—I cannot tell you myself. I will have to consult my Director of Traffic about this.

Mr. Ramsay Scott.—We want to know the average time taken by a wagon to travel 100 miles.

Prof. Ranga.—And also the average time taken before a wagon is granted.

Mr. Satyamurti.—Motor lorries are now coming into use for the transport of goods and I want the Railway administration to find out if there is any avoidable delay in the allocation of wagons to merchants who want them.

Chairman.—There is always a difficulty in dealing with questions of this kind. People making complaints are usually unwilling to come forward to substantiate them to the department concerned. Do you get a large number of complaints?

Mr. Rau.—I can get you Mr. D'Souza who deals with these things.

(Mr. D'Souza was called in at this stage.)

Chairman.—The first question was Mr. Ramsay Scott's, *viz.*, what is the average time for moving a wagon of consignments 100 miles. The second question is Prof. Ranga's, *viz.*, what is the average delay between the application for a wagon and the obtaining of one by a commercial man. The third question is mine, *viz.*, whether any statistics are kept which show the kinds of traffic which are remunerative and whether your wagons are being utilized to the best advantage and so on.

Mr. D'Souza.—As regards the first question, the answer is, roughly one day for every hundred miles. A day would be taken for shunting and other operations, and another day at the receiving end.

As regards the second question, the time that elapses between the receipt of an application for a wagon and the obtaining of a wagon.....

Chairman.—This had reference to accusations which are sometimes made publicly that "palm oil" has to be used to get a wagon quickly.

Mr. D'Souza.—There is no truth in such an allegation. One swallow does not make a summer; when we have millions of transactions in connection with wagon supplies, if you do get a few cases of "palm oil", that does not show that conditions are generally bad.

Mr. Satyamurti.—Have you any statistics to show what is the average time?

Mr. D'Souza.—You can get a wagon easily if one is standing at a station. Of course if it is a road-side station, you cannot have lines blocked. You register your wagon requirements and the station master's duty is at certain fixed hours, generally six in the evening or midnight, to telegraph to headquarters the wagon requirements of the following day. Then the latter distributes the wagons and as soon as they make their distribution they have to consider whether that can justify running a train. Thus for only ten wagons you cannot justify running a train. But if the wagon requirements are fairly and evenly distributed, then there should be no delay—not more than 24 hours delay between registration and getting it. At all the larger stations the wagons are plentiful and there is no reason why upon requisition in, say, the morning one should not be given a wagon on the same day.

Mr. Satyamurti.—Are there any records? Has anybody examined this question?

Mr. D'Souza.—It is the duty of the traffic inspectors and other officers to examine these registers and to initial them.

Captain Sher Mohammad Khan.—Do they register the time when the application comes forward ?

Mr. D'Souza.—There is a register placed at the station, and the pages are serially numbered, and the time also has to be shown. The entries must run in serial order. Of course the actual arrangements on each railway may differ in points of detail. There cannot be any pages extracted.

Prof. Ranga.—Will it be possible to supply us with statistics for one or two railways, of the time taken ?

Chairman.—Would it be possible, say during the course of the year, for you to take any two big stations or rather one big and one small station and give us a summary of the average times ? I am very anxious not to over-burden people but if you can easily examine the registers for a week in two stations, one big and one small, sometime during the course of the year, it would be well.

Mr. Rau.—Very well, for one big and one small station on each of two railways, we shall obtain that information.

30. *Mr. Satyamurti.*—What is the publicity work done outside this country for Indian railways ?

Mr. Rau.—We have a publicity office in New York, one in London, and a central publicity officer here who is directing publicity abroad as well as here. We publish pamphlets and we publish a State Railways magazine.

Mr. Satyamurti.—What is the total expenditure on all this outside publicity ?

Mr. Rau.—5½ lakhs. Other railways are doing much more than what we are doing.

Chairman.—Do you find the publicity in England is of any use ?

Mr. Rau.—We get a lot of people making inquiries.

Mr. Satyamurti.—Publicity is very important, and in a concern where you are losing heavily, I do suggest the Railway Board might consider how we can increase our railway revenues by more publicity in more countries.

Prof. Ranga.—I want them to publish an A B C guide.

Mr. Rau.—An A B C guide was tried and given up. We published it in English.

Prof. Ranga.—That was a mistake. You ought to have published it in Urdu and Hindi.

Mr. Rau.—Would an All-India guide in Urdu or Hindi be of any use to people in Madras ?

30. *Mr. Satyamurti.*—What is the rate of interest now guaranteed to these Companies ?

Mr. Rau.—It is 3 or 3½ per cent.

Mr. Satyamurti.—Is it a variable rate ?

Mr. Rau.—No. In some cases, it is 3 per cent. and in other cases 3½ per cent.

Chairman.—I think this is a convenient place for us to stop.

The Committee then adjourned till Friday, the 23rd August 1935, at 10-30 A.M.

**Evidence taken at the 14th meeting of the Public Accounts Committee
held on Friday, the 23rd August 1935, at 10-30 A.M.**

PRESENT.

The Hon'ble Sir JAMES GRIGG, K.C.B., 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 SHEER MOHAMMAD KHAN, C.I.E., M.B.E.,
M.L.A.

Bhai PARMA NAND, M.L.A.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General.

Mr. B. NEHRU, Director of Railway Audit.

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

Mr. T. S. SANKARA AIYAR, Director of Finance.

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

Members.

*Were also
present.*

Witnesses.

31. *Chairman*.—There are two points arising out of yesterday's discussion. There was some controversy as to the volume of internal and external trade moving. The figures are these :

1928-29 : exports 330 crores, imports, 253 crores, total 583 crores.

1929-30, total 552 crores.

1933-34, total 265 crores.

1934-35, total 287 crores.

The reduction in the international trade is not entirely due to the Indian protections policy. The general fall in prices is part of the reason, but apart from that there is no doubt that the general policy in the world of placing restrictions on international trade is responsible for falling off in the volume of goods moving on the Indian railways. To that India herself has been a contributor.

Mr. Satyamurti.—My point was that you should take all these factors into consideration in consultation with the Railway Department in framing the budget.

Chairman.—When you are turning round the bottom of the slump, I think it is difficult to know how quickly it is going to turn up. I agree that we ought in future be able to form some idea of the volume of

trade that would be moving, except that you cannot at the beginning of the year accurately estimate what is likely to be the volume of trade on which a certain amount depends.

32. *Chairman.*—The other point is this. The Committee suggested that a good deal of the capital expenditure which took place in the years when everybody thought the economic millennium had come would not have been undertaken if only the true financial position of the railways had been known. Some unofficial members of the Committee are going to express an opinion to that effect in the report. However, Mr. Rau tells me that every single item of the capital expenditure was approved by the Standing Finance Committee for Railways at the time and in the case of the particular railway station, namely, Erode, I understand that a special tour was arranged for the members of the Standing Finance Committee on Railways and they were on the spot and approved of the proposal.

33. *Mr. Satyamurti.*—You were telling, Mr. Chairman, that the fall in prices is also partly due to the fall in the volume of trade.

Chairman.—The fall in prices is partly responsible for the reduction in the value of goods. All I meant by that is that to the extent that the falling off is due to the fall in prices, the railway receipts ought not to be affected.

Mr. Rau.—At the same time, we have given reductions in the rates for some commodities.

Mr. Satyamurti.—Therefore the price factor is one which does not affect the railway receipts. It ought not to.

34. *Mr. Das.*—I should like to take one or two tables in this Review and ask Mr. Rau some questions. I take Annexure D on page 50, Stores balances. I suggest that as a matter of economy and general financial control, the stores balances on each railway should bear a certain proportion to the capital invested on each railway. There should be some empirical formula. I would suggest one lakh stores balance for each crore of capital invested.

Mr. Rau.—That is not a practical proposition. The capital invested on a particular railway depends upon so many factors; sometimes it bears no relation either to the original or replacement value of the assets. The best way of fixing the stores balance of a railway is by the volume of its current business.

Mr. Badenoch.—And by the programme of works that you have put forward.

Mr. Das.—If you insist that, as suggested by the Auditor General, the stores balance in each railway administration should be 40 per cent. of the issues, I will not offer any further criticism.

Mr. Rau.—It is rather difficult. Ordinarily we can say that 40 per cent. is a rough and ready average of the likely requirements of a railway. But when our programme of works and our general business are falling off very rapidly, it is not so easy to bring down the stores balance to that figure.

Mr. Das.—If you do not bring down the stores balance, it locks up your capital.

Mr. Rau.—It has been coming down steadily.

36. *Mr. Das.*—I think, the Great Indian Peninsula, North Western Railway and Bengal Nagpur Railway should reduce their stores still further. Now, I will take up the Annexure E, on page 51. You have given the figures for 1913-14 and 1933-34. The idea is to compare them with pre-war conditions. A comparison shows that we have not improved in certain matters over pre-war conditions. One inevitable conclusion that I draw is that the working expenses should be reduced still further.

Mr. Rau.—The first page shows the ratio of working expenses to the gross traffic receipts.

Mr. Das.—The conclusion that I draw is that those railways which have their ratio somewhere between 45 to 50 per cent. are making a profit, whereas those railways which have their ratio above 50 per cent. are making no profit at all.

Mr. Rau.—A high percentage ratio over a railway like the East Indian Railway would enable it to pay its interest charges ; on the other hand even a low percentage ratio over a railway which has no earnings would not enable it to pay interest.

Mr. Das.—One charge that I have to make against your railway administration is that you are paying very high rates of salary. If we can get on our railways an operating ratio of 50 per cent., it would be very good for us. What is more important is that our earnings must improve. We cannot very well expect that suddenly bright days will come and that our traffic receipts will go up.

Mr. Ramsay Scott.—Even taking for granted that the earnings are going to remain stationary, then you will have to find some methods of reducing the expenditure.

Mr. Rau.—Yes, we have done a lot, but I do not say as much as we can do in this matter. I do not deny that we may be able to do something more if we go into each item very carefully.

Mr. Ramsay Scott.—I think we will have to take into consideration the fact that the earnings may be stationary for the next few years.

Sir Mohammad Yakub.—They may go down still further.

Mr. Rau.—The earnings in the first four months of this year are one per cent. below those of last year.

Sir Mohammad Yakub.—How much below those of the previous years ?

Mr. Rau.—Very much below those of the prosperous years immediately after the separation.

Chairman.—Until this year, from 1932, there was a steady increase, but this year there has been a set-back and that set-back is causing everybody to think furiously as to which is the truth, the increase or the set-back. If the set-back is true, that is a serious state of affair indeed.

Sir Mohammad Yakub.—If there is a set-back like that, I think there can be no end to the reductions which you can effect.

Mr. Rau.—I do not say we cannot do more than that. But speaking without going into it in detail, all I can say is that the reductions which the railways have been able to make have been very large and a good part of them at least have been effected by postponing all expenditure which

could be postponed and which must be met sooner or later. For that reason I am really doubtful whether you can get any spectacular reductions of expenditure in the next few years.

Sir Mohammad Yakub.—Postponement is not reduction. If certain buildings require repairs and if you postpone the repairs, it is no reduction. What we want is a permanent reduction and not temporary postponements.

Mr. Ramsay Scott.—That does not quite mean reduction in working expenses ; that means more capital expenditure.

Mr. Rau.—No ; repairs to buildings are part of the working expenses of the railways.

Prof. Ranga.—We are thinking of reduction in recurring expenses, like the pay on the staff which must be reduced.

Mr. Rau.—A reduction in the expenditure on the staff involves the discharge of the staff still more. We have reduced from 800,000 to 750,000.

Sir Mohammad Yakub.—Not only reduction in the pay of the staff, but reduction of certain luxuries which you are at present providing.

Mr. Rau.—What luxuries ?

Sir Mohammad Yakub.—Electrification of the whole railway colonies, giving the staff free water supply and free light, giving subsidies to clubs and dance halls. I mean things like these.

Prof. Ranga.—Free railway passes even to retired railway officials for the whole of their life even if they happen to remain alive for 100 years.

Mr. Rau.—I do not think railways give unlimited number of passes for people who have retired.

Sir Mohammad Yakub.—You have also to reduce the number of saloons which you give to the railway officials.

Mr. Rau.—As regards passes, the expenditure is not so serious as it might look because without passes people will not travel to the same extent as they would otherwise. There would be some increase in earnings if we withdraw all passes. But the discontent in the minds of railway servants would lead to inefficient work.

36. *Mr. Das.*—I come to items 10 and 11 on page 52. Your total passenger miles is almost stationary as compared with 1913-14.

Mr. Das.—Item 13 : you have increased the average rate from 2.42 to 3.34. You have done so because you wanted money for your extravagance over the staff. The cost of staff is given in items 28 to 30. The total number of staff you have reduced from 1929-30 level. In 1913-14 you were spending on the staff 14,01, whereas in 1933-34, your expenditure on the staff was 34,61. I know you have reduced the expenditure on staff by five crores owing to the recommendations of the Retrenchment Committee. But that does not satisfy me. If it was a commercial concern, private owned, you would have reduced the staff and salaries still further

Mr. Rau.—With regard to the cost of the staff, most of our staff are on an incremental basis and naturally the cost increases year by year. In the revised scales of pay, we have reduced the incremental basis to a considerable extent.

Mr. Satyamurti.—Item 30 is very important. The percentage of cost of staff was 22.5 in 1913-14, but now it is 35.9.

Mr. Rau.—That depends on earnings which is beyond control. You must take the percentage of cost of staff to working expenses. That is a more reliable basis.

Prof. Ranga.—Even then there does not seem to be any appreciable reduction.

Mr. Rau.—In 1930-31, it was 55.4, now it is 53.8.

Mr. Satyamurti.—You say that whatever the earnings may be you cannot reduce the staff or working expenses below a certain limit and you also say that when there is an increase the increase also is bound to be small.

Mr. Rau.—Both the increase and the decrease ought to be small.

Mr. Satyamurti.—But items 30 and 31 do not bear it out.

Mr. Rau.—Even that is coming down.

Mr. Satyamurti.—I am taking the figures of 1913-14 as the basis of comparison.

Mr. Rau.—Those were pre-war days and there can be no comparison.

Mr. Das.—My point is that your staff is almost stationary ; it is 633,000 in 1913-14, and 667,000 in 1933-34.

Mr. Rau.—The cost has gone up.

Mr. Das.—The cost is 250 per cent. more. Even the Lee Commission did not allow the Civil Service more than 20 per cent. and here you are paying your railway staff about 250 per cent. more.

Mr. Rau.—Just after the war rates of pay for all Government servants were considerably increased and that was permanently done in the belief that the high prices would continue. We did not follow the British practice of having a temporary cost of living allowance. And when we are reducing the scales of pay we are reducing them only for future entrants.

Mr. Satyamurti.—Why not reduce the rates on the cost of living basis in the case of everybody ?

Mr. Rau.—Government thought it is a question of vested rights and that staff should remain on the scales they were in receipt of, but it is a question of Government policy as a whole and I could not possibly say anything on this.

Chairman.—You are going to give us a note at some later stage about the ultimate reduction to be achieved by your new scales. Can you give us now in advance any idea as to the magnitude of that reduction ?

Mr. Rau.—I think it will be much more than a crore.

Mr. Das.—I should like the Committee to draw a conclusion from

items 28, 29, 30 and 31 that the alarming increment in the rate of salary, while the number in 1933-34 is the same as it was in 1913-14, to the extent of 250 per cent. should be noted by Government and they should devise means to reduce the salary or reduce the staff so that the cost of staff to the working expenses bears a commercial proportion and not the fictitious proportion as it is here. The Committee should draw the attention of Government to the ratio of the cost of staff to the gross earnings.

Chairman.—I suggest that you should mention the figures and say that the introduction of new scales will no doubt to some extent over a period of years improve the position in this respect, but the operation will be very slow. In the meantime you have the combination of this disquieting feature and of deficits on the railways. I think the Committee should let the facts speak for themselves. We will draw up a paragraph like that.

38. *Mr. Das.*—Regarding the next page, coal consumption, I know you have improved it much but I think there can be still further improvement. Lots of improvements have happened in the last three or four years although the 1933-34 figures in the broad gauge line are a little on the high side.

Mr. Rau.—That is partly due to the fact that we are purchasing now more and more of second class coal and naturally that means that we have to spend more coal in pounds per thousand gross ton miles, but that does not mean that it costs more.

39. *Mr. Das.*—In items 35, 36, 37, 38 and 39, goods vehicles and wagons and passenger carriages are all given. You will find that in 1924 and 1925 they wanted to have more in view of the post war trade which has now dwindled to one-third. So we have a large surplus of locomotives, wagons and passenger carriages. And before we go on to increase these, we must compare the number of passengers that travel and also the goods traffic with what happened in 1925-26, because they have got a surplus of wagons and passenger carriages.

Mr. Rau.—The figures only give the number ; they do not say there is a surplus. But in any case we have made no additions during the last 4 or 5 years. We have bought wagons only to renew old ones.

Chairman—Before any orders are placed in accordance with the recent call for tenders the Railway Board and the Finance Department or the Finance Member will review the position carefully and try to find out what is the minimum number that we can do with.

Mr. Satyamurti.—From 1913-14 goods wagons have gone up and we must consider that in relation to the existing traffic.

Mr. Rau.—But the goods traffic has gone up from 80 million tons to 98 million tons.

Prof. Ranga.—But we want to examine if there are far too many wagons.

Chairman.—You may take it that when tenders are received and before orders are placed, the question of the requirements of railways will be considered very carefully.

40. *Sir Mohammad Yakub.*—Mr. Rau, what is your programme for opening new lines ?

Mr. Rau.—We have none at present.

Sir Mohammad Yakub.—Do you think that opening new lines in tracts where there are no railways or roads would be remunerative?

Mr. Rau.—It depends on the cost of construction. Projects which are considered as likely to be remunerative are always examined. There are some under consideration now.

Prof. Ranga.—Who takes the initiative in exploring the possibility in railway extension?

Mr. Rau.—The railway administrations consult the Local Governments and then the schemes come to us and if we consider that a *prima facie* case is made out, we ask them to have traffic and engineering surveys.

Prof. Ranga.—There are several district boards which have built up funds out of the railway cess which was raised some time ago. If some of them offer to place their funds at the disposal of the Railway Board for the construction of certain railways, on the remunerative side of which they give a sort of guarantee, do you consider those proposals?

Mr. Rau.—We will carefully consider them but we are now afraid of touching any project which district boards guarantee, because once a line is constructed we find ourselves in difficulties about getting them to pay up the guarantee.

Prof. Ranga.—I am thinking of the proposal from the Tinnevely district board for the construction of some lines.

Mr. Rau.—The Government of Madras appear to have come to the conclusion that there is no necessity for further railways in Madras and all the necessities of the situation can be met by improving the roads.

Mr. Satyamurti.—But there is surely a conflict of interests here and it is to the interest of the local Government to improve the roads from which they get the revenue and they are not likely to support the construction of railways?

Mr. Rau.—We had a survey carried out by an officer of the Railway Board and an officer of the Industries Department of the Government of India and they also came to the conclusion that for communication over short distances generally the improvement of roads is better and that the onus of proving that the railway is better rests on those who want the railway. And that seems to be a common sense view of the matter.'

Chairman.—I think I myself would look with extreme suspicion on a project which depended for its remunerativeness solely on a guarantee from the district board. And in the present conditions the railways cannot undertake projects which are not definitely proved to be remunerative if not in the first year at least immediately after.

Prof. Ranga.—Are you making any attempt to see whether there are any possibilities for extension which will be remunerative?

Mr. Rau.—There are a number of projects under examination.

Prof. Ranga.—Is it not true that when constructing a new railway you leave a margin for 5 years?

Mr. Rau.—That is what we were doing in the past.

4. *Mr. Ramsay Scott.*—Is the new system of demands for grants which was introduced this year quite satisfactory ?

Mr. Rau.—I think we will be able to say next year when the Appropriation Accounts are due and the Auditor-General will be able to give his opinion about it. For myself I think it is an improvement.

42. *Prof. Ranga.*—Do you mean to say that the possibilities of improvement of railway finances by extension of railways in different parts of India are remote ?

Mr. Rau.—They are being explored and all the projects that were given up in 1929-30 because of the high rates of interest are being re-examined now.

43. *Mr. Satyamurti.*—I want to ask you about strategic railways. Are they constructed for the defence of the country ?

Mr. Rau.—Probably this was so originally. Some of them which later became remunerative are classed as commercial.

Mr. Satyamurti.—Have the military any special rights over these railways ?

Chairman.—None whatever. As a matter of fact when a proposal was tentatively made to the Commander-in-Chief to take them up, he positively refused to have anything to do with them.

Mr. Satyamurti.—Are the losses on these railways greater than on other railways, considering the other factors to be equal ?

Mr. Rau.—They are not greater than the loss on the Bengal Nagpur Railway, for instance.

44. *Mr. Satyamurti.*—Is that due to the fact that you give enormous concessions to the army ?

Mr. Rau.—We do not give any special concessions on the strategic railways. The military traffic rules are applicable to all railways.

Mr. Satyamurti.—Why do you give them these concessions ?

Chairman.—The value of it is arguable. But even if you assume that the army had to pay ordinary book rates applicable to a casual customer, the figure would be under a crore. But the army claim that as they move bulk traffic and therefore that a smaller number of empty wagons are used in their traffic, they are entitled to special concessions ; and I understand that Tata's get special concessions on the Bengal Nagpur Railway for the same reason.

Mr. Satyamurti.—I want to know what is the net loss which the railways incur by carrying passengers and baggage for the army.

Chairman.—On the question of passengers, something under ten lakhs and that is assuming that if you remove all the concessions every single person travelling under those concessions would continue to travel to the same extent. But that is absurd and so in reality it will be under 5 lakhs. And in baggage, if you assume that you charge invariably your big commercial users of the railways the full scheduled rates for all their traffic, the difference in revenue would be well under a crore. But in point of fact the loss to the railways is nil because the army traffic is definitely remunerative.

Mr. Rau.—Yes, it pays more than its cost.

Mr. Satyamurti.—But when you are discussing a concern which is nearly insolvent you have to consider whether the concessions should be continued.

Chairman.—In any case the army say definitely that they would not have their rates put up and if it comes to that they would rather make their own arrangements for moving their stuff.

Mr. Rau.—Firstly, the loss is not the same as the actual difference between the public rates and the rates charged to the military traffic. The second point is that in considering the actual loss involved we must remember that a good bit of the traffic might be taken away from us if we charge them full traffic rates. The third point is that the company, managed railways will benefit and pay surplus profits to their shareholders, while the total cost to the state will remain the same.

Chairman.—I may say that the military are now in a position, without any addition to their army service corps equipment to take away a great deal of traffic from the railways if you raise the rates on them ; in point of fact you can have an assurance from me that the railways are not losing on the army traffic on the special rates given to them, that this principle of the big user has been admitted very heavily in the case of Tatas ; and that unlike what would happen if you charge Tatas full scheduled rates, the benefit to the Government of India as a whole by charging the army full tariff rates would be nil ; and therefore I am opposed to doing anything of the sort.

Mr. Satyamurti.—What would be your estimate of the loss to the railways by the concessions granted to Tatas ?

Mr. Rau.—I could not say that offhand ; the rates were recently increased, the old contract having come to an end ; but still I think the position is that for traffic exceeding a certain definite figure they get a rebate of 25 per cent.

45. *Mr. Satyamurti.*—Why is there greater loss on strategic railways than on others ?

Mr. Rau.—Their earnings are less ; they run through sparsely populated districts.

Mr. Satyamurti.—You would not have constructed them in the past but for military or strategic reasons ?

Mr. Rau.—I cannot say now without going back into ancient history ; but probably the primary reasons were the safety of India.

46. *Mr. Satyamurti.*—In paragraph 7 you have given four railways which have made considerable profits and four which have made considerable losses. Has any attempt been made to find out the reason why certain railways make perpetual losses, while others make profits ?

Mr. Rau.—The East Indian Railway travels through level country and very fertile country and has coal at its door. The earnings are heavy and the expenditure relatively little.

Mr. Satyamurti.—Therefore you have concluded these are due to natural causes ?

Mr. Rau.—Some of them are certainly due to natural causes.

Chairman.—It is the same thing in any railway system ; obviously the East Indian and the Bombay Baroda and Central India pass through level country and extremely populous districts and through industrial districts. If you take the Bengal Nagpur, *prima facie* it is a little difficult to know why it loses so heavily.

Mr. Rau.—Because most of the traffic is carried at very low rates—most of it is raw material ; and they have very heavy gradients in that railway and so the working expenses are very heavy. The Assam Bengal also goes through very hilly country and you can not get traffic to pay for the expenses.

Mr. Satyamurti.—I suggest that this is a matter to be examined by somebody who has some experience and a report placed before us.

Chairman.—I think it is a reasonable suggestion. When the Railway Board and the Finance Department are discussing with the Agents what can be done to remedy the present position, they should see whether there are any unexplainable reasons why there is so much difference between the earnings of the various railways ; obviously there is much that is explainable, but if there are any unexplainable reasons they will certainly have to be investigated.

Mr. Satyamurti.—Most of it may be due to natural causes ; but almost any method must be explored now by which you can increase the revenues.

Sir Mohammad Yakub.—That is not a point which requires any new examination : sitting in his office, Mr. Rau can find it out.

Mr. Rau.—That is exactly what we are trying to do at the present moment.

Mr. Satyamurti.—But the results are so unsatisfying : we must look into these matters.

Sir Mohammad Yakub.—They are due to causes over which we have no control.

Mr. Satyamurti.—Let us see that ; if the results show that there are insuperable difficulties, there is nothing more to be said.

Chairman.—I have given you an undertaking that in our examination we shall try and see if there are any unexplainable causes for these discrepancies and if so they will be investigated. Obviously it is both Mr. Rau's duty and mine, given the present situation, to see and take very careful stock of the position and to do whatever is within human power to put it right.

47. *Mr. Satyamurti.*—What was the result of this increase mentioned at the bottom of page 7 of the review ? It was an enhancement of rates both on passengers and goods ?

Mr. Rau.—It is very difficult to say what is the exact result of any increase in rates or reduction in rates. In one case we could verify and

that was in the surcharge on coal : there we expected to get about 60 lakhs and we got about 65 lakhs.

Mr. Satyamurti.—Has any attempt been made in your department to work out the relation between rates being raised or lowered and the effects of that increase or reduction on the volume of traffic, passenger as well as goods. That is one of the most important points for a railway administration to find out.

Chairman.—It is very difficult because of disturbing factors ; but if it were obtainable, it would be extraordinarily valuable.

Mr. Satyamurti.—Can we not take the experience in other countries?

Mr. Rau.—As I said yesterday, we did get certain figures with regard to the reduction in passenger fares on the North Western ; we found that there had been an increase in the number of passengers by 13 per cent. and a reduction in earnings by about 1/3rd per cent. ; and similarly we introduced return tickets for third class passengers on the Eastern Bengal and we have asked for a report from the Agent ; it is impossible to say what the effect is in a short period of time. At the same time it must not be forgotten that it is impossible for us to isolate one experiment and say that the results are due to that particular experiment and to nothing else.

Prof. Ranga.—To the extent that you can possibly isolate them and get their effect if you ask your officers to send you information in regard to the effects of these enhancements, have you asked for that information ?

Mr. Rau.—In most of these cases, when we order the railways to make enhancements or reductions we get reports after 12 months but there are so many individual rates that the Agents are empowered to alter—from stations to stations—that it is impossible to say anything definitely or keep a record of it here ! The agents themselves and their traffic people always look into these things because it is their sole business.

Mr. Satyamurti.—It may be difficult or impossible, but I do suggest it is possible to make some attempt to work out the effects on traffic of increased rates or decreased rates both on passenger and goods.

Mr. Rau.—I think it would be possible for us to give the committee some idea of the results of the more important changes which have been introduced in railways from the headquarters ; but as I pointed out there is a very much larger number of smaller changes here and there on particular railways every day.

48. *Mr. Satyamurti.*—On appendix C : is there any general standard of expenditure, making allowances for differences in locality, in the kind of traffic etc., in the matter of working expenses ?

Mr. Rau.—No ; I cannot say there is any general standard. The same question was asked by the Public Accounts Committee last year and I think I said for purposes of comparison it is better to take the same railway over a period of years than to take different railways.

Mr. Satyamurti.—How will you satisfy yourself that on the whole a particular railway is not extravagant ?

Mr. Rau.—We have to satisfy ourselves by looking at the details of the expenditure in the budget that is sent to us and find out how it compares with previous budgets.

Mr. Chairman.—It is a good point. If it were possible to collect fairly cheaply—not with a very large staff—statistics which would give comparative figures correctly on which to judge of the administration of railways, it would be good ; and I suggest when you are considering statistics about the variation of rates you might also consider whether it is possible to invent any simple criteria for judging these expenses.

Mr. Rau.—We have got a large number of statistics of that kind. We do see them every day ; for instance, the cost of maintenance of track per mile, the cost of repairs to locomotives and things like that ; and we ask railways which show bad results to explain.

Mr. Satyamurti.—What is the basic line of working expenses ? When you have that, you can see how far the working expenses of each railway depart from that basic line.

Mr. Rau.—The basic line is for each railway. The way we prepare our budget is that we go on the actual expenditure and then find out what are the special reasons for any increase or decrease.

Mr. Satyamurti.—Have you got any basic line common to all railways, allowing for necessary variations ?

Mr. Rau.—We cannot apply the same rule to all railways. We must, I think, take into account the special conditions of each line.

Chairman.—I think we had better go through the various paragraphs of the Auditor General's letter.

49. *Mr. Rau.*—Section 3 of my review gives the number of cases in which the recommendation of the Committee is required about excess grants.

Chairman.—We can consider that on the draft report.

50. *Mr. Satyamurti.*—Then with regard to last subpara. of para. 3 of the Auditor General's letter, I want an explanation.

Chairman.—We had a great battle on this with the Auditor General last year. On the whole, I suggest we need not spend much time on that except my exhortation to the Financial Commissioner for Railways to do what he can about it. This year is an enormous improvement on last year.

Mr. Badenoch.—We would like the appropriation accounts to be printed up a little earlier.

Mr. Rau.—As a matter of fact, I understand that the difficulties this year were due partly to the fact that some of the accounts had to be audited and naturally the Director of Audit had to get them checked by the various audit officers and therefore they were returned to the Controller of Railway Accounts somewhat late. I was working on the proof copy for the preparation of my review. I am sure Mr. Sundaram will do his best to bring it up as early as possible. It is to be published on the 15th of April ; this year it was published a few days later.

51. *Mr. Badenoch.*—Paragraph 58 of the Audit Report.—Our complaint here is that the Chief Auditor put up an adjustment and it was not accepted by the Government Examiner. As a matter of fact, I have talked to the Agent of this particular railway and he admits that they made a mistake and assured me that it will not occur again. This adjustment is supposed to be pre-audited by the Government Examiner, who is the representative both of the Auditor General and of the Government of India and no adjustment should be put through unless it has been accepted either finally or provisionally. I think actually the Agent of that particular railway accepts that position.

Mr. Rau.—He agrees with the view that the adjustment should not have been made and he has taken steps to prevent such occurrences in the future.

52. *Prof. Ranga.*—Paragraph 59 of the Audit Report. Have all the replies been received?

Mr. Rau.—The replies have now come in except from the B. B. and C. I. Railway who are consulting their Board of Directors. Most of the railways have accepted the revised classification. I think the new formula which we have proposed for the classification of the rolling stock will probably go through without much difficulty.

53. *Mr. Satyamurti.*—Paragraph 60 of the Audit Report.—Why have you addressed the Secretary of State?

Mr. Rau.—We have written to the Secretary of State because the contract is between the Secretary of State and the Company.

Mr. Satyamurti.—Do they dispute this?

Mr. Badenoch.—I think the statistics were prepared by the B. N. Railway.

Mr. Rau.—The question whether they should be asked to repay a certain amount which was paid to them some years ago has to be taken up by the Secretary of State with the Board of Directors. They do not admit liability.

Mr. Das.—The difficulty is that they have already paid dividends to their shareholders.

Mr. Rau.—Even now they are living almost entirely on the guaranteed interest. I think they are paying a little more from the reserve.

Mr. Badenoch.—Another difficulty is that the surplus profits accounts were passed by the Government Examiner at that particular time.

54. *Prof. Ranga.*—Paragraph 62 of the Audit Report.—Have the Bengal Government agreed to compensate you for your expenditure?

Mr. Rau.—I am afraid not. It is not an easy matter to get the money from the Bengal Government. We have written to them again adducing new arguments and repeating some of the old arguments but I am myself very doubtful if we shall be able to get anything out of them.

55. *Mr. Satyamurti.*—Paragraph 81 of the Audit Report.—The last sentence is very significant. Are there no legal advisers to these railways?

Mr. Rau.—The agreement was entered into in 1907.

Mr. Satyamurti.—Did they not have a legal adviser at that time ?

Mr. Rau.—They probably had. It was the East Indian Railway Company which entered into an agreement which was not very favourable to them. It happened so long ago that we have not asked them to let us know under what advice they entered into it. We have decided now that they should pay the cost of the wagons and take them over themselves.

Mr. Satyamurti.—That is a later decision ?

Mr. Rau.—Yes ; we told them that the capital cost should be repaid by the East Indian Railway Company. Notice to this effect has been given to the B. N. R. who insisted on 12 months' notice. They were given notice in June 1935.

56. *Prof. Ranga.*—Paragraph 88 of the Audit Report.—You say that because of the exceptional urgency you gave oral orders to the contractor to go on with the work. What was the exceptional urgency there ?

Mr. Rau.—The trouble was that we had committed ourselves to the Punjab Government to have the line built as quickly as possible because of their Mundi hydro-electric scheme. That was an exceptional case.

Mr. Satyamurti.—It was all right to ask them to start the work urgently but why did you give them verbal assurance of the increased rate ?

Mr. Rau.—Otherwise they would not start the work.

Mr. Satyamurti.—What is the disciplinary action you have taken ?

Mr. Rau.—A memorandum on that subject was placed before the Public Accounts Committee.

Mr. Badenoch.—It has all been discussed and it has been sent to the Secretary of State. There have been many discussions in the Public Accounts Committee before and it has all been settled up.

Mr. Satyamurti.—Has somebody been sacked over it ?

Mr. Badenoch.—As a matter of fact, the responsibility of the Government of India themselves was considerable. The Chief Commissioner for Railways and the Railway Board of that time were very much responsible for this.

Mr. Satyamurti.—Was he punished over it ?

Mr. Badenoch.—I do not know ; I think he retired.

Mr. Satyamurti.—Whenever we come across such a case, we are invariably told that the man retired.

Mr. Badenoch.—This is just a minor detail in that big scheme.

Mr. Rau.—I will get hold of that memorandum which was prepared for the Public Accounts Committee and let you have it.

57. *Prof. Ranga.*—Paragraph 111 of the Audit Report.—Is it your practice now that in regard to this article you do not ask for tenders ?

Mr. Rau.—This was with reference to that particular order. Tenders are called for every time and in that particular order, I think, the Agent stated that if the materials were subjected to a test in India a higher rate would have had to be paid. As the manufacturers and the agents were a reputable firm, the Railway Board thought they were justified in accepting the lower offer.

Mr. Satyamurti.—What is the position today? When you order these things, you order them from outside India?

Mr. Rau.—Most of our stuff is got from Tata's now.

Mr. Satyamurti.—I want to know whether today when you buy from outside you have to make an extra payment?

Mr. Rau.—It is all a question of the terms of the contract. The pre-inspection scheme which is referred to here was initiated to make sure that stocks were readily available. This inspection is done by the Director General of the London Stores Department. That is why we thought that there was no need for a second inspection. In this case what happened is that there was a fraud.

58. *Prof. Ranga.*—Paragraph 112 of the Audit Report.—What is the explanation of this: "The Chief Accounts Officer has explained that he cannot give a satisfactory answer to the Agent's question as to whether actual shortages are involved"?

Mr. Badenoch.—May I explain that these are really something like supplementary items to a big case that was going on for some years and the Public Accounts Committee treated these matters very seriously. A big reorganisation was carried out in the East Indian Railway Stores Department and this paragraph here just gives the information on the supplementary clean-up.

Sir Mohammad Yakub.—Have you been able to lay hands on anybody who had committed irregularities?

Mr. Badenoch.—May I say that actually a great deal of the fault was due to the company management of the railway. It is generally accepted that the stores accounts of the East Indian Railway were handed over to Government in a very bad condition. Then, there was another contributory cause. About 1928-1930 the Railway Board rather ran riot on experimenting and there were a number of experiments in stores accounting and that rather added to the muddle. Actually, when I was myself Director of Railway Audit, in 1930 the thing had got into a hopeless mess and the only thing we could do was to scrap the old accounts and begin afresh. It was a huge thing. There was a lot of fraud at that time. It was bad controlling and bad accounting. In fact, there was everything bad about it.

Prof. Ranga.—What disciplinary action was taken on it?

Mr. Rau.—Mr. Sundaram will be able to give you the details about it.

Mr. Sundaram.—I made an investigation and what I found was that all the people who were really concerned at the time had retired.

Mr. Satyamurti.—That always happens.

Mr. Sundaram.—The Tatanagar work shop was started in 1928 and they introduced the new system of accounting there. The first accountant remained there for a year and he was discharged. The next man who was put in was a probationer and he was there only for about 3 months. Then an officer was sent who stayed there for some time and he is the only man in the service who is concerned in the case. On the other hand, on more than one occasion he referred his difficulties to the Chief Accounts Officer and the latter did not dispose of them. At that time the state of affairs at the headquarters was also very bad.

Mr. Rau.—The Chief Accounts Officer found that the reorganisation was much more important than the disposing of these objections.

Mr. Satyamurti.—The result was that you were not able to take any disciplinary action. I only hope that such things will not occur again.

59. *Mr. Satyamurti.*—Para. 114 of the Audit Report. Can anybody give an explanation of this ?

Mr. Sundaram.—This also refers to the same thing. As Mr. Badenoch has pointed out, the stores accounts of the East Indian Railway had not been examined for many years. These were the items which were left over at that time to be settled afterwards and the Retrenchment Committee started soon afterwards.

Mr. Ramsay Scott.—What is the position today in the Stores Department ? Do you guarantee that it is all right ?

Mr. Sundaram.—Yes, I hope so.

Mr. Satyamurti.—So far as the examination of the last year is concerned, we have not heard of any such thing. I should like to know how things are getting on now ?

Mr. Badenoch.—I gather from the Director of Railway Audit that things are satisfactory in the East Indian Railway and that the audit discloses no grave irregularities.

60. *Prof. Ranga.*—Para. 132 of the Audit Report. I hope the verification is being made periodically now ?

Mr. Rau.—The difficulty in this case was that apparently no verification was made. We have asked the Agent to let us know what is the reason of the absence of stock verification. On the whole, both the Stores and the Accounts Departments are to blame for not conducting stock verification regularly. It is being conducted regularly now. Apparently in this particular case there was a large congestion of stock due to the electrification scheme and they had to accumulate scrap which was simply thrown on the ground and got buried.

Prof. Ranga.—What is the responsibility of the Chief Accounts Officer ?

Mr. Rau.—I do not know what was the actual practice in that railway but generally he is responsible for verifying stores. In this particular case we have asked the Agent of the Railway what exactly were the reasons for the stock verification not having been carried out regularly. The second point is about the Depot Superintendent. We have also asked for more information about him and we will place a memorandum before the Committee about it.

Prof. Ranga.—It is rather unfair to make a scapegoat of a lower man ?

Mr. Rau.—The Depot Superintendent is directly in charge of the whole show.

Prof. Ranga.—But under the charge of the Chief Accounts Officer several things have happened ?

Mr. Rau.—The Chief Accounts Officer is not personally responsible for this. Besides, the system of accounts has been revised.

Mr. Badenoch.—There is a certain amount of responsibility on the audit. As a matter of fact, when I was D. R. A. I told all my chief Audit officers to see that the safeguards were correct.

61. *Prof. Ranga.*—Para. 133 of the Audit Report. Has the Agent taken any necessary disciplinary action ?

Mr. Rau.—The disciplinary action that he has taken is to send a copy of the orders to all the officers. His remarks will be entered in their confidential roll and it will affect their prospects.

Mr. Ramsay Scott.—I must say that the store-keeping in the North Western Railway is as bad as in the East Indian Railway.

Mr. Satyamurti.—What about these new sets of rules ?

Mr. Rau.—We have issued the rules.

Mr. Satyamurti.—Has the audit seen it ?

Mr. Nehru.—Not yet. They will be referred to audit in the ordinary course. Audit always examines them.

Mr. Satyamurti.—Is the audit consulted before issuing these rules ?

Mr. Rau.—Not always. Sometimes audit is consulted, but not ordinarily ; but they always examine them after the rules issue.

Mr. Satyamurti.—In a case of this importance, before these rules are issued should they not be sent to audit for remarks ?

Mr. Rau.—We felt that the delay in issuing the rules would be more serious. Audit would always examine these rules after they are issued and bring to our notice any points which they consider should be provided for.

62. *Mr. Satyamurti.*—The North Western Railway is the only railway which goes on adding to its stores, page 50.

Mr. Rau.—You must take the two sections together, and you will find there is a decrease. The point is that in the earlier years there the adjustments between commercial and strategic railways were not made on a proper basis ; it is only since 1931-32 that they are properly allocated between the two branches.

63. *Mr. Das.*—I want to ask one question about the timber store, paragraph 133. You remember in the year 1930-31 you addressed letters about store control in the North Western Railway. You always had a very high official as the controller of stores, and how is it he never exercised any control and did not detect these things ?

Mr. Rau.—It is not the controller of stores that is responsible. There were a number of people in the workshops—carriage and wagon officers in the workshops.

Mr. Das.—It seems that in the North Western Railway there is always something wrong. In 1930-31 you issued lots of letters and instructions about stores.

Mr. Rau.—I do not remember which particular instructions you refer to because we are always issuing instructions.

Mr. Das.—But in the matter of reduction of stores.

Mr. Rau.—Yes, I think we did.

Mr. Das.—How is it it occurs in the state-managed railways ?

Mr. Rau.—The rules were defective, you will see in the comment, “ There is no machinery whereby logs received in shops are checked by responsible authority in order to certify that logs ordered and paid for are actually received in the workshop ”. The whole system was defective.

Prof. Ranga.—When will it become less defective ?

Mr. Rau.—It has become less defective by the issue of our orders.

64. *Prof. Ranga.*—Paragraph 135 of the Audit Report. It is said, “ On the question of disciplinary action, it is understood that all the officers concerned had left the service and it is therefore not proposed to pursue the matter further ”.

Mr. Rau.—May I point out with regard to that, that the case refers to 1920.

Mr. Satyamurti.—Is there not any procedure in your office by which this could be detected earlier ?

Mr. Rau.—It is when it is discovered by audit that it is brought to the notice of the Railway Board.

Mr. Satyamurti.—And did you suspend those people after that particular thing was brought to notice ?

Mr. Rau.—In this particular case it seems to be more an interpretation of a point of law. It will be seen that there were two suits on similar sets of circumstances, yet one was decreed in favour of the railway and the other against. And you cannot expect an ordinary officer to decide which interpretation of the law is correct.

Sir Mohammad Yakub.—Can you point out a single case during the last five years where you have been able to put your hand on any of these officers and bring them to book ?

Mr. Rau.—I can point out a case in this very report where a gazetted officer's increment was stopped.

65. *Mr. Satyamurti.*—Paragraph 134 of the Audit Report. “ The following case, though an old one, is given as an illustration of the great importance of entering into a contract with a proper appreciation of the legal implications involved. A large sum of money would have been saved to Government if a clear and definite agreement had been entered into ”. I should like to know if you have competent legal advisers.

Mr. Rau.—We have issued definite instructions that every contract should be entered into only after consultation with the chief accounts officer and the legal adviser of the railway.

Mr. Satyamurti.—Can you tell me whether every railway has got competent legal advisers and important contracts are entered into after they are consulted and have approved of the draft ?

Mr. Rau.—I know most of the railways have got their solicitors.

Mr. Satyamurti.—I would like you to make an enquiry and report.

Mr. Rau.—In the case of the North Western Railway I think they have got no regular system of having a lawyer, but they always refer most of these cases to the Legal Remembrancer who is a man with plenty of experience.

Chairman.—Let us have a note on the legal position.

Mr. Rau.—Yes.

Sir Mohammad Yakub.—Have you made certain that the instructions issued by you are carried into effect ?

Mr. Rau.—The only way that we can make certain that instructions are carried out is through the Director of Railway Audit.

Mr. Satyamurti.—You are the executive head, you can write and ask whether these agreements are entered into after consulting their legal advisers ?

Mr. Rau.—We issue instructions and I do think we are justified in expecting that the instructions will be obeyed unless anything to the contrary is proved.

Sir Mohammad Yakub.—From your past experience you are not justified in making this supposition.

Chairman.—You will always get the answer ' Yes ' to your enquiry.

Mr. Rau.—You have got the machinery of the accounts department and the audit department which is quite independent of us.

Prof. Ranga.—Is there no other way by which you can satisfy yourself ? Can you not send any one periodically to visit these people and find out whether they are carrying out your instructions ?

Chairman.—If you do that and no more you will get the answer ' Yes ' every time.

Prof. Ranga.—Then do something more.

Chairman.—Something more is audit.

Prof. Ranga.—It is postmortem.

Mr. Rau.—No, it is concurrent.

Prof. Ranga.—The Financial Commissioner tours from one part of the country to another and he can find out whether his instructions are being carried out by the Agents ?

Mr. Rau.—There is no use asking the Agents, do you obey the instructions of the Railway Board ? They will always say Yes.

Mr. Badenoch.—The only way by which you can do that is by giving the Financial Commissioner a large inspecting staff.

Chairman.—I suggest that you apply your mind to the reason for the delay in dealing with this case ; if you do, it might be more appropriate.

Mr. Badenoch.—It was taken up only on the payment in 1934. Whenever a case of payment of legal expenses comes along, we look into the case as to what happened.

Mr. Rau.—In 1925 they brought another suit which was decided in 1932.

Mr. Satyamurti.—What is the cause of the delay after 1932 ? Until they have to certify the payment of legal expenses the matter does not come up at all ?

Mr. Badenoch.—That is one of the ways by which we can get on to these things. There is an item of legal expense and albeit small we begin to look into the case and that is how we come across these things. At that time there was the Government Examiner on the S. I. Railway with a small staff, but he could not necessarily get on to a case like this at an early stage.

66. *Mr. Satyamurti.*—Paragraph 138 of the Audit Report. “ The loss could have been avoided, had the administration exercised its right not to allow the removal of the lot or lots auctioned until the full amount due had been received from the auctioneers by the North Western Railway as stipulated in the agreement.” Why was not this done ? Who was responsible ?

Mr. Rau.—One of the chief reasons for this trouble was that the man who signed the agreement was not apparently authorised to sign the agreement.

Mr. Satyamurti.—I want to know why the administration allowed the whole lot to be removed before full payment had been made ?

Mr. Rau.—The auctioneer was allowed 15 days in which to pay to the chief cashier the full amount due from each auction. This was allowed as very large sums of money were involved in this sale and payments were as a general rule made by the auctioneers by cash deposit with cheque for the balance.

Mr. Satyamurti.—But who was responsible for allowing the lot to be removed before full payment had been made ? Why did you allow it ?

Mr. Rau.—It was the general practice on the North Western Railway for a long time. In future it will not be possible, the rules have been altered.

Mr. Satyamurti.—Every time a man commits a mistake, you say that some other man will not commit the mistake in future !

Mr. Ramsay Scott.—Is it not due to the fact that the auctioneer is not a man of standing ? The auctioneer is responsible for the payment, and if he is a man of no standing, you are bound to lose.

Mr. Rau.—In the case of the East Indian Railway, in Cawnpore they had a firm of auctioneers, a firm of long standing, but they became insolvent only recently. The firm was originally a very reputable firm, but in the last two or three years they fell on evil days. I can only say that we can take reasonable precautions to see that that does not happen again.

Chairman.—We might put in in the report a suggestion that generally speaking auctioneers who are entrusted with the selling of scrap should not be men of straw.

Mr. Satyamurti.—And the rule should be enforced that they would not be allowed to remove the auctioned property until they had paid the last pie.

Mr. Badenoch.—Another point is, second sub-paragraph. “One of the conditions in the form of tender was that in the event of the tender being submitted by a firm, it must be signed separately by each member thereof or it must be signed on their behalf by a person holding a power of attorney authorising him to do so.” Apparently there is a defect of procedure in the North Western Railway.

Mr. Rau.—I have written to the administration to satisfy themselves by taking legal advice that the party executing the agreement had the authority to do so.

Mr. Satyamurti.—When was this done ?

Mr. Rau.—As soon as this case came to our knowledge.

Mr. Satyamurti.—Cannot you write and ask, in view of the past losses, how many agreements have been entered into and if the administration has carried out your instructions ?

Mr. Rau.—I do not think it is a practical proposition. It is not reasonable to ask every administration, whether they have carried out our instructions, because we expect them to.

Mr. Satyamurti.—I am not suggesting to you that, but where railways have been found by audit to have lost by a certain course of action and you have thought it important enough to issue rules regarding the matter, I suggest to you that you might ask for returns periodically.

Mr. Badenoch.—There is no good asking for that, Mr. Satyamurti. The only way the Railway Board could satisfy themselves that their orders were being carried out is by having their own inspection staff. Either they have to trust the railways, or distrust them to the full and have their own inspection staff.

Mr. Satyamurti.—Can you not have a compromise, and ask for returns, say, once in six months ?

Mr. Badenoch.—I do not think it is any good. As the Chairman said, the administrations will only say, Yes, and it would not carry us any further.

Prof. Ranga.—I suggest that we might make a recommendation that some suitable action should be devised to see that the instructions of the Railway Board are carried out.

Chairman.—Suitable action is audit.

Prof. Ranga.—Unfortunately audit comes too late.

Mr. Badenoch.—A number of instructions are administrative and audit would not come in in those cases.

Mr. Rau.—We have internal audit on the state-managed railways.

Prof. Ranga.—All these cases come from the North Western Railway.

Chairman.—I suggest that when you meet the Agent you might report to him this conversation of ours and charge him with the duty of carrying out your instructions.

Sir Mokammad Yakub.—I find that the control of the Railway Board over the Agents is not as strict as it should be and that the Agents never care for the Railway Board.

Mr. Satyamurti.—I agree with you.

Chairman.—I think the best thing would be for Mr. Rau, when he meets the Agents in October to convey to them the general feeling of the Public Accounts Committee and make a suitable exhortation to them.

Mr. Satyamurti.—He must be able to say that the Public Accounts Committee is with him in this matter.

Chairman.—Yes.

Mr. Das.—This thing happened in 1923 and how is it that it came up only in 1934? What was the administration doing?

Mr. Rau.—They were trying to recover the money from that man. It was really a delay in legal proceedings.

67. *Mr. Satyamurti.*—Paragraph 148 of the Audit Report.

Mr. Sundaram.—It was due to a temporary disorganisation at that time owing to an unfortunate experiment which had been launched, but it was immediately given up soon after.

68. *Mr. Satyamurti.*—Paragraph 170 of the Audit Report. “The fraud could not be detected earlier owing chiefly to the fact that the reconciliation of debit figures under Purchase Account with those of the General Books was not correctly made and the analysis of the balance at the time of the monthly reconciliation with the General Books was not being carried out item by item but by lump-sum totals during the period.”

Mr. Sundaram.—The procedure has been set right.

69. *Prof. Ranga.*—Paragraph 177 of the Audit Report. “As regards the question of taking disciplinary action against the staff responsible for the non-realisation of the Railway dues, the administration have stated that it is impossible to fix responsibility and as such, no disciplinary action can be taken against the staff.”

Mr. Rau.—I understand that the records relating to the case have since been destroyed, and it is not possible to find out who was responsible for the mistake in the first instance. As regards the supervising staff, the gazetted officer and the senior accountant in the earlier period of this mistake have retired.

Chairman.—My general impression is—it may be quite an unfair observation—that cases take too long to come to light. That may be inevitable, but I suggest that you should see whether they can be cleaned up quicker.

Mr. Rau.—Generally cases take too long to be brought to notice of proper authority.

Mr. Sundaram.—This type of case could only come to light accidentally. We had to recover something from somebody else and it was only by chance that we found out this.

Mr. Satyamurti.—But it says, “ The bills from March 1925 to August 1928 amounting to Rs. 25,473 were accepted by the Port Commissioners but were not realised and bills from September 1928 to February 1933 amounting to Rs. 35,964 were not submitted for acceptance in spite of the fact that the Traffic Manager, Port Commissioners, while returning the bill for gatekeepers duly accepted in 1928, suggested that the bills should be sent in future direct to their Chief Accountant for payment in the same way as the bills in connection with the working of the Shalimar Coal Yard. The Accounts Office has explained that records prior to March 1935 are not available.”

Mr. Sundaram.—The papers of that time could not be traced, they are all missing.

Mr. Satyamurti.—You cannot say who was responsible for that. Is there any chance of records getting missed again ?

Mr. Sundaram.—We are taking all possible steps to prevent that.

70. *Prof. Ranga.*—Paragraph 193 of the Audit Report.

Mr. Rau.—That may be taken up when the Chief Commissioner is also here.

The Committee then adjourned till 11 A.M. on Saturday, the 24th August, 1935.

Evidence taken at the 15th meeting of the Public Accounts Committee held on Saturday, the 24th August 1935, at 11 A.M.

PRESENT.

The Hon'ble Sir JAMES GRIGG, K.C.B., 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.

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, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt.,
C.B.E., M.L.A.

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

Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General.

Mr. B. NEHRU, Director of Railway Audit.

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

Mr. T. S. SANKARA AIYAR, Director of Finance.

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

Members.

Were also present.

Witnesses.

The Chairman at the outset referred to certain press reports of the proceedings of the Committee, which he characterised as unauthorised and improper and said :

“ We shall place this on record and ask the Secretary to issue a statement to the effect that the reports are not only unauthorised and improper, because the proceedings of the Committee are private, but completely inaccurate.”

The Committee agreed.

71. *Mr. Satyamurti.*—I shall now take up the Audit Report, paragraph 5 on page 2. I want to know whether the changes in the Demands for Grants have yielded better results from the administrative point of view ?

Mr. Rau.—The changes were made, because it was felt that the form which obtained till 1933-34, was not conducive to the proper control of expenditure, as they did not follow the accounts in any way. So after examination and in consultation with the Auditor General, we proposed that the demands should in future correspond to the way in which accounts were kept. Till we have the appropriation accounts for the next year before us it is not possible to say to what extent improvement has been effected.

Mr. Satyamurti.—What does audit think of the change ?

Mr. Badenoch.—The change was made at the instance of audit. The defect in the old arrangement was that the demand cut right across the accounts and in order to make a compilation of expenditure and to compare it with the grant, it had to be a special *ad hoc* compilation and audit pointed out that this was a very serious drawback and an impediment in the way of proper control. The Public Accounts Committee two years ago discussed the thing in very great detail and decided to adopt the view which had been arrived at in consultation between the Financial Commissioner of Railways and the Auditor General.

Mr. Satyamurti.—At a suitable opportunity, would you make a report ?

Mr. Badenoch.—It will come up automatically in connection with the appropriation accounts of next year ?

72. *Mr. Satyamurti.*—I hope Mr. Rau has noted paragraphs 3 and 4 on page 1 of the Audit report ?

Mr. Rau.—I have had some correspondence with the Auditor General on this matter and he and I have agreed that in my review in future, I shall give as many typical instances of irregularities as I have been able to discover. He has agreed with me that it is not necessary nor desirable to give a catalogue of all irregularities.

Mr. Badenoch.—It is really a matter of mutual accommodation and we have told the Director of Railway Audit that he should not refer to any purely appropriation matter unless it is really important.

Mr. Satyamurti.—My point is that no important thing should be left out. They should bring out all the important irregularities.

Mr. Badenoch.—I think we are agreed on that.

73. *Mr. Satyamurti.*—Is there anybody in the Railway Board concerned with the receipts of the railways ?

Mr. Rau.—There is the Director of Traffic. We had a Member for Traffic which post was abolished in 1932. Each Agent has also got a commercial Department with a large number of officers and we get reports from all of them, and here it is part of the business of the Railway Board. Whenever they think there are certain avenues which may profitably be explored, we ask them to examine the question very thoroughly.

Sir Mohanmad Yakub.—By whom are these reports from the commercial Departments of Railways scrutinised ?

Mr. Rau.—By the Director of Traffic here. It is not of course a regular report.

74. *Mr. Das.*—I suggest it is time that you should codify your rules and regulations.

Mr. Rau.—We have a number of codes. Many of them are out of date. We had in 1931 or 1932 one or two officers to revise and codify the rules but the Railway Retrenchment Sub-Committee definitely recommended that all their work should be stopped.

Chairman.—Is it not the case that either before or shortly after the institution of the new authority, this should be done in any case ?

Mr. Rau.—Probably before. All this will be subjected to revision by the new authority but it is always better to consolidate the present position so that they can have something to work upon.

Mr. Badenoch.—My view coincides with the view of the Committee. We consider that the railway codes are generally speaking completely out of date and on the whole it is unfair to the new railway authority.

75. *Mr. Satyamurti.*—What is the latest position, with regard to the remarks in paragraph 10 of the Audit Report ?

Mr. Rau.—My view is that it is a good method of budgeting.

Mr. Badenoch.—I do not entirely agree with my Director there. On the whole the railway procedure is quite a good procedure.

76. *Mr. Satyamurti.*—Page 5 of the Audit Report. What is the position ?

Mr. Badenoch.—Paragraph 20 is rather important.

Mr. Satyamurti.—There is defective estimating in a number of cases. Can we have a general explanation ?

Mr. Badenoch.—Under the various suspense heads the budgeting is rather weak.

Mr. Rau.—I agree with the Auditor General in that matter.

Mr. Satyamurti.—Will you undertake to look into these matters to prevent such recurrence ?

Mr. Rau.—These were all matters of oversight which you could not possibly eliminate entirely. Human nature being what it is, it is impossible to expect perfection.

Mr. Badenoch.—Possibly the Controller of Railway Accounts might impress upon the accounts officers that they should look into this more carefully.

Mr. Rau.—As a matter of fact we take up every case reported by the Director of Railway Audit.

Mr. Satyamurti.—“ No funds were allotted by the Railway Board ” With reference to this remark, that is a case where you come in ?

Mr. Rau.—The fact is that the Agent, Nizam's State Railways, works for us a small bit of line. The previous practice was that all his expenditure on this section was distributed between the Nizam's Government and the Government of India proportionately and the practice was to show the total expenditure debitable to the Government of India in one place—Administration. We asked him to distribute it between the Administration and Repairs and Maintenance and Renewals and Replacements, and it is more or less, arbitrary. On our insistence he did give us figures and we put them down in the revised estimates. In future I hope this thing will not happen.

Mr. Satyamurti.—We want to make it as strong as we can make out,—what we want to say in the report about general budgeting and control.

Chairman.—We will consider whether we should mention it specifically or mention it as a general thing.

Mr. Badenoch.—These are points Mr. Rau might take up in his review.

77. *Mr. Satyamurti.*—Paragraph 21 of the Audit Report—“the whole supplementary grant proved to be unnecessary”. You, Mr. Chairman, also come in here for this responsibility?

Chairman.—This is peculiarly I think the responsibility of the Finance Member rather than the Finance Department and I will look to it myself. Mr. Sanjiva Row points out that the Finance Member is not consulted for supplementary grants.

Mr. Rau.—The Financial Commissioner brings it to the notice of the Railway Member and, when the matter is of sufficient importance, to the Finance Member.

Chairman.—I will look into the question. Of course we are very anxious not to diminish the prestige and authority of the Financial Commissioner as being the representative of the Finance Member. If I reduce him to cypher, well, he will have no authority *vis-a-vis* the Railway Board.

Mr. Rau.—Also, the Railway Member has got to present the estimates; for the purposes of the Railway Budget, he is the Finance Member.

Mr. Das.—The Assembly has assumed since 1925-26 that the Financial Commissioner is the direct representative of the Finance Member.

Chairman.—I think it is very important that nothing should be done to diminish the prestige and authority of the Financial Commissioner, However, I will look into it.

Mr. Satyamurti.—Then, why should, for instance, Mr. Rau be asked to explain every point regarding the railway administration? He has got to defend the Department's administrative acts.

Chairman.—*Prima facie* I have some sympathy with that view.

78. *Mr. Badenoch.*—Paragraph 23 of the Audit Report.—I would like to cut out the word “arbitrary” from the phrase “arbitrary nature of the cuts”.

Mr. Satyamurti.—Whenever the Railway Board makes cuts upon a demand, there is the stock explanation, that you reduced the demand and so on; well, that I think is not a very healthy state of affairs as between the Railway Board and the Agent?

Mr. Rau.—This is explained very fully in paragraph 84 to 91 of my Review. I do not know what the views of the Auditor General are?

Mr. Badenoch.—My own view is that in a case like that the Railway Board must be supported. But there is a want of liaison over these cuts. Either the reasons for them are insufficiently explained to the Railway Administrations or the latter do not take the trouble to understand or carry out the intentions of the Railway Board.

Chairman.—Would you consider the suggestion that when you are discussing your estimates, you should get the Agents up? I suggest you might have a sort of estimates conference and that might be worth your considering.

Mr. Satyamurti.—But the decision should be that of the Railway Board.

Mr. Rau.—We are having such discussions with regard to capital expenditure, but we have not had such discussions with regard to revenue expenditure.

79. *Mr. Satyamurti.*—What would you suggest for what appears at the top of page 42 of the review? I quite agree if they are unforeseen, but if they are foreseeable, what would you suggest? Would you expect to confine them purely to unforeseen contingencies?

Mr. Rau.—Quite so.

Mr. Satyamurti.—Therefore, this comment is not intended to give them elasticity but really to provide for unforeseen contingencies.

Mr. Rau.—In Railway Administration, I think the definition of unforeseen is a little bit elastic, for instance, traffic offering in excess of what you thought you would be carrying. That would be unforeseen.

Chairman.—Do you get from the railway administrations monthly returns and do you review them at specific intervals of three months or six months?

Mr. Rau.—We go through them every month.

Chairman.—Do you go through them from the point of view of seeing whether the discrepancy in the estimates is justified?

Mr. Rau.—When we see that the expenditure is going on at such a high rate as to exceed the budget, we immediately ask for an explanation and tell them to moderate the expenditure for the rest of the year.

80. *Prof. Ranga.*—When you impose certain cuts, I think you make them as a sort of final thing.

Mr. Rau.—The Auditor General was quite correct in pointing out that we made no attempt to explain the cuts (*vide* No. 73 *ante*), and it was at his suggestion in 1934-35 we issued orders, which I have referred in paragraph 89 of my review to show what were the reasons for the cuts.

Mr. Satyamurti.—I come to paragraph 90 of the Review; the last few lines show that the Railway Board is perfectly right all the time?

Mr. Rau.—That is what I have attempted to prove.

Mr. Satyamurti.—Therefore, it ought not to be difficult to persuade the Agents to accept these cuts?

Mr. Rau.—They have accepted these cuts. We provided 49.35 crores, and the actual expenditure amounted to 49.50 crores, *i.e.* an excess of 15 lakhs in a budget of 49½ crores, which is 1|3 per cent. I think that shows that we have been successful.

Prof. Ranga.—Do these cuts comprise both cuts in staff and cuts in works as well?

Mr. Rau.—These are budget cuts.

Prof. Ranga.—You leave the distribution to the Railways?

Mr. Rau.—Yes.

Mr. Satyamurti.—The remarks in the Audit Report do not bear your conclusion?

Mr. Rau.—The figures are here.

Mr. Satyamurti.—What is really important is that under each head why should there be so many excesses? We have had those before in other departments. My point is we have got too many excesses and what has Audit got to say?

Chairman.—I would like to know from the Auditor General whether in the case of the Railways he would naturally expect greater individual variations?

Mr. Badenoch.—Most decidedly, and especially in the case of these cuts, the Railway Board don't go on sub-heads. They don't consider the working expenses really by sub-heads under each grant. They really go very much by totals, and I don't see how they can do anything else. They do examine the details when there is some important factor affecting these totals, but from the point of view of general estimates of working expenses, they are bound to deal with totals and inevitably there must be variations under sub-heads.

Mr. Rau.—I think I ought to mention also that this is not unconstitutional in any way because it has always been accepted that the grant is sanctioned as a whole by the Assembly, and the powers of re-appropriation within it are given to the executive. The second point is, the Public Accounts Committee last year even agreed to a sort of an informal re-appropriation between different grants, and they said that the Agent would be at liberty to re-appropriate so long as he did not exceed his total grant. Apart from the constitutional point on which I am not a Pundit, I would like to talk about the practical point. If you insist on no excesses in these matters, that will mean there will be margins and hidden reserves kept here and there. If you insist on no savings, you will stimulate unnecessary expenditure. That is why I say that our present method of dealing with large groups and not with little sub-heads is the only possible method of estimating when the total is 50 crores.

Mr. Satyamurti.—Provided these excesses are for unforeseen cases?

Mr. Rau.—We do not insist on their spending to the fullest extent. That is why I would deprecate too much attention being paid to lapses here and there.

Mr. Satyamurti.—I suggest, Sir, that we accept paragraph 91 and commend it to the Railway Administrations. I entirely agree with the last few lines. That is really sound finance, and I should like to put it in the Report as a guide for future budgets.

Chairman.—Let us go through the Appropriation Report.

81. *Mr. Das.*—Before you take it up, I have a few paragraphs to deal with on Audit Report. If Mr. Rau accepts my general criticism, I shall not go into details. With regard to B. N. R. and N. W. R. you have cases depicted this year which are a continuation of the old story, and I do want Mr. Rau to agree with me that the Railway Board should look with alarm and apply some means to see that the Bengal Nagpur Railway and North-Western Railway tighten up their financial control. I would particularly refer to the land purchased at Raipur by the Bengal Nagpur Railway.

Mr. Rau.—As regards the general question, the fact that all these are put in 1933-34 does not mean that the irregularities occurred in that year.

Mr. Badenoch.—I should like to say that we include these in the audit reports as instances of infructuous expenditure. Actually we don't say they are necessarily blameworthy, for it is a matter of fair commercial risk, and audit does not set itself up as a judge.

Mr. Das.—I am not taking it up from the Audit point of view, but being a commercial minded man and knowing as I do all the mistakes of the Bengal Nagpur Railway in the past, I do want to lay stress on the over-capitalising and overstocking of stores by the Bengal Nagpur Railway. This land at Raipur should not have been purchased.

Mr. Rau.—As a matter of fact, the Administration had reason to believe that Raipur would become a much more important place, and they were afraid that if they did not buy up all the land in that vicinity, land which might be required for immediate and future development, land speculators might step in and raise prices. As a matter of fact, we understand now that land in that vicinity has risen in value so much that they think that if they sold some of the land now, they could probably make a profit on the transaction.

Rai Bahadur Sir Satya Charan Mukharjee.—That is perfectly correct.

Mr. Das.—I am emphasising on the over-capitalisation of the Bengal Nagpur Railway.

Mr. Rau.—I quite agree with you that we should not purchase land in excess of our requirements. If Raipur had become a really important yard as they had expected all this land would have been required. All our hopes about Raipur-Vizianagaram line have had to be considerably reduced.

Mr. Das.—1929-30 was a bad year ; depression was there. The whole question was raised in the Committee, and we raised the point whether the department should not appoint a committee to go through the administration of the Bengal Nagpur Railway particularly to devise means....

Mr. Badenoch.—I can say definitely that the Bengal Nagpur Railway now gives us much less trouble. We consider that under the present Agent the Bengal Nagpur Railway has improved out of all recognition.

Mr. Das.—I do recognise it, and I take credit for it, because in 1928-29 I was a member of the sub-committee which examined it.

Mr. Badenoch.—These are things that should be left to the Administration itself.

82. *Mr. Das.*—I think the Bengal Nagpur Railway expenditure is very high compared to that of the other Railways ?

Mr. Rau.—That is due to the unremunerative traffic it has to deal with.

Mr. Das.—With all that, I think the cost of top heavy administration should be reduced. As we have raised the point and the Finance Member is going to look into it, he may be able to evolve some thing to curtail the expenditure on this Railway. As an oldest member of this Committee and also as a businessman, I still lay stress that something must be done to see that both the Bengal Nagpur Railway and North-Western Railway pay their way.

Mr. Satyamurti.—As the youngest Member, I also agree.

Appropriation Accounts.

83. *Mr. Satyamurti.*—Page 12, what have you to say about this plus 1,13.

Mr. Rau.—I am afraid I cannot give you any more explanation than what is given already. That arose out of the Pope Committee's Report.

Mr. Satyamurti.—Was it in the middle of this year ?

Mr. Rau.—Mr. Pope came down in December 1932, and his Report was sent in some time in the middle of 1933, I think, and the Railway Board took it up some time later.

Mr. Satyamurti.—Could not these changes have been foreseen and provided for ?

Mr. Rau.—Since the orders of the Railway Board were issued only late in 1933, these changes could not have been foreseen.

84. *Prof. Ranḡa.*—Page 8, non-voted. What is the explanation for it, Office of the Chief Auditor, Railway Clearing Accounts ?

Mr. Badenoch.—The Retrenchment Committee suggested that retrenchment should be effected in railway audit, and one of the unpopular measures that was taken was to reduce the Chief Auditor, Railway Clearing Office, from Accountant-General's status to class I status.

85. *Mr. Satyamurti.*—Page 13, item 5,—minus 3,73. I think these could have been foreseen unless your office was purblind ? Did anything arise after the Budget ?

Mr. Rau.—When a man goes into a department and tries to find out what posts can be doubled up, what posts can be abolished or held in abeyance, naturally he discovers these things.

86. *Mr. Satyamurti.*—Item 6,—minus 5,14.

Mr. Rau.—That is not a saving really. It is a question of allocation. It goes into some other head.

87. *Mr. Satyamurti.*—Page 14, minus 2,94,—the explanation is that it is mainly due to minor variations on almost all the railways. Is that a very satisfactory explanation ?

Mr. Rau.—It is the traffic department.

88. *Mr. Satyamurti.*—Let us take page 14, item No. 9, 3,10.

Mr. Rau.—That is definitely due to wrong budgeting.

Mr. Satyamurti.—Has anybody been caught for it or warned about it.

Mr. Rau.—We have said in our letter that they should try to avoid such mistakes.

Mr. Satyamurti.—I want to know whether in this particular case any inquiry has been made or will be made to see who was responsible for this. Unless you catch some one, these will not stop.

Mr. Das.—You can't catch anybody in the company-managed Railways.

Mr. Rau.—In this case I must say that it is not entirely the fault of the Railways, because when we make a cut, we don't make it under separate sub-heads. I know, for instance, in Grant No. 4, they don't really want as much as they ask for. As regards the distribution they are in a better position than we are here to make it.

Mr. Satyamurti.—You cannot treat this as a kind of mercantile concern.

Chairman.—I would make a qualification against that; as long as the main result is achieved, I don't think it is so serious in the case of a department like the Railways where estimating has a much bigger element of uncertainty.

Mr. Satyamurti.—Anyhow you are bound to lose for all time?

Chairman.—If the Railways themselves are allowed to allocate the block cut, it is regrettable that they don't do it more thoughtfully.

89. *Mr. Satyamurti.*—We now go on to the next Grant No. 5, which is even worse.—Revenue—working expenses, Repairs and Maintenance and Operation. Even the Auditor-General must see that these excesses and savings are disturbing. They may be called violent savings and violent excesses.

Chairman.—What would you consider on this sort of work a reasonable margin of variation?

Mr. Satyamurti.—One per cent.

Mr. Badenoch.—I say one percent is very good. I certainly would not mind $2\frac{1}{2}$ per cent. on individual items.

Mr. Rau.—I would say 5 per cent. would be good, but $2\frac{1}{2}$ per cent would be very good.

Mr. Badenoch.—Yes, on particular sub-heads.

Chairman.—Let us look at them in relation to what the Auditor-General regards as a safe criterion.

No. 2 is under 2 per cent.

No. 3 nearly 4 per cent.

No. 4 is over 5 per cent.

Mr. Rau.—That is due partly to change of classification. We are now insisting that no changes in procedure should be given effect to till it has been provided for in the budget.

Mr. Satyamurti.—Has it now been accepted by your Agent?

Mr. Rau.—That is a mistake.

Mr. Satyamurti.—Has the mistake been corrected, and have they accepted the principle?

Mr. Rau.—Nobody can object to it. These are orders issued by the Railway Board and the Administrations must accept those orders.

90. *Mr. Satyamurti.*—On page 25 under Gratuities there is an excess.

Mr. Rau.—We could not foresee exactly who were to be discharged and what gratuities they would get. It is impossible to work on an individual basis. We admit we made a mistake in putting in 40 lakhs, but as a matter of fact I was correct within .02 per cent. of the total.

Mr. Satyamurti.—You think the sanctioning authority may make mistakes provided that in the ultimate analysis, it is found justified.

Mr. Badenoch.—In the case of railways you have to give some more latitude because they deal in crores.

Mr. Satyamurti.—Do you think 50 per cent. more on gratuities is justified.

Mr. Badenoch.—As you know I apologised for the Accountant-General's estimate of the pensions. It is always difficult to estimate the pensions and gratuities.

Chairman.—I think an excess here is a virtue. If you come next year and tell me that they would sack more people than they thought they would and that there would not be a saving but an excess on gratuities, I am not going to complain very much.

91. *Mr. Satyamurti.*—On page 29, you have a saving under suspense account.

Mr. Rau.—This is revenue suspense. We expect these transactions to balance each other ordinarily at the end of the year. There is no basis for budgeting. In this particular year, we provided only for the effect of the reduction in the cut in pay.

92. *Mr. Satyamurti.*—On page 36, under Capital, new construction, there is a saving of 9.53 lakhs. Surely you must have some explanation.

Mr. Rau.—The most important of this was the saving of 10 lakhs on the Ava Bridge at Sagaing. This was due partly to a real saving in the cost (4 lakhs) and partly (5 lakhs) to non-completion of certain works.

Mr. Satyamurti.—Did they over-estimate ?

Mr. Rau.—I have given a general explanation in paragraph 29 of my report. There are all sorts of things which it is impossible to estimate the cost of. I would appeal to the practical experience of the members of the committee in this matter. When you build a house for instance you would not know in advance how much it is going to cost you exactly.

Mr. Satyamurti.—I have no costly advisers. I am a poor man and when I build a house, I know what it would exactly cost me. But the Railway Board has experts to advise it and it pays handsome salary to these experts. Why can they not give exact estimates.

Mr. Rau.—But experts are not infallible.

Mr. Satyamurti.—Why was the work postponed ?

Mr. Rau.—Because the materials did not arrive or some such cause.

Chairman.—If you find any particular enterprise is making less progress than it is expected, then the Finance Department should reduce the provision accordingly.

93. *Prof. Ranga.*—Are you quite sure that the Railway administration does not bring pressure to bear upon them not to spend money that has been allotted for repairs and renewals.

Mr. Rau.—I can assure you on that point.

Chairman.—The first duty of the Finance Department, when they find that the money asked for has not been spent, is to cut down the amount. If during the year the finance authorities consider that the Finance Member or his representative had come to the conclusion in the light of further information that they have over-provided, I think they would be perfectly entitled to tell them to surrender the amount.

Prof. Ranga.—But Mr. Rau in paragraph 55 on page 29 makes the following observation :

“ The total expenditure was 3.10 crores below the amount programmed ; though 54 lakhs are explained as due to various unexpected credits, the balance of over 2½ crores can only be explained as due to the natural tendency of railway administrations to include in the programme all the works which they would like to start.”

Mr. Rau.—The Railway Board are perfectly entitled to tell a railway administration, if they find that a certain work for which provision has been made is unnecessary, not to proceed with the work, and to save the money.

94. *Mr. Satyamurti.*—I would suggest that the Committee should endorse the last sentence in the second paragraph of paragraph 55, namely “ shall endeavour to correct the tendency to over-estimating in preparing the programmes for 1936-37 ”.

Chairman.—I have not the slightest objection.

95. *Prof. Ranga.*—Page 59. Can you not amalgamate the office of Controller of Railway Accounts with the Railway Board.

Mr. Rau.—I think the Auditor-General would strongly object.

Mr. Badenoch.—The Pope Committee suggested the abolition but I was against it.

Prof. Ranga.—Could you not effect a saving by amalgamation ?

Chairman.—Don't you want a quasi-independent officer to control the Railway Accounts.

Mr. Rau.—The Controller of Railway Accounts is under the Financial Commissioner and not under the Railway Board.

96. *Mr. Satyamurti.*—I now come to Annexure ' A ' where a Table is given showing the unsanctioned expenditure, relating to several years past. I suggest that these matters should be investigated to see whether these things could not be done more expeditiously.

Mr. Rau.—I quite agree that a long list like this is unsatisfactory.

Chairman.—Is it one of your difficulties that the company-managed railways who have special contracts and surplus profits and that sort of thing are a little cantankerous in arguing about the propriety of the expenditure ?

Mr. Rau.—There is the question of allocation involved in it.

Chairman.—The companies go on arguing and arguing till in the end you have to refer the matter to the Secretary of State.

Mr. Satyamurti.—That is another reason why you should buy up all the company-managed railways.

Chairman.—Provided they are worth buying.

Mr. Satyamurti.—I should like the matter to be examined to see if these cannot be speeded up.

Chairman.—You want to put in “ that the items of unsanctioned expenditure take a very long time to clear up and the possibility of speeding them up should be examined ”.

Mr. Rau.—As a matter of fact I was just wondering whether there was any comparison with the previous year, I find the percentage has gone down from 1.32 to 1.29.

Mr. Satyamurti.—On page 77, the item relating to the purchase of telegraph instruments is hanging from March 1933.

Mr. Rau.—I suppose it is a question of proper adjustment between the Posts and Telegraph Department and the railway.

Mr. Satyamurti.—The next item of one lakh and odd is awaiting the sanction of the Railway Board since February 1933? Another item relating to N. W. R. costing over four lakhs is awaiting sanction since April 1928.

Mr. Rau.—I do not see any reason why we should not have given provisional sanction in this case. This will be regularised through the completion report.

Mr. Satyamurti.—The next item is 65 lakhs relating to the Raipur Vizianagram construction. It is awaiting sanction since April 1931.

Mr. Rau.—As regards this item, we were not quite sure whether it required the sanction of the Secretary of State. Before making a report to the Secretary of State, we wanted to get the latest estimates of traffic receipts and expenditure.

Mr. Badenoch.—As regards the question whether the position was getting better or worse, I must say it is getting better. The percentage of objectionable expenditure in 1930-31 was 2.14, and it is now down to 1.29. There is thus an improvement.

Mr. Satyamurti.—I want the Railway Board to finish all these objectionable items, at once.

Mr. Rau.—I am not as optimistic as you are. I know that some cases will necessarily be going on from year to year. If the committee likes, we can give the explanation in the appropriation report itself as to why a particular item still awaits sanction. I think that would help the committee.

Mr. Satyamurti.—I would suggest to you, Mr. Chairman, that we put something strong in the Report about this matter.

Mr. Das.—On page 80 the item relating to Lillooah saw mill doubling is awaiting sanction since October 1926?

Mr. Rau.—I am sorry I am not able to explain these items in detail. As I told you I would arrange next year to give a brief explanation of all these items which are awaiting sanction.

Mr. Satyamurti.—Can you give us the total of all these items?

Mr. Rau.—It is on page 76; it comes to one crore odd.

Mr. Satyamurti.—What about this Raipur-Vizianagram construction on page 88 ?

Mr. Rau.—That is part of the old one.

Mr. Satyamurti.—What is the reason for this,—T. B. Railway construction ? Will that be included in the next report ?

Mr. Rau.—I said I would give an explanation for each of the items occurring in the next year's report. I hope you do not want an explanation of the items in this year's report.

Prof. Ranga.—Development of Jarangdih Colliery is 10 lakhs. Does this mean that you never approach the Legislative Assembly for these things ?

Mr. Rau.—This is not a case of want of sanction of the Assembly. The Assembly sanction is obtained through the budget for the expenditure and sometimes the expenditure is incurred but for technical reason, the amount is kept under objection, *e.g.*, a detailed estimate is not prepared. The audit and accounts people say they must have the estimates before they pass the expenditure as regular. It is put in an objection book and after the estimate is prepared it is taken out of the objection book.

Mr. Badenoch.—They are merely unsanctioned excesses over estimates.

Chairman.—Is it where local people do not tell you in time that they are going to exceed their original estimate ?

Mr. Rau.—They prepare an estimate which is held under objection and after the detailed estimate is sanctioned by the Agent, the objection is removed. Sometimes after the detailed estimate is prepared they have a revised estimate and that waits for some time before it is sanctioned. Sometimes there is a second revised estimate, but it does not necessarily follow that there is an excess.

Chairman.—What I am trying to find out is whether it is a technicality.

Mr. Rau.—It is partly so. It does not mean that money is being wasted or spent without sanction. There is administrative sanction of the immediate superior authority. The money has been approved in the budget but the detailed estimates are not yet ready. But we do insist upon detailed estimates because if we do not get them we do not know how the money is being spent at all.

Mr. Badenoch.—There is a certain amount of crime in starting work on abstract estimates.

Mr. Rau.—I think the P. A. C. have expressed themselves on that before.

Chairman.—I think that in so far as these objections are due to their starting work in advance of detailed estimates, it ought to be stamped out.

Mr. Satyamurti.—What exactly does the statement "without the sanction of competent authority" mean ?

Mr. Badenoch.—It means that the expenditure has been incurred on work and the estimate for the work has not received sanction of the authority empowered to sanction it, the Agent or the Railway Board.

Chairman.—I think it is not the whole of a new work being undertaken without sanction, but the estimated cost being exceeded without sanction.

Mr. Badenoch.—Generally speaking it is that.

Mr. Rau.—Take this case at page 77.—“Transfer of Calcutta Chord Railway quarters at Bally to open line Howrah Division, etc.”. This is merely a question of transfer but it has not been approved by the final authority because I raised some questions as to whether some adjustment was necessary.

Chairman.—I think it would save a lot of trouble if Mr. Rau gave explanations so that we knew how much of technicalities there are.

Mr. Satyamurti.—I want a statement about this 10 lakhs on development of Jarangdih Colliery.

Mr. Rau.—I will circulate an explanation of that.

97. *Mr. Satyamurti.*—Annexure B on page 92 ; I want the Auditor-General's help in this. What are these under-charges ?

Mr. Badenoch.—That is on the audit of traffic vouchers to see whether the freight charged is correct.

Mr. Satyamurti.—Is it due to carelessness or dishonesty ?

Mr. Badenoch.—No ; it is an extremely complicated business, depending on classification of goods, etc.

Mr. Satyamurti.—Is this also improving ?

Mr. Badenoch.—In the previous year it was pretty much the same.

Prof. Ranga.—I want this last column to be split up into two, one recovered and one written off.

Mr. Rau.—We will do that.

Prof. Ranga.—If they are neither recovered nor written off what happens ?

Mr. Rau.—It is carried forward.

98. *Mr. Satyamurti.*—On page 90 there are some items where the excesses are to be regularised through completion report. Are they all technical ?

Mr. Rau.—I think so. It is purely a question of putting in the completion report for sanction.

99. *Mr. Satyamurti.*—In Annexure C on page 93, who grants these remissions or abandonment of claims ?

Mr. Rau.—The Traffic Manager in most cases and the Agent in important cases. Mostly it is because they are irrecoverable. Sometimes wharfage and demurrage may be waived if there are good reasons for it.

Mr. Satyamurti.—Are there any rules in regard to these remissions and abandonments ?

Mr. Rau.—If the Chief Accounts Officer considers that the amount should have been recovered and the Agent disagrees with him, he has a right to bring it up to the Financial Commissioner.

Mr. Satyamurti.—What are the tests ?

Mr. Rau.—It is a matter of discretion.

Prof. Ranga.—Will you explain this item, “ Reduced rates.....
Rs. 90,814 ” ?

Mr. Rau.—Details of this are contained in paragraph 148 of Mr. Mitra's audit report.

100. *Mr. Satyamurti.*—In Annexure E what is the basis of this allotment of revenue and capital expenditure ?

Mr. Rau.—Capital expenditure is easily allocated because certain sections of the line are marked off as strategic sections and anything attributable to these portions of the line is debited to capital expenditure. But revenue expenditure is on a proportionate basis.

101. *Mr. Das.*—In Annexure G on page 112 I think you ought to show somewhere your debt of 25 crores.

Mr. Rau.—I have put it in my Review. It is not a debt till it becomes due. Under the Convention until we are in a position to have a surplus it is not due at all and it is not a debt.

Adjourned till 10-30 A.M. on Monday, the 26th August, 1935.

Evidence taken at the 16th meeting of the Public Accounts Committee held on Monday, the 26th August 1935, at 10-30 A.M.

PRESENT :

- The Hon'ble Sir JAMES GRIGG, K.C.B., 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 PARMANAND, M.L.A.
- Dr. R. D. DALAL, M.L.A.
- Rai Bahadur Sir SATYA CHARAN MUKHERJEE, Kt., C.B.E., M.L.A.
- Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor-General.
- Mr. B. NEHRU, Director of Railway Audit.
- Sir MAURICE BRAYSHAY, Kt., Chief Commissioner of Railways.
- Mr. P. R. RAU, Financial Commissioner, Railways.
- Mr. T. S. SANKARA AIYAR, Director of Finance.
- Mr. V. S. SUNDARAM, Controller of the Railway Accounts.

Members.

Were also present.

Witnesses.

102. *Mr. Satyamurti.*—What is the present position as regards the last sentence in paragraph 28 of the Audit Report ?

Mr. Rau.—It can only be noticed when the next appropriation report comes in. We have written to the various railways regarding this asking them to take note of the various defects that have been brought to notice here and see what they can do to avoid them.

103. *Mr. Satyamurti.*—What is the present position regarding paragraph 30 of the Audit Report ? There seems to be a lot of confusion here.

Mr. Rau.—The position is this : generally speaking, we have got no basis at all for estimating any definite sum under suspense excepting in the case of deductions for emergency cuts from pay in which case we know that if there is a change from 10 to 5 per cent. or 5 to nothing there is bound to be a reduction or addition at the end of the year and we therefore allowed only 8 lakhs under suspense for the year, because that was the difference between the amounts outstanding in the beginning of the year and the amounts outstanding at the end of the year.

Mr. Satyamurti.—Why this confusion between these two sub-heads ?

Mr. Rau.—There is a big grant Repairs, Maintenance and Operation ; we have got smaller grants now. I do not think this mistake will recur.

104. *Prof. Ranga.*—What is the explanation about paragraph 31 of the Audit Report : there was some uncertainty.

Mr. Rau.—In making a cut in the demands for grants with regard to new construction we showed it as for each railway—the total originally asked for—and then we deducted from the total the emergency cuts on all the railways together instead of showing them under each railway. When the question was raised we distributed it to all railways. This is a technical objection—there is no want of expenditure control or anything in it.

Mr. Badenoch.—There is nothing in it.

105. *Mr. Satyamurti.*—As regards part (f) on page 19 of the Review, what is the explanation ?

Mr. Rau.—It ought to have been provided for under Grant 5, but was originally provided for under Grant 8. In the company's accounts and in the Government's accounts there is a difference in accounting of expenditure on renewals and replacements ; that was why the whole thing was originally provided for under Grant 8.

As regards the last sub-paragraph of paragraph 62 at page 19 of the Audit Report, we have written again to the Government of Bengal about it.

106. *Mr. Satyamurti.*—This list of irregular reappropriations—Annexure I to the Appropriation Accounts is rather impressive—how did it happen ?

Mr. Rau.—They have all been summarised in paragraph 82 of the Review in more easily understandable language. The first is on the B. N. W. R. The point there is that the expenditure consists of expenditure on their own railway and on the Tirhoot Railway which is state-owned and managed by them. The grant is made gross for the total system and their portion is deducted from it under the head “worked lines”, so that the balance means expenditure on the Tirhoot section with which we are concerned. What they did was they reappropriated from the sub-head worked lines, which is always minus figure, and added to the sub-heads Miscellaneous and Establishment, which meant they incurred more expenditure on their own section of the railway.

As regards the Bombay, Baroda and Central India Railway, it was a mistake of the Railway Board. We ought to have distributed the two, but failed to do it and the mistake was set right by the railway administration. They ought not to have done it technically ; it was irregular, but it was the correct thing to do.

107. *Mr. Satyamurti.*—Annexure H to the Appropriation Accounts is also a big list. It seems to me *prima facie* that credit should have been given for these unexpected credits ; and if they were not, is it right to appropriate them to expenditure ?

Chairman.—Were the appropriations in aid being used to finance expenditure as a rule ?

Mr. Badenoch.—I think these were passed by the Standing Finance Committee.

Mr. Rau.—No ; we had no information about these credits at the time.

Mr. Badenoch.—The Public Accounts Committee made a proposal and the proposal was accepted by Government that unanticipated credits should not be used to give additional spending power without the sanction of the Standing Finance Committee. That was considered to be equivalent to the Home system of getting supplementary grants. Technically, as grants under the Government of India Act are voted net, the administration is within its rights in utilising unexpected credits provided the total net grant does not exceed the total grant given by the Assembly. But obviously there are objections to allowing the spending department to appropriate unanticipated credits to increase their expenditure. So this decision was reached by the Public Accounts Committee two years ago and has been accepted by Government and if there is any breach of it then Government was responsible.

Mr. Rau.—If I may explain it a little further, the arrangement so far as I can recollect was that any unanticipated credits should be brought to the notice of the Public Accounts Committee in my review if it was discovered too late for the budget. If it was discovered early enough, we could get the sanction of the Standing Finance Committee and have a token grant if necessary from the Assembly. I think this year it happened as a matter of fact that at the time of preparation of the budget we did not have any information about all these credits : For instance, under 6 (Annexure H) credit for 4½ lakhs was received from the Telegraph Department on account of refund of overcharges.

Chairman.—It is all very well, but they have gone and spent the money. They have reappropriated it merely as a matter of routine, without telling anybody ; it does strike me as a bit thick.

Mr. Satyamurti.—Page 12 of the Audit Report says that in the case of Grant 5, an additional vote of 23.29 lakhs would have been necessary. It is a fairly big sum to take from unanticipated credits.

Chairman.—The question is to what extent these have been reappropriated ; they are unanticipated credits.

Mr. Rau.—On the total grant there is a small saving. The total credits under this grant—grant No. 5—have been 29 lakhs ; but for this, an additional grant would have been necessary.

Mr. Badenoch.—It is admittedly irregular. Mr. Rau's point is there were two alternatives : if possible the spending department should go to the Standing Finance Committee and ask for approval to use these unanticipated credits. If for any reason they could not anticipate any credit, then it must be reported to the Public Accounts Committee who would express their view.

Mr. Satyamurti.—Without spending it, however.

Mr. Badenoch.—There is no doubt they have spent it ; they have utilised unanticipated credit to increase their spending powers under grant No. 5.

Mr. Satyamurti.—It is irregular.

Mr. Rau.—I admit it is irregular ; it is just the same as if they had overspent the grant.

Chairman.—Virtually they have run into an excess without sanction.

Mr. Rau.—Not because they happened to have the money but for various other reasons. The total expenditure was higher by about half a per cent. of the total.

Mr. Satyamurti.—I should like to mention something about this in the report.

Prof. Ranga.—Could not they have anticipated some of these large sums ?

Chairman.—No ; I do not think it is any use complaining that unanticipated credits turn up. The unexpected is always happening in this world. What is objectionable is spending the money without authority.

Mr. Satyamurti.—I should like the matter to be further examined. I am not satisfied that unanticipated credits form suitable material for reappropriation.

Mr. Badenoch.—Admittedly they do not.

Chairman.—In strict law it probably does ; but there is a convention that it should not. But evidently there are a number of cases where they do it in the last month or so and these are reported to the Public Accounts Committee. They seem to me to be exactly on all fours with excess grants on grounds of financial propriety.

Mr. Rau.—Just so.

Mr. Satyamurti.—If you enforce this rule that they cannot spend it without sanction it will be all right.

Mr. Rau.—That is the general rule.

Mr. Satyamurti.—Is this happening now ?

Mr. Badenoch.—I could not say that it is not happening ; it may be happening. We only find it out when we study the appropriation accounts

108. *Mr. Satyamurti.*—What is the explanation about paragraph 52, on page 14 of the Audit Report ?

Mr. Rau.—There is no reason why we should not wait till we get exact information ; in future we will do it. I mentioned something about this in the last year's report.

As regards paragraph 54 on page 15, with regard to this depreciation reserve funds, I mentioned to the Committee last time that we have simplified the whole thing.

109. *Mr. Badenoch.*—There is one point I want to raise here. The maintenance of plant registers of railways ; is that being done properly ? Actually your simplification of the calculation for depreciation reserve fund does not dispense with the necessity of keeping these registers properly ?

Mr. Rau.—I undertook last year that all the registers previously maintained in respect of plant will continue to be maintained.

Mr. Badenoch.—Paragraph 51 suggests that this is not being done.

Prof. Ranga.—What is the position with regard to the East Indian Railway now with reference to paragraph 51 ?

Mr. Rau.—It is a pure clerical error : it has now been set right.

110. *Prof. Ranga.*—What about paragraph 55 ?

Mr. Rau.—As regards 55 (a), the Agent has reported that the Chief Accounts Officer has since introduced a new method of checking this. But in this also there is no additional expenditure involved ; it is only a distribution between voted and non-voted.

Mr. Satyamurti.—Has audit looked into the new system ?

Mr. Badenoch.—Yes ; it will come under review of audit automatically.

Mr. Rau.—As regards 55 (c) we have told every railway administration that they have to make reappropriations as necessary and not wait till the end of the year.

111. *Mr. Satyamurti.*—On page 16, paragraph 57, there is a mention of over-capitalisation in two cases.

Mr. Rau.—This is a private company. There was an oversight on the part of a previous Government Examiner ; that was corrected later.

112. *Mr. Satyamurti.*—As regards paragraph 65 (page 20) losses due to restrictions or postponement of works, I would like to have a general statement from the witness as to whether these losses have been provided against.

Mr. Rau.—When we first started our retrenchment operations, some of the administrations were under the impression that they had to stop everything, whatever happened. We made it clear to them that it did not mean that they should stop everything that was necessary and in many cases it was much better to continue and finish off things that they had started instead of dragging on the work for a long time.

Prof. Ranga.—There are a number of losses incurred by the administration.

Mr. Satyamurti.—Has audit seen any of these ?

Mr. Badenoch.—I explained the position of audit in regard to these particular cases. These generally involve commercial risk ; audit cannot say whether there was anything to blame in them. The committee can make up its own mind whether there is anything to blame ; audit does not arrogate the right to say that they are.

Prof. Ranga.—Paragraph 67 is one such instance.

Mr. Rau. In this case there was an approximate quantity of 1,130 tons of material rendered surplus due to stoppage of bridge strengthening programme of the railway. Of this, 400 tons has since been utilised and the balance is being gradually utilised as fresh designs are being got out and it is estimated the whole quantity will be used up in the course of 5 or 6 years. There is of course loss of interest involved.

Mr. Das.—This is a question which my friend Mr. Ranga should have taken up. I mean paragraph 66 ; workmen's quarters were not provided and materials were sold as scrap, and this is really very unfair ?

Mr. Rau.—Even if these quarters had been built, nobody would have been there to occupy them. If there was a large marshalling yard, these quarters would have been necessary, but the administration explains that owing to the slump there was no necessity for a large marshalling yard, and so these quarters were not built.

113. *Mr. Das.*—Now, I should like to ask a few questions to Sir Maurice. I would like to know, Sir Maurice, as the controller of the railway administration, whether you consider you have reached the zenith of retrenchment in your administration either in your staff or in your working expenses, whether you have something else in view to effect further economies in order that your railways may work better ?

Sir Maurice Brayshaw.—I think that, generally speaking, we have effected most of the economies in staff and otherwise that could be done during the past few years of retrenchment. That does not mean that we have not schemes which will fructify in the future. That is to say, there are schemes initiated by Mr. Pope and it would take some time to give effect to them. The gradual improvement in the equipment of workshops is a thing which you cannot do at once. The use of a more economical type of locomotive can only be introduced over a number of years, but all, or most of the items in which we could effect immediate retrenchment have been examined in detail, firstly in the retrenchment of 1931, and afterwards on the detailed analysis initiated by Mr. Pope.

Mr. Das.—Is not the situation alarming because you cannot do any retrenchments whereby you could reduce your working expenses or lower the salaries of the administrative staff then you see particularly that the traffic receipts do not show an increase so that you can balance your expenditure ? I find that since the separation took place, the staff salary of the Railway administration has gone up by about 35 per cent. I can quote from Mr. Rau's review. They are given in Annexure B.

Mr. Rau.—In the last ten years there has been an increase of one crore or about 3 per cent., and that is not very much.

Chairman.—I honestly don't think, Mr. Rau, it is 3 per cent., in view of the reduction in traffic. It is certainly much more.

Mr. Satyamurti.—It is less than the peak figure of 55 in 1928-29.

Mr. Rau.—In 1921, 1922 and 1923 there were large increases in pay owing to the high cost of living. Then they increased the pay ; they did not give a special allowance as in other countries. These people were all on an incremental scale, and I think in the old days it was estimated that the total amount of increments would come to an addition of 60 or 70 lakhs a year.

Sir Maurice Brayshaw.—The retrenchments that were made in that year were very largely made from the bottom of the grade. It was the policy not to get rid of the men who had been with the Railways for many years. That was the result of the decision of the Court of Enquiry. So we had to discharge men from the bottom, that is the lower paid men.

Prof. Ranga.—That naturally resulted in this, that the cost of establishment has not come down, on the other hand it has gone up. It hits us both ways. It costs us more and at the same time more of our people are unemployed.

Sir Maurice Brayshaw.—The alternative would have been to discharge the more senior and more highly paid men.

Prof. Ranga.—At least you could have reduced the pay and allowances.

Mr. Das.—My point is, while in 1933-34 you spent 49 crores 50 lakhs on operating expenses, you paid 34 crores 61 lakhs as staff salary, and that is something very alarming, and in 1923-24 the staff number was the same and your expenditure was only 14 crores,—43 per cent. of the working expenses, and now it is 10 per cent. more. That means, you have spent very little on your repairs and maintenance, and everything has been spent on your staff ?

Mr. Rau.—The scales of pay have been revised, and that is the real explanation. When we were making retrenchments, railways were asked by Government on the recommendations of the Court of Inquiry appointed by Government not to select for discharge people who were fit or who were drawing more pay and allowances but to select men from the bottom only with short service.

Sir Maurice Brayshay.—The recommendation of the Court of Inquiry was based on considerations for the staff.

Prof. Ranga.—Who formed the Court of Inquiry ?

Mr. Rau.—Mr. Justice Murphy, Sir Venkatram Shastri and Sir Ross Masoud

Mr. Das.—At least I come to this conclusion that there is something very uncommercial in the management of your railways, because if the railways are not earning so much, the staff salaries should not be so high.

Mr. Rau.—Though Railways are called a commercial concern, they are bound by the general policy of the Government in this matter. If they had been a purely private commercial concern, they might have taken quite a different view.

Mr. Satyamurti.—I will here ask the Chief Commissioner one question. We have sunk 800 crores in Railways. We are paying interest by borrowing from the Depreciation fund, and we have not paid our contribution for the last so many years, and we are losing so many lakhs every year. Supposing you were in charge of these Railways as a private commercial concern, would you tell us what steps you would have taken so that this kind of thing may not go on for long ?

Sir Maurice Brayshay.—How to collect the 7 crores a year, that is the problem.

Mr. Satyamurti.—The point is you have to find ways for reducing your expenditure by at least 3 or 4 crores. I suggest that you must give us some suggestion, in this matter. For instance, if this were a commercial concern and if you were answerable to a Board of Directors, how would you do it ? I would very much like to have an answer from Sir Maurice as to whether we can reduce expenses, and if so, in what manner, because in that case we will take it up with the Government ourselves. It is for the Government to lay down a policy, but we will take up the matter with the Government ourselves. I should like, Sir Maurice, as an officer of considerable experience in Railways and who knows these things much better than anybody else in the room, to tell us what you would recommend to reduce the expenditure ?

Sir Maurice Braysbay.—I don't think I can give a reply to that without going into the matter in detail ; you will have to give me some time. But I can tell you this. We have a machine now which we built up to deal with a certain amount of traffic, and we are not getting that amount of traffic. We have therefore got a machine that is too big, but the machine requires a certain number of men to work it. It is too big now for what it has to do. If we proceed on the assumption that we are never going to get an increase in traffic, then the whole machine has got to be reduced. It is a big problem which I believe has not been examined I don't think I could deal with it at such short notice nor can I suggest at the moment how you can get 3 crores.

Chairman.—May I put it in rather more general terms. Let us assume for the moment that you have a railway system which is perhaps the best. If that assumption is correct and if you are going to act on that assumption, do you consider that it would be possible to cut down the numbers of your staff materially ; if you have to legislate more or less permanently for nothing more than the present level of traffic. It is quite clear that traffic has been steadily going down during the past few years, and last year was only a stage in the process of improvement, but in the last four months things have changed and it shows that no further improvement can be expected in the next few months. On that assumption is there room in your 667,000 and odd staff for an appreciable reduction which will to some extent give relief in the present position ? Let us face the position quite clearly. The safeguards for existing staff in the new Government of India Bill are pretty complete, and if we have got to a stage when there is no big improvement in traffic, we expect then the only method of economy is reducing the numbers. On that assumption is it possible in your opinion to get rid of a considerable number of the staff ?

Sir Maurice Braysbay.—I think it will be possible to get rid of a certain number. The difficulty really is this. Supposing you have got a line which was designed and built for the carriage of more traffic than it is now carrying, you have got to keep your signal equipment and so on, which has to be operated, whether you have the traffic or not. Whether your traffic varies by 10 per cent., 20 per cent. or 30 per cent., you have to put your men on duty. One method of restriction might be to attempt to avoid night running on certain sections and thus save the shifts of men, but it is very difficult, having established a line on a certain standard, to reduce that standard.

Chairman.—Have they not shut down a line in England in one of the Railways ? I remember one, it is not a very paying line in England and they have shut it down.

Sir Maurice Braysbay.—They have shut down certain stations ; they have also shut down some branch lines, because they were not paying. We have also done the same thing in India, we have cut out some small nonpaying lines, and we might go further in regard to restricting to certain hours of working, that is, avoiding your shift of men. But the introduction of new hours of work regulations means that the men can only be on duty for a certain time. Any permanent reduction of staff would be awkward if you take into consideration the possibility of an increase in traffic.

Mr. Satyamurti.—If the traffic increases, you will see that the Finance Member will be only too glad to give you more staff.

Mr. Rau.—If we close down certain stations, then we will be less equipped to fight the motor traffic.

114. *Sir Mohammad Yakub.*—Sir, I wish to put a few questions to Sir Maurice. I have not asked any questions till now. Will you tell me, Sir Maurice, if any of the economies and retrenchments you have been making as a result of the recommendations of the Retrenchment Committee, have in any way resulted in weakening the efficiency or in loss of more income than you have saved through these economies?

Sir Maurice Brayskay.—No, I don't think so. We discussed that with all the Agents, and they told us that none of the economies that had been effected had affected the safety of the line. Certain economies made, say, in the maintenance of buildings in the first year were savings in expenditure of a temporary nature; *i.e.*, we knew that we had to do a certain work, but we postponed it. But I think that by now nearly all those have been made up. My own experience of the engineering maintenance costs is we have got that right gradually; we are keeping the buildings in proper repairs as far as is necessary.

Sir Mohammad Yakub.—Do you think that the recommendations of the Retrenchment Committee were quite proper and just?

Sir Maurice Brayskay.—I think so.

115. *Sir Mohammad Yakub.*—My second question is, are you satisfied that the control of the Railway Board as it is constituted today is sufficient over the Railways, particularly over the company managed railways? Or I may ask in this way. Is the control of the Railway Board over the different Railways, particularly the State-managed Railways effective and satisfactory,—and I lay great stress on the word 'effective'.

Sir Maurice Brayskay.—Yes.

Sir Mohammad Yakub.—Do you think that all the directions and orders issued by the Railway Board to the Agents of these Railways are carried out both in letter and in spirit?

Sir Maurice Brayskay.—They are carrying out our orders to their very best, but with a big machine like the Railways in India it is quite obvious that a central railway authority like the Railway Board cannot deal with the day to day details of each Railway. There are Agents in charge of Railways who must carry out the orders issued by the Railway Board who must rely on them, but all orders issued by the Railway Board in regard to matters of policy and the control to be exercised by them, are carried out completely and fully by the Agents.

Mr. Satyamurti.—I don't think, Sir Maurice, these Reports give us the complacent feeling which you express just now; on the other hand, they give us the impression that the Agents are great Moghuls. I am putting it to you whether the time has not come for the Agents to be shown their proper place if they don't carry out your orders?

Sir Maurice Brayskay.—On the other hand, I think the Agents don't take that attitude at all in regard to the orders issued by the Railway Board. In fact, my ordinary job is that of Agent, and so I am speaking.

from experience. I think that the Agents of Railways do their level best to carry out all the instructions the Railway Board gives them. But I don't mean to say that the whole system is perfect or that the Agents are.

Sir Mohammad Yakub.—Then you think that the present constitution of the Railway Board is quite sufficient to deal with this big machine of the Railways throughout the country ?

Sir Maurice Braysbay.—I am rather doubtful whether the present strength of the Railway Board is sufficient. Of course, as you are aware. I have only just been in charge for a few weeks, and I can't say much on this.

Sir Mohammad Yakub.—But you have been in the Railway Board ; you have got wide experience both of the Railway Board as well as an Agent, and therefore I am asking this question.

Sir Maurice Braysbay.—I am only referring to one point. The strength of the Railway Board was reduced when I left it in 1932, 3 years ago. I am bit a doubtful from what I have seen in between whether the establishment and the strength of the Railway Board at present is sufficient to deal with the work that it has now to deal with.

Sri Mohammad Yakub.—May I take it from you then that the reduction in the number of Members of the Railway Board has resulted in the weakening of the control over the Railways ?

Sir Maurice Braysbay.—No ; may I put it in another way. There are many unimportant matters coming to the Railway Board that increase the amount of work they have to do. It may be a temporary factor that the Railway Board find it difficult to cope with the work, but I think this is the state of affairs since I left the Railway Board. I can only speak from a comparatively limited experience ; but that is the impression I have got.

116. *Sir Mohammad Yakub.*—I have laid great stress on this point, because the nonofficial Members of this Committee expressed the general opinion that the control of the Railway Board over the Agents was not as strong as it ought to have been. Then my last question to you is this. Don't you think that the schedule of delegation of powers to the Agents stands in need of revision on account of changed conditions ? This was prepared years ago, and do you think that on account of the changed conditions at present this schedule of delegation of powers needs revision ?

Sir Maurice Braysbay.—The opinion I arrived at two years ago was that the Railway Board should further decentralise in small matters. Reference was made to those in which the financial implication was not great and which resulted in the flooding of the Railway Board office with work which should not have come to them and they should have leisure to deal with more important questions.

Sir Mohammad Yakub.—In the same way I think you would like that the powers which the Agents have now should be more decentralised and most of the powers should be given to the Divisional Superintendents ?

Sir Maurice Braysbay.—That is a question of the relative importance of the matters that have to come up. It is not sound business that a small matter involving two or three rupees should have to come up to the Railway Board for sanction.

Sir Mohammad Yakub.—Not that, but, take, for instance, the career of a man. If it affects the whole career of even a small man, even of a clerk, is it not a matter in which the Agent or even the Railway Board should have the final voice ?

Sir Maurice Braysbay.—I should say it is quite impracticable. If an appeal should lie in the case of junior or inferior staff to the Railway Board, the latter could not possibly deal with it as it is at present constituted ; it would require a very much more staff.

Sir Mohammad Yakub.—As it is, you think that decentralisation is quite enough, or do you want more powers for the Agents and from the Agents to the Divisional Superintendents ?

Sir Maurice Braysbay.—A certain amount of decentralisation—I am talking of small matters—has been done in the last year or two. I won't express an opinion at the moment because I have not looked into it closely.

Sir Mohammad Yakub.—This decentralisation is working satisfactorily ?

Sir Maurice Braysbay.—Yes.

Sir Mohammad Yakub.—There are no complaints about it ?

Sir Maurice Braysbay.—I do not think there are any.

117. *Chairman.*—Would it be possible and would it interfere with work a great deal if the question of decentralisation of the powers of the Railway Board and the railways themselves were examined by some outside authority, the sort of person I have got in mind is one of the agents of the big railways in England ? My natural inclination in the vague is, of course, in favour of decentralisation, but is there room or opportunity, or has the time arrived to have a review of the problem of decentralisation as a whole ? Do you suggest that the time has come for that ?

Sir Maurice Braysbay.—I am not sure whether it has at the present moment, because the advantage to be gained by such a decentralisation is a relief of the Railway Board establishment from dealing with the small relatively unimportant matters, to give them or to make it possible for them to deal adequately with more important matters.

Chairman.—At this particular juncture the big matter is to make the railways solvent.

Mr. Satyamurti.—You will apply your mind to that, how to make yourself solvent and get out of this terrible impasse in which you are.

Sir Mohammad Yakub.—That is the question of questions at the present moment.

Chairman.—An investigation as a preliminary towards leaving the Railway Board free to concentrate on this absolutely vital question as to whether a review of the administration generally should be undertaken to see whether further decentralisation is possible and advisable. Obviously it looks at the moment that you are getting the worse of both the worlds ; you are not getting the advantage of decentralisation and certainly you are not getting the advantage of centralisation.

Sir Maurice Braysbay.—I certainly think that there would be considerable advantage in an enquiry of that sort.

118. *Mr. Satyamurti.*—I agree that you are getting the worst of both the systems, and I want to know whether there is any agency by which, apart from audit and appropriation reports and the Financial Commissioner's Review,—you have any agency by which you satisfy yourself from time to time that your instructions have been carried out by the Agents ?

Sir Maurice Braysbay.—Primarily check is exercised through audit.....

Mr. Satyamurti.—Audit is post-mortem, is it not ? I want to know whether concurrently you have got any administrative machinery by which you can satisfy yourself from time to time that your instructions are being carried out by the Agents on fundamental and important matters ?

Sir Maurice Braysbay.—Of course, you have the Government Inspectors who examine the condition of the lines and such matters, and where the railways have to carry out the instructions of the Railway Board the Government Inspector sees that that is done.

Mr. Satyamurti.—Apart from the safety of the line, do the Government Inspectors go into the accounts administration of the railways ?

Sir Maurice Braysbay.—Accounts surely is a matter of audit.

Mr. Satyamurti.—Suppose you give instructions with regard to certain financial matters the audit comes in only after the transactions are over. Is there any machinery by which the Railway Board has got a live contact with the general administration, especially of the State-managed railways, to see that your instructions are being carried out ?

Chairman.—I think what Mr. Satyamurti is driving at is something like this. I can give you an illustration from the Inland Revenue at Home. A number of senior inspectors, they are in the literal sense of the word inspectors, go down to district offices, sit in the office for 3 or 4 days, they pick up the files and go into them and watch the thing working and report. Of course, it is an expensive staff. But I have not the slightest doubt that the tuning up you can get from it is more than worth while. What Mr. Satyamurti is after is, I suspect, a combination of greater decentralisation with greater inspection from the centre.

Prof. Ranga.—We are all in favour of it.

Sir Maurice Braysbay.—You cannot say that instructions have been disobeyed before action has been taken ; as you say audit examines it after action has been taken. But in all railways, of course, you have as the head of accounts department the Chief Accounts Officer who is dealing with all matters as they go through. He is advising the Agent in everything and ordinarily before a sanction is given, so that the Agent has before him before he takes the action as regards sanction the advice of a senior officer of accounts, that is, the Chief Accounts Officer.

Mr. Satyamurti.—Does he represent the Railway Board ?

Mr. Rau.—In the case of the State-managed railways the Chief Accounts Officer is directly under the Financial Commissioner, and if he has any difference of opinion with the Agent he is entitled to bring it

to the notice of the Financial Commissioner. In the case of the company-managed railways the Chief Auditor has the right of access to the Board of Directors so that in a sense he is, you may say, semi-independent of the Agent.

Mr. Satyamurti.—Where does the Railway Board come in the case of the company-managed railways ?

Mr. Rau.—The Railway Board come in only through the Government Examiner of Accounts who represents both the Auditor General and the Railway Board.

Mr. Satyamurti.—On the whole, assuming that there is some kind of control, do you not think that things would improve or might improve if some kind of inspection agency were had to see that your orders are carried out and the whole thing is tuned up ?

Sir Maurice Braysbay.—I am not quite sure how that would operate or improve the present condition.

Prof. Ranga.—From time to time you go on issuing a number of instructions and I learn they are a bundleful of them and so on. Is it not necessary that you should have some machinery through which you can ascertain how far and to what extent the respective railway agents are really giving effect to your instructions and your orders ? We find that there are so many cases of irregularity,—even in regard to the foreclosing of a contract.

Mr. Satyamurti.—It is not so much disobedience as indifference, ignorance, laziness, inefficiency and so on. It is not always a case of disobedience.

Sir Maurice Braysbay.—I would suggest in an expenditure of fifty crores of rupees the total amounts involved in this report are not so very great. I do not know whether you contemplate that there could never be a mistake in expenditure of such a large scale. If the posting or establishing of special inspectors were to save money, I should favour it,—if there was a prospect of saving money.

Chairman.—I do not think the point is in producing no report. I think a general tuning up is the idea, and personally I think a man who never commits a mistake never does anything. The whole object is not to ensure no mistakes, but a general tuning up. That is the only justification for it.

Sir Maurice Braysbay.—Mention has been made of the company lines. On the State lines, as Mr. Rau just explained, the Chief Accounts Officer is responsible to him, that is to say, you have a check on accounts as well as on audit, and each of these departments have inspectors of their own. On the company lines you have audit, the chief accounts officer of the company is not only the chief accounts officer, but he is also the chief auditor for the company. Companies do not want to spend money unnecessarily. They have exactly the same interests as the Railway Board.

Mr. Satyamurti.—Have they ? . . . What is the amount of their capital and ours ?

Sir Maurice Braysbay.—Yes, they have a smaller share, but they have got to have their returns.

Mr. Satyamurti.—But they have got their guaranteed interest.

Mr. Rau.—Madras and Southern Mahratta and Bombay, Baroda and Central India are getting surplus profits.

Sir Maurice Brayshaw.—Usually the S. I. Railway pays, and Government have made a good deal of the S. I. Railway.

Prof. Ranga.—The M. and S. M. do not make any provision for depreciation.

Mr. Rau.—We make provision out of our share.

Sir Maurice Brayshaw.—My experience of the company line is the prime consideration of the Board of Directors throughout is the financial success of the concern. Of course, the Railway Board have had to consider the policy of Government in various matters.

Chairman.—May I interject one remark? In the case of an admittedly unremunerative company railway where there is no possibility of surplus profits it does not matter to the Board of Directors how much they lose.

Sir Maurice Brayshaw.—The whole idea of guaranteed interest is that they will make up that percentage to something higher and it should be their inducement to do so. I admit that if the railways do not fetch even the guaranteed interest the system is not as effective as it was intended to be.

Mr. Rau.—The company railways charge to revenue only the amount required for renewals and replacements for the year, that is according to the contract.....

Chairman.—The contract provides an inducement to under-renew and under-replace.

Mr. Rau.—But we go through their programme very carefully.

Chairman.—Does the Railway Board examine their replacement programmes?

Mr. Rau.—Yes, and we put in whatever is necessary, to the extent that the contract allows it.

Prof. Ranga.—At page 77 of the Audit Report, "The engineering authorities of at least four railways, viz., the Assam Bengal, the Burma, the Eastern Bengal and South India, have not again found it possible to give clear certificates as to the condition and standard of maintenance of the assets of their railways".

Mr. Rau.—Two of them are State-managed.

Prof. Ranga.—But S. I. Railway is a company-managed line.

Mr. Rau.—It is only their own authorities that give the certificate.

Prof. Ranga.—Even their own authorities were not prepared to give a certificate, so bad was the condition?

Mr. Rau.—They have given a certificate.

Mr. Satyamurti.—So there can be degrees of safety!

Mr. Rau.—It is only a question of repairs and maintenance and not of renewals.

Sir Maurice Braysbay.—I think that refers to that point I mentioned before. When economies were made, there were certain postponements of maintenance expenditure, but that did not affect the safety of the line. My own impression—I have not got the details here,—is in the engineering department they have made that up now and that they are on a normal basis, keeping their assets in proper order.

Prof. Ranga.—Have you got any machinery by which you can satisfy yourself that the line is kept in proper condition and so on ?

Sir Maurice Braysbay.—The Government Inspector is the man who examines the condition and safety of the line.

119. *Mr. Das.*—I will go in detail into two administrations and point out how extravagant the administrations have been and how over-capitalisation has occurred. One is a company-managed railway, the Bengal Nagpur Railway, who is my *bete noir*, and another is a State-managed railway, the North Western Railway. You are a great authority on company-managed railways, having been on the Bombay Baroda & Central India Railway ; I have no fault to find with your system of administration.

One Member.—Why not appoint him as the Agent of the Bengal Nagpur Railway ?

Mr. Das.—I would, if the Government have power to appoint the Agents in different railways. I would suggest to the Committee to make a recommendation that Government should appoint the Agents and not through departmental promotions as is being done now. In the Bengal Nagpur Railway I think a certain amount of control has been exercised, but there is a tendency to over-capitalisation by putting expenditure which ought to be charged to revenue and depreciation to capital.

Mr. Rau.—That is specially checked by the staff working under the Auditor General.

Mr. Das.—I will come to that. Take the collieries, that is the most extravagant balance sheet that anybody can produce ; of course, the Auditor General has special comments to make on that, I will take it up when the time comes. I have been dealing with the administration of these two railways in detail through the kindness of Mr. Rau and this Committee for the last ten years, and I feel the time has come, as you cannot improve the general administration, when you should appoint a committee to overhaul the administration of both the Bengal Nagpur Railway and North Western Railway, whether they cannot reduce the expenditure, whether they cannot reduce their stores balances, whether they cannot reduce all the extravagant purchases of articles which are not necessary and which become scraps after 3 or 4 years. And a few minutes ago, it was pointed out that when people have no incentive to share in surplus profits, they do not care what happens as long as things go on merrily.

Sir Maurice Braysbay.—What I meant was that they are trying and obviously they should try to get into a position where they are earning surplus profits.

Chairman.—Did you look up what the value of the concessions to Tatas is ?

Mr. Rau.—I am sorry I did not find out the details about it.

Mr. Das.—The Bengal Nagpur Railway was making a profit out of the pilgrim traffic to Puri. That traffic has gone down and does not the Railway Board think that the time has come when some drastic remedy should be applied to that particular railway ?

Sir Maurice Brayskay.—I am not familiar with the details of the position so that I find difficulty in suggesting what action might be taken. But the earnings on the Bengal Nagpur Railway, I think, have quite considerably improved this year. You see they relied on manganese traffic and that went off very badly, they had to quote very low rates to keep even a small part of it. Now there is a considerable improvement in the manganese traffic.

Chairman.—Have the Bengal Nagpur Railway coal traffic ?

Sir Maurice Brayskay.—Yes.

Chairman.—Are they hit by that rebate for coasting coal or export coal ?

Mr. Rau.—Yes.

Chairman.—I have no expert knowledge of the arrangement, but it is rather a ridiculous arrangement that you should give reductions of freight for export of coal and the coal is only taken to another coastal port.

Mr. Rau.—The intention was that it should be for coal exported outside India really.

Chairman.—It is operating to subsidise coastal traffic.

Mr. Rau.—Yes ; but withdrawal of the rebate, if not accompanied by a higher import duty, might bring South African coal into the Indian market.

Chairman.—Quite frankly, it seems to me that the Bengal Nagpur Railway is a most unfortunate railway. It is required to subsidize Tatas and Coasting coal steamers.

Mr. Rau.—The East Indian Railway is also in a similar position.

120. *Chairman.*—I personally think that the railways should not be used as a means of carrying out Government policy.

Prof. Ranga.—If such a help is necessary, let it be in the form of bounty, instead of making the railways run at a loss.

Chairman.—Mr. Rau, we should like to know how much in bulk the railways are being used to subsidize commercial interests.

Mr. Rau.—I cannot give a reply off hand. Besides the special rates for Tatas, we give a rebate of 37½ per cent. on exports of coal, even to Indian ports and we do not charge on such coal the surcharge which is 12½ per cent.

Mr. Satyamurti.—I should like to know the financial value of the concessions given for non-railway reasons.

Mr. Rau.—It will take some time to prepare it.

Mr. Satyamurti.—We should like to know the position.

Prof. Ranga.—Why is it that the Bengal Nagpur Railway is required to subsidize the Tatas.

Chairman.—I may be wrong but to the best of my recollection that was entirely a matter which was settled by the Railway Board.

Mr. Rau.—Originally that was an agreement between Tatas and the Bengal Nagpur Railway and the arrangement was later on confirmed by the Railway Board. Recently when the agreement came to an end, again it was a settlement arrived at between the Railway administration and the Tatas, which was ratified by the Railway Board and the Railway Member. I think we had Sir George Schuster's approval.

Chairman.—We have got to see the picture of the railways in its true perspective.

Mr. Rau.—I shall have a memorandum prepared on that point but the point is how we are to indicate the loss on account of the tariff policy of the Government.

Chairman.—We want to get an idea of the magnitude to which extra burden is thrown upon the railways directly, so to speak, as a matter of discrimination.

Mr. Satyamurti.—By means of concessions in tariff rates or freight rates. You can show them separately.

Prof. Ranga.—What is the relationship between the Bengal Nagpur Railway and the Railway Board as regards particular concessions which may be authorised. Does that mean that if the Bengal Nagpur Railway came to be faced with losses, as they have been for some years in the past, they are to be subsidized by the Railway Board ?

Mr. Rau.—Except the guarantee, there is no other subsidy.

Chairman.—We are trying to arrive at a perfectly accurate picture of the position of the railways and in arriving at that picture, it is, I think, necessary and fair to see how much the railways are being made the instrument of government subsidies.

Prof. Ranga.—What about the concessions given to the military ?

Chairman.—You can put that in if you like.

Mr. Rau.—The difficulty there would be to estimate what are the concessions.

Mr. Satyamurti.—You can do your best and try to get a proper estimate.

121. *Mr. Das.*—Does not the Railway Board look with some alarm at the administration of these two railways. I want to know if they have in contemplation the appointment of any committee or any special examination of the administration of the Bengal Nagpur Railway and the North Western Railway.

Sir Maurice Brayshaw.—Not within my knowledge. I have been in the office only a short time. I believe I am right in saying that the administration of these railways is being watched very closely.

Mr. Satyamurti.—The closeness seems to be disappointing. These railways are spoilt children.

Sir Maurice Brayshaw.—A large section of the North Western Railway is strategic.

Is: *Mr. Das.*—I exclude the strategic lines.

122. *Prof. Ranga.*—Out of the loss the North Western Railway sustains, how much is that due to the strategic portion ?

Sir Maurice Brayshay.—That is given in the figures.

Prof. Ranga.—I have a sort of impression that the whole of this loss could not have been sustained on the commercial side alone. Whether you have commercial traffic or not, you are bound to have these railways for strategic purpose alone.

Chairman.—Do you mean cases like the Chaman railway ? How much is really absolutely strategic.

Mr. Rau.—There is the Chaman bit and also the Khyber bit.

Prof. Ranga.—There are certain portions of this line which you will have to run, whether you have commercial traffic or not.

Mr. Satyamurti.—The railways are being made to suffer for the army who are the people to whom the loss should be primarily debited ?

Mr. Rau.—Under the present convention, when commercial railways earn surpluses and pay contributions to Government the loss on strategic is deducted from the contribution.

123. *Mr. Satyamurti.*—Turning to the revenue side, I want to know whether the Railway Board's mind has been applied to the problem of increasing the revenue. The two problems which are connected with this question are the passenger traffic and rail road competition. I want to know what you are doing in respect of these two matters ?

Sir Maurice Brayshay.—We are examining the possibility of increasing the revenue in every detail. Of course, you know the question of increasing third class fares is one that you have got to be careful about, because if you increase the fares the number of passengers may decrease.

124. *Mr. Satyamurti.*—Have you any statistics by which you can judge how traffic reacts to increase or decrease of fares.

Sir Maurice Brayshay.—We have been watching the effect of the reductions that we have made two years ago, I think, on the North Western Railway. Substantial reductions in the third class fares were then made with the idea that we would increase the number of people travelling and so increase our earnings. We have got about two years figures. It is rather difficult to decide from the figures we have got whether the effect of these reductions in fares has been to improve the position of the railways.

Mr. Satyamurti.—You must evolve some kind of formula by which you can regulate your traffic according to the reactions of these fares.

Sir Maurice Brayshay.—We are making constant trials in all the railways. They are trying to see whether an alteration in the fares will improve the revenues. We are constantly doing that not only in the ordinary scale of fares but in the special rates that we have where there is road competition. The rates are reduced by a certain amount in order to see whether we get the traffic back. We go on altering them so that we can in the end know the rates that pay us best.

Mr. Satyamurti.—Is there any expert who is qualified for this sort of work ?

Mr. Rau.—Our Director of Traffic, Mr. D'Souza is a rates expert.

Sir Maurice Braysbay.—I have been looking at it from the other side. In Bombay I had the opportunity of discussing this not only with my own commercial manager and rates expert but also with those on the G. I. P. Railway and I am aware that they are making investigations constantly into these passenger fares as well as goods rates.

125. *Mr. Satyamurti.*—We had a heated discussion the other day about the third class passengers. I do not want to reopen that question again but most of the members feel very strongly that the third class passenger is treated as if he was an unwanted person.

Sir Maurice Braysbay.—He is very much wanted.

Mr. Satyamurti.—I do not want to go into details. You know the other side of the case also. Is the problem of welcoming the third class passenger and giving him better facilities being considered, particularly in view of the growing and menacing bus competition ?

Sir Maurice Braysbay.—I think all railways are looking into this at the moment. It is a matter of finance whether you can afford to do that ?

Mr. Satyamurti.—It is a matter of humanity also. If you are a little more kind and courteous to him, I feel that your revenues will improve.

Sir Maurice Braysbay.—Speaking about my own personal experience, I have seen special instructions which have been issued recently and at frequent intervals we see that the railway staff are kept up to the mark.

Mr. Satyamurti.—I do not think that the railway men are worse off than men elsewhere.

Prof. Ranga.—Ever since I have taken to Gandhism, I have done a tremendous amount of touring in the third class and I can assure you that the treatment meted out to the third class passengers is something inhuman. The treatment in state-managed railways is slightly better.

Sir Maurice Braysbay.—The only thing I can say on that point is that I am perfectly certain that the Agents will be only too glad to take up any case that they get. They are constantly trying to impress upon the staff that they are servants of the public. I do not claim that the railway staff are perfect in any way but I do not think they are worse than others, though I am quite prepared to take any measure to ensure courteous treatment.

Mr. Satyamurti.—The Indian would not complain. I frequently write about these things but the third class passenger does not complain. You must make surprise inspections in order to see that your orders are carried out. I would like you to bring this matter to the notice of the Agents at their next annual meeting ?

Sir Maurice Braysbay.—I certainly will do so.

Prof. Ranga.—There is one other suggestion which I should like to make. In their vernacular guides, they might insert notices saying that if any passenger feels aggrieved, he can go straightaway to the station master and report to him. It might also be put in in a prominent place in every railway station. I do not think it will cost you very much and it will certainly help very much.

Sir Maurice Brayshay.—We shall take a note of it. I feel certain that the railway administrations will be only too glad to take the necessary measures in this direction.

126. *Mr. Satyamurti.*—I shall now turn to this rail road competition. The Government of India pay for the loss on the railways. The Local Government get all the road revenue and you are between the devil and the deep sea. I think on the whole it will be better for the Government of India to lay down a rail road policy and get for the railways the monopoly of running buses over certain roads in order to get all the traffic, if possible, and make the railways pay their way, apart from making any profits. We must have a co-ordinated policy for rail, road and river transport and you must see that a state enterprise of this magnitude is not made to suffer on account of a difference in policy between the Government of India and the Local Governments. That is the best thing to do in the interests of the country as a whole.

Sir Maurice Brayshay.—What we have been aiming at is that the road traffic should observe the ordinary conditions of safety. This is of course in the interests of the passengers themselves. My own opinion is that when conditions of that sort have been established and the safety and convenience of the public have been secured, the railways would be in a very much better position in the matter of competition. You see now in many places the bus does not move until it has got a full complement of passengers : there is no regular time table or schedule. What is more, the bus may break down anywhere ; there is no inspection and no standard of safety. As to the possibility of railways having their own services with a monopoly, I think the desired end can be secured, as they do at home, by limitation of services.

Chairman.—At home you have a unitary government. Here you have got to deal with 10 governments.

Sir Maurice Brayshay.—If only we can persuade the Local Governments to act on these lines, I think it would put matters on a very much better basis.

Mr. Satyamurti.—Has anything been done in this direction ?

Mr. Rau.—We have been pressing this on the attention of the local Governments for the last two or three years but the constitutional position stands in the way. At present the roads are a transferred subject.

Mr. Satyamurti.—I don't think that should deter the Government of India. If the Government of India wants to get a thing done, they know jolly well how to get it done.

Sir Maurice Brayshay.—There have been several discussions with the representatives of the Local Governments and there is now an advisory board which meets periodically. Their recommendations have been before the Local Governments. So far the Punjab and the United Provinces have not been very helpful but the other Local Governments have been inclined to fall into line.

127. *Mr. Das.*—I should like now to raise the question of the collieries, particular in relation to the Bengal Nagpur Railway.

Mr. Satyamurti.—Are these collieries being under-worked in order to encourage private colliery owners? I want to know the reason why railway collieries are under-worked, and to what extent, and what is the financial implication of this from the point of view of the Railways.

Sir Maurice Brayschay.—It is a matter of Government policy.

Mr. Satyamurti.—Supposing all these railway collieries were worked to the maximum, what would be the saving to the railways on coal?

Sir Maurice Brayschay.—That requires calculation.

Mr. Satyamurti.—Your costs of production have increased?

Mr. Rau.—Yes, because of the restriction. If you are producing larger amounts, then the cost will be decreased, as overheads will be distributed over a longer amount.

Mr. Satyamurti.—What would then be the average price of coal?

Mr. Rau.—I should say it should not be much above Rs. 3. The larger the output, the smaller the over-heads per ton.

Mr. Satyamurti.—We are losing roughly then on a year, according to you, about 12 lakhs?

Mr. Rau.—I cannot bind myself to this rate of Rs. 3; it might be roughly that.

Mr. Satyamurti.—You are then losing a not inconsiderable sum for coal consumption because of a certain policy of Government? When was that policy laid down and by whom?

Mr. Rau.—It was explained in Sir George Rainy's speech and also by Sir Joseph Bore during the discussion on the railway budget this year. This was in order to assist the coal industry as a whole.

Prof. Ranga.—We consider it very wrong that this should be done.

Chairman.—How many of the members of the Committee think that the railway collieries should not be used, or that the railway purchases of coal should not be used, for the purpose of giving extra orders to the outside market?

Bhai Parmanand.—How did the railways start these private collieries? Were they of any use to the Government in the beginning?

Chairman.—My impression is that the railways acquired their own collieries mainly in order to smash a ring.

Prof. Ranga.—Let help be given as a bounty, if it must be given,—I should say.

Chairman.—I would then say that “a considerable number of the non-official Members of the Committee took this view”.

Mr. Das.—I do agree that Government purchased these collieries as an insurance against high prices, and I was at one with Mr. Rau when he stubbed Sir A. H. Ghuznavi. This apparent 12 lakhs loss is met by the income-tax which the colliery people pay to the central revenues?

Mr. Rau.—We can provide practically all the coal our railways require.

Sir Maurice Braysbay.—I would not say entirely. Our new types of locomotives are designed to burn ordinary or lower grades of coal but we still have a number of the old type locomotives where we want a proportion of the higher grades of coal for some services.

Mr. Ramsay Scott.—In which year you had your highest output of collieries? Is this year 1930-31 a fair year of high output?

Mr. Rau.—I do not remember having in recent years gone above two million tons.

Mr. Ramsay Scott.—Your greatest output to-day is two million tons, so that if you do not get any coal from the market, you would be losing nine annas a pound?

Mr. Badenoch.—That is not a fair inference, I think.

Mr. Rau.—At the present moment we have revised our coal contracts and they are much lower than in 1930. Costs of supervision, etc., might slightly vary but interest and depreciation charges are there whether you work it or not.

Mr. Satyamurti.—Even supposing you put cost of production at Rs. 3|4|0, you still lose 9 lakhs?

Mr. Rau.—I say in 1927-28 we had a million and 955,000 tons. Our price was Rs. 3|5|4. Now owing to the causes mentioned by me it ought to go down below that. I should think it would probably come down to Rs. 3.

Mr. Satyamurti.—Should we put the Department in the way of spending money not on a commercial basis altogether? And this is an assumption supported by witnesses from the Railway Department that their maximum rate of working could produce not more than the market rate.

128. *Mr. Ramsay Scott.*—Could you enlighten us about these colliery accounts?

Sir Maurice Braysbay.—I am not familiar with these accounts.

Mr. Satyamurti.—I suggest we might make a comment on these colliery accounts?

Mr. Rau.—This was prepared after consultation with the Auditor General and had the approval of the previous Public Accounts Committee.

Chairman.—We may merely commend the matter to the Auditor General.

Chairman.—All we need do is to ask the Director of Railway Audit during the next year to give some attention to these collieries' accounts and say whether he thinks they are really presented on a true commercial basis.

Mr. Ramsay Scott.—I should be glad if the Auditor General will go into these accounts, and I may say I shall be pleased to give any assistance I can.

129. *Professor Ranga.*—How far have your investigations into the re-classification of goods for freight purposes progressed?

Sir Maurice Brayshay.—That is a subject which all the railways and the Indian Railway Conference Association are at present very much occupied with. There have been certain representations from the public and it is recognized that some revision of the classification is necessary to remove anomalies. I think in some quarters there is an idea that this re-classification means general lowering of rates, but it is not so necessarily ; at any rate railways cannot afford to lose revenue, so that any lowering there may be of rates involved as a result of re-classification must be more than covered by increases in traffic. As regards the progress that has been made, the matter is at the moment with the Indian Railway Conference Association. They have committees going into details and the subject is one which is extremely intricate.

Mr. Satyamurti.—Have you made up your mind that a lowering of classification will not lead to so much increased traffic ?

Sir Maurice Brayshay.—That is not really the principle underlying the question of the revision of the classification—whether you can lower rates and get an increase in traffic—that is an ordinary consideration that railways observe in day to day working. Actually a revision of classification means a more logical arrangement on the system. In some respects the system is at present admittedly defective and out of date.

Professor Ranga.—Many of these distinctions as between one commodity and another and the rates being different for different commodities—that also is illogical, is it not, and would that be eliminated ?

Sir Maurice Brayshay.—I am not sure that there is any possibility of uniformity in rates. You have to quote rates that will make a certain traffic move. It may be that, say, in the Punjab we quote a rate for bricks in order to make the bricks move and give us the traffic. Similarly a man in the south of India we may be quoting a rate for bricks but it may be entirely a different rate to that in the Punjab.

Prof. Ranga.—There is more traffic in cereals and pulses than there is in oil seeds which are being exported from this country ?

Sir Maurice Brayshay.—I do not know the details.

Prof. Ranga.—I quoted some figures in the Assembly also about this matter some time ago.

Chairman.—You mean to say that the internal traffic is a great deal higher than the exports and imports.

Mr. Satyamurti.—Is there any truth in the statement that your freight rates are so arranged as to favour the export of raw products and the import of manufactured goods on the whole ?

Sir Maurice Brayshay.—I am afraid I have not seen the details about this, but if you want to find out the details we can ask Mr. D'Souza to come before the Committee.

Chairman.—Surely you can say something off-hand. You have a specific case at Karachi where you had special rates for wheat.

Mr. Satyamurti.—Your criterion in fixing the freight rates is purely railway earnings ?

Sir Maurice Brayshay.—Yes.

Mr. Satyamurti.—May I know whether this policy of encouraging export of raw products and import of manufactured goods particularly applies to the system of freights ?

Sir Maurice Braysbay.—There is no such obligation laid on railways.

Chairman.—In the case of coal, the policy is specifically designed to encourage coasting trade.

Mr. Satyamurti.—I want to know if as a matter of fact these freights work out in the direction I have suggested and would be glad if you will let us have your views.

Chairman.—You had better find out some important imported article, such as, piecegoods, and then it will be easy to find out the information you want.

Prof. Ranga.—About the internal traffic, have you done anything to stimulate it ?

Chairman.—I wonder if you can get anything by comparing the Burma rice trade in Madras and the internal trade in other grain. I think that would give you a comparison which will be of value for this Committee. I think the Burma traffic does move upcountry.

Mr. Rau.—Yes, quite a lot.

Mr. Ramsay Scott.—I think raw cotton will be a good commodity to take.

Prof. Ranga.—The same thing happens about pulses and cereals also.

Sir Maurice Braysbay.—The idea is whether it is a fact if rates have been fixed with the idea of giving more facilities to the import and export trade.

Chairman.—We want a note on this subject and the Committee would be quite agreeable if you take some time on it.

Mr. Rau.—We will take about 2 months over it.

Prof. Ranga.—The railways have almost got the monopoly of transport in regard to the great bulk of these cereals and so on which be carried from one place to the other.

Mr. Rau.—Bullock-carts and country boats are also used for that purpose.

Sir Maurice Braysbay.—We have a big factor outside apart from competition also to contend with. I have always thought that the expression “ what the traffic will bear ” is rather an unfortunate expression. It gives the impression that you are squeezing. But our principle is this that we fix a rate that will give us the maximum earnings. In fact, in many cases it is the minimum rate that gives us the maximum profit.

Mr. Satyamurti.—So, you do not charge a monopoly rate but you charge a business rate ?

Prof. Ranga.—I am glad that you are not putting up any monopoly rates at all. But I want you to look at some of the figures on page 52. In 1924-25 we find in column 18 that the average rate in pies was 5.91. After that year it has been rising and it is very much higher now with the result that your earnings have gone down. Working expenses have gone down to some extent but the net earnings have certainly gone down. That only goes to show that your railways have not been working in a business like fashion.

Mr. Rau.—We reduced our rates in 1927-28 and the increase has not yet, I believe, brought the rate back to the old rate.

Prof. Ranga.—From the figures before me I can only judge that you have certainly been faced with the law of diminishing returns. Besides I can say from my own experience as a peasant that your rates here border on the monopoly rates as far as the pulses and the cereals are concerned. After all, the internal trade is carried on mostly in these things. I would like you to review your position and see if by any chance you cannot possibly lower your freight rate in order stimulate the trade and have more profits for yourself.

Sir Maurice Brayshay.—I will be glad to refer to the railways concerned any case that may be suggested.

Prof. Ranga.—Then, the number of miles travelled by each passenger has gone down also. That goes to show that your rates have been raised and besides you do not show any concession to long-distance passengers as you used to do before.

Mr. Rau.—You will find from that statement that the average rate in pies has also gone down together with the number of passengers. These statistics prove nothing.

Prof. Ranga.—If they prove nothing, then they may not be considered at all.

Mr. Rau.—I mean without going into more details.

Mr. Ramsay Scott.—What was the effect of the reduction in the surcharge on coal ?

Mr. Rau.—I do not think we have had any complete data about that. I think it is only for the last three or four months that we are not carrying as much coal as we used to before. But I must look at the figures. As a matter of fact, one of the mining associations in Calcutta told us that instead of reducing the surcharge we had better increase the price of coal by 8 annas.

Prof. Ranga.—Then I would like to point out to Sir Maurice Brayshay that the latrines in the third class compartments are absolutely hopeless. It is impossible to find a sweeper to clean the latrines at any wayside stations. Even at Junctions we find it difficult to have them cleaned. I have myself been making these complaints to stationmasters and assistant stationmasters without avail.

Sir Maurice Brayshay.—In the more modern third class coaches there is a better arrangement of latrines and we are doing all that we can to make the old types better.

The Committee then adjourned till Tuesday, the 27th August, 1935, at 11 A.M.

Evidence taken at the 17th meeting of the Public Accounts Committee held on Tuesday, the 27th August, 1935, at 12 noon.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., 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.

Dr. R. D. DALAL, M.L.A.

Rai Bahadur Sir SATYA CHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.

Mr. A. C. BADENOCH, C.I.E., I.C.S.,
Auditor General.

Mr. B. NEHBU, Director of Railway
Audit.

Sir MAURICE BRAYSHAY, Kt., *Chief*
Commissioner of Railways.

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

Mr. T. S. SANKARA AIYAR, Director of
Finance.

Mr. V. S. SUNDRAM, Controller of the
Railway Accounts.

Members.

Were also
present.

Witnesses.

Electricification Schemes.

130. *Mr. Satyamurti.*—I should suggest that if it is possible we should be provided with a report like this next year with regard to the South Indian Railway electrification scheme.

Mr. Rau.—We will do that.

131. *Mr. Das.*—Comparing the two statements for the Bombay, Baroda and Central India and the Great Indian Peninsula, I find that on item 4 cost of steam stock released—on the Great Indian Peninsula it was estimated as 2.54 lakhs and became only 1.72 lakhs whereas on the Bombay, Baroda and Central India against an estimate of 50 lakhs in

1931-32 it has become 68 lakhs. How is it that the anticipated figures for the Great Indian Peninsula all went wrong? Have the Railway Board ever examined these things? And why is it that every mistake has occurred in the Great Indian Peninsula administration?

Sir Maurice Braysbay.—I am afraid I cannot tell you about the Great Indian Peninsula. In the case of the Bombay, Baroda and central India a certain amount of the stock was scrapped having reached the age limit. A number of the locomotives were sold to the Eastern Bengal Railway for their suburban services. A comparatively few only of our coaches were transferred to main line working or to ordinary steam working but the bulk of them were actually on age and were scrapped.

Chairman.—But a wagon ought to be scrapped at the age of 25 years but in point of fact you are running a great many carriages which are more than 25 years old, and you would have continued to use them.

Sir Maurice Braysbay.—Not in this case. We actually scrapped more than we at first intended because of their condition. But the fact of the matter is that, if you look at the electrification only, there is equipment for that service existing on the steam service and you take it off and you put the electric equipment in its place. So that as far as the electrification is concerned it is correct to deduct the value of the steam equipment which was in use before. What happened to the steam equipment of course would be another matter.

Chairman.—You do not scrap a wagon, in point of fact, when it has reached the end of its approximate life?

Sir Maurice Braysbay.—We do it on condition.

Chairman.—Is it your contention that every single thing you scrapped was completely finished?

Sir Maurice Braysbay.—Exactly. My recollection is that the total value of our steam stock was approximately a hundred lakhs of which something like 30 must have been the value of that which we used on the main line.

132. *Mr. Satyamurti.*—Kindly look at statement A, and the items therein. Taking all these factors into consideration do you think that, as a whole, this electrification has really benefited the railways from the financial point of view?

Sir Maurice Braysbay.—Yes; considering everything I think it is very satisfactory that we should be getting a good return at present and we will probably get a bigger return in future. If we get an increase in traffic we will get increased returns because in the electrified system we have an increased capacity in the Bombay, Baroda and Central Indian Railway and in the Great Indian Peninsula Railway. We were getting congested and we had to increase the capacity of the services, and electrification was undoubtedly the best way to do it.

Chairman.—In item 3 you are taking into account credit which you ought not to take into account. I can quite understand your contention that you would have had to increase your steam equipment anyhow, because of increased traffic. Now in assessing the value of the electrification scheme surely you must take the gross cost of the electrification

scheme to the extra revenue. You are not entitled to deduct from the cost of your electrification scheme what you would have to do if you were trying to cope with the increased traffic on your steam railways.

Sir Maurice Braysbay.—The capacity of the electric service is considerably greater than the steam service which it replaced.

Chairman.—Is it carrying more? And is the increase of revenue which you have taken into account solely due to the substitution of electricity for steam?

Sir Maurice Braysbay.—The benefit is a reduction in working costs.

Mr. Satyamurti.—But the traffic has gone down; it is a purely hypothetical figure and a wrong figure now.

Mr. Rau.—I brought that out in my memorandum.

Mr. Satyamurti.—You would not have incurred this extra outlay if you had been fairly businesslike and if you knew that this traffic was going down like this?

Sir Maurice Braysbay.—Exactly; we would not have incurred this 1,75 lakhs until the traffic had increased and then we would have incurred the expenditure as required; but what you must remember is that certain things had to be done, that is to say, certain facilities, other than rolling stock, would have had to be provided at once. The difficulty of a steam service is you have to provide for engine turn round, etc., and it is difficult and costly to provide the additional facilities for this purpose in a congested area like Bombay.

Mr. Badenoch.—You cannot measure this in terms of money. It is a valid point, I think, whether you should have a deduction on account of the steam locomotives which you would have had to introduce; the comparison should really be between electrical working on the gross cost and the estimated steam working.

Mr. Satyamurti.—If you eliminate 3, what would be the result?

Mr. Rau.—The figures are given in paragraph 5 of the memorandum. I think the proper way to look at it even then is that it must be between these two figures. Especially the Bombay, Baroda and Central India, I think, the extra expenditure they would have had to incur would have been considerable; they would had to quadruple their line.

Mr. Satyamurti.—What is the policy of the Railway Board now with regard to future electrification schemes? Are they going to be cautious or fast?

Sir Maurice Braysbay.—Any extension of the electrification, say in the Great Indian Peninsula is going to pay us handsomely, because the Kalyan Power House has got greater capacity than is now required. I am not sure what the present cost per unit is—I think it is somewhere in the neighbourhood of .6 annas per unit from the Kalyan Power House. It is estimated that the addition of the suburban load will reduce the cost per unit at the Kalyan Power House to about 0.4 annas; and extension of the main line electrification to Nandgaon would further reduce the cost to about 0.37 annas. At present the suburban service is worked on energy purchased from Tatas the contract for which terminates in 1939. I give these figures from memory and am not certain of their correctness but the reduction is certainly very considerable and will result in a very substantial saving in the cost of current for the whole combined service.

Mr. Rau.—We shall certainly get an appreciable reduction in our costs of generating at Kalyan. If we do not take the load, I am sure we shall get a considerable reduction in Tata's rates : they are prepared to offer to supply at a much lower rate if we extend.

Mr. Das.—They were prepared to offer it before.

Mr. Rau.—Not at that time.

Mr. Das.—While the statistics convey a certain impression, I do not agree with the comment contained in paragraph 5. I would like to know the Director of Railway Audit's observations on it before I make any comment.

Mr. Badenoch.—The Director of Railway Audit says that apart from minor alterations he accepts the figures.

Mr. Das.—I accept the figures ; but what about the comments and the implications of paragraphs 5 and 6 ?

Mr. Badenoch.—I do not see anything to quarrel with it.

Mr. Rau.—I think I have put it fairly.

Mr. Badenoch.—I think it is definitely most advantageous in the case of the Bombay, Baroda and Central India Railway. It is doubtful in the case of the Great Indian Peninsula Railway but there you have to remember that they have to work on these very heavy gradients ; it makes a very great difference to the running costs.

Mr. Rau.—Of course electrification succeeds most in the suburban areas. In the Great Indian Peninsula Railway it is all mixed up—suburban, local and main line ; naturally we must expect that the savings will be less.

Mr. Satyamurti.—Can we get separate figures for suburban traffic on the Great Indian Peninsula Railway ?

Mr. Badenoch.—My impression is that the Power House at Kalyan is a good spec. and that the suburban installation will be a good spec. when the traffic increases. The Bhor ghat and the hill section is the least good of the lot but it gives very great advantages in one way or another.

Sir Maurice Brays Shay.—The main point there was that in order to provide bigger engines and powerful engines for the working on the ghats, all the tunnels would have had to be enlarged ; that would have been a very serious matter.

Prof. Ranga.—Would it not be possible to spend much less now on station platforms and the like ? They have been built on much too vast a scale now.

Sir Maurice Brays Shay.—High level platforms are essential in an electric service where the stops are very short. Secondly, in Bombay with a very long monsoon period and continuous rain, overhead protection is essential ; in that way it is different from most parts of India. These are matters that are discussed with Local Advisory Committees, etc., who generally press for greater facilities.

Mr. Das.—On examining the reports for the last four years one can safely conclude that the consulting engineer's estimates were all wrong : locomotives were not returned as was anticipated and more capital was provided than anticipated.

Sir Maurice Braysbay.—The basis on which these estimates were made was the figure given by the railway—as regards the volume of traffic—and for this the consulting engineers would not be responsible. At that time the railways were basing their figures on a continued rise based on previous experience. I think the estimates of the Bombay, Baroda and Central India Railway were worked to very closely ; but of course they had the experience of the Great Indian Peninsula Railway before them.

Again, the advantage of the suburban electric service is that these multiple unit trains can be split into two units of four coaches each, each unit having its motor coach. In periods of slack traffic you can use half a train and that takes just half the current. You have the same driver, but you save half the current whenever you have a half train and it is a very big advantage ; you cannot do that with steam.

133. *Mr. Satyamurti.*—As regards this document about the total value of stores purchased on State-managed railways, can we get the same figures for Company-managed railways ?

Mr. Rau.—Yes, we can get the figures.

Chairman.—Except in the case of wagons and coal which are more or less centralised, you say they are a law unto themselves in the matter of purchase of stores ?

Mr. Rau.—Yes ; we have asked them, so far as articles manufactured in India are concerned, to try and get simultaneous tenders from abroad and India and to buy in the cheapest market.

Prof. Ranga.—The proportion of the stores that you are purchasing directly is increasing, whereas what you are getting from the Indian Stores Department is stationary for the last two or three years ?

Mr. Satyamurti.—I suggest that the railways use the Indian Stores Department much more unless there are any insuperable obstacles.

Mr. Rau.—Sir James Pitkeathly has a meeting every half year with the Railway Board and whatever items he suggests we should purchase through him, we are always prepared to consider. As a matter of fact the whole position was explained to the Retrenchment Committee, and we said, if there is an advantage to the state as a whole by this bulk purchase, we would be prepared to purchase through the Indian Stores Department. I think Sir James Pitkeathly is satisfied with us.

Quarterly List of outstanding items (Appendix I).

134. *Sir Mohammad Yakub.*—As regards items 1 and 2 of this Statement, it says the matter is still under consideration. The matter was raised in 1928-29 and even after 6 or 7 years it is said the matter is still under consideration. What is the use of our making any recommendations ?

Mr. Ramsay Scott.—I should like some of these things cleared off before we get the new Railway Authority.

Chairman.—I assure you No. 2 has got to be cleared up before you get the new Railway Authority. About No. 1, Mr. Bau is going to try and produce some figures about the extra revenue that would be obtained if these people were charged full public rates and the justification, if any, for giving them concessional rates. As far as I am concerned this is in the same category as the strategic railways. I do not get any consolation from sucking the army another half a crore which I have got to pay.

Mr. Satyamurti.—It is a matter for the Assembly also.

Chairman.—We are proposing to put something in the report about item No. 2, commenting on the necessity of getting it done. I agree the non-officials on the committee may say something about this. I agree with Sir Mohammad Yakub that it has taken quite a number of years over this matter.

135. *Mr. Satyamurti.*—No. 3. Even in your latest Report in paragraph 173, I think either the Audit or you have commented on the continuance of these delays. This is what they say under paragraph 173. "The following instances will indicate how the delays in the execution of agreements for working of joint stations led to delays, omissions, and disputes in the adjustment of claims...."

Mr. Badenoch.—These are as between one railway administration and another. When delays became noticeable, they ought to be brought to the notice of the Railway Board.

Chairman.—There seems to be some reason for the views that questions take far too long a time to settle, and we will try and come to a settlement.

Sir Mohammad Yakub.—We have heard of long delays in High Courts, but they will be glad to find that the Railway Board is surpassing them in regard to delays.

Mr. Satyamurti.—I think this Committee ought to sit some time in January for a day or half a day to find out what has been done and not wait till next year.

Chairman.—This is a Quarterly Report. If the Committee approaches me on the basis of this quarterly list, I am quite prepared.

136. *Mr. Satyamurti.*—Are the monthly accounts being submitted regularly now ?

Mr. Badenoch.—The Director of Railway Audit has since told us that the present arrangements are quite satisfactory. As a matter of fact, the thing arose out of a suggestion of my own when I was Director of Railway Audit. One of the main reasons for the separation of accounts from audit was to speed up the preparation of monthly accounts, and it was suggested that they ought to get a fortnight or three weeks after the close of the period for which they were compiled. They did not speed them up at all, and I raised the question as to whether the separation of accounts from audit had failed in this particular. Apparently the Director of Railway Audit has agreed that the present system is satisfactory.

Mr. Satyamurti.—Is it the latest Report ?

Mr. Rau.—In last year's Report he said the arguments of the Railway Board had been accepted by Audit.

Mr. Badenoch.—I think they have a preliminary compilation, and they do not take any steps to produce the monthly accounts earlier. They have all the information they want, and I have no reason to disagree with them.

137. *Prof. Ranga.*—What have you to say on No. 5.

Mr. Rau.—These are agreements between the Railways, between the Railway and a Durbar, or between a Railway and a Port Trust.

Mr. Satyamurti.—How many contracts were outstanding on 31st March 1934, the conclusion of which was not finished ?

Mr. Badenoch.—The Audit brings to notice when they find the execution of agreements is unduly delayed. We do not consider it our business to control the execution of agreements.

Prof. Ranga.—In connection with that, I would like to suggest that we should ask the Railway Board to obtain an Annual Report of all the agreements that they are going to conclude from time to time. Can you not have periodical Reports from the various Railway Administrations regarding agreements which are outstanding ?

Mr. Rau.—There are hundreds and hundreds of contracts.

Mr. Badenoch.—This item arose out of a complaint made by Audit that agreements, say, between a Railway and a Port Trust or between one Railway and another, were very much delayed. Actually before the agreements were executed you might have differences of opinion involving large sums of money. It is for that reason I brought that matter to notice. There are of course hundreds of agreements with contractors, but it is not with regard to those that I made any complaint. My complaint related to contracts between Railways and other bodies or between States and other Railways.

Mr. Satyamurti.—What is the number outstanding ?

Mr. Rau.—At present I think it is 38. I think there is one dating from 1923 between the South Indian Railway and the District Board of Tinnevely. There is another dating from 1926 between the District Board of Coimbatore and the South Indian Railway and there is also another with the Cochin Durbar.

Mr. Satyamurti.—What is the Railway Board doing to expedite these things ?

Mr. Rau.—Twice this year, I had a conference with the Chairman of the District Board of Tinnevely and the Government of Madras, at one of which the Agent of the South Indian Railway was present. I suggested to both of them terms of compromise which seemed to me reasonable. These are under their consideration ; we are doing our very best to expedite matters.

Mr. Satyamurti.—I am suggesting that we are somewhat concerned with the number of agreements outstanding, namely 38, and we should like the Railway Board to take steps to expedite this matter as much as possible.

Prof. Ranga.—What are the functions of your Legal Remembrancer

Mr. Rau.—We have no Legal Remembrancer. The North Western Railway consults, I believe, the Legal Remembrancer to the Government of Punjab. I promised to place a statement before the Committee about the actual methods of getting legal advice.

138. *Mr. Satyamurti.*—Is this Report being submitted to us, I mean No. 6 ?

Mr. Rau.—As regards that, I think the recommendation was not exactly as stated here. That was really a question of getting the accounting arrangements in proper order, and that has been accepted. As regards the actual policy of the Railways in this matter, we have placed the whole thing before the Central Advisory Council.