



*Report of the*  
*Public Accounts Committee*

*on the*

*Accounts of 1938-39.*

**VOLUME II—EVIDENCE**

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**NOTE.**

Since the discussions of the Committee are of an informal character, the stenographers' record of the evidence is necessarily incomplete and verbal accuracy cannot be guaranteed. The contents of this volume should therefore be regarded merely as illustrative of the proceedings, which are printed in volume I.

**First Meeting, Wednesday, the 14th August 1940.**

**RAILWAY BOARD.**

**OUTSTANDING ITEMS.**

*Chairman.*—Item 1. How many of these reserved carriages would have been scrapped, say, within five years' time ?

*Mr. Wilson.*—The total number of saloons is 718 and the number included in that programme is 71, which is about 10 per cent.

*Chairman.*—I think we might watch that programme for the present. If that programme is carried out, we can then consider the matter further.

*Mr. Scott.*—We might ask for a further report next year as to what has been done.

*Chairman.*—Yes, we would like to know the progress made in carrying out this programme. But we must say that this is quite a satisfactory programme and it must be adhered to.

Item 2. A report has been circulated this morning about this item. The Committee will observe that the Auditor General is satisfied that on the latest instructions issued, the main desiderata would be fulfilled.

*Mr. Scott.*—Is Mr. Campbell satisfied that this is working satisfactorily on the North-Western Railway ?

*Mr. Campbell.*—The result of the issue of the Railway Board letters of 25th June and 6th July is that there is now no criticism to offer.

*Chairman.*—The only question is whether we should have a report on this next year to show how the thing has worked.

*Sir E. Burdon.*—You might ask the Railway Auditor to bring to our notice those Railways which are not working out the programme in the way it was intended to be worked.

*Mr. Scott.*—Is it intended to extend it or not ?

*Chairman.*—That is the point for the Committee to decide now. I think we should wait for another year before we can decide to extend the system or not.

*Mr. Scott.*—It does not involve any extra expenditure ?

*Mr. Wilson.*—No.

*Sir E. Burdon.*—I am quite glad myself that it should be extended. It is an admirable thing.

*Mr. Scott.*—If the Chief Commissioner and the Auditor General and Mr. Campbell are satisfied that it is working very well, I do not see why we should not extend it at once.

*Chairman.*—If so, we might give the Railway Board discretion to go ahead as appears convenient. The point is that if the Committee accept this scheme in principle, then there is no reason why it should not be applied further as it is suitable.

Item 3. That is rather a general recommendation and we are informed that all possible steps are being taken in this direction. Of this, the Committee would be able to judge when it goes through the reports.

*Mr. Scott.*—Is there anything new that you have done ?

*Mr. Wilson.*—We have increased the rates and fares.

*Mr. Scott.*—How much increase is due to the increase in fares and other things ?

*Mr. Wilson.*—In the last month the increase in fares and freights was estimated to give us 30 lakhs. Separate accounts of the yield from the increases are not being maintained. We are also making efforts to improve economical working for example more extensive use of rolling stock.

*Chairman.*—There was a surplus of  $4\frac{1}{3}$  crores as against  $1\frac{1}{3}$  crores in 1938-39.

*Mr. Staig.*—When the revised estimates were framed we were 90 lakhs short. We are now only one-third of a crore short.

*Mr. Scott.*—Where does this 3.61 go ? Does it go to the provinces ?

*Mr. Wilson.*—It is a contribution to the Central revenues.

*Chairman.*—The question as to how much of it comes to us depends on what the actual yield of income-tax was. If the yield of income-tax had been very low, then the whole of it would come to us.

*Mr. Scott.*—Are the railway earnings keeping up well ?

*Mr. Wilson.*—The last time I worked it out, we were about  $1\frac{1}{2}$  per cent. above the Budget estimates.

*Mr. Scott.*—What about the expenses ? Are they going up very rapidly or not ?

*Mr. Jones.*—I imagine one aspect of the recommendation was whether any positive steps which were within the power of the Railway Administration were taken, such as, the opening up of local passenger services at important stations, local delivery and motor arrangements, considerate treatment of passengers to encourage the use of railways.

*Chairman.*—The efforts that were reported last year were quite reasonable in themselves but the point we wanted to emphasise was that they should be kept up continuously. We should not merely have a drive in one year and then drop the matter.

*Mr. Wilson.*—We are conducting our efforts unremittingly in this direction.

*Chairman.*—Item 4. There is a memorandum on this subject.

*Mr. Scott.*—Has the Auditor General accepted this memorandum ?

*Mr. Sankara.*—You will find from para. 6 that both the Finance Department and the Auditor General have agreed.

*Mr. Scott.*—I think we might accept it.

*Chairman.*—It seems to me that it is reasonable that the mere question of conformity with the original appropriation is a subsidiary consideration in the working of a great commercial department like the Railways. We do want the accounts to show where we stand. It was a matter of

annoyance to the Committee to find that changes in classification had occurred which obscured the effect of the appropriation report. It was because of that that they decided that we should adhere to the erroneous classification until the next Budget. So, we accept the conclusions of that memorandum. They have already been accepted by the Finance Department and the Auditor General.

Item 5. The latter consideration is now dropped out because the contribution of revenues to the provinces is now entirely independent of the railway contributions. So, what this recommendation now means is that the existing rules should be re-examined in the light of correct accounting principles and the question of the date should also be considered on merits.

(Maulvi Abdul Ghani suggested that these memoranda should be circulated to members a few days before if possible. Mr. Staig explained the position and pointed out the difficulties in so doing. There was only one item the memorandum on which had been presented late.)

*Mr. Scott.*—With reference to the last sentence in para. 6 of this Memorandum, do you, Auditor General, agree with that view ?

*Sir E. Burdon.*—I think it is all right ; we discussed this before : it seems to me perfectly sound.

*Mr. Scott.*—Then I think we had better accept it.

*Chairman.*—I do not think there is any reason why the Committee should differ from that.

*Mr. Azhar Ali.*—Item 6 of the statement. To whom did this matter go for final decision ?

*Chairman.*—The Committee had some discussion but they did not want to pursue it any further and left it to me to settle the matter after discussion with the railways concerned.

Items 7 and 8 of the Statement. No comments.

*Chairman.*—We will now take up the Review of the Appropriation Accounts : The introductory paragraph is very interesting : it gives the main results of the year. Section I gives the Financial Results, a summary of the results for the past fourteen years.

*Mr. Scott.*—Any decision yet on what you are going to do with these 85 crores of unpaid contributions to general revenues ?

*Chairman.*—The repayment has been postponed until the end of March 1942. The question would have to come before the Legislature again before that time.

I find that the capital increased during the first six years steadily but for the last six years it has been practically stationary : how far can it be suggested that the slowing up of the increase in capital is due to changes in accounting and how far is it due to lesser construction and so on ?

*Mr. Wilson.*—It is mainly due to slowing up of construction.

*Mr. Sankara.*—The changes in the method of accounting might account for a reduction of about half a crore or so per year.

*Chairman.*—Has there been any further decrease in the capital at charge from private sources since the end of 1938-39 ?

*Mr. Sankara.*—About  $\frac{1}{2}$  crore or a crore on the average.

*Mr. Azhar Ali.*—Is it proposed to acquire the B. N. W. and R. K. R. and the Assam Bengal Railway ?

*Mr. Staig.*—A decision has yet to be taken on that matter.

*Mr. Scott.*—Para. 11. Increase in ordinary working expenses : Was there a definite increase in coal stocks or only a temporary increase at certain times of the year so as to relieve rolling stock ?

*Chairman.*—There was actually larger stock being carried.

Section II. No comments.

*Chairman.*—Section III. What is the broad relation, in these fluctuations, between goods earnings and passenger earnings ? Do they generally follow the same curve on the whole or is there some lag in one case or the other ? As between 1928-29 and 1929-30 the passenger earnings went up but the goods earnings went down.

*Mr. Staig.*—It may be due to change in tariff : but generally speaking an increase in passenger earnings tends to lag behind an increase in the goods earnings.

*Sir Raza Ali.*—The figures for 1930-31 and 1931-32 are not given here.

*Chairman.*—1929-30 was a good year. The next two years were lean years : they are not given here. 1932-33 was the bottom of the slump.

*Mr. Azhar Ali.*—Paragraph 15. Is it due to the motor traffic that the earning has been reduced ?

*Mr. Wilson.*—That is due to the general condition of trade.

*Chairman.*—Goods failed to find an outlet.

*Mr. Azhar Ali.*—It is sometimes said that this is the cause of these decreases in earnings.

*Sir Raza Ali.*—Mis. receipts. May I make a suggestion ? It is only for consideration. In some of the countries where railways are owned and run by Government, private agency is not allowed to transport goods on lines parallel to the railway line. Unfortunately in this country all the railways are not State-managed but I wonder if in those parts where we have State-managed railways it would be feasible first in the interests of the public and secondly in the interests of the State to take similar action to prohibit the transport of goods on roads parallel to the railway line. It is a big question.

*Chairman.*—It is a very big question which has been engaging our attention. That is the main subject which is dealt with by the Transport Advisory Committee, which contains representatives of the provinces. The provinces are very much interested.

*Mr. Scott.*—This subject was dealt with fully in the Motor Vehicles Bill.

*Mr. Wilson.*—Roads are a provincial subject.

*Chairman.*—The efforts of the Government have been directed for some years to reducing the abuses of road traffic, which has given them an unfair advantage over the railways.

*Sir Raza Ali.*—They have an unfair advantage. There is no doubt about that.

*Chairman.*—This subject was dealt with in the Motor Vehicles Bill which was enacted recently, with the concurrence, generally speaking, of the provinces. It is a question of policy and it is not possible at this time of day to aim at giving the railways a virtual monopoly for transport in certain areas.

*Sir Raza Ali.*—When all the Railways are State-managed, the subject could be considered.

*Chairman.*—Even if all the railways are State-managed, it is a question for consideration whether certain types of trade should not be catered for by road transport, which has certain advantages in some respects.

*Mr. Scott.*—This is outside the scope of this Committee.

Para. 21. How much have you increased your stock of coal ?

*Mr. Wilson.*—At the end of the previous year, there might be 30 days stock and at the end of this year 60 days stock. I do not know the actual figures. The actual cost of the additional stock does not appear in ordinary working expenses at all. It is only the coal which is burnt which is charged to revenue. Coal stocks are held on capital account. The freight is a charge to revenue, so that the increase of stock involves an increase of revenue charges on account of freight.

*Mr. Scott.*—You may not use your coal at all until perhaps next year ?

*Mr. Wilson.*—It has been our endeavour to increase our stocks to free wagons in the busy season for public traffic.

*Mr. Scott.*—It will be more normal next year ?

*Mr. Wilson.*—We cannot go on increasing the stocks. There is a physical limit to what we can stock.

*Mr. Scott.*—That ought to help things next year.

*Chairman.*—Para. 22. The main excess here over the original budget occurred on the East Indian Railway.

#### *Grant 6-A Maintenance of Structural Works.*

*Chairman.*—We have to take along with this paras. 7—9 of the Audit Report.

*Mr. Azhar Ali.*—What is the explanation of the statement in para. 7 ? It is not clear why some portion at least of the expenditure should not have been anticipated and provided for in the original budget instead of being obtained through the supplementary grant.

*Sir E. Burdon.*—The point of the criticism is that there was a certain amount of expenditure which could have been provided for in the Budget.

*Mr. Staig.*—I admit that is so. Sometimes in preparing the budget, reductions are made in the light of past figures and these reductions may not turn out to be justified.

*Chairman.*—After the budget estimates were framed it was decided to embark on heavier expenditure on track maintenance and repairs.

Para. 8 of the Audit Report seems to be a very cautious statement. The provision for track maintenance and repairs in recent years has not been sufficient.

*Mr. Azhar Ali.*—I suggest that this is the cause of six accidents recently.

*Chairman.*—This seems to imply that there ought not to be any savings under this Grant.



*Mr. Scott.*—The standard has been unduly low.

*Grant 6-B Maintenance and Supply of Locomotive Power.*

*Mr. Azhar Ali.*—It is said in para. 24 that the increase in the consumption of coal on the North Western and the Madras and Southern Mahratta Railways was partly due to inferior quality of coal supplied by the collieries. I want to know why this inferior quality was supplied and why it was not found out. Is there no criterion for finding out inferior coal ?

*Chairman.*—I suppose they do examine the coal and endeavour to ensure a decent quality. I think they found out the inferior coal from the consumption.

Para. 11 of the Chief Commissioner's Review gives the financial results of 1938-39 and gives the reasons for the increase in the cost of maintenance. It says : " The situation was further aggravated by the general increase in the price of materials required for repairs. The effect of these factors together with unforeseen expenditure under (c) was to increase our repair and maintenance expenses to a considerable extent ". That is the answer to the Audit Report statement that there was no increase in receipts but there was an increase in expenditure.

*Mr. Scott.*—What steps are you taking to alter that ?

*Mr. Wilson.*—It is not sufficient to compare the expenditure of railways with their receipts. The work done must also be taken into account.

*Chairman.*—It is explained in the Chief Commissioner's Review that although there was increased traffic it did not result in increased earnings and again it is said that the increase in consumption was not due solely to the efforts to meet traffic requirements but reflected also measures adopted by railways on the lines recommended by the Railway Enquiry Committee, for example, speeding up of goods and passenger traffic involving more frequent services and in some cases lesser loads in order to attract more traffic and to retain that already accruing in the face of competition from other sources of transport.

*Mr. Azhar Ali.*—What can be the cause of these demands coming too late for inclusion in the final grant ?

*Chairman.*—A small part was apparently due to the fact that the demands of certain Railways were received too late for inclusion in the final grant.

*Mr. Azhar Ali.*—In supplementary grants these items could be increased ? Why should they be so late ?

*Mr. Wilson.*—A reference may be made to page 14 of the Chief Commissioner's Review where it gives you the percentage of error. It indicates that there is an improvement over the previous year.

*Chairman.*—The endeavour of this Committee is to continually produce better results ; it is realized that one cannot obtain complete accuracy in budgeting.

What is the position now as regards the comment at the top of page 6 of the Audit Report ? Has the position improved or deteriorated ?

*Mr. Wilson.*—The condition of the engines has improved.

*Chairman.*—What about the number ? I suppose a number of engines were lent from other Railways to the East Indian. There have not been many new engines brought in. They have still kept them apparently.

*Chairman.*—Postponement of the purchase of these Diesel cars : have those been abandoned altogether now ?

*Mr. Staig.*—No. They have subsequently been obtained, but I cannot say if they have been yet actually paid for.

*Chairman.*—6-E. Expenses of Traffic Department. Here again the results as compared with the Budget were quite satisfactory. These are establishment charges which it is impossible to estimate with greater accuracy. The employment of staff on revised scales is a factor which is taken into account in the Budget ?

*Mr. Wilson.*—Yes.

*Chairman.*—Paras. 13—15 of the Audit Report.

*Mr. Wilson.*—Conference hire charges for each railway cannot be accurately estimated as they depend on the number of wagons one railway has to borrow from another which again depends on the traffic offering.

*Chairman.*—What is the nature of the “ instructions ” referred to ?

*Mr. Sankara.*—Generally, one Railway is the creditor and another Railway the debtor. They do not properly correlate the transactions, and certain items are lost sight of by one of the two Railways. We have instructed the Railways to see that the corresponding entries are properly correlated. They should see that all relevant debits and credits are taken into account. We have also issued instructions recently that these transactions which cancel each other should be kept separate and we have taken steps to see that the amounts made available by these transactions are not reappropriated for other purposes.

*Chairman.*—6-G—Miscellaneous Expenses. There has been some deterioration there ? The expenditure has been progressively increasing. I suppose the Budget estimate is based on previous actuals ?

*Mr. Staig.*—Yes, combined with some effort to take into account the number of employees who are likely to retire.

*Chairman.*—Audit Report, para. 19. Considerable difficulty in budgeting.

*Mr. Staig.*—The Railway Board's instructions in this matter will produce an improvement in this matter.

*Chairman.*—What is the nature of these suspense items ?

*Mr. Campbell.*—This suspense account is the net balance of more than one account, firstly, miscellaneous advances where payments are debited when it is not known definitely what account should be charged and in the case of certain advance payments. It is difficult for accounts officers to estimate what may be coming along towards the end of March ; certain payments of this description are detailed on page 50 of the Appropriation Accounts. I have taken up the matter with the Chief Accounts Officers who will now devote greater consideration to what took place in previous years.

*Chairman.*—I suppose the effect on the Railways could not be foreseen.

*Mr. Campbell.*—That is so. There is a Demand 8 Payable account under this Suspense head. This year it has not had an important effect on the grant. The excess is mainly under miscellaneous advances.

*Chairman.*—6-H—Electrical Department,—rather expanded this year. The head was about trebled from 120 lakhs to about 360 lakhs. What was the reason for this change in allocation ?

*Mr. Wilson.*—On some Railways a Chief Electrical Engineer was put in charge of all electrical work and it was then decided that the expenditure on all electrical operations should be placed under one accounts head. There are still adjustments being made of items which will be charged to this head.

*Mr. Azhar Ali.*—Is there any special reason for this on the East Indian Railway ?

*Chairman.*—It has been explained that there was a complete change in the allocation of these expenses and they had no previous experience on which to go.

I do not think we can say anything more on that subject. This finishes Grant No. 6.

#### GRANT 7.

*Chairman.*—As might have been expected, this is budgeted with great accuracy. There are no remarks of the Audit Report on this Grant and I do not think we have any comments to make.

B. Payments to Indian States and Companies :

No remarks.

C. Miscellaneous expenditure. There seems to be a large saving as compared with the Budget under Grant No. 1, Railway Board. There are no Audit remarks on this Grant either.

#### GRANT NO. 11—NEW CONSTRUCTION, PAGE 27.

*Sir Raza Ali.*—Para 41. There are still three months in which notice might have been issued. Was it actually done in the year or the purchase was completed in the following year ?

*Mr. Sankara.*—It was done in 1939-40.

*Sir Raza Ali.*—I find on page 28 the following remarks : “ The purchase was connected with the conversion of the line into broad gauge and its extension to Jacobabad, and as there were reasons to believe that the financial results of the conversion and extension would be affected considerably by rise in prices of materials, etc., the issue of the required notice of purchase was held up pending preparation of detailed estimates and reports.” Two points arise out of this statement, so far as I can see. The first point is that it relates to the year 1938-39 when no rise in the cost of materials could be anticipated.

*Chairman.*—No, there was re-armament going on in Europe already in 1938. The prices of steel had gone up and they were still rising. The Munich crisis occurred in September 1938.

*Sir Raza Ali.*—But I thought that the prices did not rise till about the middle of 1938.

*Chairman.*—The prices rose in anticipation. The Tatas had been doing very well for a couple of years before the war broke out owing to the re-armament campaign in Europe.

*Sir Raza Ali.*—The second point is in connection with the remark that the report acknowledges the preparation of detailed estimates and reports. Am I to take it that there were no detailed estimates and reports prepared for the first time ?

*Chairman.*—They had to be revised. The financial results had to be reviewed again in the light of the latest appreciation of prices.

*Sir Raza Ali.*—So, notice had to be given ?

*Chairman.*—It was given later and the purchase took place in the following year. Notice had not been given in January 1938 and therefore there were only two more months in which it could be given in time for the purchase to take place.

I think we had better stop here and adjourn till 10-30 A.M. tomorrow.

The Committee then adjourned till 10-30 A.M. on Thursday, the 15th August 1940.

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**Second Meeting, Thursday, 15th August 1940.**

**RAILWAY BOARD—contd.**

*Chairman.*—Grant 12 : Open Line Works : Page 28 of the Review and page 9 of the Audit Report. This Committee is very closely associated with the history of lump sum cuts and it should be interested to see how the system works. At certain times it helps towards closer budgeting and at other times it does not.

As regards the increase in the stores balances (para. 46) I might say this : all departments, including railways had received instructions, after the preparation of these budgets that in respect of stores they must revise their previous views. The tendency previously was to reduce the amount of capital locked up in stores to two or three months requirements. But as the international situation became more threatening the Government of India issued instructions to lay in stocks for six and even twelve months—particularly in departments like Mint where we could not risk a breakdown owing to lack of materials. The tendency therefore has been to reverse the previous policy and accumulate more stores. It applies equally to railways.

*Sir Raza Ali.*—What is the main description of railway stores imported from abroad ?

*Chairman.*—It is given in the Appendix A to Vol. II of the Administration Report—Bridge work, special fastenings, electrical lighting plants, pneumatic machinery, etc., etc. Some of it is indigenous but a fair proportion is imported.

*Mr. Scott.*—I think we ought to congratulate the Government of India on taking that long-sighted policy.

*Mr. Azhar Ali.*—My only point is that the N.-W. R. has got a much larger excess than the other railways.

*Chairman.*—The N.-W. R. is more closely associated with military considerations.

*Sir Raza Ali.*—What has been done to manufacture stores on a larger scale since the outbreak of hostilities ?

*Chairman.*—That is a matter really for the Supply Department. I am afraid that these witnesses will not be able to tell us much about that.

*Mr. Scott.*—Can you tell us if you have been seen any effects of this policy being intensified during the war ?

*Chairman.*—Are you aware of any requirements of railways which were formerly imported but are now being manufactured in India ?

*Mr. Wilson.*—So far as the railway workshops are concerned we have taken over a good deal of work for the Supply Department.

*Maulvi Abdul Ghoni.*—What progress has been made about the manufacture of locomotives here ?

*Mr. Staig.*—The member will find a memorandum on this matter in the proceedings of the last meeting of the Standing Finance Committee for Railways, the gist of which was communicated to the press. The Railway Board found that the main features of the scheme presented by

the reporting officers were practicable and that the repairs to locomotives now done at Kanchrapara could be done at Khargpur and Jamalpur, the Kanchrapara workshops being released for construction. The war situation has, however, made the need for munitions production paramount and the Kanchrapara workshops have been made available for that object, and the manufacture of locomotives there postponed. The activities of the workshops at Ajmer, which have been hitherto confined to the production of metre gauge locomotives, have, however, been expanded and twenty broad gauge locomotives of a small type are to be made there.

*Mr. Azhar Ali.*—We merely wanted to know if any schemes have been started to manufacture these things here.

*Chairman.*—The first object of the Supply Department in war time is to encourage the manufacture of articles directly required for war purposes : at the same time the conditions are quite favourable for the growth of other industries supplying civil consumption.

*Sir Raza Ali.*—Subject to the first claim, the war claim, I think we must take this opportunity to speed up manufacture of railway stores in India itself.

*Mr. Wilson.*—But we are in favour of that : and more so during the war.

*Chairman.*—It is the concern of the Supply Department to see that civil requirements do not impinge on our war potential and this type of stores will definitely impinge on the production for war purposes.

*Mr. Staig.*—I might mention incidentally one item about which we had a lengthy discussion in the Standing Finance Committee for Railways—the manufacture of machine tools in our workshops. This would really be a subsidiary activity for which railway workshops are not equipped, and which would require specially qualified staff and plant. It is not an economic proposition for railway workshops to embark on this, and even if it were, it would be difficult to get the machinery required. It is further not desirable, on grounds of general policy, to compete with private enterprise in this direction. There is already a company, I understand, near Calcutta producing these articles, though not, I believe, of the highest degree of precision.

*Maulvi Abdul Ghani.*—Are indents sent through the Supply Department or direct ?

*Chairman.*—We will have to get them in consultation with the Supply Department. We have reached a stage in these matters when the whole production of the country has to be planned with reference to war priorities.

*Mr. Scott.*—Does this require a supplementary grant ?

*Mr. Jones.*—We shall require an excess grant, as the grant is exceeded.

*Mr. Scott.*—I think we may put it in the Report that we recommend the acceptance of the policy of laying in more stock owing to the present position.

*Chairman.*—I understand that to be the sense of the Committee. In previous years when dealing with large savings, the Committee took

the view that they would prefer to have to deal with some excess rather than see these large savings and they were therefore of opinion that the lump sum cut practice should be continued in order to eliminate these very large savings : so that we have now reached the stage at which for two years the adoption of the lump cut has produced excesses which has definitely eliminated these large savings which used to exist before.

*Sir Raza Ali.*—Are carriages manufactured in our workshops ?

*Mr. Wilson.*—Carriages and wagons are entirely manufactured in India.

*Maulvi Abdul Ghani.*—With reference to the last sentence in para. 24 (ii) of the Audit Report, have final instructions been issued ?

*Mr. Campbell.*—About 18 months ago the Railway Board issued a long letter to railways about these suspense accounts, and several replies have been received. The matter has not yet reached finality.

*Chairman.*—Owing to the war, we are bound to have wide variations as we are deliberately increasing our balances of stores. I am referring to sub-para. (iii) of para. 24 of the Audit Report.

*Mr. Scott.*—Why was there this failure to provide for the ballasting programmes—para. 25 (i) of the Audit Report ?

*Mr. Sankara.*—It was a case of pure misapprehension on the part of the N.-W. R. It was a mistake.

*Mr. Scott.*—But it must have gone through several hands. Somebody ought to have noticed this.

*Chairman.*—It is an instance of want of co-ordination.

*Mr. Staig.*—Now that special attention has been drawn to these mistakes and that the Controller of Accounts and the Chief Accounts Officer are watching the situation, we may hope that they will not recur.

*Chairman.*—Why should the ballasting programme be so much liable to be overlooked ? Is ballasting done independently of other operations ?

*Mr. Seshu Iyer.*—In 1937-38 ballasting used to be debited to Grant 12. The Railway Board wanted to change the allocation to Grant 6-A. but the Public Accounts Committee last year decided that all renewals of ballast should come under grant 12 : mistakes were made by the Railways and provision was not made either under grant 6-A. or grant 12 : it was due to a change in accounting classification.

*Mr. Scott.*—It looks as if you do not pay much attention to the instructions issued. I think we may make a report to that effect.

*Mr. Wilson.*—In this particular case the instructions were difficult to interpret in that they related to wholesale renewals of ballast or partial renewals of ballast. Partial renewals were debited to revenue and wholesale renewals to depreciation fund. It was extremely difficult for railways to decide which were wholesale and which were partial renewals. Since then the matter has been cleared up and now ballast renewals are being debited to depreciation. I do remember the difficulty of interpreting these instructions. It was rather difficult to know whether the charge was to depreciation or to revenue. In the ordinary course of events, the ballast is made up year by year and was previously charged to revenue.

*Mr. Scott.*—Now you have an opportunity of seeing that the Railway Board's instructions are issued rather more clearly.

*Chairman.*—One moral that might be drawn from this is “ don't have changes in allocation unless they are perfectly workable ”. If you have a system of allocation which is intelligible and is working reasonably well, you ought to be rather careful about introducing a change in this unless you are quite sure that it can be understood.

*Mr. Sankara.*—We have only had two mistakes reported.

*Chairman.*—As regards the general question of lump sum cuts, I take it that the Committee still wish to proceed with the system of lump cuts, although we have now reached a point when it is producing excesses. I think in the Civil Departments we also continue the system of lump sum cuts, because in all works budgets we find there is a tendency to budget for more than they can spend. The only question is what the lump sum cut should be. It seems to me that the proportion should be somewhat reduced but that the system should not be abandoned.

*Mr. Scott.*—What percentage have you cut ?

*Chairman.*—In the year under review it was 16. Had there not been a cut there would have been a sufficient margin in the grant to accommodate the excess. That would have been fortuitous.

We now return to where we were. Page 11, item (iii). It was explained by the Financial Commissioner that instructions have now been issued to secure greater correlation between the Controller of Railway Accounts and the Chief Accounts Officers. I hope the more detailed method will yield more satisfactory results.

*Mr. Campbell.*—We can check up the figures of the accounts offices and ascertain if there has been a lack of correlation.

*Chairman.*—Mr. Staig has explained that instructions have been issued to ensure closer correlation, that is correlation as between new construction and open line work.

*Mr. Scott.*—This is another case of lack of correlation. I take it you are watching it very carefully ?

*Mr. Staig.*—Yes.

*Mr. Scott.*—Page 11 of the Audit Report and para. 52 of the Chief Commissioner's Review. May I know why the R. and K. Company's debentures could not be estimated more accurately ? You say on page 61 of the Appropriation Accounts :—

“ Due to the share of the interest charges on joint debenture stock recoverable from the R. and K. Railway Company not having been foreseen, owing to absence of necessary information.”

Why could not the necessary information be obtained ?

*Chairman.*—It may be that certain debenture holders had not drawn their interest at the time when the liability was taken over.

*Mr. Scott.*—Did the Government of India guarantee part of that debenture interest ?

*Chairman.*—It is not of very great importance. The appropriation was modified during the year.



*Mr. Scott.*—What is the average rate of interest this year ?

*Mr. Staig.*—About 4.5.

*Mr. Sankara.*—The capital expenditure required was also raised by debenture. It was a joint debenture, liability for part of which rests on the company. The Secretary of State pays the full interest and then recovers the company's share.

*Chairman.*—We now come to section IV. We have already dealt with the main causes of these excesses and the question before the Committee is whether they recommend that these excesses be regularised. May I take it that the Committee recommend that these excesses be regularised by a vote of the Assembly.

*Mr. Scott.*—The Assembly should be given an explanation.

*Mr. Gill.*—A brief explanation is given in the Committee's report.

*Chairman.*—As regards the irregular excesses, the Auditor-General points out that the explanations have been accepted by the Auditor.

*Mr. Azhar Ali.*—On page 48 of the Chief Commissioner's review, a number of irregularities have been reported on the East Indian Railway. If you add up all these amounts, it will come to a very substantial figure. There also seems to be some misapprehension about these two words, appropriation and re-appropriation.

*Moulvi Abdul Ghani.*—I would like to draw the attention of the Committee to the last sentence of paragraph 30 on page 11 of the Audit Report which says :

This practice appears to be confined to the revenue grants only but it is suggested, especially in view of the excesses in 1938-39, that it may be extended to the Open Line Works Grant also. I would like this to be incorporated in the report.

*Chairman.*—The question is whether your object is to get the work completed with reasonable expedition or to conform as closely as possible to the budget appropriation. In the case of revenue heads, it may be considered to be of primary importance that the expenditure should not exceed the grant but in the case of capital heads works and open line works, the question is whether you want to hold up the work in order to avoid the excess or whether you wish to allow them to go on with the work, although you realise that it may result in an excess. That is the practical point at issue.

*Mr. Wilson.*—Two years ago, the chairman raised the question of a development fund and pointed out that we should not be slavishly tied down to the 31st March, when the object is to get the work done as quickly as possible. A development fund may run over several years.

*Chairman.*—The telephone people have got that.

*Moulvi Abdul Ghani.*—I do not say that the work should be stopped or held up. What I say is that the estimates should be prepared beforehand and the sanction of the proper authority obtained.

*Chairman.*—The point here is the question of intimating to the administrations the amounts fixed for their revised estimates by the middle of January each year. That is to say, when nine months of the year have passed, then in the case of revenue heads, the Railway Board intimates to

the administrations what they have fixed as their revised estimates in the light of the actuals which have occurred during the nine months and the implication is that the railway should make a special effort now to adhere to these revised estimates. The question is whether in the case of works of this character—Open line works—it is desirable for budgetary reasons to try and fix a sum to which the administration should attempt to adhere or whether the administration should be free to get ahead with the work as quickly as it can regardless of the effect on the grant for the year.

*Sir E. Burdon.*—It is a restriction which is a purely artificial one for appropriation. In the long run appropriation audit will cease to apply to railway expenditure. I do not think we should try to restrict expenditure at that stage. It really ought to be judged on the information beforehand as to what the economic rate of progress is likely to be and adhere to it but we should not interfere with it at that stage.

*Mr. Staig.*—All the figures under this head are sent to the railways at the same time as they are presented to the Assembly in the pink books, but there is no injunction issued to them that the figures should be adhered to.

*Mr. Scott.*—We may accept the Auditor-General's remarks.

*Chairman.*—It is a question of policy.

Grant under 6-A. They thought to meet it out of the lapse ; it is not a case of defective budgeting. Incidentally, I think a sort of key statement on the lines of that prepared on the Civil Appropriation Accounts ought to be prepared for the Committee each year so that they can correlate all those cross references. We may have it printed for the P. A. C.

*Moulvi Abdul Ghani.*—Section V-Miscellaneous, page 40 of Review. You sometimes speak of commercial accounts and sometimes of revenue accounts. I find that in one statement the capital is 755 crores but according to the commercial accounts it comes up to 333 crores so that there is very much confusion as to which we should take and calculate the interest on.

*Chairman.*—Where did you get the larger figure from ?

*Mr. Wilson.*—Page 168 and page 171 of Part II.

*Chairman.*—That does not represent the total capital ? You are looking at the balance sheet on page 170 but the gross figure there does not represent the railway capital, it includes many other items. Item 1 is the capital. The commercial capital is given at pages 168 and 169 and the strategic is given at pages 174—75.

Paragraph 63 of the Review. The discharge of debentures does not of course mean reduction in the capital at charge ; it is merely repatriation or extinction of that debt.

*Mr. Azhar Ali.*—May I know what was the dividend paid on those debentures ?

*Chairman.*—It depends on the time when the debentures were raised what the interest would be. These are various debentures.

*Mr. Azhar Ali.*—On company Railways what is the amount of dividend that they get, sometimes 14 per cent. ?

*Chairman.*—You are thinking of the dividends on ordinary shares, which is a different matter.

Paragraph 65. This is part of the general question of amortisation of Railway debt. The first step is to exclude this amount from the capital. That again links you with the policy of depreciation and the treatment of the surpluses of the Railways.

*Mr. Scott.*—There is no amortisation of railway capital at all ?

*Mr. Sankara.*—There is a provision in the railway 'separation convention' that the reserve can be utilised for that purpose.

*Chairman.*—This is a question which can come up when the question which has to be answered emerged, that is, what should be the treatment henceforward of surpluses if any accruing on the working of the Railways.

*Mr. Staig.*—There was a general review of the financial position of railways some years ago and the question of provision for amortization, was considered, and accepted in principle. It has not yet been practicable financially to give effect to that decision.

*Mr. Azhar Ali.*—Is there a remedy for the three crores you have to pay on assets not in use ?

*Moulvi Abdul Ghani.*—Page 43. The figures are different and that is why I was saying there was confusion.

*Chairman.*—That is the difference between commercial accounting and cash accounting.

*Mr. Scott.*—Would not a profit and loss statement show the position more clearly ?

*Chairman.*—For budgetary purposes Government works on the actual transactions of the year. What is actually brought to account is the actual disbursements and receipts of the year on the cash basis.

*Mr. Scott.*—Sir Ernest, are you satisfied that that is correct ?

*Sir E. Burdon.*—I do not think you can expect the Railways to depart from that rule about the cash basis. This is only supplementary information so that those who are interested in the commercial aspect of the financial administration of the Railways can see how the administration is run. All service expenditure is done on the cash basis and in the case of commercial undertakings we extract from the regular Government accounts the commercial account, to see how a quasi-commercial undertaking is working or whether it is worth while to continue it.

*Chairman.* - You cannot budget on that basis.

*Sir E. Burdon.*—This is really a supplementary thing to show you the commercial aspect of it to make your information complete.

*Chairman.*—Pages 86-87 of the Appropriation Accounts, Part II. These show an increase of 84 lakhs of the closing balance. We shall probably find that there is an even greater further increase. Annexure E, page 54 of Review, shows the stores balances from year to year. They have been gradually declining till this year and going up again, though not very rapidly. It was easier to *reduce* the stores balances.

*Mr. Scott.*—You have got no idea of the difference between quantities between those two years ?

*Mr. Wilson.*—No.

*Chairman.*—I suppose you can say that they represent about five months' stocks.

*Mr. Scott.*—Have you no idea as to what was the case ten years ago ?

*Mr. Wilson.*—I think it was more.

*Mr. Scott.*—Can you give me any idea of what you are trying to work to ?

*Mr. Wilson.*—What we have tried to do in regard to stocks coming from abroad is to build up a reserve of six months, quite apart from the normal amount ; but it is regrettable that in all cases we have not been able to build up this reserve.

*Mr. Azhar Ali.*—Comparing the two periods, they appear to be less ?

*Chairman.*—That was due to a deliberate policy, that is, in peace time to reduce the stores balance so as not to lock up unnecessary capital on which you have to pay interest. In the present circumstances they were trying in the year under review to reverse that in order to build up larger balances.

Railway Reserve Fund. There are still 48 lakhs left in that ?

*Mr. Sankara.*—That is invested in branch line shares.

*Chairman.*—It is maintained in order not to completely extinguish this reserve.

*Mr. Scott.*—Can you get more on that than you are paying the interest on ? This was invested in the purchase of branch line shares, paragraph 72. The capital value has gone up from 81 lakhs to 88. Would it not pay you to sell those ?

*Chairman.*—They expect to purchase the branch lines in due course. The interest on your reserve funds earned,—it is not the same figure as the interest you pay on the capital ?

*Mr. Sankara.*—Yes.

*Mr. Jones.*—Paragraph 71, Depreciation Reserve Fund. This three crores depreciation reserve fund is a progressively mounting negative figure—annexure F ?

*Mr. Scott.*—Why does this fund make investments in branch lines ?

*Mr. Sankara.*—For the same reason.

*Mr. Scott.*—Is that a matter of policy,—that you want to purchase those lines ?

*Mr. Sankara.*—Yes.

*Mr. Scott.*—Can you get as much for your money ?

*Mr. Sankara.*—Yes, slightly less.

*Chairman.*—But these purchases were made at a time when the funds were well up, with the object of facilitating the eventual purchase of the lines. Supposing you sell those shares when you come to purchase

the branch lines, does the market value of those shares have anything to do with the price you have to pay ?

*Mr. Sankara.*—For these shares the investors will get the market value.

*Chairman.*—So that it is worth while to expect a lower return.

*Mr. Scott.*—Would it be worth while increasing your investments in the depreciation fund—because Government will have to find the money ?

*Mr. Sankara.*—It depends on when Government make up their mind to purchase the line.

*Mr. Jones.*—As regards this Jodhpur Railway, it is a progressively mounting negative fund ?

*Mr. Sankara.*—That capital has been borne by the State and we pay the maintenance and also our share of the renewal expenditure but we are not prepared to build up a separate fund because it is a small matter. We shall have to assume some sort of capital expenditure and build up a depreciation fund. Moreover, we have not been acting on the principle of separate depreciation funds for separate Railways.

*Chairman.*—No further remarks on the Depreciation Reserve Fund. We have already dealt with investments.

Paragraph 36 of the Audit Report. Unsanctioned expenditure. There is a large annexure in connection with this.

*Mr. Scott.*—The G. I. P. seems to be under objection for a long time. What procedure is now adopted to keep it in order ?

*Mr. Sankara.*—We issued orders in November 1939 that estimates should be prepared.

*Mr. Scott.*—You cannot start work without some sort of sanction ? You will surely put up some sort of estimate and say that you are going to spend 20 lakhs of rupees.

*Mr. Wilson.*—That is the normal procedure. I am not quite sure of the details.

*Mr. Scott.*—Can you tell me what happened in this case of the G. I. P. involving a sum of 23 lakhs ?

*Mr. Sankara.*—There are a number of works. They thought that no estimates were necessary at all in these cases.

*Mr. Wilson.*—On the G. I. P. the scattered renewal of rails, etc., was being estimated in the budget. They did not make any separate estimate. An average is taken on previous years' expenditure and that amount is provided under the relevant head. In regard to the expenditure on underframes under objection, the building of coaches starts on the 1st of April and by that time the underframes ought to be in hand. So, the Standing Finance Committee have established a Convention by which they agree that in anticipation of the sanction to the budget for the coming year, expenditure on under-frames should be incurred. The estimate for the coaches is meanwhile under preparation and it may take some time before it is sanctioned.

*Chairman.*—Surely, if you could allow the work to go ahead, it is no use arguing in regard to the works which have gone ahead in regard to the design. That becomes an academic question.

*Mr. Wilson.*—As time goes on, public demand changes regarding the design of coaches. This may be under discussion at the time.

*Chairman.*—And meanwhile in so far as the work which has gone on is being completed.

*Mr. Wilson.*—The under-frames must be ordered in any case. The type of body may be under discussion.

*Mr. Azhar Ali.*—The point is that the Committee said in 1937 and 1938 that in regard to the unsanctioned expenditure the condition did not appear to be improving. Is the condition improving now?

*Sir E. Burdon.*—With regard to the delay that has occurred in the disposal of cases, if you put on extra staff to work off the arrears, the position may become different.

*Mr. Scott.*—Can you tell me about the G. I. P. expenditure on scattered renewals that the case was under consideration by the Railway Board and they have since decided that estimates are required to be prepared, that the Chief Engineer has been addressed and the matter is still under correspondence with that officer? The first sanction was granted in April 1937 and we are now in 1940. What have you done about it? Is it still under correspondence?

*Mr. Wilson.*—I do not know what the exact position is at the moment but there is no doubt about the fact that the Chief Engineer and the General Manager (that is, myself) did object to this proposal.

*Mr. Jones.*—The Railway Board has decided that an estimate is necessary.

*Mr. Wilson.*—And it will be prepared.

*Chairman.*—An estimate of the expenditure which occurred in 1937 need not be required and therefore the matter can be finished.

*Mr. Scott.*—I would like to know what the Railway Board have now done in the matter. Can the Railway Board insist that their orders should be carried out?

*Mr. Wilson.*—Yes.

*Mr. Scott.*—Can the Railways go on objecting?

*Mr. Wilson.*—The matter is still under correspondence.

*Mr. Sankara.*—They might have experienced some difficulties.

*Mr. Scott.*—When they first put up their case they ought to have explained their difficulties and the Railway Board could have considered them in order to arrive at the decision whether it was necessary or not. In the present case, the Railway Board considered your case and they decided that an estimate was necessary. It strikes me, then, that there is no further argument about it. Once the Government of India give a decision, there is practically no appeal.

*Mr. Wilson.*—The Railway Board is always open to reasoning. They may, on receiving further information, amend their previous decision.

*Mr. Scott.*—Is there any appeal from the decision of the Railway Board to the Government of India ?

*Chairman.*—There is an appeal to the Railway Board's own reasoning power. The Railway Board is the Railway Department of the Government of India.

*Mr. Scott.*—But once the Railway Board has come to a decision, there is no chance of altering ?

*Mr. Wilson.*—The Government of India orders are frequently amended by further reasoning.

*Mr. Scott.*—What is the use of the Railway Board if the Railways are going to tell you that they are always right ?

*Mr. Sankara.*—Do you mean to say that the Railway Board should never change their orders ?

*Mr. Wilson.*—We are constantly learning.

*Chairman.*—We ought to meet to-morrow morning again for the purpose of considering a memorandum on this subject if it could be prepared indicating the present stage of this case. We would like to know how the matter stands at present, otherwise we will have to express some dissatisfaction on the present state of affairs. We would like to know how the position has developed since the close of the year in question. The point is that if it is desirable in the public interest that expenditure should be incurred in advance of detailed estimates, whether this Committee should recommend that the rules be changed.

*Mr. Azhar Ali.*—In view of the remarks in paragraph 36, we must say something about it in our report.

*Chairman.*—I agree.

The Committee then adjourned till 10-30 A.M. on Friday, the 16th August 1940.

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**Third Meeting, Friday, the 16th August 1940.**

**RAILWAY BOARD—continued.**

*Chairman.*—We were considering yesterday, when we left, the question of unsanctioned expenditure and expenditure held under objection which is dealt with in paragraphs 36 and 37 of the Audit Report at page 14. As I anticipated from the state of the subject when we discussed it yesterday, the Committee would have some difficulty in recording their views on this matter without further material from the Board, I asked the Financial Commissioner of Railways to prepare something for us to consider to-day. The Financial Commissioner has discussed the matter with the Controller of Railway Accounts and he has furnished me with a note which includes both the main facts and also suggests a reasonable line which the Committee might take in order to help to make progress with this difficult matter. I understand that the Director, Railway Audit is in agreement with the matter as presented here. The note has been shown to him and he has no important comments to make. The Auditor-General has not yet had time to study this. I think the best thing would be if I read this note to the Committee. It may be regarded as putting words in the mouth of the Committee but the Committee must understand that they are entirely free to reject this note. It is merely in order to save time. If the Committee comes to the view indicated in this note, then it will save time when we come to make our report because this has been cast in the form of paragraphs which could go into the report if the Committee accept them. The main thing which I wish to do this morning is to bring the facts before the Committee and the Committee can re-draft afterwards. It is merely as a matter of convenience that it has been put in this form.

(The Chairman then read the note.)

*Chairman.*—With reference to items 4 and 5 totalling over 28 lakhs on page 104 of the appropriation account. We propose to find out whether the Committee desire the cases to be further investigated to see if the rules regarding estimates in such cases required amending to eliminate unnecessary work. Supposing you come to the conclusion that the rules require that the estimates should still be maintained, the question is whether cases of this type which are of a purely technical nature not requiring inclusion of the unsanctioned expenditure should be dealt with in the manner suggested by the Auditor-General and which also occurred to me, namely, that a date might be fixed by which the detailed estimate is to be furnished and not until that date would the expenditure be generally under objection.

*Sir E. Burdon.*—I think it very probable that the rules are all right. There are certain peculiar formalities to be complied with on the civil side. The real issue is probably very much more of exhibition. I will point out that this statement is put in the Appropriation Accounts presented by the Financial Commissioner of Railways. It is not presented by the Director of Railway Audit as part of his indictment. So, it might very safely be left to the Director of Railway Audit to bring to your notice cases in which subordinate authorities have actually exceeded or have failed to complete the procedure as regards the estimating within a reasonable space of time. In other words, it will



be left to the usual operation of Audit. In the first place, he would operate domestically. He would challenge in audit and he would make representations to the Railway Companies and to the Railway Board. If he did not think their response to be satisfactory, he will bring the matter before this Committee. I do agree that it is better to investigate the matter on both sides, both as regards the rules requiring amendment or whether the accounts and audit treatment requires to be modified so as not to give the Public Accounts Committee some misleading impression.

*Chairman.*—That represents the general sense of the discussion yesterday and what the Auditor-General has told us this morning.

*Mr. Azhar Ali.*—I should like to know in what light the matter was discussed last time when these objections were taken by the Public Accounts Committee ?

*Chairman.*—The Public Accounts Committee never took objection to this. The objection is raised by Audit that in accordance with the instructions of the Railway Board now in existence detailed estimates are necessary for these works and, as detailed estimates have not been received, the expenditure is under objection. I cannot understand why detailed estimates should be prepared in such cases. Can you tell me that ?

*Mr. Wilson.*—The rules say that works chargeable to Depreciation should be covered by detailed estimates.

*Sir E. Burdon.*—The Director of Railway Audit who has dealt with this case tells me that he examined the proceedings which were adopted by the G. I. P. R. and has agreed to the system being continued a year after when it was examined. He is perfectly happy to let the existing system go on provided the Railway Board agree.

*Chairman.*—But why did the Railway Board insist that the rules should be adhered to in this type of cases ?

*Mr. Sankara.*—We considered that the lines could be dealt with in sections. They can prepare estimates for sections saying so many rails, so many sleepers, etc., will have to be replaced.

(The Chairman then read out from the note the paras. regarding the rolling stock.)

*Chairman.*—Those are the facts of that case and the question is what view the Committee would take of that explanation. The question is whether the Committee would agree that in the circumstances explained the cases disclose no reprehensible lack of financial control. The position is that the under-frames would in any case remain unchanged. It was therefore necessary to go ahead with the construction of the under-frames, but in relation to the type of bodies to be put on them, the Railway Administration had certain ideas for improving the types. The discussion between the Railway Administration and the Railway Board in regard to these possible improvements or modifications was going on and the result of it was that the expenditure on the under-carriage, which in any case would have to be incurred, is technically under objection. Now, does this Committee consider that it is a reasonable cause of delay that these modifications should be discussed and that the Railway Administration should not, in order to secure an early disposal

of the objection, agree to the type which was originally in mind ? Is it reasonable for the Railway Administration to raise a question of some possible improvement in type regardless of this effect on the accounts ?

*Mr. Scott.*—Can't you sanction the scheme in parts ?

*Mr. Sankara.*—The general principle is not to allow the splitting up of estimates.

*Sir Raza Ali.*—I would like to have the draft of the note before us before we can express a definite opinion. Words are of great importance. Much depends upon how we express ourselves.

*Sir E. Burdon.*—I do wish to emphasise once more that this statement of unsanctioned expenditure is not presented by Audit. If this statement had not been included in the appropriation accounts, not one of these items would have been brought to the notice of the Committee.

*Chairman.*—It is a matter with which this Committee has dealt with in the past and I think that the Financial Commissioner has brought these matters rightly to the notice of the Committee. I think it was right that he should bring to the Committee's notice the stage at which it is now so that they should consider what remedies should be applied to the situation. If, in fact, the items are being accepted as intrinsically objectionable, then that is a matter for which some remedy should be devised.

I think the general sense of the Committee is to the effect, " we are satisfied that in the circumstances explained, the foregoing cases disclose no reprehensible lack of financial control and we feel that the question of exhibiting such of the items explained as objectionable should be further examined and that the possibility of treating them as a domestic matter for settlement between the railway administration and the audit authorities should be pursued."

There are several items. Item 2 on page 97 is an example in regard to which it was stated that the work had been completed and that the completion report was awaited. Presumably the reason is that no detailed estimates as required by the rules had been prepared and sanctioned by the administration concerned ; it is only where there are detailed estimates that a completion report is required.

*Mr. Wilson.*—A completion report is awaited. I regret I do not know, from the information given, whether an estimate has been prepared already.

*Maulvi Abdul Ghani.*—Page 93, B. N. R. This is a case of repairing a damage but I think the estimates should have been prepared first ?

*Chairman.*—It had to be carried out immediately ; you must get on with the job. Of course a completion estimate is a contradiction in terms. It seems to me that the rules do not cater adequately to this type of work where the work has to be carried out at once.

*Mr. Azhar Ali.*—This is a big item (page 97)—Rs. 2,25,000.

*Chairman.*—I will draw the attention of the Committee to para. 37 of the Audit Report which shows the action which has been taken by the Railway Board. I propose to include in our report some remarks on these lines.

“ In regard generally to the delays disclosed in the regularization of these and some other items, the Committee noted the remarks in para. 37 of the Audit Report. They feel that it is desirable that the Railway Board should again emphasize to certain Railway Administrations the importance they attach to the prompt settlement of items under objection.”

Chapter II. I hope the members of the Committee have read this chapter and will confine their remarks to cases which they think are worth discussing.

*Sir E. Burdon.*—It might be helpful if I read out my own summarized view of this aspect of the case :

“ There have been a few cases of nugatory expenditure due to losses or writes off. Excepting one (the closing of the Agra-Bah line) the rest can be regarded as normal for a big commercial undertaking. The few frauds reported during the year are mostly due to dishonest action on the part of the officials which were not detected through carelessness by the higher inspecting officials. None of them was due to any defect in the rules of deliberate mal-practice on the part of higher officials of the Railway Administrations. The writes-off are generally due to irregular grant of concessions to the staff through oversight and to railways making experiments. As regards the Agra-Bah line, it was originally constructed on an expectation of a return of more than 5 per cent. after 10 years. It was found later on that the expected return was based on an incorrect data and that no allowance had been made for increased bus competition. The line has been dismantled and the Government had to incur a loss of about Rs. 21 lakhs. The closing of the line has, however, led to a reduction of a loss of over 1 lakh in the working of the line.”

*Chairman.*—I do not propose to go through all of these cases in detail and particularly in the light of the remarks made by the Auditor General. In the case of the Agra-Bah line my own impression is that if a vast commercial concern like the Railways occasionally does not make a mistake in its experiments, it probably is not being sufficiently enterprising. Any business which is looking for expansion and so on must occasionally make an expansion which turns out to be not worth while ; you cannot expect to be one hundred per cent. successful in all your attempts. It is clear that a somewhat optimistic view was taken of the prospects in this case which turned out not to be justified but I imagine there must be cases of expansions which turned out infinitely more satisfactory than could have been foreseen at the time when they were being surveyed. There must be cases in both directions.

*Mr. Scott.*—Cases 39 and 40 are due to a lack of proper consideration by the railway authorities of what was going to happen.

*Chairman.*—They were seriously thinking of moving the headquarters ; they must have formed a view at that stage that it was safe for them to do so.

*Mr. Scott.*—No. 43 on page 16, last paragraph. It seems the lease had not been properly examined by the legal authorities.

*Mr. Wilson.*—I have considerable knowledge of this case which arose in 1919. The lease was drawn up for a certain number of years

and on the expiry of the lease it was decided, in view of the possibility of early construction on the land to allow the man to continue on a monthly basis at an increased rent. The man paid his rent for some time on this monthly basis and then he was served with a month's notice to quit to enable the construction to proceed. The man refused to quit and we took the matter to court and it took six years to eject him. The municipality in the meantime sued us for the rates and taxes which he owed them. The High Court held on appeal that we were liable to pay the rates and taxes. We have now drawn up a form of agreement which we hope will get over this difficulty in future, but I personally am doubtful whether we should be able to eject a man without going to court. If we go to court, it may take six years and there is no remedy beyond forcible ejection.

*Mr. Scott.*—Cannot you introduce a term into your lease ?

*Chairman.*—Cannot you take the precaution in some way of determining the lease ?

Para. 47, page 19 of the Audit Report. These sentinel coaches : they seem to be not nearly as good a type as they are supposed to be ?

*Mr. Wilson.*—They have in other parts of the world proved suitable.

*Mr. Azhar Ali.*—There is some difference of opinion between the Railway Board and the Railway Administration.

*Chairman.*—The Railway Board have prescribed thirty years as the normal life of these coaches but the B. B. & C. I. say that the economic life will not exceed twelve, and the G. I. P. say it will not exceed twenty. I suppose the Railway Board will have to revise its prescription in the light of the experience.

*Mr. Scott.*—Para. 55, page 22 of the Audit Report, non-recovery of charges from a tourists' party.

*Sir E. Burdon.*—The contributory negligence on the part of the Railways was something very small indeed.

*Chairman.*—The party said that they had paid. But ordinarily they should insist on the production of some documents that they had paid.

*Sir E. Burdon.*—The tourists' agency who were the responsible persons said that payments had been made.

*Mr. Scott.*—Page 24, para. 59. Did you discover who committed the fraud ?

*Chairman.*—It does not clearly indicate whether the party responsible for the actual fraud was prosecuted. There is no indication here that the other persons have actually been discharged or prosecuted.

*Mr. Scott.*—Surely this is a case for imprisonment.

*Chairman.*—It may not be a case which will succeed in a court.

*Mr. Scott.*—So that you can only deal with it executively by dismissing the man or reducing him ?

*Mr. Wilson.*—We are not under an obligation to take any case to court ; if there is a reasonable chance of our succeeding, then only we take it to court.

*Chairman.*—We often take disciplinary action where we are satisfied that a man has behaved in a thoroughly undesirable manner.

This concluded the examination of the Railway Accounts.

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## DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

*Chairman.*—Page 22 of the key statement. We start with grant No. 8-Forests at pages 58—60 of the Appropriation Accounts. The note on page 60 points out that the saving in the voted section of the grant amounts to 6·3 per cent. this year as against 2·2 per cent. in the previous year and that it occurred mainly under sub-heads B (1), B (2) and F (2) (i), leave and deputation salaries. Can you tell us anything about the reason for the large savings under those heads ?

*Mr. Bozman.*—The main reason is due to the retrenchment campaign.

*Chairman.*—I do not know whether there is a reference in the Audit Report ?

*Mr. Bozman.*—There is a reference on page 7, para. 9.

*Chairman.*—The savings occurred in almost all the grants on a much larger scale.

*Mr. Bozman.*—Yes, mainly due to the extensive measures of economy adopted after the Budget was framed. It is not possible to isolate savings directly attributable to the economy campaign of the Government but it is explained that the savings arising from this cause have been considerable. It will be seen that the deterioration in this year's results are more apparent than real.

*Chairman.*—What was the total amount which we saved ? I believe it was over a crore which we saved in the course of this year by review after the voting of the Budget grant. This was continued next year.

The next grant is on pages 82-83. As compared with the final appropriation, the variation is slight. The difference is mainly between the modified appropriation and the original appropriation.

*Mr. Scott.*—Can you tell me the number of people who did not attend this Central Board of Education ?

*Mr. Tyson.*—No, I am afraid I have not got it.

*Mr. Scott.*—It seems very little interest is taken in that.

*Mr. Tyson.*—The sort of thing that happens is that one expects the Minister and the D. P. I. to attend. At the last moment the Minister cannot get away, perhaps because the Provincial Assembly is sitting, and only the D. P. I. comes. That is unavoidable.

*Maulvi Abdul Ghani.*—What progress has been made about the re-organization of primary education referred to in the Abott Committee's report ?

*Mr. Tyson.*—I am not a member of the Central Advisory Board of Education and I am afraid I did not anticipate that question in connection with a matter of accounts.

*Chairman.*—It is merely asking for information.

Grant No. 30—Survey of India, pages 119—22, notes on page 123. The general results are given at the bottom of page 122. The gross voted grant was Rs. 32,14,800. The deductions amounted to Rs. 12,74,800 and the net was 19,40,000 ; budget saving two lakhs odd.

*Mr. Tyson.*—Of the saving of Rs. 2-3¼ lakhs only half a lakh was not surrendered ; this sum was made up of Rs. 32,000 additional recoveries and Rs. 20,000 extra savings from expenditure heads. Most of the 2-3¼ lakhs saved was surrendered. When we were asked to economise we surrendered a lakh straight off. It was a drastic cut and to meet it we did not get a lot of machinery from England which we would have been very glad to have. I think we got some of it later and it is now working overtime. You will find a reference to the saving on indents from England under G-2 (2), page 122.

*Chairman.*—That accounts for a saving of Rs. 1,13,000, mostly surrendered. E-1 (1) and (2). This is where the additional receipts come in. I suppose these were requests for works which were received after the Budget was framed ?

*Mr. Tyson.*—Yes ; there were a lot of requests for big-scale maps of cantonments and municipal areas.

*Chairman.*—It is surprising that the sales of instruments should have gone up so strikingly ? Were the prices changed during the year ?

*Mr. Tyson.*—I am not sure.

*Mr. Scott.*—Page 126. Can you tell me if the issues have gone up ?

*Mr. Tyson.*—I could not tell you. I am afraid I have got figures only from 1935 to 1938. There have been very steady increases from 1935-36 and there has been a steady increase up to the year we are dealing with. I have not got anything later.

*Chairman.*—What are the main types of instruments which are issued and sold by the office ?

*Mr. Tyson.*—I am afraid I do not know ; I have never been over the office. There must be many serving instruments. They have made a lot of stereoscopic instruments for viewing aeroplane survey maps. They have invented a type on their own ; it is very successful and cheap.

*Chairman.*—Let us go back to the map account. There is a long outstanding recommendation of this Committee that the possibility of reducing the number of superseded maps should be further examined.

*Mr. Azhar Ali.*—Are these maps supplied to the Local Governments ?

*Chairman.*—The sale is to everybody, to the public also.

*Mr. Azhar Ali.*—If I want copies, where should I apply for them ?

*Mr. Tyson.*—We have about sixty agents all over India and also about nine branch stores. The main depot is in Calcutta, where they are printed. The depot at Wood Street, Calcutta, has copies of every map that we print.

*Mr. Scott.*—I suppose there will be difficulty in obtaining paper now ?

*Mr. Tyson.*—We had a very large stock of paper. Otherwise we should be very hard put to carry on now. It is rather a special kind of paper that is needed. We have now placed orders for it in India but it will take six months to get it produced. As regards the Mathematical Instruments Office, the position we had arrived at with the Army people

at the time when the war broke out was that we had been able to persuade the General Staff to give the M. I. O. certain limited classes of work. They proposed to circulate their requirements to the Surveyor General so that he could quote. But the outbreak of war has changed the position completely. The Army now are manufacturing to capacity in their own workshops. We are doing work for the army. It is quite impossible to say what the position will be when peace is arrived at but for the time being both the army workshops and ourselves are working to capacity.

*Chairman.*—There is no problem of an unutilised excess capacity of the M. I. O. ?

*Mr. Tyson.*—No. I may mention that in the year under discussion the gap between the cost of the Mathematical Instruments Office and the recoveries made by it is .6 of a lakh,—that is Rs. 60,000. In 1935-36, it was 1,32,000 and the gap has been steadily reduced till it has come down to 60,000 in the year under discussion.

*Mr. Scott.*—Next year it will be on a sound footing ?

*Mr. Tyson.*—It is not fair to say that it was not on a sound footing before. If the position is ever reached that recoveries for outside work balance cost of upkeep, it will mean that the Survey Department are getting the services of the M. I. O. for nothing !

*Chairman.*—We now go on to Grant No. 33, Botanical Survey. The outstanding item is that a further report should be made on the question of the retention of the post of Director, Botanical Survey. A report has been submitted, which is Item No. 2.

*Mr. Bozman.*—We took the advice of among others the Director of the Kew Gardens. He advised that the botanical survey should be developed and expanded. Scientifically that may be desirable but there is no chance of it being done in the near future. We have therefore not abolished the post but have made no appointment to it.

*Chairman.*—The decision of the Government of India is not to abolish the post of Director, Botanical Survey, for the present, though it is unlikely that it will be filled in the near future. For the moment the subject is of no practical interest.

*Mr. Azhar Ali.*—Do we now produce enough quinine for our own use ?

*Mr. Bozman.*—No.

*Mr. Azhar Ali.*—Where do you get it from ?

*Mr. Bozman.*—From Java.

*Mr. Scott.*—You are taking steps to develop your quinine plantations in India ?

*Mr. Bozman.*—They are entirely under the provincial Governments. We have no control over them. Both Madras and Bengal have got commitments to other Provincial Governments. Their total supply is by no means sufficient to satisfy the requirements of India as a whole.

*Mr. Scott.*—What action have you taken on Mr. Wilson's report ?

*Mr. Bozman.*—His report has been made to the Governing Body of the Imperial Council of Agricultural Research and not to the Government of India.



*Chairman.*—This is a serious problem that requires the attention of Government. We now go on to Grant No. 34, Zoological Survey. There is nothing in it and we shall now take up Grant No. 35, Archæology.

*Mr. Scott.*—Is Sir Leonard Woolley's report in the library ?

*Mr. Bozman.*—Yes.

*Mr. Scott.*—Could I be supplied with a copy ?

*Mr. Bozman.*—Yes, I will send you one. In the interests of economy, we had to cut down expenditure under this head heavily.

*Sir Raza Ali.*—I find from page 138 that a special grant for repairs of monuments of 3 lakhs odd was cut down by more than 2 lakhs and only 1,71,221 was actually spent. It is rather difficult to see what is the object of these savings. After all the grant is not a very large one.

*Chairman.*—It is explained in the note under col. 4—Due to (1) lower tender rates, and (2) proceedings for acquisition of land not having been completed up to the end of the year, and (3) petty savings from individual works.

*Mr. Scott.*—Could not something be done to put up prominent notices in front of these monuments. It is rather difficult to find them ?

*Mr. Bozman.*—Notices are put showing the date, history and so on, on important monuments.

*Chairman.*—Is there any handbook of protected monuments for the whole of India ?

*Mr. Bozman.*—I doubt if there is a handbook for the whole of India. There are handbooks for particular places like Delhi and Lahore.

*Sir Raza Ali.*—The feeling in the country is that far too little money is spent on ancient monuments and on the preservation of monuments.

*Chairman.*—Sir Leonard Woolley has examined the whole question. The broad effect of his report is that more money should be spent. My attitude to that is that in the midst of the war we cannot afford it. The time may come when it may be possible to carry out some of the recommendations of Sir Leonard Woolley.

*Mr. Bozman.*—I may add that Sir Leonard Woolley commented favourably on the conservation work done by the department. It was mainly on the excavation side that he offered criticisms.

*Chairman.*—Is it possible that a popular hand book might pay its way ?

*Mr. Bozman.*—It is possible but I am doubtful.

*Moulvi Abdul Ghani.*—I find under D.-3 that grants-in-aid to Indian States could not be given.

*Mr. Bozman.*—In individual cases where a small State cannot afford the amount required, we give grants. They are for repairs rather than upkeep. In each case the Director must take the orders of the Government of India. This reduction was made because of economy.

*Moulvi Abdul Ghani.*—But on page 139, I cannot understand the item 'Construction of a museum not contemplated at the time of the preparation of budget'.

*Mr. Bozman.*—The statement is incorrect. It should be completion. There is a museum at Nagarjuni Konda in Madras. It was very nearly completed and the work could not be stopped. So this small re-appropriation of Rs. 8,000 had to be made in order to complete the building.

*Chairman.*—What is the total cost of the museum ?

*Mr. Bozman.*—I believe it was about Rs. 25 to 30 thousand. The place is in a very remote spot and the contractors could not complete the work in time.

*Sir Raza Ali.*—I feel that these sums are not large and should not have been cut down ?

*Chairman.*—It was in this year that the Government of India was faced with a large fall in customs revenue and we issued instructions to all departments to economise as far as possible and we succeeded by effecting these economies in saving more than a crore in 1938-39. We realised that we were in for a bad year. We anticipated a deficit of 5 crores. You will find that these savings were effected not only in the Archæological Department but in all departments.

*Sir Raza Ali.*—Its effect was felt more by this department than by other departments.

*Mr. Scott.*—We might say that we appreciate the fact that the Government of India realised the need for economy in time and reduced their expenditure.

*Sir Raza Ali.*—I am not in a position to appreciate that. Generally speaking my experience is that this department in which I am keenly interested suffers most whenever the question of cutting down expenditure arises.

*Chairman.*—There are certain essential services such as public health which cannot be cut down but there are other activities which have got to be curtailed in times of stringency.

*Mr. Jones.*—I suggest that this subject might be taken up when the Finance Department is taken up and I shall then be able to explain how insistent the demand for retrenchment was in this particular year.

*Chairman.*—The alternative would have been increased taxation.

*Mr. Azhar Ali.*—Sir Raza Ali's point is that if there is unnecessary saving it might lead to the loss of these monuments.

#### GRANT No. 37.—*Other Scientific Departments.*

*Sir Raza Ali.*—What is this item B.-10—Vishweshwaranand Vedic Research Institute, Simla ?

*Mr. Tyson.*—This Institute was started in 1936 for the purpose of Vedic Lexicographical and exegetical research. The immediate objective is the publication of a vedic concordance and Dictionary. We provided for a grant but had to cut it out as a post-budget measure of economy. A grant of Rs. 2,500 has been paid in the current year.

*Chairman.*—We come to No. 5 of the Outstanding items—that a report should be submitted to the Committee next year as to why the Bose Research Institute, Calcutta, should not be required to submit an audited

account of its receipts and expenditure. A report has been submitted. It says that audited accounts are now being received regularly from the Bose Research Institute.

*Sir Raza Ali.*—What is item B-8.

*Mr. Tyson.*—The Mimansa Grantha Prakashak Samiti, Poona, was founded in 1935 and is at present bringing out a critical edition of *Mitakshara*. Its work has been very highly spoken of by many High Court Judges and eminent scholars. We decided to give them money in 1937 and we made provision in the budget. We had to postpone the grant as a measure of economy. It is now proposed to give them an annual grant of Rs. 2,000 for four years starting from the current year. We have made provision in the current year's budget. They have got to satisfy us that they have collected a certain amount of money themselves before we shall pay our amount.

*Sir E. Burdon.*—As regards the accounts of the Bose Institute, might I suggest that the audited accounts might be sent to the Accountant General, Central Revenues ? It will be a further assurance that the wishes of the Legislature have been respected.

*Mr. Scott.*—Any further news about item 6 of the outstanding statement ?

*Mr. Bozman.*—We considered the excuse put forward by the Executive Officer of the Calcutta Corporation entirely irrelevant. The trustees have made another application but we have had no reply. The fees we realise come to about a Rs. 1,000, while the taxes come to Rs. 16,000.

#### GRANT 38.—*Education.*

*Sir Raza Ali.*—Do these grants on page 145 mean grants in Delhi and Ajmer-Merwara ?

*Mr. Tyson.*—Yes : in centrally administered areas.

#### GRANT 39.—*Medical Services.*

*Chairman.*—A-3 (1). What is this case ?

*Mr. Tyson.*—This was the case of one Captain Passmore an Assistant Director of Nutrition Research at Coonoor he was appointed to the I. M. S. after joining the post at Coonoor : he was not in the I. M. S. when the budget was prepared and so we made provision for him originally under voted.

*Chairman.*—What is this explanation under D-3—page 148 ?

*Mr. Tyson.*—It was a scheme for providing medical attention to civil and military personnel in Delhi and Simla on a more rational basis than at present. At present people under Army Headquarters are attended by doctors paid by the defence budget and people under the civil Government by doctors paid by the civil budget : but the people themselves live not in separate areas but all mixed up, both in Simla and New Delhi. This was a scheme whereby both the places could be divided up for medical purposes into a number of separate geographical areas in each of which a specified doctor would attend to the entitled residents whether civil or military. But the scheme was a little more expensive than the present

arrangement and we have put it off till better times : it involved the creation of more dispensary facilities and the improvement of existing facilities.

*Chairman.*—What about item 7 of the outstanding statement regarding facilities to non-provincial students ?

*Mr. Tyson.*—Actually there are very few institutions involved and the one over which this question arose—the All-India Institute of Hygiene and Public Health—is one in which we get actually very good terms in return for the contribution we make—half the pay of two of the Professors—we get 8 seats reserved for the Central Government nominees without the payment of any capitation charge, which would amount to over Rs. 3,000 for a D. T. M. student and Rs. 1,500 for an L. T. M. student : so we could not very well press the Bengal Government merely on account of our contribution to give any further concession to people from provinces other than Bengal.

GRANT 40.—*Public Health.*

*Chairman.*—There are large savings here ?

*Mr. Tyson.*—Yes : they fall principally under three heads. First there is the Indian Research Fund Association : in addition to the Rs. 1,50,000 we pay as a kind of standing contribution to meet certain officers' salaries, we had proposed to pay Rs. 1,75,000 towards their general activities : but this was cut out to meet the demands of economy. Then there is a saving of 71,000 under the All-India Institute of Hygiene because of the non-filling of some of these high technical posts. Lastly there was a saving of Rs. 1,04,000 because we did not take over the Malaria Survey from the I. R. F. A. that year for motives of economy. That accounts for the whole of the saving. The Malaria Survey has since been taken over.

*Mr. Scott.*—Kasauli Institute (page 157) : can that be taken as a profit ?

*Mr. Tyson.*—Yes.

GRANT 41.—*Agriculture.*

*Chairman.*—What about these large savings under this head—page 166, note 1 ?

*Mr. Bozman.*—We had originally provided for 5 lakhs for a Central Sugar Committee. That Committee was not constituted and we handed over 3½ lakhs to the I. C. A. R. and surrendered the balance. As for the Central Jute Committee, we reduced the total grant from 5 lakhs to 4,25,000 : we are now spending on this committee about 450,000 or so. There is no cess for jute, besides the export duty.

*Chairman.*—Note 2 on page 166 : we cannot see the results in this : the action taken on this recommendation will be seen in the year 1939-40.

*Mr. Scott.*—About this Karnal Institute, why was the expenditure so much in excess in those two years ?

*Mr. Bozman.*—The Karnal farm cannot be looked on as a commercial concern because its functions are research and training of students. But

the receipts have been going up very steadily—from 15,600 in 1934-35 to 37,000 and 36,000 and nearly 53,000 in 1939-40.

*Mr. Scott.*—Why was the Hariana Herd disbanded ?

*Mr. Bozman.*—It was not actually disbanded : the best portion of the herd was transferred to the Veterinary Institute.

*Mr. Scott.*—About this Sugar Excise Fund, the U. P. Government are not shown as getting any benefit from this ?

*Mr. Bozman.*—They had an extremely large benefit. We do not pay any money to provincial Governments until they put up schemes to show how it is to be spent : recently we have paid the United Provinces Government a large sum.

*Mr. Scott.*—Is there any reason why they delay in sending up schemes ?

*Mr. Bozman.*—That is for them to answer. We have always been anxious to receive their schemes.

*Chairman.*—There is a considerable closing balance in the fund which is available for schemes sent up by provinces, and I may say that there is no danger that the balance will be excessive.

*Mr. Bozman.*—Their requests are not always in the terms of the offer of the grant : some of the schemes submitted fall outside the object of the grant.

*Mr. Scott.*—What has happened to the Central Sugar Committee ?

*Mr. Bozman.*—It has not been formed.

*Sir E. Burdon.*—I would like to draw attention to the improved arrangements for accounting and refunding that have been adopted as a result of the discussion we had last year. Now the closing balance actually tallies with the closing balance in the Finance Accounts.

*Mr. Azhar Ali.*—On account of this cess that has been imposed, I think the I. C. A. R. is now independent and need not ask for funds from the Central Government ?

*Chairman.*—No. My impression was that we accepted a liability of 5 lakhs in any case.

*Mr. Bozman.*—No ; not in addition.

*Mr. Basu.*—Provision was made in the budget this year, on the understanding that the whole amount was to be surrendered in the event of the Cess Bill being passed.

*Mr. Tyson.*—The basic provision was 5 lakhs : we actually wanted more to run the I. C. A. R.'s activities.

*Chairman.*—There is an important comment on page 172, regarding the Anand Research Creamery. What is the position now ?

*Mr. Bozman.*—The position remains the same. When Dr. Wright reported, he said we should not go ahead with the two schemes proposed for Anand until we had examined his proposal to establish a new central dairy institute : We have now come to a conclusion regarding the central institute and have to decide whether it is worth while to keep the Anand

Creamery on or whether we should get rid of it entirely. That has not yet been decided.

*Sir E. Burdon.*—Are you going to dispose of the buildings of the Wellington Depot to the public ?

*Mr. Bozman.*—We should like to : but it is in a cantonment area and there is some administrative difficulty as to its disposal. The Defence Department are not getting any supplies from the depot. We have terminated the contract with the military from the 1st April.

The Committee then adjourned till Monday the 19th August 1940 at 10-30 A.M.

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**Fourth Meeting, Monday, 19th August 1940, at 10-30 a.m.**

**EDUCATION, HEALTH AND LANDS DEPARTMENT—contd.**

*Chairman.*—Last year when the Committee was sitting it was expected that Sir Ernest Burdon would be going on leave preparatory to retirement and that he would not be present at the proceedings of the Committee this year and so they last year did I think put on record in the Report their deep appreciation of Sir Ernest Burdon's very valuable services. I feel that I ought to mention that this is actually the last morning on which he will be associated with us ; in fact this is the last day of his office. I think in the circumstances the Members of the Committee would like to record their appreciation of the very valuable services of Sir Ernest Burdon. He has been associated with this Committee over a very long period, and I know that never at any time has there been anything but the utmost harmony between him and the representatives of the Legislature on all questions dealt with by the Committee and that this Committee has always valued very highly the advice and assistance that Sir Ernest Burdon has been able to give them in their very important duties.

*Mr. Scott.*—Having been on this Committee for eleven years I associate myself with everything that you have said.

*Sir Raza Ali.*—We would very much like to associate ourselves with the remarks just made. To myself Sir Ernest Burdon has been known for nearly 20 years. He has always been very willing and not only that but eager to help non-official Members of the House and of the various committees on which he has served, and we are very sorry indeed that he is going, but he is going in the fulness of honours and after putting in the term of office that was open to him. It only remains for me to offer him godspeed and we hope he will be long spared to enjoy his well-earned rest.

*Maulvi Abdul Ghani.*—I associate myself with the remarks made by Sir Raza Ali.

*Sir E. Burdon.*—I should like to express my grateful thanks for all these remarks.

*Sir Raza Ali.*—Would it be possible for us to get a very rough note about the heads of discussion here, without recording any opinions of course ?

*Chairman.*—There is a very broad, rough paragraph for the Press usually provided. Then there is the more or less verbatim report which of course is very very rough because conversations take place across the table and the stenographer finds it very difficult to record anything really representative or intelligible and that has to be edited. Then there is the actual report drafted by the Secretary for the Committee and that takes a little time. Sir Raza Ali's suggestion would mean another compilation.

*Mr. Scott.*—We do not want to give the Finance Department any more work than necessary ; we might examine this point next year.

*Sir Raza Ali.*—Most of us are new to this Committee and it would be helpful to us if we could get a rough copy of the heads of discussion that take place here every day without recording any decision.

*Chairman.*—The Secretary has a whole-time job besides this which is entirely in addition to his other duties.

*Mr. Gill.*—I could do it in duplicate if you would realize that this is a draft which has not yet been adopted.

*Sir Raza Ali.*—I will treat it as confidential.

*Moulvi Abdul Ghani.*—Before we proceed to the next item, I would like to draw attention to the Wellington dairy,—to the production cost of butter and cream and the selling rate. Page 86 of the Commercial Appendix. How long will this state of affairs continue? The cost of production of cream goes up to Re. 1-14-10 whereas the selling rate is one rupee.

*Chairman.*—The whole thing has been stopped. I presume we were bound not to charge more than the army dairies charged all over India.

*Mr. Bozman.*—That is so. This was an isolated hill dairy and our costs were consequently higher. We have terminated the contract and the whole dairy has been closed down.

*Mr. Scott.*—Grant 35, Sir Leonard Woolley's report. He says that we are not justified in spending at the present moment 12 lakhs for which we get so inadequate a return and that it would be better to set aside roughly six lakhs for continuing the upkeep of the ancient monuments and that we should close down the Department until the finances of the country improve and so forth. That I think is a very damning report and I would like to know what steps you are taking to improve the Department.

*Mr. Bozman.*—We do not accept Sir Leonard Woolley's figures. He has left a great deal out of calculation in his final computation of the cost of the efficient working of the Department. In the second place his recommendations are largely based upon the proposal that there should be an expert adviser in the Department. That is a point on which we have not yet come to a decision.

*Mr. Scott.*—May we put that on the list to ask next year what they have done because several questions are asked in the Assembly?

*Chairman.*—It is a question of policy of the Administration—not a question of appropriation. What he says, in effect, is, "either you must spend some more money on this or you had better not spend any". That is a rather drastic remark. He either wants first-class or he says he wants nothing. That is a matter which the Government of India have to decide now. It is obviously not practical politics to cut out a Department altogether. He says, "since we are spending 12 lakhs, we had better spend 12½ lakhs".

*Mr. Bozman.*—It is a good deal more than 12½ lakhs; he has not worked out complete figures.

*Mr. Scott.*—There is another Rs. 75,000 which might be taken as helping your receipts; that he wants set aside for the upkeep of gardens.

*Mr. Bozman.*—I am sorry we have not been able to accept his figures.

*Mr. Scott.*—We might ask for a report next year on that particular point?

*Mr. Bozman.*—May I leave that to the Chairman?



*Chairman.*—It is not really a suggestion for a possible saving ; he is really making a suggestion for extra expenditure.

*I. C. A. R., page 173 of the appropriation report.*

*Moulvi Abdul Ghani.*—A (1), col. 1. Appointment of non-voted officer in place of a voted officer. Who is that officer ?

*Mr. Basu.*—Mr. Ware, a member of the Indian Veterinary Service.

*Mr. Scott.*—B—grant for research work, 5 lakhs. That is the ordinary grant from the Government of India. Has that stopped this year ?

*Mr. Basu.*—Yes. The provision was made in the budget on the understanding that, after the passing of the Agricultural Cess Act, we should surrender it.

*Moulvi Abdul Ghani.*—Remark on page 19 of the Audit Report, paragraph 29.

*Chairman.*—The Finance Department will deal with this question of the estimate for leave salaries in England.

*Mr. Scott.*—The Delhi Pusa scheme comes under this Grant. It did not exceed 36 lakhs ?

*Mr. Rozman.*—That is a head under grant 75, page 396.

*Chairman.*—There was a recommendation of this Committee that the annual reports of the I. C. A. R. should be circulated. Have they been ?

*Mr. Basu.*—Yes.

*Moulvi Abdul Ghani.*—The latest report has not been circulated ?

*Mr. Scott.*—We got it in the Budget session. I got mine last February.

*Moulvi Abdul Ghani.*—But here we require some help from that book ?

*Chairman.*—You must keep your copy as a member of the Public Accounts Committee.

*Mr. Basu.*—It has been circulated already to all Members of the Legislature.

*Chairman.*—If you want to refer to it, we can get you a copy.

*Moulvi Abdul Ghani.*—Note 1 on page 174. The percentages of savings go up. May I ask why this amount is not met from the funds of the I. C. A. R. ?

*Chairman.*—Sir James Grigg had provided originally a crore, which turned out to be a good deal more. Some of that money was definitely set aside for objects like those here administered by the I. C. A. R., so that the work was taken up because the money was provided from another source.

*Mr. Bozman.*—These 2½ lakhs had to be put in somewhere and it did not very much matter where it came in. In point of fact the cattle show is not administered by the I. C. A. R. It is a private registered society but the grant had to be shown somewhere. It was most convenient under the I. C. A. R. which was largely responsible for the first show and so it was put in under this head.

*Moulvi Abdul Ghani.*—I was under the impression that this should have been spent from the lump sum given to the Agricultural Research Association of 5 lakhs instead of from the Fund for Rural Development ?

*Chairman.*—The five lakhs has got many other claims upon it. The Fund for Economic Development was precisely for additional purposes like this.

*Moulvi Abdul Ghani.*—D, column 1. I want to know whether it is not possible to bring this to the notice of the Assembly, if not through the original budget, then through the supplementary demands ?

*Chairman.*—That is only if there is an excess on the whole grant.

*Moulvi Abdul Ghani.*—Grant No. 43—D. 1, D. 2 and D. 3.

*Mr. Basu.*—This is financed from the Sugar Excise Fund.

*Chairman.*—I thought the whole of that was placed at the disposal of the Provinces ?

*Mr. Bozman.*—Some of it was placed at the disposal of the I. C. A. R. also and the remainder was divided amongst the Provinces.

*Chairman.*—The position is that this activity is financed from what is called the Sugar Excise Fund. It was originally agreed that one anna per hundredweight should be used for various development purposes and this is part of that.

*Moulvi Abdul Ghani.*—May I know what is the share of the Bihar Province, what amount is spent in Bihar ?

*Mr. Basu.*—Rs. 20,000. It is distributed amongst the Provinces. We simply distribute the money.

*Moulvi Abdul Ghani.*—There is a large saving of Rs. 27,000. I draw attention to the note.

*Sir Raza Ali.*—This is a large saving.

*Chairman.*—I pointed out before that this was a year in which owing to the difficulties of the Central Government a retrenchment campaign was embarked upon in all Departments and we shall find in all the Budgets that there are much larger savings than in previous years. They deliberately resulted from the economy drive which unfortunately had to be embarked upon after the Budget was adopted.

*Sir Raza Ali.*—Why not have lump sum cuts throughout ?

*Chairman.*—You cannot expect Departments to abandon activities of vital importance and so we asked them to cut down their budgets to the minimum which would not result in serious damage in financing their activities.

*Sir Raza Ali.*—In two consecutive reports the Public Accounts Committee recommended that this lump sum cut was a very wholesome one ?

*Chairman.*—That is in connection with works, because engineers regularly over-budget whereas in practice they find themselves unable to spend the whole amount. That has been done in connection with works ; you cannot do that in connection with establishment.

*Mr. Scott.*—The amount you got from the economy drive was over a crore ?

*Chairman.*—Yes, that is so.

*Moulvi Abdul Ghani.*—At the time of framing the Budget, the same amount is budgeted and the saving is shown afterwards. Instead of that, may it not be cut down at the time of framing the Budget ?

*Chairman.*—Generally speaking, one endeavours to adjust the expenditure budget through the revenue budget. What happened in this year was that after the Budget was made the revenue began to fall below expectations and therefore in order to minimise the resultant deficits we had to endeavour in mid-year to reduce the actual expenditure in spite of the fact that it had already been voted by the Assembly ; we had to try and secure savings.

*Mr. Scott.*—Generally speaking, do you consider that the Departments played the game ?

*Chairman.*—I think they did assist us very greatly and that was pointed out in the course of the Budget speech of the following year, viz., that we had met a good deal of the gap by savings.

The next grant is No. 44, Sugar Technology, Pages 177-78.

*Moulvi Abdul Ghani.*—When was this institute started ?

*Mr. Basu.*—It was established on 1st October 1936.

*Mr. Scott.*—It is doing good work ?

*Mr. Basu.*—That was the opinion of the Sugar Committee. We are satisfied.

*K. B. Piracha.*—Item B on page 177. Professor of Sugar Engineering. Was this not expected when the Budget was prepared ?

*Mr. Basu.*—This post was advertised on the establishment of this institute in 1936 both in India and England. We could not get any candidate on the terms offered. The post had to be re-advertised again and the terms had to be made more attractive. It was expected that the post would be filled up before 1938-39, but it was actually filled in October 1939.

*Mr. Azhar Ali.*—C—running of a sugar factory. There is no use of having a model factory now ? We have got hundreds of sugar factories.

*Mr. Scott.*—They train men to work in the best methods in a practical way.

*Mr. Azhar Ali.*—Do they take in paid apprentices ?

*Mr. Basu.*—Indian students are trained in the methods of how to produce sugar.

*Chairman.*—Just in the same way that a hospital is attached to a medical school.

*Mr. Azhar Ali.*—Can you tell us anything about the Sugar Bureau ?

*Mr. Basu.*—It deals with sugar standards which have been adopted by many factories. It was originally an I. C. A. R. scheme but has now been taken over by the Government of India.

*Moulvi Abdul Ghani.*—G. Manufacture of cattle feed from molasses : May I know what success has been achieved ?

*Mr. Basu.*—As you know, experiments have been conducted and some results have been achieved but further experiments have been undertaken at the Pusa Research Institute.

*Moulvi Abdul Ghani.*—At what stage is it ?

*Mr. Basu.*—We have not come to any final conclusion but the preliminary results have proved satisfactory and they have now been taken over by the Imperial Veterinary Research Institute. They will make further experiments before we pass on the results.

*Mr. Azhar Ali.*—It was sanctioned during the course of the year ?

*Chairman.*—The net charge under this head is nil ; they have received money from the I. C. A. R. This is merely the way in which it is exhibited. Normally the Committee would have to comment very strongly if there are large amounts provided in the Budget which were not actually spent but in this year one has to recognize this over-riding consideration,—viz., the Central Government's economy scheme.

*Moulvi Abdul Ghani.*—There are systematic savings you will find under the various grants ?

*Chairman.*—When you deal with the Finance Department you will be able to touch on this point. You will find it dealt with in paragraph 9 of the Audit Report on page 7. It has been pointed out that the percentage saving is the largest within recent years,—the total saving is 127 lakhs. But this is mainly due to extensive economy measures adopted after the Budget was framed.

*Moulvi Abdul Ghani.*—Note 2.—There are three schemes, E, F and G which were sanctioned during the course of the year. I ask whether it was not possible for the Department to give information of these three schemes to the Legislature through the supplementary demands.

*Chairman.*—Actually these schemes are sponsored by the I. C. A. R. The latter has funds which go on from year to year and they in effect said to the Sugar Technological Institute, "we want you to carry out certain experiments. We will provide funds." The expenditure appeared in the Budget and the receipts appeared in the Budget. The I. C. A. R. has funds from which to finance various experiments.

*Mr. Bozman.*—It does not affect the total Budget of the Government of India.

*K. B. Piracha.*—Grant No. 45. A (1), col. 1, saving of Rs. 21,000. Could it not be anticipated beforehand ?

*Mr. Bozman.*—This was due to an officer who went on leave having to extend his leave throughout the year owing to illness.

*Mr. Scott.*—B, col. 1.—Construction of central veterinary college buildings : has that been constructed ?

*Mr. Bozman.*—That is in abeyance.

*Moulvi Abdul Ghani.*—Grant-in-aid contribution. Indian dairy diploma. Where is it given ?

*Mr. Bozman.*—It is given in two places,—Bangalore and also at the Allahabad Institute. They give the training and a joint examination is held ; those successful get the Indian dairy diploma.

*Moulvi Abdul Ghani.*—Is there any scholarship given to the sons of the employees at Muktesar ?

*Mr. Bozman.*—I do not know of any such scholarship.

*Mr. Scott.*—B. (3) : has that been completed on the animal nutrition scheme ?

*Mr. Bozman.*—Yes. We had a great deal of trouble over the gas plant. The Stores Department saved us from unnecessary expenditure. Although they had originally approved they found on test that the plant was quite unsatisfactory. We had to reject it and that is why there was so much delay in completing these buildings.

*K. B. Piracha.*—Page 3 : What about these arrears ?

*Mr. Bozman.*—The amount required for these two sections at the Izzatnagar Institute was definitely allotted from fund from Economic Development. That, of course, is a non-lapsing grant and it can be carried over from year to year.

*Moulvi Abdul Ghani.*—Q. 2. What is John's Disease ?

*Mr. Bozman.*—I am sorry I cannot tell you, but I know its correct treatment has been discussed by scientists all the world over.

*Moulvi Abdul Ghani.*—What is the explanation to col. 1 ?

*Mr. Bozman.*—I can explain about Q. 2 (2). We intended to recruit a man who could investigate these diseases. We found that we could not get one and the only way to secure a man who could do the work was to send somebody from India for training in England, so that the provision that was made for his pay could not be used. He was not actually appointed but was sent to do research work in England before taking up work here.

*Moulvi Abdul Ghani.*—My submission is why this amount was provided in the Budget before he returned to India after receiving his training in England ?

*Chairman.*—The Committee dealt with this point last year. I think we recommended last year that the only way to deal with this was to make a lump sum cut from the whole year's provision to allow for the inevitable delay that occurs in cases of this kind. The recommendation of the Committee was made after this and the next Budget had already been framed with the result that that recommendation has been acted on in the current year's budget.

*Mr. Bozman.*—These schemes are financed by the I. C. A. R. These do not affect Government funds.

*Mouivi Abdul Ghani.*—Commercial Appendix, Page 96, para. 147 : May I know why the profit is so low ?

*Mr. Bozman.*—I can only give the explanation that is given in the Appendix itself, namely, that the stock carried over from the previous year was large and valued at a lower rate of production than actually applied to it. It necessarily reduces the profit.

*Chairman.*—Does that mean that the selling rate would have been put up in the following year ?

*Mr. Bozman.*—In the following year the profit will be bigger because there will be less carry over. It will depend to some extent upon the actual production cost. The selling rate was different. The selling rate for each year is based on the cost of production. If you are carrying over stocks from the last year which cost you more to produce, then you lose on them.

*Mr. Scott.*—Then, you were able to reduce your cost of selling price ?

*Mr. Bozman.*—Yes.

*Chairman.*—But the main object is to provide a reliable serum at cost more or less ?

*Mr. Bozman.*—Yes.

*Mr. Scott.*—One or two agriculturists told me that the produce is reliable.

*Mr. Bozman.*—They are producing very good stuff indeed. They have invented new methods which have been highly successful.

*Mr. Scott.*—The Institute is doing very good work ?

*Mr. Bozman.*—Yes, very good work indeed.

*K. B. Piracha.*—I would like to draw the attention to para. 3 of the note. There are very big savings, as compared to other departments ?

*Chairman.*—That is because this includes small capital expenditure, and works were deliberately held up owing to the economy campaign. The construction of the Central Veterinary College, Izzatnagar, was deliberately postponed.

*Mr. Bozman.*—May I point out again that this is against a non-lapsing grant. It is against the grant from the Economic Development Fund. These two sections at Izzatnagar contribute very largely to that big saving.

*Sir Raza Ali.*—When did your economy campaign start ?

*Chairman.*—About July or August 1938. On a review of the first three months revenue we found that we were running for a big deficit. So, we began to take action at once.

GRANT No. 55, PAGE 217.

*Moulvi Abdul Ghani.*—A 1, Col. 1 : Why this change from voted to non-voted. ?

*Chairman.*—The usual practice is that if at the time the budget is framed it could be anticipated that the salary of officer would be voted, a provision must be made in the voted grant. If afterwards it became necessary for any reason or if it is decided to appoint another person whose salary is non-voted under the Statutory rules, then it affects the account in the mid year.

*Sir Raza Ali.*—I believe we can express the opinion that the estimate for the salary of a voted officer should be included in the budget ?

*Chairman.*—That is the practice. The practice is that the provision is made for the voted officer except when a non-voted officer actually holds the post.

*Sir Raza Ali.*—I do move that we should recommend that provision should be made for the salary of a voted officer.

*Chairman.*—Although this question bears an accounts complexion, I am sorry that it is really a matter beyond the scope of the Committee. It may mean that the Committee recommends that the next holder of the post should be a non-official.

*Sir Raza Ali.*—I want to avoid technical objection. Can you help me in any way ?

*Chairman.*—The only thing that you could recommend would be that in cases where it is known that the holder of the post will be a voted officer, provision should be made in the voted grant, but I think that is already the practice. When does the term of the present incumbent expire ?

*Mr. Bozman.*—In April or May of next year. We shall have to make provision in the next year's budget. On every occasion on which provision has been made so far, it has been under a voted head.

*Sir Raza Ali.*—Not for the last two years ?

*Mr. Bozman.*—Because there was, in fact, a non-voted officer.

*Chairman.*—If the object is to secure that a non-official will be appointed, then the fact that the provision is made under the voted or the non-voted head will not have the slightest effect in influencing that decision.

*Sir Raza Ali.*—Let us express our opinion. It is for the Government of India to give it any weight or to disregard it. I think we should express the opinion that provision should be made for his salary in the next budget under the voted head ?

*Chairman.*—If you want to put it as an accounts point, then the only way to put it is that where there is a question of a new incumbent to a post which is usually held by an officer whose salary is voted, then provision should be made in the Budget under a voted head.

*Sir Raza Ali.*—That is very mild.

*Chairman.*—That is the only aspect which you are entitled to touch.

*Mr. Azhar Ali.*—If this request is somehow acceded to, that is, a non-official is appointed, then there may be an objection from the Finance Department that there is no voted item ?

*Chairman.*—The Finance Department could not possibly raise an objection to a particular appointment on the ground that the budget provision had been made under a non-voted or voted section. It will be a gross abuse of a purely technical feature of the accounts in order to influence a substantive decision of policy.

*Sir Raza Ali.*—I agree and that is the reason why I want to place something on the record.

*Chairman.*—I am sorry what you really want to achieve is something which is beyond the scope of the Committee and I really cannot help you in that matter. This Committee is not appointed by the Legislature in order to deal with such matters or to make such recommendations to the Legislature. I cannot carry the matter any further than what I have already suggested, namely, when there is a new incumbent to a post and we do not know whether he will be a voted or non-voted officer, but the post is one which is usually held by voted officers, the provision should be made under the voted account. That is the only aspect of this matter which concerns this Committee.

*Sir Raza Ali.*—Let us have that. I will afterwards look up the budget in order to see whether a provision has been made among the voted items or not and will take up the matter at the discussion stage.

*Sir E. Burdon.*—May I add one remark. Actually, when we get a heading A. 1 in two sections, voted and non-voted, we treat the whole thing as one. We do not make any distinction between voted and non-voted. When there is a change in the course of the year due to a change of an officer, we merely state this fact, but we do not regard it as a subject for objection. From our point of view, this is not an important matter at all.

(The Chairman then read out Rule 52 of the Indian Legislative Rules for the information of the Committee.)

GRANT No. 57.—MISCELLANEOUS DEPTS.

*K. B. Piracha.*—F. : May I know what is the establishment in this connection ?

*Mr. Bozman.*—There is only one Superintendent. It is the museum which is maintained in the gate of Delhi Fort. It is actually under the direction of the Chief Commissioner, Delhi.

GRANT No. 64.—MISCELLANEOUS.

*K. B. Piracha.*—B. 2 : Why is there this saving ?

*Mr. Tyson.*—The provision was made for newspapers and other non-official publications which are supplied to the High Commissioner and to the India Office. Actually, the provision is made by the Finance Department. Since the introduction of the Reforms, the India Office has been made to pay for its own newspapers which they get from India. That arrangement was decided upon only after the budget had been compiled. You will not find a saving like that in the following year's budget.

*K. B. Piracha.*—E. 1 (1) : Could you explain this ?

*Mr. Tyson.*—It is an allowance to Port Health officers for pilgrim duties. The actual figure we asked for was Rs. 1,200 and by some misapprehension an extra Rs. 500 was given which when we discovered it the Finance Department hastily took back. The provision is for special pay for the Port Health staff in Bombay and Karachi for pilgrim duties.

*K. B. Piracha.*—E. 2 (1) : Does the Government of India pay anything for this establishment and for what purpose ?

*Mr. Tyson.*—The arrangement was that for the first four years after the setting up of these Port Haj Committees, the Government of India were to meet the expenditure and after that the Port Haj Committees were to meet it themselves. The Bombay Government reported to us that from March 1938 the Port Haj Committee would have done its four years and would meet its own expenditure. Afterwards they wrote saying that they had made a mistake and the change would take place from the 1st of June. We then had to find the money for the first quarter of the financial year which really was debitable to Government after all and not to the Port Haj Committee.

*K. B. Piracha.*—E. 3 : What is the number of destitute Indian pilgrims now ?

*Mr. Tyson.*—The figure in the calendar year of 1936, the last figure before us when the Budget was being compiled, was 662 destitutes. The number of destitutes in the previous years had been 560 and 562 and a



provision was made on that basis. But in the year 1938 the number of destitutes came down to 171 partly owing to closer supervision by the Indian Vice-Consul at Jedda and partly because the passages were cheaper, which again reduced the cost of repatriation when we had to pay these costs.

*K. B. Piracha.*—The policy up to this time was to deter people who did not have money from going to Haj. Now that the expenditure on these destitutes is so small, there ought to be a relaxation in the directions against these destitutes ?

*Mr. Tyson.*—I am not sure about that. The figure of destitutes has recently tended to go up again.

*Mr. Azhar Ali.*—E 4 : We find some reduction in the grant-in-aid to the Port Haj Committee. Mr. Fazlul Haq is pressing for that grant. Why should there be a reduction in that grant ?

*Mr. Tyson.*—Of the 10,000 provided, 8,000 was for Calcutta and owing to the coming into force of the provision to which I referred to before, the cost of the Calcutta Committee was to be met by the Haj Committee themselves. They discharged some of their staff and then they either re-employed them on a lower rate of pay or employed new people on a lower rate of pay and we were able then to reduce the grant-in-aid that we give to the Calcutta Committee.

*Sir Raza Ali.*—That would be exploitation—employing them on a lower rate of pay ?

*Mr. Tyson.*—They were not employed by us. They were employed by the Committee.

*K. B. Piracha.*—R. 1 (4) (1) : Grants-in-aid to School of Oriental Studies. What is this grant ? To whom it is given ?

*Chairman.*—It is given to the School of Oriental Studies in London I think probationers for the Indian Services take courses there.

*Mr. Tyson.*—I am afraid I do not know much about it.

*K. B. Piracha.*—O-Works. What are these works for ?

*Mr. Bozman.*—This was the Khidderpore Market and actually we stopped some work for purposes of economy and for other works we got lower rates from contractors than we had anticipated

*Grant No. 71.—Andamans and Nicobar Islands.—Commercial Account, page 105 of the Commercial Appendix.*

*Chairman.*—The figures are satisfactory

*Mr. Scott.*—It is slightly less than the previous year.

*Mr. Bozman.*—The Andamans are doing very well.

*Chairman.*—The conclusion is that the year's working has been satisfactory, which I think we may note with gratification.

*Grant No. 75.—Capital Outlay :*

*Mr. Scott.*—Note 2 : the total expenditure has been less than the grant—that is very satisfactory.

*Mr. Bozman.*—Yes—it is 3½ lakhs less.

*Maulvi Abdul Ghani.*—What are these transfer of Assets—Note 1 ?

*Mr. Bozman.*—I think these are almost entirely conservancy, but I am not quite certain.

*Chairman.*—I suppose they were taken over by the Municipal Committee being of a municipal character.

*Mr. Bozman.*—I could verify that.

*Mr. Azhar Ali.*—What has the Municipality to do with this ?

*Chairman.*—I suppose it falls within the limits of the Municipal Committee.

*Mr. Bozman.*—It is getting very close to the Karol Bagh Extension, or rather the extension is expanding towards the Institute.

*Mr. Tyson.*—At the last sitting of the Committee I was asked what instruments were manufactured by the Mathematical Instruments Office : the information I have shows that they manufacture a lot of survey instruments for the department itself, for the army, for the R. A. F. and for provincial governments,—plane tables, prismatic compasses, etc. They also manufacture for the provinces a lot of unexpected things like rain gauges—also hydrometers and hygrometers, for the excise departments ; and they repair almost any kind of thing from a theodolite to a barometer ; they also have an optical repair section for lenses and other optical material : and they have also made high precision levelling instruments for the new Howrah Bridge construction and they repair and calibrate many instruments for the Civil Aviation Department

The Chairman thanked the witnesses who then withdrew.

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## FINANCE DEPARTMENT.

*Chairman.*—Para. 5 of the Audit Report : The total low disbursements were 144 lakhs.

Para. 6 : In none of the cases where supplementary grants were obtained was there any saving on the original grant.

*Mr. Jones.*—That is the second year in which this has happened.

*Mr. Scott.*—Para. 6 : Demand 76 : this is really not a saving at all ?

*Mr. Jones.*—The “ savings ” in this case are mainly the result of postponement of works expenditure. In addition to these heads, in relation to items which affected all departments like establishments, we issued instructions about non-filling of vacancies of officers going on short leave and so on.

*Mr. Badenoch.*—There was also a cut of 10 per cent. in all contingent expenditure : there was also an order that about 10 per cent. of the establishment should be kept vacant.

*Sir Raza Ali.*—The saving under heads like Archæology is almost excessive : even at 10 per cent. it should not be more than 125,000.

*Chairman.*—Compared with other heads this is one of the lowest percentages : this head was affected more by the cut in works than by the cutting of contingent expenditure.

*Sir Raza Ali.*—I do not think it is very sound.

*Chairman.*—There is also a certain amount of reclassification. But in years when revenue is coming in badly, we have to postpone things, we wait for better times. Necessity is a very hard taskmaster.

*Sir Raza Ali.*—Has any particular percentage been recommended by the Finance Department as a measure of war economy ?

*Chairman.*—These economies are still being carried on : we have not yet relaxed all the measures then taken, except repairs which we are taking up so as to avoid arrears.

*Mr. Jones.*—At the last meeting when we were discussing the degree of economy effected in Demands such as Archæology and Public Health I promised the Committee that when the general question came up for consideration in connection with the examination of Finance Department I would give an analyses of the budgeted expenditure for 1938-39, which would indicate the extent of the field available for retrenchment after excluding such items as were more or less obligatory. I have the figures here. The total budget is 85.82 crores. Of this, net defence expenditure is 45.18 crores, which is practically on a contract basis and in any case in the circumstances of 1938-39 could not be reduced. Then interest payments which are statutory amount to 11.76 crores ; pensions which cannot be reduced amount to 284 lakhs ; payment to the road fund, which is statutory, comes to 170 lakhs ; grants to Provincial Governments and payment of match excise duty to Indian states—all statutory—come to 304 and 32 lakhs respectively ; other payments to Nepal, the Persian Gulf subsidies, payment to the Crown Representative, allocation from sugar excise for research and various assignments and compensations total all together, including the items I have mentioned above, 67,27 lakhs : the

balance therefore out of the total of 85.82 crores, available for our retrenchment, comes down to 18½ crores : and even out of this figure there is the allocation for debt redemption, 3 crores, grants to the I. C. A. R., the Hindu and Muslim Universities, the Indian Institute of Science, the Jute Committee, etc. If all these are eliminated the total budget comes down to 15½ crores, out of which we saved 1¼ crores.

*Sir Raza Ali.*—That is good. We shall always be confronted with this spectre.

*Maulvi Abdul Ghani.*—Is the share of sugar excise duty to the provinces going to be curtailed ?

*Mr. Jones.*—Not so far as I know.

*Chairman.*—It was definitely made on a temporary basis—for five years and for certain limited purposes.

*Secretary.*—That five years has expired.

*Chairman.*—But it has not been stopped entirely : there are certain balances in the fund for them to operate on. Some of the provinces also levied a cess to cover many of the main purposes for which this grant was being made.

*Mr. Azhar Ali.*—Demand 80 : What about these loans and advances ?

*Chairman.*—We do make loans to Indian States and we are satisfied that they are justified and that our interests are safeguarded.

*Sir Raza Ali.*—I believe you make loans to private individuals too on very rare occasions ?

*Chairman.*—I do not think we make any loan except for a public purpose.

*Mr. Jones.*—Para. 7 : The Auditor General's statement here makes rather much of little, I am afraid. The total saving in Grant 38 was only 1,019 rupees of which the bulk was due to rounding. Again as regards Commuted Value of Pensions (Grant 78) we go mainly on the basis of information supplied by the A. G., C. R. himself.

*Chairman.*—Why does the total of all final appropriations amount to so much less than the gross expenditure—voted and non-voted ?

*Mr. Badenoch.*—These are the civil estimates only ; the army is not in it.

*Mr. Scott.*—The total has come down to 40 crores : can you give us any idea of what the figure for next year is ?

*Chairman.*—The war begins to impinge on the following year. I explained the position in my budget speech. I gave the revised estimates.

*Mr. Scott.*—You have got the actuals now probably ?

*Mr. Jones.*—No ; we do not get them till September.

*Chairman.*—Para. 11 (1) : Is this the point which we deal with under leave salary question ?

*Mr. Jones.*—Item 13 of the Statement of Outstanding Recommendations : it also comes under para. 29 of the Audit Report.

*Chairman.*—The largest item is under ecclesiastical, item (6) below para. 11 of Audit Report.

*Mr. Jones.*—That again relates to English charges which are under the High Commissioner's control.

*Sir Raza Ali.*—Does this mean salaries paid to I. C. S. and I. P. S. officers on leave only ?

*Chairman.*—No : to all officers on leave in England whose salaries are not voted.

*Mr. Scott.*—Para. 15 : What is this figure of *plus* 1,140 under non-voted ?

*Mr. Mohan Rao.*—That is the percentage : we had a supplementary grant of 62,000.

*Chairman.*—It is a small sum, but the percentage is colossal, because the original appropriation was very small. It might be argued that since the economy campaign had gone on for some time the figure should have been smaller here.

*Mr. Azhar Ali.*—We find there have been persistent savings during the past years also : why ?

*Chairman.*—In particular heads there has been regular over-budgeting and therefore this committee recommended that we should make a note and make considerable cuts.

*Mr. Jones.*—There is one item in the outstanding recommendations dealing with this point, to which we shall come presently.

*Mr. Scott.*—The last sentence in the first sub-para. of para. 16 is significant.

*Chairman.*—I take it that it is an infinite process : you can never achieve perfection : there will always be scope for improvement.

*Mr. Azhar Ali.*—When are these surrenders made ?

*Chairman.*—Towards the close of the year : when the revised estimates are made.

*Mr. Jones.*—It is to these four cases at the end of para. 16 to which the Accountant General presumably refers when he says there is scope for further improvement. Two of them alone concern the Finance Department. One is interest on debt and I doubt if we can expect any improvement there : it is just chance whether these post-year transactions turn out more favourably or worse than our expectations. As regards the other instance, it was admittedly a mistake. Correspondence between us and the High Commissioner crossed and clashed, as a result of which the surrender of 47,000 was withdrawn twice. We made a cut and he made it too.

*Chairman.*—Para. 17 : The statement shows that the improvement attained last year has been maintained in the year under report and that the instructions about presentation of supplementary demands to the Legislature contained in the Government of India, Finance Department, circular memorandum, dated the 9th October 1935, have been duly followed by the authorities concerned.

I think we should indicate our satisfaction with that.

*Mr. Azhar Ali.*—It is pointed out in para. 16 that there is still further room for improvement.

*Mr. Jones.*—I agree there may be room for improvement. The reason for the Supplementary Grants turning out to be in excess of requirements in the cases of Grants Nos. 59 and 64 was, in the first case, due to large savings in English expenditure which is not controlled from here, and in the second due to a rush of post office savings bank transactions and cash certificate work which we could not possibly have foreseen.

*Sir Raza Ali.*—There are other items too.

*Mr. Jones.*—We shall consider these when the representatives of the departments come up.

*Chairman.*—We might express satisfaction with the improvement, that has been maintained and the hope that it will continue to be maintained.

There is a large saving here under Salt. We shall have to ask the Central Board of Revenue.

*Mr. Jones.*—Para. 19. The figures for 1938-39 are good.

*Mr. Azhar Ali.*—Why are the estimates of figures under loans and advances difficult ?

*Chairman.*—We ask the various authorities who are entitled to obtain loans from us to give us a forecast of their probable requirements. They make the best guess they can and they sometimes make mistakes.

*Mr. Jones.*—We provided for loans of 16 lakhs to the Cochin Government, 17½ lakhs to the New Delhi Electric Authority and substantial sums for the New Delhi Municipality and the Delhi Improvement Trust which were not required during the year although it was fully expected that they would be required when the provision was made. You cannot force these authorities to take loans which they find they do not require merely because budget provision has been made on the basis of their expectations.

*Chairman.*—Para. 20. This will be considered with the relevant witnesses.

Para. 29. The recommendation of the Public Accounts Committee was that the estimates for leave salaries should be based both on past actuals and the programme supplied by the High Commissioner. The conclusion come to by the Finance Department after examining the matter is that the inclusion of programmes as a basis would not improve the budgeting. There is one thing which the Committee fully realised last year. When an officer goes on leave, the proportion of his leave salary which is debitable to a particular budget has got to be worked out in relation to certain features of his service which cannot possibly be taken into account at the time of budgeting. Supposing an officer who goes on leave has during the last five years spent 3½ years on duty with the Central Government and 1½ years with the Provincial Government, when his leave salary comes to be allocated it will be debited in certain proportions between the two Governments. This is a matter which could not possibly be gone into in detail and that would in any case vitiate the budgeting position. That factor does come into past actuals because a certain amount of expenditure on leave salaries is distributed and the best thing you can do is to assume that the proportions will not vary considerably.

*Mr. Badenoch.*—In the case of the Central Government it is very frequent. When an officer goes on leave, what is called his leave salary

certificate is made out by the Audit Office and until the Audit Office has actually examined the amount of service of that particular officer under the Central Government and under the various Provincial Governments, it is difficult to say what the allocation of leave salary is going to be.

*Chairman.*—To work solely on a basis of leave programmes is not a practicable proposition.

*Mr. Azhar Ali.*—Are there no rules on the subject ?

*Chairman.*—There are but their application is a very complicated matter. The audit officer has to make an elaborate calculation when the officer is going on leave.

*Mr. Jones.*—When you have got to distribute leave salaries among the various departments I think that leave programmes are not going to help your estimating at all.

*Mr. Badenoch.*—If you take a particular department like Civil Aviation or Agriculture, then I do not think the point about distribution has the same importance.

*Chairman.*—Could we not ask the various departments whether in their opinion there is reason to depart appreciably from the average actuals.

*Mr. Badenoch.*—We prepare a long statement and send it up at least six months before. We say that so many officers are likely to go on leave. The High Commissioner makes some sort of corrections in the averages with reference to such statements. I agree that you will never get accuracy.

*Chairman.*—How much work would be involved in attempting to bring this factor into play ?

*Mr. Badenoch.*—We make a six monthly leave statement.

*Chairman.*—So it is in the case of the Central Departments. We do the same for customs and income-tax departments. You are talking about the Indian charges ?

*Mr. Badenoch.*—Both home charges and Indian charges. We tell the High Commissioner what we expect. We correct his estimates according to our anticipations. It might help the High Commissioner in his budgeting if he did know something about it.

*Sir Raza Ali.*—Can we base our estimates on the actuals in the light of the forecasts submitted to the High Commissioner from India ?

*Chairman.*—It is not merely the number of officers but also the periods of their leave.

*Mr. Jones.*—And the seniority of the officers concerned.

*Chairman.*—The Departments might be asked to look at the estimates which are based on past actuals and say whether they ought to be modified in the light of any knowledge which the department concerned possesses regarding the number of officers likely to be on leave.

*Mr. Jones.*—That would be extremely difficult. Supposing I say 6 to 18 months in advance that in 1941-42, so many men are likely to go on leave, who can say whether they can get the leave or not.

*Chairman.*—We shall probably take just a rough estimate.

*Mr. Jones.*—You will be undertaking a tremendous lot of extra work and you will probably secure no greater accuracy as a result. One is as likely to be falsified as the other.

*Chairman.*—I am not quite convinced that we shall be any better and I am deterred by the amount of additional work that will be involved.

*Sir Raza Ali.*—Suppose there are 150 officers and 70 officers took leave in any one year, is that not an indication that about the same number will take leave this year ?

*Mr. Jones.*—That is not a correct indication.

*Sir Raza Ali.*—It is a better index than the other one.

*Mr. Jones.*—Even if the orders of Government could have been obtained before hand, still the whole thing is governed by the exigencies of service and then there is the question how much of the salary is going to be debited to the individual departments.

*Sir Raza Ali.*—Let us give the modified scheme a trial.

*Mr. Scott.*—I am not in favour of putting on extra work when there is no corresponding advantage.

*Sir Raza Ali.*—Even if it involves a little extra work, that will help to put our accounts in proper shape.

*Chairman.*—It is the considered opinion of the Finance Department that you will not achieve any better results.

*Sir Raza Ali.*—I would give a trial to the modified system based on past actuals in the light of the forecasts supplied ?

*Chairman.*—I do not think it would be worth while attempting to wade through all the supposed programmes which in any case would have no real validity. They are merely cases about the intentions of the officers. We might ask the departments whether they have any reason why the provision should be modified upwards or downwards.

*Mr. Jones.*—Once an original appropriation has been made by the High Commissioner for India, all modifications of leave programme will have to be communicated to him from time to time. There will be a perpetual stream of work flowing to him.

*Chairman.*—I think we may take it as the wish of the Committee that the matter should be further pursued in the light of this discussion. A report on the subject should be submitted next year.

The Committee then adjourned till 10-30 A.M. on Tuesday, the 20th August 1940.



**Fifth Meeting, Tuesday, the 20th August 1940, at 10-30 a.m.**

**FINANCE DEPARTMENT—contd..**

*Chairman.*—The first item of outstanding recommendations which relates to the Finance Dept. is about the adoption of larger units of appropriation.

*Mr. Jones.*—The intention is that that report should be made to the Committee next year (1941) when the appropriation accounts for 1939-40 will be available, and the Committee will be in a position to judge the result of the experiment. As it is in a way connected with this question, I suggest that we might consider now the note which has been circulated to the members of the Committee regarding the simplification of the Detailed Estimates and Demands for Grants.

*Chairman.*—There is a very important point which arises out of this and which we wish to bring to the Committee's notice. That point is dealt with in the Memorandum regarding the Demands for Grants. I do not believe that anybody ever uses the mass of detailed matter which is compiled in the present Demands for Grants. In fact, the book, as it stands at present, does not merely exhibit all the information which the Legislature requires in order to understand the Demands for Grants but it goes much further and purports to be a complete register, so to speak, of all the establishment and scales of expenditure, which is quite useful to certain Audit officers but which is entirely out of place. The result of it, is that the important information which the Assembly requires in order to get a clear picture of accounts is overlaid by an enormous mass of detail.

*Moulvi Abdul Ghani.*—I appreciate this volume very much because it gives very valuable information to us. If this information was not available, we will have to put several questions to elicit information from the Govt.

*Chairman.*—That is not the purpose of this volume. The purpose of this volume is to give sufficient information to indicate how the demand for the grant is made up.

*Mr. Scott.*—The only thing that I feel at the present moment is that it might take up more of your time to put the volume in its new form.

*Chairman.*—We have already addressed our minds to the question. It is very easy. Part I and Part II-A will remain unchanged except that steps will be taken to see if various sub-heads cannot be reduced. That is the point arising out of this suggestion.

*Mr. Scott.*—May I know whether the putting into shape of these figures will involve very considerable time ?

*Chairman.*—It involves considerable work at present in connection with printing and there is a considerable use of paper and time in the Press which we consider is not justified by the result.

*Sir P. R. Rau.*—It also means such a lot of work to the Finance Department because every page has got to be checked.

*Mr. Scott.*—If the Auditor General is satisfied that the size of the volume can be reduced and it won't impair the efficiency of his audit, I

think we ought to put ourselves in the hands of the Auditor General. I trust he won't have the necessary information omitted otherwise he would have to give explanations himself.

*Mr. Badenoch.*—We have already assured the Finance Dept. that this scheme of Sir Raghavendra Rau gives us all we want. We do not want all these details.

*Chairman.*—I understand it to be the opinion of the Auditor General that the information which we propose to furnish will in no way impair the control of the Legislature over appropriation. That is the main point.

*Mr. Jones.*—We will still be giving substantially more details than are given in respect of the Railway Accounts.

*Mr. Scott.*—It is always open to us to criticise the revised method.

*Chairman.*—I am prepared to undertake that if there is any inconvenience or if any disadvantage is felt in dealing with the accounts from the point of view of the scrutiny which should be exercised by the Legislature, we will reconsider this change. But I do urge, particularly in the present conditions of the war when questions of paper and printing and the time taken by the Departments is of great importance that we should endeavour to put this on a more convenient and economic basis. I am confident that the volume in the form we propose will not only not impede the intentions of the Legislature but will give every assistance and I am quite prepared to accept the decision of the Committee as to what should be done—whether it should be a permanent change or, we should go back to the old practice.

*Mr. Scott.*—If by any chance we have a change of the Finance Member, there is the undertaking in writing which is binding on him.

*Chairman.*—The Committee may accept the change in principle on that understanding.

*Sir Raza Ali.*—On that understanding, I also agree to the change.

*Mr. Azhar Ali.*—The only point is that in the absence of the Congress Members it may not be said that we have agreed to change a procedure which was observed for so many years.

*Chairman.*—I am quite prepared to take the onus of that and in any case the Committee are accepting it as an experiment on my assurance.

*K. B. Piracha.*—May I ask what will be the amount of saving if you carry out this change ?

*Chairman.*—It is difficult to indicate that but there will be a considerable saving in paper and the work of the press.

*Mr. Azhar Ali.*—We might say in our report that this change has been made because there will be a great saving.

*Chairman.*—The question of war economy is there.

*Mr. Badenoch.*—This will involve no change at all in the form of appropriation accounts.

*Moulvi Abdul Ghani.*—I would like that information about new schemes and new items of expenditure should be supplied to us even in financial statements.

*Chairman.*—You will see from the memorandum on the subject that we intend to give the details with regard to new services and the creation of new posts. The point there is that that will be even more prominent because the other details of posts which have always existed will not obscure it. If this Committee succeeds in getting this reform done, it will have carried out a very striking reform which, I believe, will not be upset by subsequent Committees and this Committee will really have rendered a signal service to the Legislature by bringing this volume into a more reasonable form.

*Sir Raza Ali.*—We will be able to judge this next year.

*Mr. Jones.*—Item 10. These are working instructions to the Finance Department which we have noted and which are being observed.

*Chairman.*—No. 11. That is also a similar working instruction for budget purposes, the effect of which the Committee will be able to judge in dealing with future Appropriation Accounts.

Items Nos. 12, 13 and 14. They have already been dealt with.

*Mr. Jones.*—Item 15. The first five-year period under the Niemeyer Award expires on 31st March 1942. We propose to take up this question for consideration with reference to the budget for 1942-43 some time next year.

*Chairman.*—It will also arise in connection with the end of the railway moratorium when the question of how to deal with the future railway surplus has to be brought before the Assembly.

*Mr. Azhar Ali.*—What is the result of this examination ?

*Chairman.*—The recommendation was to examine this question for the period once the first quinquennium of the Niemeyer Award is over. It is the period beginning with the 1st April 1942 and we shall take it up again in time. We shall have to take it up in the course of the year 1941-42.

*Mr. Jones.*—We will expand the reply for the final printing of the Statement of Outstanding Recommendations.

Item 16. That has been done. We had occasion in respect of grants which we have already examined to note how much of the savings is due to larger receipts and how much is due to less expenditure.

*Chairman.*—Item 17. Strictly speaking, the question was argued in the Committee last year and there was no room for doubt about the legal position. However, we did, at the instance of the Committee, have the position re-examined. The wording of the Act leaves, to my mind, no doubt whatever and also to the mind of the legal advisers of Government that the Accounts of the Crown Representative and the Audit report should not be laid on the table of the Central Legislature. Our practice, however, is that we have agreed to furnish them to the members of this Committee.

*Mr. Jones.*—The legal opinion was that section 171 of the Government of India Act means what it says, namely, that these accounts and reports have to be presented to the Secretary of State and not to the Legislature.

*Mr. Badenoch.*—May I point out that, strictly speaking, there is no obligation on the Secretary of State even to publish the accounts. That is a concession beyond the strict requirements of the Act.

Grant No. 7. Stamps.

*Chairman.*—There is nothing very striking under the notes on page 57. The Commercial Accounts on Security Printing India are on pages 12 to 29 of the Commercial Accounts. Para. 28 indicates the general condition of this year, which is one of decreasing activity.

The policy regarding the Security Printing as regards Governments in India is to adjust the selling rates to the cost. If the profit were too high, it would be a criticism because the press works primarily for certain Central Departments and also for certain Provincial Governments and is not intended to work at a high profit. Apart from covering interest and depreciation and so on, the selling rate should be adjusted so as to yield a modest profit.

*Mr. Scott.*—I am glad to see that they were able to decrease the capital.

*Mr. Jones.*—You will see the general principle in para. 3 on page 1 of this Commercial Appendix. When you work at a profit, that reduces the capital. These commercial concerns are not meant to work at a profit.

*Mr. Scott.*—I hope that will be continued next year.

*Mr. Jones.*—Yes.

*Mr. Badenoch.*—The depreciation in the press is worked by writing down the capital.

Grant No. 11. Interest on Debt.

*K. B. Piracha.*—C. 1. May I know when was this loan taken and what was its amount ?

*Chairman.*—This point was raised last year and they gave lot of details. These are endowments by the late Kings of Oudh for the payment of pensions and certain stipends for Wasika. When the money is lodged with us, we undertake the liability to pay this.

*Mr. Scott.*—B.4. What about this discount on loans ?

*Mr. Jones.*—When a loan is issued at a discount, we take credit for the full face value of the loan in the loan section of the accounts and adjust the difference in the revenue section.

*Chairman.*—You provide for revenue for a certain period and so each year you write off that discount.

*Sir Raza Ali.*—If I may go back for a minute to the loan of the late King of Oudh, may I ask whether the interest on these loans is administered by the United Provinces Government ?

*Chairman.*—It must be administered by us. The U. P. Government possibly make the payments as agents on our behalf.

*Mr. Badenoch.*—Statutorily, it is the Central authority which looks after these loans because they are of a political nature.

*Mr. Scott.*—M.-1. Cemetery Endowment Fund : That is a very small fund.

*Chairman.*—That is only the interest on it. People pay for the maintenance of graves and that amount forms the corpus of the fund.

*Maulvi Abdul Ghani.*—Page 72. M.-2. I want to know what is the amount of interest on this Kamaran Fund.

*Chairman.*—Probably the E., H. and L. Department can give the figure.

*K. B. Piracha.*—What is the amount of the fund ?

*Mr. Jones.*—I cannot say exactly, but it would be roughly twenty times the interest.

*Mr. Azhar Ali.*—There is some explanation given about the Cemetery Endowment Fund but none about this Kamaran Fund.

*Chairman.*—There is no explanation given about the Cemetery Endowment Fund : it is only said there was a mistake in classification, which has now been rectified.

*Mr. Jones.*—We merely hold the money and we pay interest on it.

*Mr. Gill.*—I shall get the information from the E., H. and L. Department.

#### Grant 18. Finance Department.

*Mr. Scott.*—Why was it decided to revert to the old procedure—re. military finance ?

*Chairman.*—It always was under the control of Finance Department, but it was included under Defence Department.

*Mr. Badenoch.*—We classified it as defence expenditure and not as general administration.

*Mr. Jones.*—Shortly before the budget for 1937-38 was prepared Expenditure on the Military Finance Deptt. was classified by order of the Governor-General-in-Council as "defence". It was considered that this classification necessarily involved its inclusion in the Defence Estimates and that procedure was accordingly followed for 1937-38. It was done in rather a hurry without full examination of all the implications involved. Later, on further examination, it was decided that classification of the expenditure as defence need not automatically involve its inclusion in the defence Estimates and that it would be more appropriate to show it as non-voted Expenditure under the Finance Department just as Expenditure on the D. I. B. is shown as non-voted under the Home Department. This change was accordingly made in the budget for 1938-39.

*Mr. Scott.*—It might have lessened your control ?

*Mr. Badenoch.*—It made no difference. It was only a formal question of classification. It is a moot point whether when Federation is introduced, a non-voted defence item can come under a head like general administration : now under the old Act, it is permitted under Schedule IX. But it is a point we have not yet decided.

#### Grant 23. India Office and High Commissioner.

*Mr. Scott.*—Why was the training of the Trade Commissioner at Alexandria under the High Commissioner rather than under us ?—G.-1 and 2.

*Mr. Gill.*—He was there in the department and was given special training before going there.

*Chairman.*—Strictly speaking, these are under the control of the Commerce Department.

*Mr. Jones.*—The High Commissioner controls this grant. These explanations are merely as furnished by the High Commissioner : we have no further information, and if questions are asked, Commerce Department will be in a position to answer them.

*Chairman.*—Grant 24 : No comments.

Grant 25 : Audit.

*Mr. Azhar Ali.*—A-3, page 97. Tour and inspection should not be a matter for economy.

*Mr. Badenoch.*—I admit that I took it more strenuously.

*Chairman.*—During a particular year it is possible to economise even on audit, which is in many respects in the nature of a test check, and so long as it is not carried on for too long, we can make some reductions for the period in the check supplied.

*Mr. Badenoch.*—We have now gone back to full inspection under previous standards.

*Mr. Mohan Rao.*—We have also decided that we should audit part of the work which had been suspended.

*Chairman.*—Paras. 22 and 23 of the Audit Report : No comments.

Para. 26 of the Audit Report : Secret Service Expenditure : Have the certificates referred to in this para. been received ?

*Mr. Mohan Rao.*—They have since been received.

*Chairman.*—Grant 57 : No comments.

Grant 58 : Currency : This is one of the accounts where the total amount surrendered was excessive.

*Mr. Azhar Ali.*—The new one-rupee notes are not like the old ones—they are very small.

*Chairman.*—Those were issued twenty years ago and there is no stock of those notes. In 1935, when the price of silver was rising rapidly and it seemed possible that it might rise to a point at which rupees would begin to be melted down, we took the precaution of printing up 25 crores of one-rupee notes in England, but the emergency passed and it was unnecessary to issue them then. However, we did not destroy that stock but kept it in England. In connection with the recent withdrawal of rupees from circulation, we decided to bring that stock out and we ordered shipment of the notes before the public demand for them arose : it took some time to get them out here. That is why these notes date back to 1935. But they are very good notes and have a very good watermark, although they are small. We have already indicated that when this issue is finished, we intend to issue slightly larger notes.

*Mr. Jones.*—We have got the dies for the larger notes.

*Sir Raza Ali.*—I saw some legal objection to it somewhere.

*Chairman.*—That objection was mistaken. The object of issuing these notes is to relieve pressure on the demand for silver rupees. These notes therefore are not convertible into rupees—unlike the five rupee notes for instance. But they are convertible into smaller change.

*Mr. Scott.*—I suppose your mints are working to full capacity now ?

*Chairman.*—Yes. As regards these small notes, they are popular with the urban population and they have therefore been mainly issued in the towns and not out in the districts : we have concentrated on the urban centres.

*Mr. Scott.*—Is your silver position at present satisfactory ?

*Chairman.*—Yes. But the conversion of silver bullion into coin takes time and it is quicker to print notes.

*Mr. Scott.*—Are you going to revert to eight-anna nickel bits ?

*Chairman.*—We do not want to have an eight-anna nickel coin : it is not satisfactory : but the new eight-anna alloy coin is a very satisfactory coin.

*Mr. Jones.*—The two mints between them are minting something like 80 million pieces of small coin every month and their surplus capacity they use for minting rupees.

*Mr. Scott.*—What is the loss of silver when you take back your coins ? About 14 lakhs ?

*Mr. Jones.*—Yes. The amount withdrawn was 10 crores and the loss in value in melting them down was about 14 lakhs but when you refine them, you get back copper and gold.

*Mr. Scott.*—What is this payment to the Reserve Bank ?

*Mr. Jones.*—They are entitled to return surplus rupees. The situation in the year 1938-39 was that silver rupees were returning from circulation to the Reserve Bank and they are entitled to hand back to us up to five crores of silver rupees for which we pay them.

*Mr. Azhar Ali.*—Item 4 : what is this conversion of Bundi State currency ?

*Chairman.*—The Bundi State agreed to abandon its separate currency and we took over a certain number of their rupees and issued to them British Indian rupees under certain conditions and we melted down their rupees. We are always willing on reasonable terms to assist any State which does not wish to keep up its own separate currency.

*Sir Raza Ali.*—How many States are there which have their own currency ?

*Chairman.*—Travancore and Hyderabad, I think.

*Mr. Scott.*—What is this sterling reserve with the Reserve Bank ?

*Mr. Jones.*—The Reserve Bank when it returns rupee coin to the Government is entitled to be paid partly in sterling if it wants. We keep this 10 crore reserve in England so as to be in a position to meet our obligations. The excess of interest after meeting depreciation charges, etc., is taken to the credit of the revenue account under head XX. Item 6 on page 230 shows this as appropriation to revenue.

*Maulvi Abdul Ghani.*—What is the difference between standard value and market value ?

*Mr. Jones.*—The standard value is one rupee a tola and the market value is about 9 annas a tola. Our silver is partly bullion and partly coin : sometimes we melt down and sometimes we mint up.

*Mr. Badenoch.*—This is suspense account : gains and losses are kept in suspense. Using silver for medals and so on means a loss.

*Chairman.*—This is one of the most successful steps that we ever took—this printing of our currency notes in India. Formerly they were printed in England. It has saved us a lot of money.

#### Grant 59 : Mint.

*Mr. Azhar Ali.*—I find in all these accounts an item for honorarium.

*Chairman.*—The head of account is “ allowances and honoraria ” : it may have been allowances. Honoraria are not very common. Honorarium is paid when an officer is asked in addition to his ordinary duty to do some special job which is not within the scope of his ordinary functions. It is subject to income tax.

*Mr. Scott.*—Do the mints work at a profit ?

*Chairman.*—In one sense at a very large profit. As regards the minting of rupees, we take it to suspense account ; but as regards small coin we have taken the profit to revenue account. However we are now examining whether the whole of that should be taken to revenue or whether a certain amount should not be constituted as a reserve to meet losses in years when small coin comes back. With the increasing population and the standard of living there has not been a notable return of small coin for a long period—the demand for small coin is in fact steadily expanding. We can take a certain amount of the profits therefore to revenue.

*Mr. Scott.*—We may make a recommendation that this question should be examined.

*Chairman.*—We are examining it ; but we can say that the Committee approves of it.

*Chairman.*—Stores accounts of the Calcutta and Bombay mints. I do not think there is anything of special interest there. We go on to page 261, Grant No. 61. The amount of this is finally determined by the actual collections of the tax on petrol.

*Maulvi Abdul Ghani.*—Page 268. I want to know why in Col. I, the figures were changed from voted to non-voted.

*Chairman.*—It was only in the case of the Assam Rifles that it was changed to non-voted. The others were modifications for other reasons.

#### Grant No. 64, Page 289.

*Maulvi Abdul Ghani.*—Payments on account of settlement in South America of Russian refugees. May I know what this item is ? Why is India responsible for this ?

*Mr. Jones.*—I cannot say offhand, but if the Hon. Member desires I will look into the matter.



*Chairman.*—This has probably something to do with the League of Nations and our share of the obligations.

*Sir Raza Ali.*—May I know what is this loss of money on account of exchange—Item Q ?

*Chairman.*—We make provision considerably in advance. We have to guess what the actual rate of exchange is likely to be.

*Mr. Jones.*—The final savings shown in Col. 4 are largely due to an unexpected profit made by the Posts and Telegraphs Department in their transactions with countries outside India. That was adjusted right at the end of the year. They did not tell us that it was coming.

*Maulvi Abdul Ghani.*—May I know what is this item Rl. (4) (1). Grants-in-Aid to School of Oriental Studies ?

*Chairman.*—We dealt with this when we were dealing with the Department of Education, Health and Lands.

#### Grant No. 65.

*Chairman.*—These are subsidies to Provincial Governments under the Neimeyer Award and the Government of India Act.

*Mr. Scott.*—How does Coorg come in ?

*Chairman.*—They run their own legislature in Coorg, although it is a Centrally administered area. In the last resort we have to cover their deficits.

*Mr. Jones.*—Their budget is mainly dependent on the value of forest produce.

*Dr. Dalal.*—Why are Madras, Bombay and Bengal not mentioned here ?

*Chairman.*—They are not in receipt of subsidies under the Neimeyer Award.

Grant No. 66. No remarks.

Grant No. 67. No remarks.

Page 335. The main excesses are under G.-1 and G.-2. You find the explanation given here.

Page 405. The adjustment to the provinces is accounted for under the superannuation allowances. This is a central capital head.

#### Grant No. 79. Interest Free Advances.

*Chairman.*—We discussed some of this before when we were considering the question of financial control.

*Moulvi Abdul Ghani.*—Grant No. 80. What is this item A.-3 (5) Advances to cultivators ?

*Chairman.*—This is advances to cultivators in Centrally administered areas, just as they are given in the provinces.

*Mr. Azhar Ali.*—What is this item " Other conveyances " on page 412 ?

*Mr. Jones.*—Advances to Govt. servants for the purchase of conveyances other than motor cars, such as cycles, horse gharries, etc. These advances have been stopped now.

*Chairman.*—That finishes the Finance Department. We shall now take up the C. B. R.

## CENTRAL BOARD OF REVENUE.

The outstanding items have been settled. We shall now take up Grant No. 1 Customs.

*Moulvi Abdul Ghani.*—May I know what is this Sharples' scheme on page 28 ?

*Mr. Sheehy.*—This is for the prevention of smuggling both by sea and land on the Baluchistan Frontier. They have got some motor launches and also posts and patrols on the land frontier.

*Moulvi Abdul Ghani.*—What is this item—deputation and leave ex-India of certain officers of the Imperial Customs Service.

*Mr. Sheehy.*—There were certain officers of the Customs Service who were on deputation in other departments.

*Mr. Scott.*—Page 29 at the bottom—grant of allowance to staff employed in connection with the registration of Indo-Afghan Trade Agreement not considered necessary. Is not this under the Commerce ?

*Mr. Sheehy.*—This is worked in conjunction with work on the Land customs frontier.

*Sir Raza Ali.*—Page 30. This seems extraordinary—C.4, the Final appropriation is 11,16,100 and the actual expenditure is also 11,16,110.

*Mr. Sheehy.*—You will find the same thing on page 45. It is fixed for three years on the average of the previous three years.

*Moulvi Abdul Ghani.*—Page 31. Why are these grants-in-aid mentioned here ?

*Chairman.*—The position is that ships which work on Sundays and at other times have to pay penalty fees and also merchants who require work to be done outside ordinary working hours have to pay a special fee. Out of these receipts we make contributions to institutions which cater for the welfare both of the customs staff and seamen because the object of these fees is not so much to secure a source of revenue as to be a deterrent to prevent ships and merchants from lightly demanding work on days of rest and after normal hours. In some ports the realisation is greater than in others but the grants to these institutions have to be made on a fairly stable basis. In times of trade activity, the receipts are higher than in times of depression.

*Mr. Scott.*—What is the cause of the increase of expenditure in 1938-39 ?

*Mr. Sheehy.*—That is explained in the note below—The increase is due to more realisation in customs revenue at the Cochin Port and consequent increase in the share payable to Cochin and Travancore Governments.

*Maulvi Abdul Ghani.*—May I know if there was a decrease in revenue in 1938-39 ?

*Mr. Sheehy.*—There was a slight decrease from 43 to 40.

*Mr. Scott.*—Did the position recover in 1939-40 ?

*Mr. Sheehy.*—Yes.

*Sir Raza Ali.*—Are the Customs receipts for the current year worse than what was budgeted for ?

*Chairman.*—According to the latest figures up to the end of July, there is some fall below budget expectation but it is not very serious. It depends on war developments and on the position of shipping. You cannot in this year assume that the position will remain steady throughout the year.

Excise is heavily down because of the sugar position at present but we hope sugar will move out.

*Mr. Scott.*—“ 33, loss of customs revenue ”. “ The appraiser involved has been dismissed ”.

*Mr. Sheehy.*—We dismissed three people—the principal appraiser, an appraiser and an examiner. On appeal to the Public Service Commission the principal appraiser and the examiner were reinstated. There was not sufficient evidence to connect them directly with the fraud. But the appraiser was clearly guilty as the packages which he picked out for examination were the only ones found to be in order. In respect of all the others there were fraudulent declarations.

*Chairman.*—The principal appraiser's object was merely to take the valuation of the documents and it was not proved that he had any connection with the guilt.

*Mr. Sheehy.*—They now have double appraisements.

*Mr. Scott.*—Could you not bring in a police case ?

*Mr. Sheehy.*—The Public Service Commission allowed the appeal, but we recovered Rs. 90,000 in penalties. We do not know how long they were carrying on the fraud.

*Moulvi Abdul Ghani.*—Financial statement, page 4, there is a decrease of 3,30 lakhs ; what are the imports under which there is a decrease ?

*Chairman.*—I must refer you to the seaborne trade accounts which are published. I cannot remember at this distance of time what are the main fallings off but it was a year of trade depression.

*Moulvi Abdul Ghani.*—What is the position now ?

*Chairman.*—The up-to-date calculations are somewhat below the budget ; I allowed in the budget estimate for a considerable deterioration. The receipts are slightly below the estimate ; it is impossible to say in present circumstances how the year will end.

*Sir Raza Ali.*—If the fall is only slight, we should congratulate ourselves.

*Chairman.*—Public Accounts Committee's recommendation under Grant No. 1, was that the note should be expanded.

*Mr. Sheehy.*—That has been done.

*Chairman.*—Next grant, Central Excise duties, page 34.

There is a large variation under head C. Then under the voted section there is a large excess under sub-head (d).

*Mr. Sheehy.*—That is payments of the share of the central excise, explained in note 4 to sub-head (d).

*Mr. Scott.*—The expenditure seems to have gone up rapidly.

*Mr. Sheehy.*—Hitherto that 34 or 35 lakhs was a deduction from revenue, it is now counted as an item of expenditure, and the other increases are due to certain payments to Provinces on account of back agency charges for previous years.

*Mr. Azhar Ali.*—Page 35, No. 5, exemption of ruling chief.

*Chairman.*—Some ruling chiefs are entitled to get petrol free of customs duty ; they are entitled to get everything free of customs duty.

*Mr. Badenoch.*—There is a Schedule to the Government of India Act covering this ; there is no reason why it should have been put in at all, it is a normal thing.

*Chairman.*—In certain cases they are entitled to claim a refund where they have already paid the duty and that is the way in which we prefer it to be done.

*Mr. Scott.*—There is a certificate provided by the political officer concerned ?

*Mr. Sheehy.*—Yes.

*Sir Raza Ali.*—What is the position ? What are the orders regarding Ruling Chiefs ?

*Chairman.*—I forgot the exact wording of the order. They have this privilege, they have always enjoyed it.

*Sir Raza Ali.*—That is, for their personal use, not for the State ?

*Chairman.*—I think that is so ; goods imported for the use of the State I think are liable.

*Sir Raza Ali.*—Amount paid to Indian States for their share of the match excise duty, page 34. The matches we are getting are awful.

*Chairman.*—Perhaps you can express your remarks to the Industries Department when they come along.

*Sir Raza Ali.*—Perhaps we should reduce the amount of protection granted.

*Chairman.*—The Assembly pressed for the protection of this industry ; now you have got to use matches made in India.

*Mr. Scott.*—D on page 37. Owing to the saving economy campaign, did you proceed with the proposed reorganization ?

*Mr. Sheehy.*—Yes. When we were told that we had to economise, we just postponed the scheme.

*Mr. Scott.*—Did you have any deterioration on account of the postponement ?

*Mr. Sheehy.*—No but we did not have the improvement that we contemplated.

*Mr. Scott.*—Are you proceeding with the scheme ?

*Mr. Sheehy.*—We have increased the staff very considerably.

*Mr. Scott.*—Page 38. Have you any idea this year as to how things are going on ?

*Mr. Sheehy.*—In the Income-tax Department you cannot say ; because you are not comparing like with like. Collections are going on satisfactorily. We ought to have a good year.

*Chairman.*—There are remarks on the subject in my Budget speech.

*Mr. Scott.*—C. B. R. There was some criticism about the budgeting.

*Mr. Sheehy.*—We have formed a statistical branch in the C. B. R. where we have mechanized our statistics and we have altered the general form of the annual statements ; it is hoped in that way that we shall be more accurate in our revised estimates.

*Chairman.*—That also is dealt with in the Budget speech. We cannot know the effect of trade conditions.

*Mr. Gill.*—Could we refer back to the central excise duty. There is a voted excess.

*Chairman.*—This requires to be regularized by a vote of the Assembly. This is mentioned at page 8 of the Audit Report. This requires a recommendation, which this Committee may make.

#### Grant No. 4, Salt, page 39.

*Mr. Scott.*—The receipts are stationary ; there were small savings at the beginning.

*Mr. Sheehy.*—Due to the debiting to the excess head part of the cost of the staff.

*Chairman.*—The work has been amalgamated, but the cost of the staff is debited according to the agreed scheme under these two heads.

*Mr. Sheehy.*—J-6 on page 44. The Bengal Government were doing salt preventive work on behalf of the Central Government. We do it ourselves now and this will be cheaper.

*Mr. Azhar Ali.*—As you have reduced your expenses in this way, is it possible also to do it in Madras and Bombay ?

*Chairman.*—We have done it in all Provinces except Orissa and Sind.

*Mr. Sheehy.*—We reckon that we are administering the Departments more efficiently. It is better, whenever possible to take over such work ourselves.

*Chairman.*—In respect of these agency matters, our work is the step-child of the Provincial Government.

*Mr. Scott.*—Page 45, col. 1, construction of barrier boundary frontier. Is that very successful ?

*Mr. Sheehy.*—We have constructed as much of the barrier as we found the money for ; but there is still more to be constructed. So far as I know, it is very successful.

*Chairman.*—There is some simplification of the problem of smuggling.

Commercial accounts and review, pages 36—61 of the Commercial Appendix. The working results are shown in para. 63.

*Mr. Scott.*—Have they started working in Khewra ?

*Mr. Sheehy.*—They are erecting their factory. They may however be held up owing to the war.

*Mr. Scott.*—Engineering section. You did not get the right recovery ?

*Mr. Sheehy.*—These rates are fixed by agreement and we have to wait until the agreements expire before we can raise the rates.

*Mr. Scott.*—There is no clause in your agreement that if prices go up, then this will not apply ?

*Mr. Sheehy.*—If there were, then the Auditor General would have insisted on an increase.

*Mr. Scott.*—Such a clause should I think be introduced, if the Auditor General agrees, in the next agreement.

*Chairman.*—Para. 70 gives the sanctioned selling rate as well as the actual cost of selling. The object is broadly to approximate to the cost of production.

*Mr. Sheehy.*—We sell something like half a million tons. The cost of production has fallen.

*Sir Raza Ali.*—Page 36 shows an enormous increase in the profits from Sambhar.

*Mr. Sheehy.*—Page 65-A explains that, bottom of page 37. It was a real profit.

*Mr. Scott.*—Page 43, Khewra. The position is unsatisfactory ?

*Mr. Sheehy.*—That was purchased in a moment of enthusiasm when the Salt Committee of the Legislative Assembly thought they could supply Bengal from Khewra ; in practice the scheme was not found possible owing to the great distance between Khewra and Bengal.

*Mr. Scott.*—Sambhar. There is a big fresh deposit of something like 80 lakhs of maunds.

*Mr. Sheehy.*—The salt is there for the taking. A young Muslim inspector made the find. We had actually been faced with a shortage because we had two or three bad seasons.

*Chairman.*—Page 62, Commercial Appendix. There is a financial review of two other salt works.

*Mr. Sheehy.*—The profit is insignificant,—Rs. 35,000 on an output of 35 lakhs of maunds.

*Mr. Scott.*—Page 70, profit 915 by the disposal of surplus buildings. Ought not that to go on to capital or depreciation ?

*Mr. Sheehy.*—That I take it is production costs which go into the price which we charge to the Provinces.

*Chairman.*—Just as at present in the case of the Security Press.

*Mr. Badenoch.*—Probably these were some temporary buildings, but strictly speaking it is quite correct as Mr. Ramsay Scott suggests.

*Chairman.*—In the year in which we realize more than the balance, it is a revenue receipt. If you look at the note about these buildings, it is explained that there was an excess over the book value. It is written down against revenue and so there was a profit which was a revenue profit.

*Mr. Badenoch.*—There is a special reason in this case, but generally speaking, if you dispose of buildings, these profits are taken into account.

*Mr. Scott.*—Page 73. It is said that the reason for these losses are being investigated.

*Mr. Sheehy.*—We have shortages in stock. The opium is stored in large pots and, it may be a year or two before they are empty. There is naturally evaporation, and wastage. The method of verification of stocks is rough and ready. But it has been done like that for a hundred years and found satisfactory. Anyhow we are looking into it.

*Chairman.*—C. B. R., page 90—sub-head (d) is mainly responsible for the final saving.

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**Sixth Meeting, Wednesday, 21st August 1940, 10-30 a.m.**

DEPARTMENT OF COMMUNICATIONS.

*Chairman.*—Grant 21. No comments.

Grant 31. Meteorology.

*Mr. Scott.*—Item B : what is the meaning of synoptic messages ?

*Mr. Roy.*—A number of telegrams are collected from certain centres and a synopsis is broadcast from Calcutta, Poona and other centres : it saves expenditure on telegrams to a considerable extent. These broadcasts are meant for forecasting centres, Ships and Meteorological Offices outside India, and have been made possible because we have these wireless stations.

*Sir Raza Ali.*—What are the arrangements we have with Zanzibar ? I think there is a weather station there.

*Mr. Roy.*—I believe we have some arrangements with Zanzibar and certain other places for exchange of information : it is on a basis of reciprocity.

*Chairman.*—Page 130 : Note 1. I should have thought that this was not a relevant remark to make as it was a year of a deliberate economy campaign.

*Mr. Azhar Ali.*—What is this amount mentioned under K. 5 ?

*Mr. Roy.*—That is for agricultural meteorology. Certain kinds of investigations have to be made and distributed mainly to agricultural officers for agriculturists. It started about eight years ago as an experimental measure the I. C. A. R. agreeing to pay the cost. It is being continued for another three years, and if it is sufficiently useful it may be made permanent. At the present moment we control it. The Agricultural Meteorological scheme is now a charge on central revenues.

GRANT 47—AVIATION.

*Mr. Scott.*—Item B. These grants do not lapse, do they ? You have got a fund now ?

*Chairman.*—There is an important comment at page 190 which explains this : they have a fund now—with effect from 1939-40.

*Mr. Scott.*—What is the amount at the credit of this fund ?

*Mr. Badenoch.*—As far as I can remember it used to be 80,000 a year : we were first opposed to the opening of a separate fund, but the P. A. C. did not like this comparatively big saving year after year and so we agreed : but it is not big.

*Mr. Mohan Rao.*—(With reference to a previous question) : the balance at the credit of the central fund is 68,000.

*Chairman.*—Actually we may find in the light of later experience that the fund can be liquidated again : there may be no unspent savings.

*Mr. Roy.*—A certain proportion is given as subsidy to flying clubs : it may be possible to increase the amount so that eventually all flying clubs will be paid out of this, but quite a number of things are done out of this fund mostly technical.



*Mr. Azhar Ali.*—Has any complete scheme been prepared for flying training in all provinces ?

*Chairman.*—We have got a big scheme of expansion for 300 pilots and 2,000 mechanics.

*Mr. Roy.*—It is a two-year scheme. It is a recognised part of modern training to give a few hours training on link trainers (B. 1). We got the last one from the United Kingdom and we are arranging to get more.

*Mr. Azhar Ali.*—Do you not think that there should be a recommendation in our report that this should be speeded up and more money spent on this ?

*Chairman.*—That is already happening. What you mean to say is that as regards aviation the Committee would like to see the whole of the grant spent.

*Mr. Azhar Ali.*—Exactly.

*Sir Raza Ali.*—A grant used to be made to a flying club in Delhi : that has been stopped, I am told.

*Mr. Roy.*—You are thinking of the Aeronautical Training Centre, I think. That has been closed down—it was not a flying club. No grant was made to the centre, though there were proposals to that effect, it was eventually wound up and Mr. Eadon became Director of Civil Aviation in Burma. The buildings have been bought by the army authorities and some of the machines and equipment has been divided between the Defence Department and ourselves. As regards this saving of 95,000 (B. 1) what happened was that we made provision for repaying certain landing and housing charges to the Imperial Airways but we found afterwards that it was possible to exempt by notification and so the whole of that was practically saved except for Rs. 4,993 which had to be paid to the Jodhpur Durbar.

*Chairman.*—Where are airport receipts shown ?

*Mr. Mohan Rao.*—They come under civil aviation receipts. There is a receipt head.

#### GRANT 48—CAPITAL OUTLAY ON CIVIL AVIATION CHARGED TO REVENUE.

*Chairman.*—All that programme is more or less completed now ?

*Mr. Roy.*—A little was left over last year and it has now been merged in the grant for this year.

*Mr. Scott.*—This 25 lakhs a year is more or less a contract grant ?

*Chairman.*—I thought the best thing hereafter was to have a regular programme of civil aviation works and decided that 25 lakhs a year should be provided to enable them to draw up a programme for seven years. It is in the nature of an ordinary annual provision and I hope they will be able to work up to it. It is in fact 175 lakhs spread over seven years.

*Mr. Roy.*—The difficulty will be in the first year as we are very short of engineering staff.

*Mr. Badenoch.*—The better way would be to fund it.

*Chairman.*—That is what will happen : in fact it may be a eight or nine-year programme instead of seven years.

*Sir Raza Ali.*—There is a considerable saving this year : but I do not think we need make any specific recommendation this year because owing to war conditions they will spend all they have.

*Mr. Roy.*—I might say that in regard to these civil aviation capital works, it inevitably happens that some new demand springs upon us which has to be met and some other work has probably got to be given up and it is therefore very difficult to budget accurately. Hitherto we have not had the staff to spend the sums or to carry out the works. We are now trying to increase our engineering staff. Sometimes there is a long argument between the P. W. D. and ourselves and time is wasted. Mr. Tymms is anxious that we should eventually work up to a sort of P. W. D. of our own—I am not sure whether it would be advisable or not. We are having to put down a whole lot of hangars for our training scheme. It is said that if this is done through the P. W. D. it will take much time and delay our programme. Flying clubs want it to be done quickly. The time factor is important.

*Mr. Scott.*—What do you have to pay to the P. W. D. ?

*Mr. Roy.*—16 per cent.

*Mr. Scott.*—Is there anything technical that the flying clubs cannot do themselves ?

*Mr. Roy.*—Yes, the specifications of these hangars and so forth have to be worked out by our engineers ; we are giving the specifications to the flying clubs and asking them to get hangars made through their contractors ; our engineers will go round and inspect afterwards. When the flying clubs were started some clubs were asked to put up hangars which they did fairly well.

*Chairman.*—Aerodromes are more tricky things.

*Mr. Roy.*—During the year under review there has been a certain amount of lag as there was some argument about the scale of quarters for various classes of aerodrome staff.

*Mr. Gill.*—There was a deduction for probable savings.

*Mr. Roy.*—Altogether it was 6 lakhs. 3 lakhs was cut as a lump sum, and there was a saving of 3 lakhs at the end of the year. 2½ lakhs of that is accounted for by delay in land acquisition.

*Chairman.*—Actually what they spent was 3,32,000 less than the appropriation under voted.

*Sir Raza Ali.*—Was there any increase in the number of air services in the year under report ?

*Mr. Roy.*—The Bombay Delhi service was started : and since that year two services have been started in Kathiawar ; they are assisted by grants from Indian States : but all these services function only in the fair weather months.

*Mr. Scott.*—I heard something about a service to Kashmir.

*Mr. Roy.*—Indian National Airways have been trying to develop it for some time, but we said we could not help on that particular route : they have been trying to get into touch with the Kashmir Durbar for the last fifteen months. If the service is started we might have to think of providing meteorological services, but not unless there is a prospect of a regular service.

*Mr. Azhar Ali.*—Is there any prospect of a service between Calcutta and Lucknow or Delhi and Lucknow ?

*Mr. Roy.*—There is one service between Calcutta and Delhi and we are now negotiating about making it two per week—*via* Cawnpore and Allahabad. The Indian National Airways say they should not be asked to disperse their organisation and I think they are right. They contemplate running the Calcutta service *via* Patna and not *via* Gaya. An aerodrome is being set up at Patna and I have had a letter from Mr. Yunus that the flying club has been formed.

*Sir Raza Ali.*—There is a service between Sydney and Durban : are we making any contribution towards that ?

*Mr. Roy.*—It is a continuation of the old Empire scheme, towards which we of course contribute. From Durban the mails are carried by train to Cape Town where they are put on board the ship. There are four Union Castle steamers a month to and from U. K. but they don't sail to scheduled dates and there is one service from Australia which touches Cape Town and there are two from India. There ought thus to be seven sailings a month, that is, roughly 2 a week. From the 24th there will be two seaplanes a week between Sidney and Durban and there would appear to be no object in increasing the seaplane services in present conditions. Actually we find that when the seaplanes catch their connections the mails take 25 to 26 days from London to Karachi or *vice versa*. When they do not catch their connections they take as much as 32 days.

*Mr. Scott.*—You have reduced your post card rates back to 4 annas.

*Mr. Roy.*—It was six annas before and it has been reduced to four annas. We feel it is necessary to give some inducement to the public to post by air now that the time taken is so much longer.

*Chairman.*—We now go on to page 200, Broadcasting. There is a note on page 203. The savings this year, on account of deliberate economy, work up to 7.8 per cent. as against 9.26 in the preceding year.

*Sir Raza Ali.*—I think the feeling of most of us on this side is that in the case of a social service of this kind, the grants are not fully utilised and there are large savings from year to year. I must say that it is not very satisfactory.

*Chairman.*—I must point out that pressure was put by the Finance Department on all departments which had a flexible budget that they should adjust themselves to the financial situation and however apposite your remarks may be in relation to the accounts of any other year, they could hardly apply in relation to the accounts of this year. There can be no question of pushing it to the point of bankruptcy. We must cut our coat according to our cloth. It is a matter of ordinary prudence. That is the first principle of financial administration. Most of these economies are in the nature of postponements.

*Sir Raza Ali.*—We do not cut our coat according to our cloth. We have got much more cloth.

*Chairman.*—It is easier to draw up schemes than to carry them out.

*Mr. Bokhari.*—The schemes were only held up for six months.

*Chairman.*—Considering our financial difficulties in that year, this was not a very severe obstruction.

*Sir Raza Ali.*—Are you planning to have a station in Allahabad ?

*Mr. Roy.*—No. We do not feel that a station at Allahabad is justified because there is one at Lucknow already.

*Sir Raza Ali.*—What are the arrangements between us and Hyderabad.

*Mr. Roy.*—We have nothing to do with it. They have got full authority. We have got a sort of understanding that the standard of operation would approximately be similar to ours and our censorship methods should apply. But states are otherwise perfectly free to do what they like. Most of the stations contemplated in the States are for a local service only, *i.e.*, they are medium wave stations. Travancore was anxious to have a short wave but I do not know how the proposal stands at present.

*Sir Raza Ali.*—They have got a station at Trivandrum ?

*Mr. Roy.*—There is a proposal for putting up a station at Trivandrum, one at Bangalore or Mysore. Baroda has a proposal for one.

*Mr. Bokhari.*—Of these the only stations that have operated are Mysore and Bangalore.

*Mr. Roy.*—That is a very small powered medium wave station. Mysore has also a scheme for putting up a 5 kilowatt short wave station.

*Mr. Azhar Ali.*—What about broadcasting in rural areas : Why have only Punjab, Bengal and Delhi been selected ?

*Mr. Roy.*—It all depends on what the provinces are prepared to do. The line we have taken is that if any province wants to have rural broadcasting, it must pay for its own rural sets, technical inspection and maintenance.

*Moulvi Abdul Ghani.*—Commercial Appendix, page 161. I see there is a saving of 25 lakhs ?

*Chairman.*—That is comparing the position as with the position in which the import of wireless sets would be allowed free of duty and some charge will be made inside the country roughly equivalent to the existing duty on wireless sets. That is really not a proper comparison because they would in any case be liable to something like the general rate of duty on electrical goods. The true position would be arrived at by excluding the customs revenue to a large extent.

*Mr. Badenoch.*—Customs revenue is not taken into the commercial accounts.

*Chairman.*—There was an understanding that we were prepared to place at the disposal of this department a sum not appreciably less than that which accrued from the revenue. It is a bad principle to allot a particular department all the money earned by that particular department. It should come into the common purse and the legislature should vote the money as it thinks best.

*Mr. Scott.*—Has there been any attempt at the assembling of sets here ?

*Mr. Roy.*—Not so far as I am aware. One or two firms are nibbling at it. In 1938 the question of manufacturing cheap radio sets was ventilated very strongly in the Assembly. We made certain investigations and there are one or two firms which were prepared to start an assembling plant, but they demanded concessions to which it was rather difficult to agree. For instance they wanted the customs duty to be reduced by something like 5 per cent. on wireless components. They also wanted a guarantee that we should buy a certain number of sets. We could not give that guarantee or agree to other concessions.

*Chairman.*—Our minds are not closed to some modification in the customs duty in relation to any acceptable scheme.

*Mr. Roy.*—Without an acceptable scheme, we would lose revenue and help nobody.

*Mr. Scott.*—I would like to see this developed in India.

*Mr. Roy.*—Actually the importers have recently reduced the price of sets in spite of the high duty and the revenue from licenses is going up.

*Mr. Scott.*—Do the merchants make a lot of money out of it ?

*Mr. Roy.*—It looks like that on paper. We have tried to go into it and investigation shows that the trade is not probably making a great deal out of it. There is much wastage and actually you cannot say that they are making very large profits. But the trade is probably ill-organised and with better organisation they could probably reduce the prices substantially. The firms which approached us for concession to enable them to start factories could not promise to put on the market a set priced at less than Rs. 80. With the existing duty a tolerable all wave set is procurable at about Rs. 120.

*Mr. Scott.*—Is it for medium or short wave ?

*Mr. Roy.*—There is no demand for medium wave sets.

*Chairman.*—There is an outstanding item, No. 22.

*Mr. Roy.*—In 1937-38 we had a loss of 49,000 odd. In the year under discussion, the loss was 1,15,000. In 1939-40 the loss dropped to 6,500. There were several reasons for the loss. We had moved the Listener from Bombay to Delhi. We had given our printing to the lowest tenderer who made a mess of it. Naturally advertisements dropped off. We have now improved matters in all these respects and advertisements are coming back and certain economies have been made.

*Moulvi Abdul Ghani.*—Page 167, para. 251. Is it a satisfactory arrangement to have the stores verified by the very officer who is responsible for their custody ?

*Mr. Bokhari.*—We have gone into the question in consultation with our audit officer and we are trying to devise a better system.

*Chairman.*—Suppose an officer draws a salary of Rs. 1,000 and Rs. 500 is the value of the stores to be verified, then obviously there is no need for an external agency.

*Sir Raza Ali.*—Mr. Ghani raised the question of principle. There is something in that. If some other arrangement could be made at Lucknow for verification by an independent agency that would be preferable.

*Chairman.*—I understand that is being done.

Grant No. 50. The notes are on page 206.

*Mr. Scott.*—Is there any provision made for new works this year ?

*Mr. Roy.*—The Patna transmitter studios are still under construction. That is the only new work in hand. We have however been pressed to set up stations at many other places—Rajahmundry, C. P., Sind and from the Canarese speaking people.

*Sir Raza Ali.*—If you have no money on account of war conditions, the difficulty could be obviated by having broadcasts in various languages—more languages than you are doing now ?

*Mr. Roy.*—We are doing 27 news broadcasts in nine languages. There is a certain limit to our capacity in this respect. It may be possible to sandwich in one or two other broadcasts but it is physically impossible to continue this progress much further.

*Mr. Bokhari.*—The larger the number of languages, the less justice you can do to each.

*Mr. Roy.*—There are difficulties about giving out news from local stations. The news organisation is centralised in Delhi. We have a news editor who is responsible for vetting the news and putting it in proper form. This news is prepared in 9 languages and is broadcast from Delhi and relayed from local stations.

*Sir Raza Ali.*—In how many languages do you relay from Delhi ?

*Mr. Roy.*—In nine languages.

*Sir Raza Ali.*—That seems small ?

*Mr. Bokhari.*—If you look at the broadcasting programmes of other countries, you will probably see short external services in many languages and a long internal service in one. Here full internal services have to be given in nine languages, which is a very different proposition to what you see in England. If you increase the number of languages, it means a shorter time for each of them.

*Sir Raza Ali.*—Ten minutes is quite sufficient ?

*Mr. Roy.*—It is not merely a question of giving news in a particular language. We have to consider whether it is worthwhile giving out news without a backing of entertainment programmes. Take the 11 million people who speak Canarese and who are scattered over 3 provinces. I have no doubt that they would listen in to the news but we would not get revenue. Unless they are given entertainment programmes, they will not buy sets and we shall not increase our revenue. No one will buy a set simply for the news.

*Chairman.*—What is the position about anti-piracy ?

*Mr. Roy.*—We have had a statement prepared. From July 1938 to September 1938 we had a total staff of 34. From October 1938 to December 1938, we had a total staff of 47. From 1st April 1939, the staff has increased to 59. We had 31 prosecutions from July to September 1938 and from April 1939 to June 1939 we had 163 prosecutions. Our prosecutions are increasing considerably now.

*Chairman.*—Have fines been realised ?

*Mr. Roy.*—Yes, but magistrates tend to take a lenient view. That is one of the difficulties in the way of prosecutions. We want to see how we get on and it may be necessary to address Provincial Governments if we find that prosecutions are not proving effective.

*Chairman.*—Otherwise we shall be getting into the ticketless travel position ?

*Mr. Roy.*—There was a reluctance to institute prosecutions at one time because of the trouble involved and of the smallness of the staff available for the purpose.

*Chairman.*—I am always in favour of taking departmental action, instead of going to the courts which is an expensive process.

*Mr. Roy.*—Sometimes the publicity given to prosecutions has a deterrent effect.

*Chairman.*—We shall now go on to Grant No. 61—Central Road Fund.

*Mr. Roy.*—They have large amounts in hand. Look at page 264, at the balances on the 31st March 1939, and compare them with those on the 1st April 1938 ; The total has come down from 230 lakhs to 49.

*Mr. Scott.*—Do you have long-view programmes ?

*Mr. Roy.*—At one time we encouraged provinces to undertake seven-year programmes. Since last year we are trying to get them to curtail these to a smaller period because of the uncertainty of the future.

*Chairman.*—Important comments on pages 266-67. Receipts for 1939-40. They will be found to have been up to the previous standards, depending upon the revenues from the petrol tax. The increase in the current year is due to special conditions. I think we may assume that the effect of the increase of a tax will be that the consumption will not expand but remain steady.

*Mr. Sen-Gupta.*—The military are using more.

*Chairman.*—At the same time I had in mind the possibility that we might reach a stage where we might even want to curtail civilian consumption.

Grant No. 76, page 398, and the main part will be found in the Commercial Accounts, page 177. The financial results of the working during the year are very disappointing. This is a manganese port and unfortunately all its eggs are in one basket. It was indicated to us that the results of 1938-39 were likely to be very disappointing. The principal decreases and increases of expenditure are explained in paragraph 264 of the Commercial Appendix. Four and a half lakhs of assistance had to be given from general revenues and I do not know whether depreciation had been debited ?

*Mr. Roy.*—Certainly depreciation had but not interest.

*Mr. Scott.*—What do you propose to do about interest ?

*Chairman.*—We are still striving to reach the stage where the Port will meet its current expenditure including depreciation and without interest, because on that depends the whole matter ; then the question for closing down the port would not arise, but we have not yet come to

that stage. If, contrary to our expectations, there was any prospect that the port would both meet its current expenditure and also would be able to serve the debt, we should naturally press that it should pay the interest, but at the moment it appears somewhat academic.

*Mr. Scott.*—Page 293 gives pro-forma account of the interest charges. You do not take any credit, you are merely showing what they owe us for interest. You have got 90 lakhs of added interest for construction which is a capital account and you are paying interest on that ?

*Chairman.*—Last year the Committee realized that one section which is really part of this scheme was actually paying a profit of about 7 or 8 per cent., whereas the port, which is saddled on the general tax-payer, was showing a loss. The question of lumping these two together by putting the port on to the Railway should be actively pursued. I am thinking of the branch line, which was the essential part of the whole scheme of the opening of Vizagapatam.

*Mr. Roy.*—The 1939-40 results of working were better. We have had several discussions with the B. N. R. The general manager was quite definite that administrative economies could be made if the Railway took over the administration,—and that in the course of a year or two, assuming that the deficit is roughly of the order of one lakh a year, it might be possible to wipe it out by administrative economies, but the General Manager does not think that the shareholders will be ready to pay any interest on the capital or take any further liability. They suggest that they should take over the port and Government should pay for any loss they incur and if they make any profit, they should then hand it over to Government. The matter is still under discussion. We hope to be able to come to some final arrangement.

*Mr. Badenoch.*—This might be taken up when the Bengal-Nagpur Railway contract comes up in 1945.

*Mr. Scott.*—The railway rates were unduly high.

*Mr. Roy.*—The main difficulty is to attract other commodities to the port. Manganese is its main support. They have been trying to attract groundnuts but the open roadsteads apparently offer much cheaper facilities. It would I believe help the port if we could close down these open roadsteads of which there are many on this coast but these are under the Provincial Government. The Madras Government made a profit of two lakhs or so which they appropriated to general revenues.

*Chairman.*—While here we made a large capital outlay to provide a modern up-to-date port which is not getting the trade which it could handle.

*Mr. Scott.*—Imports are still worse, through this port ?

*Mr. Roy.*—Imports are about 17 per cent. of the originally estimated imports.

*Chairman.*—The ships go to Calcutta to deposit their main imports ; then on return they load up something at Calcutta and again at Vizagapatam ; they do not wish to call at Vizagapatam with the general import cargo.



*Mr. Asher AM.*—Is it due to other ports attracting more trade ?

*Chairman.*—You have in existence a big distributing organization based on Calcutta but of course it may also be due to the fact that the Railway has had hitherto no inducement to attract trade to Vizagapatam and I personally was very keen on this recommendation of the Committee that the Port and the Railway should be taken together and that the financing of the interest should be vested in both jointly. It pays the Railway for that trade to be canalized by Calcutta : that is what is fundamentally wrong in the situation. We must continue to watch this question and ask for a report on the matter next year.

*Mr. Roy.*—There is an encouraging feature in the proposal for starting a ship-building yard there.

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## POSTS AND TELEGRAPHS DEPARTMENT.

*Chairman.*—We shall take the outstanding items first. Page 8, item No. 28. A memorandum on that has been furnished and it is noted here that the matter is being placed before the Standing Advisory Committee. I feel that at the present time the difficulties under which newspapers are labouring are such that we should be open to severe criticism if we added to them and therefore for the present at any rate, although I myself was very keen on trying to curtail this concession, since the outbreak of the war and due to the high cost of paper and so on, this is not a suitable time to pursue the question.

*Sir G. V. Bewoor.*—Since the outbreak of the war the Telegraph Branch is earning very much more money; the problem is not quite so acute as it was before, so we should be justified in postponing the consideration of this question.

*Chairman.*—Item No. 29. “Two tables should be prepared, one exclusive of interest and depreciation and the other inclusive.”

*Sir G. V. Bewoor.*—That has been done.

*Chairman.*—Item No. 30. What was the cut made in the estimates?

*Sir G. V. Bewoor.*—Three lakhs. This is on a total of 16 to 17 lakhs, so that this is a much bigger percentage cut than it was in 1938-39.

*Chairman.*—We must watch the progress of that too.

Item No. 31. The conclusion in paragraph 4.

*Sir G. V. Bewoor.*—There are some very serious difficulties in this matter of getting from the P. W. D. a declaration as to how much they are likely to spend, unless we can do it sometime in November. To be able to do that, the works will have to be approved in May or June so that the P. W. D. might prepare detailed plans and estimates, which means that the work which has to be carried out in the next year some time after the rains in October has to be ready the previous year in May. We do our best to get from the P. W. D. some indication of the amount likely to be spent but some of the difficulties seem to be insurmountable.

*Chairman.*—Item No. 32. We have got a report on that.

*Mr. Badenoch.*—The original decision was taken in 1924 and it was quite a deliberate decision of Sir Basil Blackett.

*Sir G. V. Bewoor.*—Finance Department gets interest on this money.

*Mr. Badenoch.*—The fundamental idea was to charge ordinary buildings to civil revenues and it was a sound principle to charge that.

*Chairman.*—I am disposed to agree with that, so as to prevent over-capitalization.

*Sir G. V. Bewoor.*—What I think will interest the Committee is the decision which has been taken from the current year that expenditure on all postal buildings costing not more than Rs. 20,000 is debited to posts and telegraphs revenue. This will reduce the burden on central

civil revenues and will at the same time relieve Posts and Telegraphs of the liability of meeting interest and depreciation charges.

*Chairman.*—This means that the Department will not go on increasing its capital and therefore its liability for interest charges, so that this is a measure in the desired direction. We shall have to see how it works.

*Sir G. V. Bewoor.*—It is only for minor works. Most of the post office buildings are small buildings ; it is only occasionally that we get work for large post offices and telegraph offices ; otherwise they are all small buildings ; we have got good buildings in most of these large places.

*Chairman.*—Memorandum regarding Renewals Reserve Fund. The withdrawals were less than 25 lakhs, with the result that the balance at the credit of the fund at the end of the year has tended not to decrease but to increase.

*Sir G. V. Bewoor.*—The idea being that it should provide for the increasing capital.

*Chairman.*—Although the withdrawals of the last five years have averaged somewhat less than the annual contribution, obviously the capital of the Department is expanding and it would be unwise to cut down the contribution too much.

*Mr. Scott.*—The last two years have shown a very great increase in withdrawals and they are likely to increase ?

*Sir G. V. Bewoor.*—There are special reasons ; some wireless apparatus had to be replaced by more modern apparatus.

*Mr. Scott.*—Do you think that that provision of 25 will be sufficient without unduly reducing your balance ?

*Sir G. V. Bewoor.*—Yes. Even if we increase our capital very fast, the apparatus will be new and there will be no undue expenditure on replacement. We will watch the matter year by year.

*Chairman.*—Appropriation Accounts, Audit Report and the Financial Review.

*Moulvi Abdul Ghani.*—Paragraph 7, page 3. The telegraph earnings are decreasing very fast ?

*Chairman.*—In 1939-40 the D. G. expects that that loss on telegrams would be very much less.

*Sir G. V. Bewoor.*—We expect a loss of Rs. 3,000 as compared with Rs. 37 lakhs last year.

*Mr. Scott.*—Are the telephone people paying enough for their use of the wires ?

*Sir G. V. Bewoor.*—We have fixed the rates ; they are quite economical. The rate we charge our Telephone Branch is the same as that charged to the Railways.

*Moulvi Abdul Ghani.*—The profit in the Post Office is also decreasing. I find from the report that the decrease in the sale of postcards is going down, there are lower receipts from postcards.

*Chairman.*—The question is—how many of those people used letters instead of post-cards.

*Sir G. V. Bewoor.*—There is a great increase in letters ; letters have gone up very much more than post-cards have gone down.

*Chairman.*—If we reduce the charge on postcards, you have to reckon with the probability of a much less income from letters.

*Moulvi Abdul Ghani.*—Profits against Radio. But when we compare the Commercial Appendix we find that there is a loss instead of a profit ?

*Chairman.*—That is a different matter ; this is radio telegraph, it is wireless telegraphy, it has nothing to do with broadcasting.

*Mr. Scott.*—The profit is being maintained ?

*Sir G. V. Bewoor.*—Due to the war.

*Chairman.*—Commercially, it was mainly a year of depression but it did pick up in the last three or four months of the year.

*Sir G. V. Bewoor.*—We controlled the expenditure on the assumption that the depression would continue.

*Mr. Scott.*—Profit of Rs. 19 lakhs. What do you do with that ?

*Sir G. V. Bewoor.*—This 19 lakhs was utilised to pay off old losses.

*Chairman.*—There is now a credit with me.

*Mr. Azhar Ali.*—Telephone Branch, page 5. Is it not possible to reduce your rates of charge for constituents ? If you reduce the rates, is it not likely that you will get more people wanting telephone connection ?

*Chairman.*—There is nothing to show that they are making use of telephones prohibitive. There was a decrease compared with the previous year, and that was due to general trade conditions.

*Sir G. V. Bewoor.*—The revenue has been going up.

*Mr. Scott.*—The telegraphs are practically now balancing in this year ?

*Sir G. V. Bewoor.*—Yes, in this year of abnormal circumstances. It only shows that, without depreciation charges, even the telegraphs pay. When you add depreciation charges, they lose heavily, indicating that in the case of telegraphs it is the capital cost which is the main part of the cost whereas in the case of the post office it is otherwise.

*Sir Raza Ali.*—What is the position of India as compared with other countries,—Australia, Canada, South Africa ?

*Sir G. V. Bewoor.*—Australia is paying on telegraphs because it has got only two thousand telegraph offices and it has an enormous traffic. Australians are much better off and can afford to send telegrams much more freely. The capital at charge and all its interest and depreciation is the same and we are able in one year to show that the Department can be worked without loss. It is merely, therefore, a question of the total amount of traffic. Because there is no traffic, you cannot close the telegraph offices because it is a facility and a measure of security of the country. Therefore, what we aim at now is to see that telegraphs and telephones together will work without loss. We take them together because they are alternative methods of communication of more or less equal urgency. In 1938-39 the two branches taken

together still showed a small loss but in the year 1939-40 they show a profit. In future, we shall have to aim at Telegraphs and Telephones together working without loss.

*Sir Raza Ali.*—Is there any country which is making use of the wireless for internal purposes instead of telegraphs ?

*Sir G. V. Bewoor.*—I do not think so. Besides, the wireless cannot handle the amount of traffic that you can on a telegraph line. It is also very expensive. It only gives you one channel—one transmitter and one receiver.

*Sir Raza Ali.*—Surely, the cost of a transmitter is not much.

*Sir G. V. Bewoor.*—It depends on the distance you want to work.

*Chairman.*—A powerful transmitter costs as much as 20 lakhs. It depends upon the power you want.

*Sir G. Bewoor.*—Between Madras and Rangoon we had to spend 2 lakhs on the transmitter and receiver. Then, there is the question of the maintenance of engines and of special staff and there is no secrecy. The messages can be picked up by anyone and it is affected by atmospheric. There is nothing to beat the ordinary telegraph line except when you have very long distances and small traffic.

*Sir Raza Ali.*—What is the practice in Canada ?

*Sir G. V. Bewoor.*—In Canada the telegraphs are worked by private companies. It is not a Government concern. They work sometimes in conjunction with Telephone Companies and they have got various other means of making up their losses. I have seen from some articles that the Telegraph Companies in the U. S. A. are losing because of the competition by telephones and they are going up to the Government for subsidy.

*Sir Raza Ali.*—Is there any way to make telegraphs pay because after all that has been the vicious circle ?

*Chairman.*—The way to make them pay is to put up the charges.

*Sir G. V. Bewoor.*—You have to reconcile yourself to the fact that the telegraph service is a security service and it has got to be maintained for various purposes. We can make it pay if you allow me to close down 2,000 out of 4,000 telegraph offices, pull up the lines and write off the capital.

*Sir Raza Ali.*—You mean to say that there are many telegraph offices which do not pay their way ?

*Sir G. V. Bewoor.*—In most of the Tahsil and District towns they have 10 or 15 telegrams a day. There are some offices where there is one telegram in two days. There are certain offices which just pay their way in the sense that the postal clerk, who is the postmaster, also does a certain amount of telegraph work. The line was put up years ago and it would be wasteful to pick it up and throw.

*Chairman.*—It will destroy the whole system of rural communication if you were to insist on a purely commercial criterion.

*Mou'vi Abdul Ghani.*—What was the position when the charges for telegrams were less ?

*Sir G. V. Bewoor.*—We have no commercial accounts prior to 1925-26 : so, I could not tell you what the position was when it was 4-anna rate.

*Sir Raza Ali.*—If the charge is reduced, how will it affect the financial position ? Do you lose by reduction or are you able to make up your way because the number of telegrams goes up ?

*Sir G. V. Bewoor.*—It does go up sometimes but we have got figures showing the revenue from year to year. The general conclusion is that the telegraph traffic is not affected so much by the rates as by general trade conditions.

*Sir Raza Ali.*—So, it is a reflex of trade conditions ?

*Sir G. V. Bewoor.*—The greater part of our revenue is derived from business telegrams and not from private telegrams.

*Chairman.*—That finishes the Financial Review. We now come to the Audit Report.

Para. 1. This is similar to what we are trying to do in the case of the Civil demands for grants. It has already been done in the case of the Posts and Telegraphs Department.

*Mr. Badenoch.*—There is a slight difference because the original demands in the Posts and Telegraphs Department were based on the commercial accounts. There was a lot of adjustment. We have curious things like the stores and so on. Various items from them were carried to the ordinary demand. It is rather a complicated commercial account.

*Chairman.*—Paras. 2, 3 and 4. These are explanatory of the changes made.

#### GRANT No. 73.

*Mr. Badenoch.*—This is a very complicated grant. There are all sorts of things in it. Previously the results of the stores suspense account were taken to the ordinary grant. It is very difficult to control this grant.

*Chairman.*—There is an explanation for it on page 68. May I assume that the Committee will recommend that this excess be regularised ?

The Committee expressed its agreement.

*Chairman.*—What is the Surplus Stores Committee ?

*Sir G. V. Bewoor.*—It is a departmental committee consisting of the Electrical Engineer-in-Chief, the Superintendent of the Telegraph Workshops and the Controller of Stores. These three officials sit together and see whether any particular stores can be utilised or should be written off as unserviceable.

*Chairman.*—But they subsequently wrote this off. It seems to me a purely official committee. They might have worked it a little before with the authority responsible for making it.

*Sir G. V. Bewoor.*—It was not utilised then : it was utilised in the succeeding year.

*Chairman.*—What about C III on page 30 ?

*Sir G. V. Bewoor.*—It was a definite mistake. It was due to the misunderstanding of the implications of the scheme of simplification. It is a question of adjustment.

**Chairman.**—It is a relic of the previous system ?

**Sir G. V. Bewoor.**—Yes. I may point out that the Auditor General has given only 4 instances whereas four years ago as many as 75 instances were mentioned in the report.

**Chairman.**—That is a very gratifying reduction, indeed.

Para. 13. That surrender was due to the economy campaign. Was that also deliberate economy ?

**Sir G. V. Bewoor.**—It was partly due to economy and part due to other reasons which are given in para. 10. It is very difficult to control these things.

**Chairman.**—Para. 14. This shows that there is a decrease in the integrity of the Department. I hope some measure has been adopted since then ?

**Sir G. V. Bewoor.**—The reason for the very large increase in the amount of losses is due to three big cases which were discovered. Rs. 50,000 was due to a contractor in Madras : Rs. 11,350 was the result of a highway robbery of mails in a running train : and there was a theft of nearly Rs. 11,000 from the post office. We have now changed the agents in a number of branch post offices and wherever we cannot get a reliable agent, we take away the Savings Bank powers. The steps so far taken are reflected to some extent in the figures I have just got about 1939-40 where the number of losses due to both cash certificates and savings bank together is Rs. 42,000 whereas the loss in savings bank alone in 1938-39 was Rs. 60,000. We think that the steps taken are having some effect. But it must be admitted that human nature being what it is frauds will always be with us unless we put on so many checks that the business becomes impossible. Our attempts have been directed to devise measures which will discover the fraud at the earliest possible moment.

**Chairman.**—I would like to know to what extent the depositor and the investor is effected by these frauds ?

**Sir G. V. Bewoor.**—He is not affected at all. We accept all responsibility for the action of our agents.

**Mr. Badenoch.**—The loss is a very small one.

**Moulvi Abdul Ghani.**—On page 22 of the Administration Report it is shown that there was an amount of Rs. 81,200 which remained unadjusted at the close of the year.

**Mr. Roy.**—These are the cases in which investigations are still proceeding.

**Moulvi Abdul Ghani.**—I want to know whether some adjustment has been made ?

**Sir G. V. Bewoor.**—Yes. We will show that in the next report for 1939-40.

Para. 17. In these cases where negligence is proved on the part of our staff or responsibility is traced to some one or some clerk is unable to account for the article which he has received, we recover the losses from the man for his negligence. The figures shown here are the recoveries made up to that particular date, that is, up to the end of the financial year. I have figures with me which show that further recoveries have been made in various circles.

*Chairman.*—The Audit officer's remarks seem to suggest that more effective action is taken in the Madras Circle than in other Circles. Is there any difference between various Circles? I presume the standard of strictness in regard to these cases is the same all over.

*Sir G. V. Bewoor.*—The principles are the same. Perhaps the P. M. G.'s of some provinces are more kind hearted than the P. M. G. of Madras. Cases vary so much and the degree of negligence is also variable.

Para. 19. Certain steps have been taken and charges have been framed against certain officials and their explanation is being called for. The Reserve Bank Branch, Madras, is also concerned.

*Mr. Badenoch.*—I have to make a remark in this connection. There has been delay in framing the charge sheet even after the court had given their decision regarding the negligence. There is a delay in instituting the departmental inquiry. In this case, there were seven months between the final decision of the appellate court and I do not think the charges have actually been framed as yet. It is important in all such cases that the departmental inquiry may be instituted before the court proceedings. But in any case it ought to be instituted as soon as the court has come to a final decision.

*Sir G. V. Bewoor.*—The Auditor General is quite right. We have got extant orders that in any case wherein fraud has been discovered and while one departmental official is being prosecuted, cases against others should be kept ready up to the stage of framing the charge-sheet, but the charge-sheet should not actually be framed. After the judgment has been given in the court, we have to wait for the appeal. When the appeal has been decided, we have to wait for the various documents which are required for framing the charge-sheet. We have to take into consideration the findings of the court and the statements made by various departmental witnesses. In this particular case, the judgment of the appellate court was given on the 30th of October 1939, but we were unable to get some of the documents required until the 25th November 1939. Then, we had to get the statement of all the officials concerned, and there are 27 officials involved in this case because the fraud is supposed to have started in March 1933 and it was continuing all the time. We have got this list of 27 officers of whom 9 have retired and they were granted their pension before the fraud was discovered. One officer is dead and four have retired since April 1938, and we have now framed charge-sheets against the officers concerned.

*Mr. Jones.*—Is it the system which is at fault and which leads to these frauds?

*Sir G. V. Bewoor.*—The system is all right. In this particular case the man has been our contractor for 20 years.

*Sir Raza Ali.*—What is the treasury contractor and what are his duties?

*Sir G. V. Bewoor.*—It is difficult to describe his duties briefly. In a post office there is a treasury branch and the duties of this branch are to receive all cash that is collected in the post office and then to send it to the bank or to the treasury which keeps our accounts, to keep all stock of



stamps and also to draw money from the treasury and to get stamps from the treasury and issue them to the clerks.

*Sir Raza Ali.*—So, he is a servant of the post office ?

*Sir G. V. Bewoor.*—In most post offices—say, in 99 cases out of 100—the treasurer is one of the clerks of the post office. In the bigger post offices like Bombay, Calcutta, Madras, Allahabad, Lahore and so on where the transactions are very heavy, the practice has been to get a contractor who undertakes to do the work of the treasury branch, that is to say, the work which would otherwise have been performed by the clerks employed in the treasury branch. He provides the staff and we take cash security from him. He may himself work or he may provide his own staff. But the man in charge of the post office is also in concurrent charge of the treasury. That is to say, there is a double lock, each of them keeps one of the keys.

*Chairman.*—I take it the reason for a system like that is that an ordinary clerk could not furnish the amount of financial security required. Therefore, you have got to get a man of some substance to take on the work.

*Sir Raza Ali.*—In these days of unemployment it should not be difficult to get clerks who will be prepared to give the necessary security ?

*Sir G. V. Bewoor.*—You could not get any security commensurate with the responsibility involved. For instance, in the Calcutta G. P. O. the daily transactions amount to 11 lakhs of rupees. One-fifth of the average daily transactions is the amount of the security required. Therefore, this system was introduced in a few big post offices and one of these was Madras where the contractor was a graduate and was the son-in-law of a retired Deputy P. M. G. He had been working for nearly 20 years. He was a perfectly good man. As soon as he was arrested, he confessed immediately and said that he had taken so much money. I do admit that in this case there has been a delay in framing the charge-sheet but my plea for this delay is that it is an extremely complicated case and a very large number of officials are involved and we wanted to find out how much was the responsibility of each man.

*Chairman.*—Did you start the inquiry immediately ?

*Sir G. V. Bewoor.*—It was done and then the man was prosecuted. Then, he appealed in the High Court.

*Chairman.*—What the Auditor General complains of is the delay in demanding the departmental proceedings or in framing the charge-sheet.

*Mr. Badenoch.*—Even granting that you had a number of people whose statements had to be taken, seven months is a long time.

*Sir Raza Ali.*—So far as I know and I have had some experience of these cases, after the conviction the departmental inquiry is more or less formal.

*Mr. Badenoch.*—*Prima facie*, there was a very great lack of supervision on the part of the postal officials.

*Chairman.*—We shall go on from that point tomorrow.

The Committee then adjourned till 10-30 A.M. on Thursday, the 22nd August 1940.

**Seventh Meeting, Thursday, 22nd August 1940, 10-30 a.m.**

**POSTS AND TELEGRAPHS—contd.**

*Chairman.*—I think we completed our discussion of the first of those cases and reached page 22. "Question about any defects in rule still under investigation."

*Sir G. V. Bewoor.*—Several departmental rules and forms have been amended and we have issued instructions to departmental officers to observe the rules more carefully. As regards the comment by the Auditor General about the delay in framing charges, I have already taken up the matter and am issuing special instructions to all administrative officers that all delay should be avoided because some other instances have also been brought to my notice by the Accountant General.

*Mr. Scott.*—No. 20 is a somewhat similar sort of case ?

*Sir G. V. Bewoor.*—That is a different kind of fraud. Action against four officials has been completed and orders have been passed. Charges have been framed against three gazetted officers.

*Chairman.*—The amount is collected in cash and it does not go on the telephone bill ?

*Sir G. V. Bewoor.*—No, Sir. In Great Britain the practice is to collect phonogram charges as part of the trunk call bill but in this country the copy is sent to the subscriber who is required within five days to pay up the amount at any post office. In this particular case a system had been going on for about 8 or 9 years under which this particular man called the Bill Sircar, an institution peculiar to Calcutta, used to collect this money in cash and give the receipt and then convert the cash into stamps, affix them to the message and then pass it on to the telegraph office which then sent it on to the check office. Unfortunately no proper register was maintained to watch these messages so that the Bill Sircar misappropriated the amount and nobody knew anything until he was caught in audit. The practice made this possible and the Bill Sircar discovered that there was this little loophole and he utilised it.

*Mr. Badenoch.*—What was discovered in audit was the delay in sending the stamped copies and that delay was brought to the notice of the telegraph office. My own feeling is that they did not press the matter quite enough. There was a great delay in the central telegraph office taking notice of the audit objection. If the matter had been taken up more strenuously by the audit office, I think the loss would have been much less. Also, there was a very great delay in taking departmental proceedings.

*Mr. Scott.*—What were the grounds for letting him off ?

*Sir G. V. Bewoor.*—The High Court said they could not actually ascribe to the Bill Sircar the misappropriation of the amount because they could not find any definite orders laying down the exact duties of the man. They said there was a possibility the message having been duly stamped by the Bill Sircar after his having taken money from the public and the message being lost between the time it left him and the time it reached the Office. In the telegraph check office also there was an irregular procedure under which they were accepting these messages direct from the Bill Sircar.

*Chairman.*—The ground was that it was not such a watertight thing that you could absolutely fix the guilt on him.

*Mr. Badenoch.*—I suggest that the Committee do express some remarks about the delay in taking departmental proceedings and coming to a conclusion about writing-off the loss. There is a tendency noticeable to delay departmental proceedings.

There is a third case apart from these two, it is a C. B. R. case ; I told the A. G. C. R. to bring it to notice.

*Chairman.*—Is that a defalcation case ?

*Mr. Badenoch.*—Yes, concerning Northern India salt revenue.

*Chairman.*—We might make a recommendation relating to all cases of this type that the departmental action should be taken promptly.

*Sir G. V. Bewoor.*—The thing is that often the decision in courts upsets all our departmental proceedings.

*Chairman.*—Still you might be getting ready in the meantime.

*Mr. Badenoch.*—No doubt there are certain formalities and they can always be speeded up if a personal interest is taken in such cases. This is not the first time that such cases have been before the Public Accounts Committee. In 1935 on the recommendation of that Committee the Home Department took up the matter and issued general orders.

*Chairman.*—Do you find that there is a large amount of loss or arrears in connection with this phonogram system ? How do you make certain that the person who sends a telegram is a telephone subscriber ?

*Sir G. V. Bewoor.*—The usual method is to ring back and confirm. All I can say is that cases of non-payment are rare and cheating is practically non-existent. In any business one must take risks ; our experience is that there are very few bad cases. What we do is to proscribe him for phonograms and we are now considering the question of cutting off the man's telephone for non-payment of any charges.

*Mr. Azhar Ali.*—Before cutting off the telephone, you ask the subscriber to give his explanation ?

*Sir G. V. Bewoor.*—We give him reminders, we send a man round, we do everything.

*Moulvi Abdul Ghani.*—Item No. 22, page 23, Publication of shipping gazette. This is not the legitimate function of the Posts and Telegraphs and I think it should be discontinued ? There is a loss of Rs. 24,500. That should be the activity of the Commerce Department ?

*Sir G. V. Bewoor.*—Actually it has been discontinued from the 1st July 1940. I understand the Port Trust Commissioners are issuing the gazette thrice a day and we on our part have got rid of certain establishment.

*Chairman.*—That is satisfactory ; it was definitely the business of the Port Commissioners, Calcutta. The Port Commissioners have taken it on. Of course due to the war it is not so important.

*Sir G. V. Bewoor.*—The subscribers could not pay sufficiently high subscription to meet the cost.

*Chairman.*—Para. 23.

*Mr. Azhar Ali.*—Cannot the contracts and agreements with the Indian States be revised now ?

*Sir G. V. Bewoor.*—Those orders were issued in the old days.

*Chairman.*—The different guarantees covered the period after the first ten years ?

*Sir G. V. Bewoor.*—Yes.

*Mr. Badenoch.*—It was the mistake of the Postmaster General ; he applied the wrong contract, he misquoted the rule.

*Sir G. V. Bewoor.*—That was in a printed form issued by the D.G. The mistake occurred in 1920. Another mistake was that when they asked for the letter, the Political Agent sent copies of the first two paragraphs but not of the third. It was a bit of sharp practice on the part of the State. We are in the hands of the Political Department in this matter and we had to accept their advice.

*Chairman.*—You now have to run these deficit offices ?

*Sir G. V. Bewoor.*—Yes, we are trying to economise as much as possible.

*Moulvi Abdul Ghani.*—Last two lines. May I know whether they retired on a pension ?

*Sir G. V. Bewoor.*—Yes.

*Moulvi Abdul Ghani.*—But no action was taken against these pension holders ?

*Sir G. V. Bewoor.*—That question was considered. You can only do it now for new entrants.

*Mr. Badenoch.*—In some circumstances you cannot get back a pension once a pension has been sanctioned.

*Sir Raza Ali.*—Cannot you wriggle out of the contract ?

*Sir G. V. Bewoor.*—These offices were opened on a guarantee given by the Bhopal Durbar. For ten years they paid all the losses on the working of these offices but they say that according to the correspondence, after the first ten years are over, no further guarantee should be asked but the offices should continue. That was the arrangement in those days and by a mistake a letter intended for Provincial Governments was quoted to the Bhopal Durbar who said, "we are entitled to be treated exactly like a Provincial Government". In any case the actual loss is not very much ; in those ten years a very large amount of the first cost was recovered.

*Chairman.*—Does the Posts and Telegraphs Department operate in the State in the same way as in British India in other respects ?

*Sir G. V. Bewoor.*—Yes.

*Chairman.*—I think it is arguable that if you wish to operate in the territory of a State, you should be prepared to run a certain number of offices at some loss. Their point is, if you are free to operate in our State, then we should not be asked to pay up these losses before you agree to open offices. On the other hand, States often expect to have offices in far more villages than you have in British India. Does it cover the case of one or a number of post offices in that State ?

*Sir G. V. Bewoor.*—This relates to four offices.

*Chairman.*—Part II, Major Head 19, Posts and Telegraphs, Working Expenses, page 27.

**K. B. Piracha.**—Item C 1 (1). What is the reorganization of the directorate ?

**Sir G. V. Bewoor.**—It is a small amount of Rs. 42,000. There was a reorganization of the gazetted staff in the directorate and there were other changes in personnel,—there were transfers, officers proceeding on leave during the course of the year and so on.

**K. B. Piracha.**—There was a saving of Rs. 71,000,—a little lower down.

**Chairman.**—As usually happens, there was an excess over the non-voted and a saving on the voted grants.

Remarks on the administration of the grants on page 31. No comments.

The next grant is No. 10, Accounts and Audit, page 32.

**Sir Raza Ali.**—We make a grant to Reuters and the Associated Press.

**Chairman.**—Page 34, engineering expenses. Why is this major head the whole of it a deduct entry ?

**Mr. Badenoch.**—The net revenue is shown in the accounts, as in the case of the Railways, and so all expenditure is a deduct entry.

**Mr. Azhar Ali.**—Col. 1, page 34, why is this training of wireless operators held up ?

**Sir G. V. Bewoor.**—An examination is held and then people are taken in. If there is a delay in the results of the examination being published, then the training does not start within the year but a little later.

**K. B. Piracha.**—There is generally a great saving in the pay of officers and pay of establishment in this Department. F. 2 (1) and F. 2 (2).

**Sir G. V. Bewoor.**—This was due to the economy measures.

**Chairman.**—The main reason is given on page 36.

Page 37—Pensions.

**Sir Raza Ali.**—Is there any demand in the Post Office that they should be granted a provident fund instead of a pension ?

**Sir G. V. Bewoor.**—We have occasionally received representations from Unions about the substitution of a provident fund but generally what they have been wanting is both.

**Chairman.**—It depends on the interest rates. There is a tendency for persons eligible for pension to demand a provident fund when the rate of interest is high and where the accumulated sum would have yielded a higher pension, and the tendency for provident fund beneficiaries is to demand a pension when the rate of interest is less. The weakness of the pensioner's position is that if he dies on the last day of service, the case would only be catered for by a compassionate fund which does not amount to anything very much. In England they have evolved a system which meets both requirements to some extent. They have started a system whereby in effect a portion of the pension is commuted and handed over in cash at the time of retirement or at the

time of the premature decease of the officer. That is a much better system than in India. We ourselves examined this question but we found that the cost of any scheme likely to be acceptable was prohibitive. Our own conclusion is that it is the business of everybody in Government service to insure to some extent against the risk and our view is that he should insure his life.

*Mr. Badenoch.*—Then the general provident fund is also there, and also a very attractive insurance scheme for Government employees.

*Mr. Azhar Ali.*—That scheme is voluntary.

*Sir G. V. Bewoor.*—The employee wants Government to pay part of the premium, which again involves a large cost. If he has to pay the full premium, he complains of an excessive deduction from salary.

*Mr. Azhar Ali.*—Does not Government pay for that in England ?

*Chairman.*—Under the English system there is scope for a pension and also some sort of a provident fund arrangement because their standard of pensions went up to two-thirds whereas in India pensions do not go beyond one-half. What they did in England was to reduce the pension to one-half, whereas in India we are already not giving pensions exceeding one-half, so that if you were to take out of that some provision for a provident fund, you would reduce the pension unduly. Then the age of retirement is 60 or 65 whereas here it is 55, so that we give a pension earlier, so that here on the basis of the age of fifty-five the probability of the man drawing his pension and also of being able to commute part of his pension is very much greater.

*Mr. Azhar Ali.*—The expectation of life must be very small in India, so that the number must be very small in India ?

*Mr. Sen-Gupta.*—At the age of fifty-five the expectation is nine or ten years.

*Sir Raza Ali.*—I am told that the conditions are so very strict that it is not very many people who can avail themselves of the commutation. I am told that the conditions are very rigorous.

*Mr. Badenoch.*—That is not the rule but the exception ; most applicants for commutation get the table rates.

*Mr. Azhar Ali.*—Is there any pension for these runners and lower-paid postal department officials ?

*Sir G. V. Bewoor.*—Yes.

*Mr. Azhar Ali.*—Where do you get that figure that the expectation of life is nine to ten years ?

*Sir G. V. Bewoor.*—It is on actuarial calculation.

*Chairman.*—There are two things, the actuarial expectation of a man's life when he enters service and when he quits it. The number of years' purchase which a man's pensionary right is worth when he first enters service, that is the age of 24 is of course much less than what it would be when he has reached the age of 55.

*Sir Raza Ali.*—Then the question will be how many years he is expected to live ?

*Chairman.*—Having reached the age of 55, the actuarial expectation is that he will live for ten or eleven years. I will get you the table. The

Madras Government have withdrawn the commutation but from our point of view it is a commercial proposition. It makes no difference. A man can either buy out part of his pension or he can continue to draw it.

Pages 38-39—Maintenance of Assets.

*Sir G. V. Bewoor.*—We put in a very substantial cut under this head—25 per cent. as a measure of economy.

*Chairman.*—Page 41. Under J. IV 3, there seems to have been a substantial saving ?

*Sir G. V. Bewoor.*—We used to provide for an increased amount on account of the dispute with Railways who were claiming higher rate. In recent years our rates for motor contracts have been considerably reduced. We have a large number of motor services in all parts of India and we got lower tenders. We provided for the usual amounts, because we did not know whether it was going to be less or more.

*Chairman.*—Statement of losses, page 43.

*Sir G. V. Bewoor.*—27 cases have been quoted, making a total amount of 44,641. In 27 cases the sums involved exceeded 200. Now, there is one point in connection with Item 5 on page 44 where a loss of Rs. 859 is reported on account of loss due to the payment of interest on cash certificates purchased by a holder in excess of the prescribed maximum limit. A person is not supposed to hold cash certificates in excess of the value of Rs. 10,000. He is supposed to sign a certificate to that effect. Incidentally the form has been recently revised in consultation with the Solicitor to the Government of India. In some cases, owing to certain legal reasons or certain reasons of policy, Government decided to pay interest on the amount in excess of Rs. 10,000 and the Accountant General treated them as a loss and it has been written-off. That is not really a loss because Government had used the money. It is true that the man had broken a condition which he ought not to have been allowed to do. Government have got the benefit of the amount and the further tragedy is that it is charged to postal revenue as a loss.

*Mr. Azhar Ali.*—There have also been some cases of highway robberies. In which provinces are they taking place on a larger scale ?

*Sir G. V. Bewoor.*—That varies. We used to have most of these in Bengal. Now, it is the U. P.

*Mr. Azhar Ali.*—When people go from the post offices to the banks, do you give them police help ?

*Sir G. V. Bewoor.*—We do in places where the position is considered to be un-safe. For example, in Calcutta, we provide for armed escorts owing to the presence of goondas. In Narayanggunj we have got armed Gurkha police. In Bombay there is no protection at all, because the people there are supposed to be law abiding. No cases of this kind have occurred there.

On page 52, there is a big item of Rs. 2,025 which is due to the loss on account of the destruction of stamp folders. For the first time in the history of the Post Office in India, we introduced pictorial stamps as a permanent issue. We therefore sold postage stamps of all denominations from three pies to one rupee in an attractive fo'der. The demand did not come up to expectation. The unsold folders were removed and the stamps were sold in the ordinary way. The loss incurred here is the cost

of printing the folders. We estimate that 70 to 80 per cent. of the stamps sold would not be used for postal purposes. The only blame that could be attached to the department is that it over-estimated the probable sales.

*Chairman.*—I think it was a lucrative experiment. It is a good thing to do because the Department was subjected to the criticism that it was not catering to the demands of collectors.

*Mr. Azhar Ali.*—Was this supposed to be kept in all the post offices ?

*Sir G. V. Bewoor.*—Yes, but it is now over a year since they were withdrawn.

*Chairman.*—If you had not included the one rupee stamp, you could have sold more ?

*Sir G. V. Bewoor.*—We deliberately included it because it was the inclusion of that that brought us so much money.

*Chairman.*—Pages 54 to 58. No comments.

*Mr. Scott.*—Page 59. It is very satisfactory to note that the department has got square.

*Sir Raza Ali.*—Page 60. Where do you keep your radios ?

*Sir G. V. Bewoor.*—The term 'radio' here does not mean the same thing as in common parlance. Here it means wireless telegraphy. We have wireless stations at aerodromes and at ports in order to help aeroplanes in flight and ships and in addition we have ordinary working between Madras and Rangoon and between Calcutta and Bangkok.

*Chairman.*—Pages 60 and 61. No comments.

*Sir G. V. Bewoor.*—Page 62. There was a general depression when we made our estimates. In the previous year, 1937-38, we were more optimistic.

*Chairman.*—The audit remarks on this are contained in para. 10 of the Audit Report. Did we have a big lump sum cut ? What have you done in 1940-41 ?

*Mr. Sen Gupta.*—We have reduced the provision and I think we may be erring on the other side now.

*Sir G. V. Bewoor.*—We were warned a few years ago against coming in for supplementary grants. In connection with works, there are so many disturbing factors. In some years, one factor operates more than the other.

*Chairman.*—The other thing that is operating now is the lump sum cut. That seems to be the panacea.

*Sir G. V. Bewoor.*—In 1940-41, we expect we shall exceed the amount because of the demand from the Defence Department which has come in this year.

*Mr. Azhar Ali.*—We have to live and learn.

*Chairman.*—We must certainly endorse the statement made in para. 10 of the Audit report as a modest statement of the facts. The remarks made there on this subject show that there is room for considerable improvement in estimating and we hope that the more drastic lump sum cuts adopted in the current year's estimates will show an improved result.



Page 70. Stores Suspense Accounts. We have already dealt with this yesterday.

*Sir G. V. Bewoor.*—There has been no loss to the department. On the other hand, it has been an advantage in view of the present emergency.

*Chairman.*—Page 71. “The final saving under Indian purchases was 1.20. This saving would not have accrued if payment had been made for a liability of 1.64 already incurred for value of stores purchased. Out of this liability payment for 1.10 could not be made as bills were either not received or received late while payment for 54 could not be made by the Controller of Telegraph Stores for want of allotment.”

What steps do you take to get these bills ?

*Mr. Sen Gupta.*—This matter concerns the I. S. D. He can do nothing except wait.

*Sir G. V. Bewoor.*—The Controller ordered his goods in excess. We withdrew certain amounts because certain works could not be carried out. We told him that he had made a mistake in ordering these stores before he had the allotment.

*Chairman.*—Page 72. There was a small increase in the closing balance.

*Mr. Subramanyam.*—The prescribed limit is too low.

*Chairman.*—We might recommend that the question of increasing the limit so as not to give room for undue irregularity might be considered.

*Chairman.*—Page 76 : Appropriation to the Telephone Development Fund : There is a small explanation of it. There was a large saving in the amount actually withdrawn. That was largely due to economy campaign.

*Sir G. V. Bewoor.*—In future we are showing a very small amount because we are always free to draw on this Fund when something unexpected happens.

*Maulvi Abdul Ghani.*—When no amount is withdrawn from this Fund, may I know what happens to the interest ?

*Sir G. V. Bewoor.*—It is only paid after the money has been spent on works. No interest is paid on the Rs. 250 lakhs.

*Chairman.*—What it amounts to really is a decision that programmes will be financed over a period of years from this 250 lakhs. They merely indicate what they think they are likely to spend in a year, but they do not draw the amount which they have estimated. They only draw what they actually spend.

There is a detailed statement of expenditure on important new works some of which were postponed as a measure of economy.

*Sir G. V. Bewoor.*—On page 90 there is the review of it.

*Chairman.*—The same sad tale is told here.

The witnesses then withdrew.

## HOME DEPARTMENT.

## GRANT No. 15. HOME DEPARTMENT.

*Sir Raza Ali.*—B : Bureau of Public Information : I would like to know what was the nature of the re-organisation which involved an additional expenditure of Rs. 7,900.

*Sir Richard Tottenham.*—The general position was that Mr. Joyce made certain proposals for the expansion of the Bureau on a rather large scale and owing to the financial position the Government of India did not sanction the whole amount but put in a lump sum provision of Rs. 50,000 which was considerably less than the original amount asked for. That amount was split up under various heads, B1, B2 and B3.

*Mr. J. Hennessy.*—On the total budget of the Bureau, in spite of the fact that it looks as though we had an additional Rs. 50,000, we only spent an additional Rs. 10,000 odd on our original total allotment because we surrendered about 15 per cent. of our budget due to various retrenchments spread over various items.

*Sir Raza Ali.*—What is the nature of the re-organisation ? Does it mean the entertainment of the services of additional officers ?

*Mr. J. Hennessy.*—The position boils down to something like this. We were under constant pressure from the press and from other public bodies who want information about the activities of Government and who complained (a) that enough information was not made available and (b) that what was available was slow in coming. The only way to deal with this was to increase our staff and also to increase the volume and variety of services which we render to the press and the public. I think this is worth bearing in mind because there is a general impression that Government publicity is something which Government is foisting on to unwilling people. The truth is that Government has to meet a public demand for information.

*Mr. Scott.*—Generally, people think that the Government is doing nothing. So, it is a very justifying activity.

*Mr. J. Hennessy.*—Our duty is to let the tax-payer know what is being done with his money.

*Sir Raza Ali.*—Have you any statistics as to how the newspapers use the information contained in "Indian Information ?"

*Mr. J. Hennessy.*—It is difficult to give precise information about that because all the information contained in "Indian Information" has previously been published in the press in the form of communiqués, press notes and what not. It is collected together and put into "Indian Information" to provide a permanent reference record for news which would otherwise have any ephemeral life and would be lost.

*Sir Raza Ali.*—Has your Bureau anything to do with the radio news received from outside which is very often absolutely wrong ?

*Mr. J. Hennessy.*—We are partly concerned with it but the question you are raising relates to the Board of Information which combines the activities of several component units belonging to different Departments. The work of doing counter-propaganda to misleading statements on the wireless is shared partly between the Bureau and partly between the

Communications Department and partly between the Defence Department.

*Sir Raza Ali.*—Last night I heard from Berlin that the Consul-General for Japan in India had given an interview which was published in Simla saying in India there is strong repression going on and 10,000 patriots are in jail and their only fault is that they want self-government. There were other bits of news which were highly exaggerated or unfounded. Do you take any steps to contradict this sort of news from Berlin?

*Mr. J. Hennessy.*—I think you will find that steps are already on the way. If the Consul General for Japan made any such statement, I am sure the External Affairs Department have some remarks to make to him. It is the duty of the Monitoring Section (it does not come under this head) to listen to enemy broadcast and provide counter material.

*Sir Raza Ali.*—What I meant was that if you did counter-propaganda in this matter that would be a legitimate advertisement of yourself?

*Mr. J. Hennessy.*—I will be very glad to send to you a copy of a publication called 'Misleading statements from enemy broadcasts' which contains a fortnightly selection of the leading misstatements.

GRANT No. 26—ADMINISTRATION OF JUSTICE.

*Sir Raza Ali.*—What does this Administration of Justice mean?

*Sir Richard Tottenham.*—These are payments made to the provinces of Bombay and Bengal for the services of their law officers, because they do certain work on behalf of the Central Government.

GRANT No. 27.—POLICE.

*Sir Raza Ali.*—What is this Police that you have under you?

*Mr. Menon.*—This police is for the protection of the property of the Central Government. This is mostly provided by Bombay and other provinces for protecting the Security Printing Press and the Mint and things of that type. Then, there is the sanitary police in ports and also the police for pilgrim traffic. Details are given in the Book of Demands.

*Mr. Azhar Ali.*—Could you explain Col. 1 under C on page 103?

*Sir Richard Tottenham.*—That is for exploring the possibilities of tear smoke. The present position regarding the training for tear smoke is that most of the provinces of India have sent up small squads to be trained at Phillaur. There are about three or four provinces which have not yet had any training and they are arranging to send squads up to Phillaur to be trained very shortly. When that has been done, practically all the provinces in India will have a small body of men trained in the use of tear smoke and they will be able to impart further instruction to their own police forces as time goes on.

GRANT No. 53—CENSUS.

*K. B. Piracha.*—Is there any proposal for postponing the Census?

*Chairman.*—It is not considered to be a good policy to drop the census altogether but the idea is to reduce it to less expensive proportions. The essence of the thing is that you must have enumeration at the proper time, and so we are providing for the enumeration. We have not yet decided how

much compilation we should do afterwards. I can assure the Committee that we took up this question very actively and our first instinct was to postpone it entirely. We did realise that it would be a mistake. We have decided only to have the enumeration which would cost about 13 lakhs of rupees.

*Mr. Scott.*—I think we would like to recommend that you take that step and show a saving of about 44 lakhs.

*Chairman.*—There is a small excess of Rs. 174 for this voted grant which will have to be regularised. I presume this Committee will recommend it.

GRANT NO. 57—MISCELLANEOUS DEPARTMENTS :—No Comments.

GRANT NO. 64—MISCELLANEOUS.

*Sir Baza Ali.*—B. 1 : How do you explain the amount of Rs. 59,610 ? I am not concerned with all the details but what I would like to know is how much is given to the Associated Press and how much to Reuters ?

*Sir Richard Tottenham.*—About Rs. 10,000 are paid to I. N. A. and the balance to Reuters for the telegrams which they supply to certain high officials.

*K. B. Piracha.*—R. 1 (4) (3) : From what part of the country have they been repatriated ?

*Sir Richard Tottenham.*—From England. This is under the control of the Secretary of State. They make an allotment of Rs. 6,000 but I am afraid we do not know the details of how they spent the money.

GRANT NO. 68.—*Delhi.*

*Sir Raza Ali.*—May I draw your attention to the first note on page 295 ? This is not very satisfactory.

*Chairman.*—We are again back on the same point, namely that in this year there was a deliberate economy campaign and all Departments were asked to produce as much savings as they could and surrender them. Here over 2 lakhs was surrendered.

*Sir Richard Tottenham.*—In the case of Account No. VIII—Public Health, it was not due so much to saving as to the transfer of it to the Improvement Trust and later on to the Joint Water and Sewage Board. That accounts for a saving of Rs. 85,000. Under Account No. VII—Medical—there is a big saving which is mainly due to savings on the contingencies of the Irwin Hospital. That was very largely due to the economy campaign but it was also partly due to the fact that being a new institution there was a certain amount of over-budgeting and it was difficult to foresee exactly what their contingency requirements would be. Finally there was saving by reduction in the contribution to the New Delhi Municipal Committee and the Notified Area Committee, Civil Station—Rs. 73,000 : due partly to an improvement in the actual position and partly to the search for economy. Of the total saving, about 1½ lakhs was really due to economy.

*Mr. Badenoch.*—Actually the revision of the New Delhi Municipality contribution was due to the action of the Public Accounts Committee in examining the accounts of that body : there was an insufficient attempt to make it self-supporting. We have an audit officer there now.

*Sir Raza Ali.*—Page 301 : Can the Home Department give a list of these institutions under C. ?

*Sir Richard Tottenham.*—This is not strictly under the Home Department : the E., H. and L. deal with the details. We are in charge of the whole Delhi demand, but details are not dealt with in Home Department. The Chief Commissioner corresponds naturally with the department concerned.

*Mr. Mukandlal Chopra.*—Rs. 88,000 of this is recurring and Rs. 10,000 is non-recurring : this is fixed pending re-examination. We are now paying additional grants and the matter will come up next year.

*Sir Raza Ali.*—Item E. How many schools are there ?

*Mr. Mukandlal Chopra.*—There are different grades of schools—aided and those maintained by local bodies. I am sorry I cannot give the exact number.

*Maulvi Abdul Ghani.*—Would it not be advisable to transfer all these to the local bodies ?

*Chairman.*—Having decided to give the money to the non-Government secondary schools, we had better give it direct and make sure that it gets there.

*Sir Raza Ali.*—Page 303 : What are these hospitals and dispensaries—Item B. ?

*Mr. Mukandlal Chopra.*—The Hindu Rao Hospital, the Balak Ram Hospital, the Wellington Hospital and the Irwin Hospital.

*Mr. Azhar Ali.*—Why should there be so many heads here—medical purposes, grants-in-aid, medical scholarships and so on ?

They are all medical purposes.

*Chairman.*—They are shown under so many heads for better control of expenditure and also for giving full information.

*Sir Raza Ali.*—Page 303, Item B. 4 : Could not this expenditure be more accurately estimated ?

*Sir Richard Tottenham.*—This was due partly to economy and partly because we had no past actuals to work on.

*Mr. Menon.*—These are contingencies : the number of patients could not be estimated accurately and their medicinal requirements also could not be estimated properly.

*Sir Raza Ali.*—Can we make recommendation that this is not satisfactory ?

*Chairman.*—In my opinion the only comment which you can relevantly make is that they should have spent a greater proportion of the provision originally made. I would not myself be prepared to accept such a recommendation for the reason that the question of the economy campaign came in here as everywhere throughout this year's budget. This is not the place or the time to pursue the question of the adequacy of the equipment of the Irwin Hospital.

*Sir Richard Tottenham.*—We have admitted a certain degree of over-budgeting.

*Chairman.*—Grant 69 : Ajmer Merwara.

*Sir Richard Tottenham.*—The main difference between the budget and final expenditure is due to the return of certain villages to Jodhpur and Udaipur during the year.

*Chairman.*—Grant 70 : Panth Piploda : No comments.

*Sir Raza Ali.*—Page 305, Item E.—Is there a Pasteur Institute in Delhi ?

*Mr. Menon.*—Anti-rabic treatment in the Hindu Rao Hospital.

*Mr. Scott.*—We have twenty places all over the U. P. where we get this treatment : it is all done locally.

*Chairman.*—Grant 71 : Andamans and Nicobar Islands : Page 130 of the Commercial Appendix.

*Mr. Scott.*—The loss on the shipping department is shown as Rs. 70,000 : can you tell me if it is better next year or worse ?

*Sir Richard Tottenham.*—I am afraid I have not got the information here just now, but I think there was a slight improvement. The trouble is we cannot fit in with commercial requirements. That was the previous explanation and is still true. As regards the Marine Department (page 137) there was rather less work done and the overheads remained the same : hence the increase in the deficiency. As regards the profit shown under Supply (page 148) these concerns are not really intended to make a profit but for supplying good bread, butter and milk and so on to the Government officials there : we may have to consider the possibility of reducing prices.

*Mr. Azhar Ali.*—In section II, it says that the review is based on un-audited accounts.

*Chairman.*—This is one of the cases where as a measure of economy local audit was not carried out : it is expensive for the local auditor to go there.

Federal Public Service Commission : No comments.

*Mr. Scott.*—Page 372, Item I. 5.—What is the position ?

*Mr. Menon.*—We thought of sending a representation this year also but in view of the international situation the idea was postponed. This item is only the expenditure for sending the delegate.

The Chairman thanked the witnesses who then withdrew.

The Committee adjourned till Friday the 23rd August 1940.

**Eighth Meeting, Friday, the 23rd August 1940, 10-30 A.M.**

**EXTERNAL AFFAIRS DEPARTMENT.**

*Chairman.*—Grant No. 60.—Civil Works. Note 13. Installation of water borne sanitation in the Agency buildings at Bahrain—Rs. 2,983.

*Mr. Badenoch.*—It is a small case but it was included in the report more or less at the instigation of the Finance Department in pursuance of an agreement reached between the Auditor General and the Finance Department that bad cases, however small, should be included in the report.

*Mr. Caroe.*—Apparently, the administrative approval was accorded on the assumption that funds would be earmarked but in that year the Political Resident was given Rs. 17,000 against a demand for Rs. 42,000. He assumed that administrative approval had been accorded and proceeded with the scheme. A year later we informed him that the financial position had deteriorated and also that in view of negotiations with H. M. G. for revision of the incidence of expenditure in those regions, it was necessary to obtain their prior concurrence. But before that letter reached him, he had already incurred the expenditure assuming that the conditional administrative approval which had been given in the previous year still held good.

*Chairman.*—But the administrative approval is not the same as sanction to proceed with the work.

*Mr. Caroe.*—That is true. I know the place itself. I can say that it was highly necessary to incur this expenditure.

*Chairman.*—Although the amount involved is small, I think this Committee must express its disapproval.

*Mr. Caroe.*—We have already expressed strong departmental disapproval.

*Mr. Scott.*—What was the original grant for minor works ?

*Mr. Caroe.*—I am afraid this information is not readily available.

**TRIBAL AREAS : Page 350.**

*Mr. Scott.*—I am afraid you have not got very much from this Department on account of your economy campaign ?

*Chairman.*—It is very largely establishment. We got a reduction of about 5 lakhs in works under Account No. II.

*Mr. Caroe.*—We have been having very disturbed times and yet we were able to save 2½ lakhs.

*Mr. Scott.*—You had to increase your forces everywhere ?

*Mr. Caroe.*—Yes.

*Mr. Azhar Ali.*—Have you any mechanised forces in Waziristan now ?

*Mr. Caroe.*—There are a few tanks in Waziristan. It is really a matter for the Defence Department but mechanised forces can hardly operate in this country.

*Mr. Scott.*—Roughly, what is the amount of these various forces in Police ?

*Mr. Caroe.*—The number of the civil force in the N.-W. F. P. is 10,000. excluding the Khassadars. In Baluchistan its number is about 2,000.

*Sir Raza Ali.*—What is the number of Khassadars in the N.-W. F. P. excluding Waziristan ?

*Mr. Caroe.*—There are about 1,200 in the Khyber Agency and about 800 in Chitral and so on. Altogether, I should think, the number is about 2,000. In Waziristan the number of Khassadars is between four and five thousand.

*Mr. Azhar Ali.*—Under A. 1 (2) you have Police force appropriation of more than 9 lakhs.

*Mr. Caroe.*—The Frontier Constabulary are not police. They are stationed in the districts in the N.-W. F. P. proper but their function is to guard the administrative border against raiding and they do not do police work, that is to say, they do not investigate crime and so on. Their job is to catch raiders and prevent raiding. They do call themselves constables of course.

*Sir Raza Ali.*—There is a note about the middle of page 354 which refers to a case of a Political Tahsildar who misappropriated and embezzled some money. What has been the outcome of that ?

*Mr. Caroe.*—Under the Act of 1850 (Public Servants Inquiry Act) there was a special inquiry and the result of it was that the Tahsildar was acquitted. But the Tahsildar has been reduced to the rank of a Naib Tahsildar. So, I think effective action has been taken.

*Chairman.*—This is a case where the charge could not be proved to the satisfaction of a quasi-judicial committee but which was strongly disapproved by the Department.

*Sir Raza Ali.*—In this case the loss to Government is Rs. 545 and no more. Have you been able to recover it ?

*Mr. Caroe.*—Rs. 1,135 has to be written off as a loss, as it was established that—Rs. 2,646 had been disbursed to the tribes and out of this Rs. 545 has already been written off by the local Administration. The total amount that will be written off will be Rs. 1,500 odd.

*Chairman.*—Since the Tahsildar has been degraded, I take it the Committee is satisfied that the action taken is enough.

*K. B. Piracha.*—A. 4 (8).—There is an expenditure of Rs. 15,500 on account of blood money. Can you explain this ?

*Mr. Caroe.*—This is savings from the pay of Khassadars which under the authority of Government can be used for objects in connection with the working of Khassadars. A Khassadar is not a servant of Government but is a servant of the tribe though the Government pay him. If he kills another tribesman, he incurs a blood feud in the prosecution of his duties and in certain cases blood money has been paid. Similarly when a Khassadar is killed, the natural course would be for his relations to kill somebody else. In order to settle things up and to avoid action by or against Khassadars, certain payments have to be made.



**K. B. Piracha.**—For the lives of how many persons was this amount paid ?

**Mr. Caroe.**—It is difficult to say, but the life of a Mahsud is worth some Rs. 2,000 and that of a Wazir is worth some Rs. 600. So it depends upon the custom of respective clans.

**Chairman.**—Important Comments : Pages 366—68.

**Sir Raza Ali.**—The percentages of variations are rather remarkable at the bottom of page 366.

**Chairman.**—I suppose there were special reasons why a considerable work was done in the previous year.

**Mr. Caroe.**—That was in connection with the road building in Waziristan in the previous year connected with the military operations. In the previous year there were a lot of roads built in Waziristan to improve control. That, I think, is mainly responsible for this very large percentage.

**Chairman.**—We go on to External Affairs—page 369.

**Mr. Ramsay Scott.**—B (5), secret expenditure. This seems to be curtailed owing to economy ; is it not possible to curtail it always ?

**Chairman.**—It depends on whether you want to get the information or not.

**Mr. Caroe.**—This was a cut over and above the economy cuts imposed by the Finance Department. The cut was not quite rigidly enforced ; with secret service, it is rather difficult.

**Maulvi Abdul Ghani.**—C. (6), Col. 1, Postal service between India and Sinkiang. How is that service going to work ?

**Mr. Caroe.**—We tried to have a regular postal service but owing to local opposition we found it impossible to do so. The situation is not unsettled but the Province is Sovietised.

**Sir Raza Ali.**—What are the consular representatives in Iran ?

**Mr. Caroe.**—There is a Consul General on the Persian Gulf. Then there are consuls in East Persia. There is also a Consul General at Meshed and there are two Consuls, one at Zabul and the other one at Zahidan. The former used to be called Seistan (Nasratabad) and the latter Duzdab.

**Sir Raza Ali.**—Are there consular representatives in any country other than at Iran ?

**Mr. Caroe.**—There is one in Kashgar. Muscat has a Consul. There are two in Afghanistan. There is a legation in Kabul.

**Sir Raza Ali.**—If the amount of secret expenditure is no more than Rs. 4,000 as at about the end of page 369, (B.5)—that is rather a small sum ?

**Chairman.**—This is only one item.

**Mr. Scott.**—Do we keep up any establishments in Iraq ?

**Mr. Caroe.**—No, that is entirely H. M. G.'s responsibility. There is however an Indian Vice-Consul in charge of the interests of Shia pilgrims. We pay for him. We have also got an Indian Vice-Consul at Jeddah, whose chief task is to look after the interests of Hajjis.

*Sir Raza Ali.*—Where is this man stationed to look after the interests of Shia pilgrims ?

*Mr. Caroe.*—He is at Baghdad and Kerbala. We have just arranged for special accommodation in Kerbala so that he can be there at the time of the pilgrimage. He spends about half the year in Kerbala. He is an Indian. The man in Jeddah is also an Indian. There is a doctor also in Jeddah.

*Moulvi Abdul Ghani.*—Page 370 (d) and page 371 F (1). “Presents to the Government of Nepal” : why not subsidy there too ?

*Chairman.*—They are an independent Government. The subsidy to Nepal is in consideration of the assistance rendered by them during the Great War.

*Mr. Caroe.*—The annual payment is ten lakhs.

*K. B. Piracha.*—What about the other subsidies—D. 3 on page 370 ?

*Mr. Caroe.*—The Muscat subsidy has been paid under the Canning Award for nearly a hundred years. The liability has been an Indian charge since 1883 ; India has very large interests in Muscat, there is a very considerable trade valued at half a crore each way. annually.

*Sir Raza Ali.*—Is it not a declining trade ?

*Mr. Caroe.*—No, it is an increasing trade ; there are a lot of Indian merchants in Muscat.

*Sir Raza Ali.*—What is the Canning award ?

*Mr. Caroe.*—Muscat is in special treaty relations with H. M. G. The Sultan of Muscat has got treaties not only with us but also with France and America. There used to be a French Consul there, but no longer.

*K. B. Piracha.*—What are these other subsidies under D.-3 ?

*Mr. Caroe.*—In Gilgit.

*Sir Raza Ali.*—Page 369. The amount of your secret expenditure is only Rs. 4,000 odd and none of the subsidies goes to the North-West Frontier ?

*Mr. Caroe.*—We are not now discussing the North-West Frontier Province. That is only in Iran. You will find other heads under the frontier province. The North-West Frontier Province will be under “tribal areas”.

*K. B. Piracha.*—Page 373, League of Nations. What is the present position regarding the League of Nations ?

*Chairman.*—You may put this question to the Legislative Department.

*Mr. Azhar Ali.*—Page 372. Rural Development. Is it Delhi or some other place ?

*Mr. Caroe.*—It is probably in Gilgit.

*Chairman.*—It is financed from the Rural Development Fund ; so there is a receipt item to explain the expenditure item.

*Mr. Scott.*—I (8). Refund of payment made by Aden.

*Chairman.*—We fixed up a financial settlement with Aden on their separation ; I do not know exactly how this refund arose. It was decided not to press for recovery in view of the variations in the original memorandum.

*Sir Raza Ali.*—Bombay is concerned somewhat in this ?

*Chairman.*—It happened in the Bombay circle ; that is all.

*Sir Raza Ali.*—What about the Lhasa Mission ?

*Mr. Caroe.*—It was a political mission. Missions have been going to Lhasa for the last three years and we are maintaining a subordinate there. The last mission was in connection with the inauguration of the Dalai Lama. This mission was in connection with another Lama, the Tachi Lama and he was trying to come back to Tibet from China. It has always been the Government of India's policy to try and maintain their influence in Tibet against other powers and to extend political and commercial relations on a friendly basis with India. Lhasa is very much nearer India than it is to China, Russia or Japan and the Political Officer at Sikkim has to conduct political, cultural and commercial relations with Tibet.

*Sir Raza Ali.*—How many Lamas are there in Lhasa with whom we have these diplomatic relations ?

*Mr. Caroe.*—At this time there was no Dalai Lama. His re-incarnation had not taken place, but it was desirable that the Government of India's influence in Tibet should be maintained there during the interregnum.

*Chairman.*—There is one outstanding item and that is the recommendation of the Committee that the decision on the question of the incidence of the Persian Gulf expenditure should be arrived at as soon as possible.

*Mr. Caroe.*—We recently sent a very long letter to H. M. G. on the subject, in which we set forth what the Government of India were prepared to do. It is rather difficult to expect an answer at the present time.

*Chairman.*—We can ask for a report next year.

*Mr. Scott.*—Baluchistan—page 374, last paragraph. How about these sand-bags ?

*Mr. Caroe.*—It was an unsound structural construction and the work had to be done twice. (Reads out statement.)

*Mr. Scott.*—Why was it not foreseen ?

*Mr. Caroe.*—It was done as an emergent measure after the earthquake when there was a lot of minor recurrent shocks.

*Moulvi Abdul Ghani.*—What was the result and nature of the disciplinary action taken against the official responsible ?

*Chairman.*—It was the M. E. S. It is an error of judgment.

*Mr. Scott.*—Page 376, col. 1. What is ephedrine ?

*Mr. Caroe.*—For the mouth and nose it is a very valuable drug which we have actually been making.

*Mr. Scott.*—Is a receipt shown anywhere ?

*Chairman.*—Note 1 on page 374 relates to this sub-head.

*Mr. Caroe.*—We have increased the forest revenue up to about 10 times in the last three years.

*Moulvi Abdul Ghani.*—Where is it possible to get this ephedrine shrub ? It is a very good cure for asthma.

*Mr. Caroe.*—We can get it from Baluchistan. We supply to Burroughs, Wellcome and Co. and also to some Indian firms in Bombay and Karachi. It only grows in a very bare sort of country. It is grown in China and Spain also. Owing to the disturbances in China and Spain Baluchistan got its chance to capture the market for the time being.

*Moulvi Abdul Ghani.*—Page 378. Subsidy of one lakh. To whom is it given ?

*Mr. Caroe.*—To the Khan of Kalat under the treaty of 1876.

*Chairman.*—What is the block recovery ?

*Mr. Arte.*—On account of establishment for joint duties.

*Mr. Scott.*—Page 382-G. The reorganization was not proceeded with ?

*Sir Raza Ali.*—About the educational system obtaining in Baluchistan, you have got no college ? There is a demand for that.

*Mr. Caroe.*—There is no college.

*Sir Raza Ali.*—How many schools have you got ?

*Mr. Caroe.*—I could not say off-hand, but I think we have worked out a new scheme of expenditure per head of population so as to make it about equal to what it is in other parts of India,—under the new scheme.

*Sir Raza Ali.*—What is the new scheme ?

*Mr. Caroe.*—It is a reconstruction scheme for secondary schools, intermediate classes,—a net work of schools. There is a lot of reconstruction to be done in the Quetta area owing to the earthquake. This is dealt with in the Department of Education, Health and Lands.

*Chairman.*—Strictly speaking, when we take the E., H. and L. Department we ought to glance at the education sections of these centrally administered areas. The External Affairs Department is no doubt responsible for this appropriation but when you ask questions on policy, then you require witnesses from E., H. and L. Department.

*Mr. Caroe.*—The local authorities are officers of the Indian political service and they of course have a great deal of say on the framing of the educational policy but when the matter comes to the Government, it is the Department of E., H. and L. which makes the decision.

*Moulvi Abdul Ghani.*—A few years ago there was a resolution tabled in the Assembly to discuss the question about the opening of a college in Baluchistan and the External Affairs Department was responsible for that subject.

*Mr. Caroe.*—We are responsible here for the administration of Baluchistan, but in the matter of educational policy we have to take the advice of the E., H. and L. Department.

*Sir Raza Ali.*—At page 382 there is a reference to grants-in-aid to non-Government primary schools, that goes off to various heads.

*Chairman.*—This system of accounting has now been discontinued.

*Sir Raza Ali.*—What are the institutions to which this grant is given ?

*Mr. Caroe.*—There are a number of private schools in Quetta.

*Sir Raza Ali.*—Are they *mukhtabs* ?

*Mr. Caroe.*—There are I think three high schools.

*Sir Raza Ali.*—For three high schools the grant is very small.

*Moulvi Abdul Ghani.*—G. Reorganization of the educational system, Rs. 50,000. But it was not spent.

*Chairman.*—The actual expenditure was Rs. 26,000 but it has been accounted under other heads.

*Sir Raza Ali.*—We must express our dissatisfaction at the manner in which this grant was not utilised.

*Mr. Caroe.*—A great deal of disorganization was then still remaining after the earthquake. The whole of Quetta was absolutely in a mess and we were trying to pull it together, and education suffered along with every other activity.

*Chairman.*—They did not work up to the full extent of the amount provided.

*Sir Raza Ali.*—That is not very satisfactory.

*Mr. Badenoch.*—You might have provided something very much more but it would not be a fault to work up to it.

*Mr. Arte.*—We spent whatever we could do usefully. It was a question of the speed with which the work could be usefully done during the year.

*Sir Raza Ali.*—We would like to say something,—that it ought to have been speeded up and the whole amount should have been spent ?

*Chairman.*—What about the conditions prevailing at the time ? If you look at the Quetta reconstruction expenditure, you will see from the note on page 395 that there is a progressive expenditure. The whole place was still in very much of a mess.

*Mr. Caroe.*—There is another point. I was in Quetta at this period. Generally speaking, the population of Quetta is mostly found from the rest of India and they did not come back. There was a great deal of apprehension and it is only now that the population of Quetta is recovering. Two years ago the place was very empty and the school-children were not there in many cases. There was a great deal of fright and nervousness.

*Sir Raza Ali.*—What was the loss of life ?

*Mr. Caroe.*—About twenty-five to thirty thousand.

*K. B. Piracha.*—Page 382, F. 2, col. 1. Why were the scholarships for primary schools discontinued ?

*Mr. Caroe.*—Apparently there was no provision for scholarships in the new educational code and therefore these scholarships were discontinued. This was not foreseen when the estimates were framed.

*K. B. Piracha.*—Page 383, mental hospital.

*Mr. Caroe.*—We send our patients to Sind. There is a payment to Sind Government on account of Baluchistan.

*Mr. Scott.*—Page 384, B.-5. What is the canning scheme ?

*Mr. Caroe.*—For canning local fruits,—peaches, apricots and plums. Baluchistan is excellent for growing temperate climate fruits.

*Mr. Scott.*—Has it proved successful ?

*Mr. Caroe.*—I have no information—I was very keen on the scheme when in Baluchistan : but we do not see much about it here except from the budget point of view : it is an E., H. and L. case.

*Mr. Scott.*—Page 395 : Fruit Experimental Station at Quetta : I think we used to have the account shown.

*Mr. Chairman.*—Page 374 : Note 2 : the main part of the saving is due to economy and slowing up of progress in construction. How is the scheme getting on now ?

*Mr. Caroe.*—It is pushing ahead : one of the chief causes of the delay was disputes as to the best form of anti-earthquake construction : we had some differences with the military authorities and decided to build differently : they built with concrete blocks : we built with reinforced brick. In the end it saved a lot of money : I believe the military have now adopted it and it looks much nicer.

*Chairman.*—The Finance Department pressed for a re-examination of the whole question and in the end the engineers agreed that reinforced brick work would be adequate : this brought about a tremendous reduction in the cost of construction.

*Sir Raza Ali.*—What is the total amount spent till now ?

*Mr. Caroe.*—Till the end of 1938-39 it was 20 lakhs odd, of which about 12-3/4 lakhs was on reconstruction and 7-3/4 lakhs on clearance. In the following year it was about 10 lakhs ; and in 1940-41 it is 20 lakhs. That is the civil outlay. The total estimate is about 67 lakhs, excluding educational buildings.

The Chairman thanked the witnesses who then withdrew.

## COMMERCE DEPARTMENT.

*Chairman.*—Grant 19, Commerce Department : No comment.

## GRANT 28.—PORTS AND PILOTAGE.

*Maulvi Abdul Ghani.*—Page 116 (para. 178) of the Commercial Appendix : What was the decrease in surplus due to ?

*Mr. Pillai.*—The fall is mainly due to the reduction in the pilotage fees.

*Chairman.*—The additional expenditure, para. 180 is due to increment or increase in number ?

*Mr. Pillai.*—Increments.

*Sir Raza Ali.*—How do you recruit your pilots ?

*Mr. Pillai.*—All pilots are now recruited in India, and Dufferin cadets are given preference. In practice, therefore pilots are almost entirely drawn from the Dufferin.

*Sir Raza Ali.*—You do not provide for their training ?

*Chairman.*—Yes. After coming out of the Dufferin they have to get a mate's certificate which means they have to put in at least 3 years on a merchant ship ; and when they are appointed to this service they are first appointed as leadsmen, and then they become pilots. The Dufferin is capable of providing all the pilots that are required for the Bengal Pilot Service besides providing for merchant services. The Dufferin turns out about fifty cadets a year. The intake of the Bengal Pilot Service is only about two or three a year.

*Sir Raza Ali.*—How many Indians are there now in that service ?

*Mr. Pillai.*—I think there are at least fifteen now. For the last five years every recruit has been an Indian.

*Chairman.*—Audit comment on page 117 of the Commercial Appendix : What is the position now ?

*Mr. Prior.*—The Pilot Advisory Committee has accepted our recommendation that the contributions to Heavy Repairs Reserve should be stopped. But I do not see that actually it will make very much difference because it will merely increase the surplus which is credited in the end to the *pro forma* account.

*Mr. Azhar Ali.*—My idea was that a report would be submitted to the Committee on this question ?

*Chairman.*—Is there a report ?

*Mr. Prior.*—A written report has not been submitted. The object of building up a depreciation fund was to provide for the purchase of new vessels when the time came. But we find that the cost of heavy repairs works out to about 23,000 per annum so that the interest on the reserve as it stands now should meet it.

*Chairman.*—Has the depreciation reserve stopped ?

*Mr. Prior.*—No : it is increasing every year : contributions to that must go on for a considerable time because the cost of replacement even before the war was 22 lakhs and it will now be about 32 lakhs. It does

not, however, make very much material difference because if no contribution was made to Depreciation Fund it simply goes to swell the surplus. In view of the small amount in the depreciation fund, we should not reduce the pilot fees.

*Chairman.*—How is the pension scheme working now ? I suppose it has now reached a stage when the outgoings are much larger than the incomings ?

*Mr. Prior.*—Yes.

*Chairman.*—Page 114 : Note 6 : the total expenditure is excluding Dufferin and Vizagapatam. The financial position is not satisfactory ?

*Mr. Prior.*—The Mercantile Marine Department could not be self-supporting.

*Sir Raza Ali.*—Is it not rather an extraordinary position that the expenditure in the ports should exceed the income ?

*Chairman.*—There are two views possible : you can either segregate a port as a separate local authority and insist that it should carry on under its own steam, or you may regard ports as an essential part of the transport system of the country and that it is not therefore inappropriate that the general taxpayer should make some contribution towards their maintenance : e.g., Vizagapatam.

*Mr. Badenoch.*—This is not by any means exhaustive.

*Chairman.*—Of course the main ports have their own port trusts. But every civilised government must enforce certain standards in regard to merchant shipping for the protection of the travelling public and the whole of the fees cannot be recovered from the shipping trade. In the United Kingdom the proportion is roughly half and half.

#### GRANT 29.—LIGHTHOUSES AND LIGHTSHIPS.

*Chairman.*—This is a completely self-supporting affair.

*Sir Raza Ali.*—Where are these lightships made ? Was any made in India in this year ?

*Mr. Prior.*—I do not think any was made in 1938-39 at all.

*Sir Raza Ali.*—I believe there is a scheme for starting ship-building in India ?

*Chairman.*—I doubt whether a lightship which is a very special technical thing—the hulk is wholly steel—and which has a lot of special lighting apparatus can be made in India : there are only one or two firms in the United Kingdom which do this work.

*Mr. Prior.*—We have only four, and their normal life is forty years.

*Maulvi Abdul Ghani.*—What is the explanation for this item—G. 1 (2) on page 117 ?

*Mr. Pillai.*—We had a scheme prepared the year before. Then in 1938-39 we decided to electrify the lighthouse, abandoning the original scheme. The second one was abandoned after the outbreak of war. This refers to the first abandonment.

*Mr. Azhar Ali.*—There are some more schemes abandoned !

*Maulvi Abdul Ghani.*—Page 118, Note 2. What is the meaning of this ? It refers back to A.-11.



*Chairman.*—It is a difficult item : the whole of the profits of lighthouses and lightships is contributed to a general reserve fund and so appears as an item of expenditure, so that you have to make a guess of the profits of the year which has not begun : if there is a prospect of larger profits, you have to make a larger appropriation under this head.

GRANT 46.—INDUSTRIES.

*Maulvi Abdul Ghani.*—What is the meaning of this last sentence of note 2 on page 186 ?

*Chairman.*—I think this has some relation to customs receipts—some percentage of the duty on cotton yarn.

*Mr. Azhar Ali.*—The price of wool has gone up : will it affect the handloom industry ?

*Chairman.*—It is mostly cotton and art silk : there are very few handloom factories for wool.

*Mr. Prior.*—There is a small one at Gaya in Bihar.

*Chairman.*—Ordinarily unspent balances are carried forward : but as this was a bad year financially, we resumed the savings instead of carrying them forward.

GRANT 51.—INDIAN STORES DEPARTMENT.

*Chairman.*—What has happened to this item in the Statement about amalgamation of the Stores Department in England with the Indian Stores Department ?

*Mr. Ghulam Muhammed.*—There is a memorandum about it.

*Chairman.*—It has been decided that the amalgamation was not practicable. Another item is the re-examination of the maintenance of certain accounts. How does it stand ?

*Mr. Ghulam Muhammed.*—When the Public Accounts Committee made this recommendation, we started examination of the question. The war started and with it the Supply Department came into the picture. The whole question has got so altered now that the question of any loss has temporarily disappeared altogether. Because of the *ad hoc* arrangements made for the period of the war, the Supply Department are hardly in a position to reach any definite conclusions at present.

*Chairman.*—That question can remain in cold storage till more normal conditions are established.

*Mr. Scott.*—The Government Test House has now gone to the Commerce Department ?

*Mr. Ghulam Mohammed.*—It was under the Commerce Department, but it has not been transferred to the Supply Department—but has been linked up with the Scientific and Industrial Research Board.

*Chairman.*—Page 210 : The so-called deficit is 4,81,000 ?

*Mr. Ghulam Mohammed.*—This is really an improvement. One interesting factor is that the incidence of cost is coming down from 1.38 in 1934-35 to 1.07 in 1938-39. We are getting better gradually.

*Chairman.*—That I suppose is due to the increase in the turn-over ?

*Mr. Ghulam Mohammed.*—Yes : after the war started we have picked up tremendously.

*Mr. Scott.*—What were the items of economy you refer to on page 209 ?

*Mr. Ghulam Mohammed.*—New posts were not filled. Some equipment was not purchased. The difference between the original grant and the actuals is Rs. 99,807. The difference is Rs. 6,000 only between actuals and the final grant. This is mainly due to not filling up posts sanctioned and the ten per cent. cut in travelling allowance.

*Mr. Azhar Ali.*—Is there any list of the researches that have been made ?

*Mr. Ghulam Mohammed.*—It is published every year in the annual report. The report for this year is in the press. Research has been made into the glass industry, oil seeds and various other items.

*Sir Raza Ali.*—Page 208. Will you please explain this item ? Due to larger number of orders than anticipated being placed for materials requiring inspection in the country of origin ?

*Mr. Ghulam Mohammed.*—This is due to larger orders. Suppose we place orders in Belgium for railway material on a competitive tender basis, we have to incur certain expenditure there for inspection. If we make an estimate in the beginning of the year, it is likely to go up and down. This is, however, a small item.

*Sir Raza Ali.*—It may be a small item but it raises a big question of policy ?

*Mr. Ghulam Mohammed.*—The policy has been laid down in the Resolution of the Government of India under which the rupee tender system was inaugurated. Under this, except for special items like arms and ammunition, tenders are invited in rupees in India. The main idea is to stimulate Indian industry and to let Indian industrialists know our requirements so that they may compete on equal terms with foreign firms. The number of items open to tender is increasing and Indian manufacturers are now competing successfully with foreign manufacturers.

*Sir Raza Ali.*—Does your department come into the picture so far as aircraft is concerned ?

*Mr. Ghulam Mohammed.*—That depends on the specification. My department has been purchasing aircraft for civil aviation and flying clubs.

*Sir Raza Ali.*—Do you invite tenders from America ?

*Mr. Ghulam Mohammed.*—We invite tenders from all registered firms. The list of these is published every year for the information of the public.

*Sir Raza Ali.*—Suppose there is tender in England and America and the English tender is one half per cent. higher than the American tender ? What is the policy in that case ?

*Mr. Ghulam Mohammed.*—The general policy is to buy in the cheapest market, provided the stores are of the standard specification. The policy is not to give any preference except for better delivery and better quality of goods.

*Sir Raza Ali.*—Do you give any preference to Indian manufacturers in the matter of accepting tenders ?

*Mr. Ghulam Mohammed.*—There is a small margin in favour of the Indian manufacturer. For instance, an interesting case occurred the other day where an order was placed for certain rubber fittings required for railway couplings. After a few years concession under this preference the firm in question is now able to compete without the help of the margin. We do not help people who are not in the long run prepared to help themselves. In due course, the margin must come down and disappear.

*Sir Raza Ali.*—I suppose the railway workshops will now manufacture more and more of the articles they require instead of importing them ?

*Mr. Ghulam Mohammed.*—They are now making quite a large number. I take it that you do not mean that the railways should undertake to make in India everything that they require. That would not be economical. Various expert committees have examined this question. The idea is that the railways should not make a fetish of trying to make every little thing they want.

*Chairman.*—I take it that your idea, Sir Raza Ali, is that railways should manufacture in this country more and more of the things which were not manufactured here before ?

*Sir Raza Ali.*—Yes.

*Mr. Ghulam Mohammed.*—Every year more and more new items are being taken up.

*Mr. Scott.*—A big committee is going about looking into this question ?

*Mr. Ghulam Mohammed.*—The present position is that we try to manufacture everything unless it is absolutely impossible to manufacture it. I may tell for the information of the Committee that our Metallurgical Inspector has been able, to assist Tatas in the manufacture of armoured plate. I have seen it made and tested. In the matter of textiles, we now do things which we never did before.

*Sir Raza Ali.*—Have you attempted to make bicycles ?

*Mr. Ghulam Mohammed.*—A factory has been started at Patna. When a new industry is started, we make enquiries about it. If they have any difficulties, we assist them in working up to our specifications. We depute our Inspectors to help them to improve their processes, so as to bring the articles within our schedule of requirements.

*Mr. Azhar Ali.*—Is there any likelihood of pins and needles being taken up ?

*Mr. Ghulam Mohammed.*—Steps are being taken but there are difficulties in the way. This industry requires highly specialised steel and plant. It may not be worth while our taking it up in this country. In Tatanagar barbed wire of very good quality is being manufactured. The progress at Tatas is considerable as compared with last year. My department helps these firms with practical advice.

*Mr. Scott.*—I believe a certain oil company is getting a plant out for making lubricating oils for aeroplanes in India ?

*Mr. Ghulam Mohammed.*—All I can say is that the matter is under examination.

*Maulvi Abdul Ghani.*—I want to know why the State railways are making less purchases from you ?

*Mr. Ghulam Mohammed.*—The reason is that in 1938-39, there was great need for retrenchment of expenditure on the railways. The railways curtailed their capital works programme. The programme was smaller, the stores requirements were smaller and therefore the purchases were smaller.

*Sir Raza Ali.*—Did the instruction about the ten per cent. cut apply to maintenance charges also ?

*Mr. Badenoch.*—The cut would apply to contingencies.

*Mr. Ghulam Mohammed.*—The stores are mostly needed under capital works. The policy of State-managed railways has been to transfer to the I. S. D. the purchase of more and more items of stores. We hold six monthly conferences with Railways and the list is reviewed and added.

*Sir Raza Ali.*—What about the company managed railways ?

*Mr. Ghulam Mohamed.*—The Railway Board has been able to persuade them to buy more and more through our agency. Formerly the railways had to come to us for purchases if the value of an item exceeded Rs. 250. That led to lot of unnecessary correspondence and wastage. This limit was raised to Rs. 1,000, which led to a small decline. There are several departments of Government whose purchases are effected through the I. S. D. There are also certain Indian States and Provincial Governments who utilise our agency.

*Chairman.*—That finishes the I. S. D. We shall take up Commercial Intelligence Grant No. 52, page 213.

*Maulvi Abdul Ghani.*—Page 214. May I know why the statistical section was not transferred ?

*Mr. Prior.*—It was found that if we transferred it a large amount of plant had also to be transferred at a capital cost of 13 lakhs and on that ground it was abandoned.

#### PAGE 219.—JOINT STOCK COMPANIES.

*Mr. Azhar Ali.*—Have more joint stock companies been opened ?

*Mr. Prior.*—Their number has been gradually increasing.

*Chairman.*—Grant No. 57. Miscellaneous Departments. No comments.

#### GRANT NO. 64.—MISCELLANEOUS.

*Maulvi Abdul Ghani.*—K. 9. What happened to these trade negotiations with Ceylon ?

*Mr. Prior.*—They could not be taken up because of difficulties in connection with the question of repatriation of Indians from Ceylon, the discussion of which was a condition precedent to the trade negotiations.

*Chairman.*—That finishes the Commerce Department.

The Committee adjourned till 10-30 A.M. on Tuesday, the 27th August 1940.

**Ninth Meeting, Tuesday, the 27th August 1940, 10-30 a.m.**

**LEGISLATIVE DEPARTMENT.**

**GRANT No. 13.—COUNCIL OF STATE**

*Chairman.*—It seems to be a comparatively chaste page undisfigured by any serious outrages.

**GRANT No. 16.—LEGISLATIVE DEPARTMENT.**

*K. B. Piracha.*—A. 2 : Pay of establishments : What is the explanation of the re-appropriation of Rs. 16,000 ?

*Sir G. Spence.*—The explanation is the savings due to the death and retirement of assistants and non-appointment of men in their places owing to the economy measures. That is to say, we did not fill the vacancies.

*Chairman.*—Vacancies were not filled in all Depts. during this year.

**EXTERNAL AFFAIRS, PAGE 373.**

*Maulvi Abdul Ghani.*—L. 1 (4). What is the present position in regard to our contributions to the League of Nations ?

*Sir G. Spence.*—We have already paid the contribution for the current year which amounted to Rs. 9,40,866-5-4.

*Chairman.*—Roughly, it comes to about 9½ lakhs of rupees.

*Sir G. Spence.*—The position about the contribution is that the last Assembly of the League at the truncated meeting which was held at the end of 1939 approved the proposals of the Allocation Committee by which India got a let off of one unit. The revised scale was approved for 1940 only and something will have to be done in regard to the allocation for 1941. But what is likely to be more practically important than any change in the allocation is the truncating of the League's activities owing to the war. A substantial reduction in the establishment of the League is likely to lead to much smaller total expenditure by the League.

*Chairman.*—How many units do we pay ?

*Sir G. Spence.*—48 out of 817.

*Maulvi Abdul Ghani.*—May I know whether the contribution to the League of Nations by other countries is in force or it has been discontinued ?

*Sir G. Spence.*—All countries who remain Members of the League either pay their contribution or default, and the position in respect of defaults has very materially improved in recent years. I think some of the worst defaulters have gone out of the League and the great bulk of the defaults from the existing members has come in.

*Maulvi Abdul Ghani.*—I believe most of the countries have severed their connection by now ?

*Sir G. Spence.*—By no means. At the time when the current statement was prepared there were 51 remaining Members. Since then, I think I am right in saying that Rumania and Hungary have given notice of termination of membership but they will remain members for the two years' period of notice and remain liable to pay their contributions during these two years.

*Sir Raza Ali.*—We had a debate on this subject in the Assembly and we feel that our contribution is much too large. We would like it to be reduced very considerably indeed. Of course, this is not the time for us to dissociate ourselves with the League. It is a time of crisis. But there is no doubt that we are not getting value for our money. It so happened that I attended the meetings of the League of Nations once. It is true that the membership of India to the League of Nations gives a certain amount of position to her. The League also does some useful work in the economic direction. But so far as the political effect is concerned, it is very little. That is the position in a nutshell. Therefore, we would like the contribution to be reduced very considerably. That is the recommendation we would make.

*Mr. Scott.*—If we come in, we have to come in on a certain basis and we have to pay accordingly. Is there any possibility of getting the amount of contribution reduced ?

*Sir G. Spence.*—We have been hammering away at this for years. We put in most elaborate memoranda before the two most recent allocation committees and we got a reduction of 6 units out of the first of which 4 were actually on account of the separation of Burma, and one unit out of the second. If the League continues to be in being, you may take it that India will go on pressing for the reduction of her contribution. But during the war period I do not think it will be possible to expect any very material change in the basis of allocation because the thing will have to be dealt with by a truncated body and they will say. "This is not the time to consider these matters."

*Mr. Scott.*—The League has a certain expenditure and we must help it ?

*Sir G. Spence.*—The member States have got to provide the total amount of the League's expenditure between themselves.

*Sir Raza Ali.*—Is not the present position this, that most of the staff of the League has been disbanded ?

*Sir G. Spence.*—We have had practically no official information, but from what we have had I understand that a number of the technical organisations of the League with their staffs have moved or are in process of moving to America and that staffs have been very greatly reduced.

*Sir Raza Ali.*—That is one reason really why we should very considerably reduce our expenditure, namely, that the expenditure of the League must necessarily go down.

*Sir G. Spence.*—There is nothing for us to do there. That will be automatic. If the expenditure of the League goes down from 100 X to 50 X, then automatically our monetary contribution will go down by half.

*Sir Raza Ali.*—That is what I say. I think most of us on this side would like to put a limit to our contribution.

*Chairman.*—I am afraid this Committee cannot put a limit to the amount which we have to pay. We are under a solemn International obligation, so long as we are a Member of the League, to pay a certain amount on a certain basis which is not fixed by us but by a Committee of the League.

*Sir Raza Ali.*—We can make a recommendation that we would like to go out. That is the lesser of the two evils.

*Chairman.*—If you are prepared to have a report in which that appears as your opinion, I am quite happy to record it. But I will not be associated with it.

*Sir Raza Ali.*—That is a different matter.

*Chairman.*—But the position has been carefully examined.

*Sir Raza Ali.*—If possible, we will make a recommendation that our contribution should be substantially reduced.

*Chairman.*—I do not consider that it is the business of the Committee to make such a recommendation. It should be remembered that this question was raised in the Assembly and fully discussed.

*Sir Raza Ali.*—I am sure you realise that there are certain questions on which it is not possible for us to change our attitude.

*Chairman.*—I do not expect you to change your attitude. My only point is whether the report of the Public Accounts Committee dealing with the appropriation of expenditure for 1938-39 is a proper place in which to reiterate a matter which is already well known and which has been fully expressed at the proper time and at the proper place.

*Sir Raza Ali.*—We can refer to that. It will save time.

(The witness then withdrew.)

## LEGISLATIVE ASSEMBLY DEPARTMENT.

*Chairman.*—I presume that the Members of this Committee desire that the expenditure which arises in connection with the Legislative Assembly and the Legislative Assembly Department should be met even if the exact amount of it has not been anticipated.

The Committee expressed agreement.

## GRANT No. 14, PAGE 76.

*Maulvi Abdul Ghani.*—A.-3. May I know what was the saving under that head ?

*Chairman.*—The amount is shown as Rs. 2,250. There was a further saving of nearly Rs. 500. Whether it was due to the same cause, I cannot say. It was a saving under the non-voted head because, I suppose, other members were nominated and had to be paid allowances under the voted head.

The Committee decided to dispense with witnesses on behalf of the Secretariat of the Governor-General and the Principal Supply Officers Committee.

Sir Syed Raza Ali wanted to know if the creation of the Governor General's Secretariat had led to any decrease in the personnel of the Home Department.

The Chairman said that the Home Department had probably been reduced at the time by this factor, but that subsequently owing to the war it might have been increased.

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## DEFENCE DEPARTMENT.

*Chairman.*—Page 341 and page 342. No comments.

## PAGE 343.—ECCLESIASTICAL.

*Maulvi Abdul Ghani.*—Is there any difference between stipend and pay, shown on this page ?

*Chairman.*—I think it is merely a term—more honorific. Actually the only Bishops that are paid are chaplains on the ecclesiastical establishment also.

*Mr. Ogilvie.*—Yes.

*Sir Syed Raza Ali.*—The Auditor General's note refers to part of the expenditure being debited to civil works and railways. Civil works include residential houses for chaplains and other priests, does it ?

*Mr. Badenoch.*—There are very few chaplains in special residences. Bishops have.

*Sir Syed Raza Ali.*—How do Railways come in ?

*Chairman.*—Where there is a railway community, the ecclesiastical charges there in some cases fall to be met from the railway grant, because the community is entirely one of railway servants.

The Chairman thanked the witness who then withdrew.

The Committee then took up the consideration of the Military Accounts Committee's Report.

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Tenth Meeting, Wednesday, the 28th August 1940, at 2-30 p.m.

LABOUR DEPARTMENT.

PAGE 10 OF THE APPROPRIATION REPORT. REVIEW OF WORKS EXPENDITURE.

*Maulvi Abdul Ghani.*—One of the features mentioned here is delay in preparation of estimates : may I know whether provision is made before the preparation of estimates ?

*Chairman.*—In some cases a lump provision is made for the work before estimates are prepared : detailed estimates are not always necessary before budget provision.

*Mr. Hydari.*—That is so. I do not try to absolve the P. W. D. from blame, but we are in the hands of other departments too. This work under A.4 (1) in Civil Works was the animal Nutrition Institute at Izatnagar.

*Maulvi Abdul Ghani.*—In spite of that the percentage of saving is shown as 47.78. If it is not excluded it may amount to more.

*Chairman.*—How much of that was due to deliberate measures of economy ? Or rather what did you offer to surrender when we asked you early in the year ?

*Mr. Hydari.*—(Read out from a note.) Out of a total sum of 19.59 lakhs, a saving to the extent of 7 lakhs odd accrued on account of economy and retrenchment. This was under Grant 60-Civil Works. Also out of a provision of 26.6 lakhs for Major Works, savings to the extent of 9.36 lakhs were due to the economy campaign.

*Chairman.*—This was not a good year in which to pursue energetically the devices intended to minimise savings.

*Maulvi Abdul Ghani.*—Para. 16 (page 13 of the report). There is scope for further improvement and this should go down in our report.

*Chairman.*—I do not think anybody could deny that.

GRANT 60.—CIVIL WORKS.

*Mr. Scott.*—Page 239. A.2 (1) and (2) Non-voted. The economy campaign did not come in there ?

*Mr. Hydari.*—This was sanctioned from the reserve. Provincial Governments are asked to furnish details of grants under minor heads : as time is short some of the authorities asked for provision to be made under this head : I am now hoping that as we have taken over central works in the provinces things may be better.

*Mr. Scott.*—Page 240. A.4 (1). This is a big amount.

*Mr. Hydari.*—That is the work at Izatnagar I mentioned before. The work was speeded up.

*Mr. Scott.*—A.5 (1). Voted. One item is non-completion of the requisite sanction for a work in Bengal.

*Mr. Hydari.*—That was for the construction of the mercantile marine building in Calcutta : in view of the imperative need for economy Government decided to postpone the work.

*Chairman.*—The note does not give the correct cause.

**K. B. Piracha.**—Page 241. C.-2. What is this expenditure in the Punjab ?

**Mr. Scott.**—Why do we construct these ' Kuhls ' in the Punjab ?

**Secretary.**—It is in the Punjab accounting circle : it is Gilgit sub-division.

**Mr. Scott.**—Page 242. E.-1. Why was this unanticipated ?

**Mr. Hydari.**—Painting of wood work in Viceregal Lodge with fire-proof paint : His Excellency did not consider the existing arrangements satisfactory. Supplying water to Viceregal Estate, New Delhi—the water rate had been raised from 6 annas to 8 annas. That was unavoidable. The third item was the consumption of electrical energy due to the provision of flood-lighting in the Viceroy's House, New Delhi.

**Mr. Scott.**—E.-6. Why did the C. P. W. D. have to hire more accommodation ?

**Chairman.**—Until the curtailment of the move was made this year we were very hard up for office accommodation.

**Mr. Hydari.**—This was to meet the bill of the P. and T. Department for the accommodation of the Civil Aviation Office in the telegraph buildings.

**Mr. Scott.**—G. Repairs. What have repairs got to do with the Central Electric Authority not functioning ?

**Mr. Hydari.**—This is on account of the maintenance of unfiltered water supply which is pumped. We expected the Central Electric Authority to begin functioning and they were going to charge us less for pumping but they did not start functioning when expected.

**Mr. Jones.**—Do pumping costs come under repairs ?

**Mr. Hydari.**—Presumably they do. It is Repairs and Miscellaneous.

**Maulvi Abdul Ghani.**—E.-7. What was this provision for ?

**Chairman.**—Repairs not under any of the previous categories.

**Mr. Azhar Ali.**—On page 243, may I know what is the explanation of I (2) (1) Pay of officers. What is the modification, Rs. 16,095, due to ?

**Mr. Hydari.**—The modification is due to an officer of the Central P. W. D. not having proceeded on leave as was originally anticipated.

**Mr. Scott.**—Page 246. What is this War Ministry works at Jivani. Is that charged to His Majesty's Government ?

**Mr. Hydari.**—We do the work as their agents.

**Mr. Scott.**—Page 247. Bottom Col. 1. What is the explanation of that ?

**Mr. Hydari.**—Speaking from memory, I think there was some trouble in regard to the Roorkee college. They stopped the courses for some time.

**Mr. Scott.**—Page 248. What is this transfer charges in the Gilgit Agency ?

**Mr. Hydari.**—These represent the actual cost of transfer of stock in the Gilgit Agency.

*Sir Raza Ali.*—May I know what is the amount of expenditure that can be incurred under the head 'unanticipated' ?

*Chairman.*—It all depends on what the emergency is due to, which causes the unanticipated expenditure. It depends upon the inevitability of the expenditure.

*Sir Raza Ali.*—On page 248, I find under 'unanticipated' a large sum of 48,000. What are the details of that ?

*Mr. Hydari.*—I have not got the details with me but I can get them.

*Chairman.*—I suppose it comes from some other head.

*Mr. Hydari.*—It probably represents work provided for but postponed.

*Chairman.*—Is that connected with the major work which was postponed and which resulted in a saving of 44,000.

*Mr. Hydari.*—There are six items totalling 2·1 lakhs odd. The final allotment is 1.42. The balance could not be spent for certain reasons—postponement of 45,000 on account of financial stringency, non-payment of the final bill for the reconstruction and so on.

*Chairman.*—This was the year in which Squires Hall was burnt down ?

*Mr. Hydari.*—Yes.

*Sir Raza Ali.*—I believe you own considerable properties in Bombay ?

*Mr. Hydari.*—Far more in Calcutta.

*Sir Raza Ali.*—What about their maintenance in the year under review ?

*Mr. Hydari.*—The provincial Government used to do the work and charge us. We are now doing it ourselves. It is all mixed up now.

*Moulvi Abdul Ghani.*—Page 250. May I draw your attention to note No. 5—instances of defective control and estimating.

*Sir Raza Ali.*—This is rather serious. The amount of reappropriation is —2,000 and the final excess is plus 28,375.

*Chairman.*—I believe there was a different basis adopted for the departmental charges by the Bihar Government. The Bihar Government charged on a *pro rata* basis.

*Mr. P. M. Rao.*—There is a note on page 251 which relates to this.

*Mr. Scott.*—There are two big cases on page 251, especially I. (6)  
Voted.

*Chairman.*—All this is really based on the facts which are explained in para. 8.

*Mr. Scott.*—Page 252, para. 9. Have you any explanation of this item ?

*Chairman.*—This is part of the city planning scheme.

*Mr. Hydari.*—Government is responsible for the general appearance of the city and the P. W. D. maintains the shrubberies and hedges.

*Mr. Scott.*—Why could not the profit be maintained ?

*Mr. Hydari.*—It was partly due to the lower demand for plants.

*Mr. Scott*.—Something might be done to make the garden a better paying concern.

*Mr. Badenoch*.—I have spoken to the Chief Engineer about it. He is trying to improve it. At present the quality of the seeds is deteriorating.

*Moulvi Abdul Ghani*.—Page 255. May I know why the extension and improvement to the Pilgrim camp at Karachi has been abandoned ?

*K. B. Piracha*.—I think the savings should not have been effected under this head ?

*Mr. Hydari*.—The scheme, if I remember right, was in two parts. One was for the rebuilding of the camp. Another was for the re-siting of the latrines which faced Mecca. This was objected to by the pilgrims. Work on the latrines has been done, but I cannot give you full particulars as the matter relates to the E., H. & L. Department.

*Moulvi Abdul Ghani*.—We should like to know whether the work has been abandoned for ever ?

*Mr. Hydari*.—I am not in a position to say.

*Sir Raza Ali*.—This is a fit case I think for a recommendation ; Rs. 1.29,000 was earmarked and not a single pie was spent.

*Secretary*.—This was abandoned as part of the economy campaign. There was a list of works produced and the Economy Committee decided in order of preference and this was one.

*Mr. Hydari*.—We will soon find out the full facts.

*Mr. Scott*.—Para. 14, page 253.

*Mr. Hydari*.—We have not got the details in this case. This happened in the Gilgit agency.

*Mr. Scott*.—No case could be taken to the court, there were no full facts ?

*Mr. Hydari*.—The man was sufficiently punished, he lost his pension.

*Mr. Azhar Ali*.—Nos. 10 to 11 on page 255 ; they are all abandoned works. Why ?

*Chairman*.—Abandoned for reasons of economy.

*Mr. Hydari*.—One block was built in the years subsequent to this. In the year 1939-40, the following year, one block was built. Four blocks were proposed. The cost is roughly speaking Rs. 30,000. The work is proceeding on further blocks. They went up for sanction again.

*Mr. Scott*.—Page 256, Section II, item 19. Construction of a new residence at Pondicherry.

*Chairman*.—Reverting to the previous point, if you look at items 16, 17 and 18 on the top of page 256, you will see that similarly we abandoned other important works or postponed them in the case of Calcutta, and in the case of the Custom House and the Income-tax Officer, Madras, the whole amount was also abandoned. In these cases if you decide to postpone the work, the whole amount is saved,—it is not a case of mere ten or five per cent.

*Sir Raza Ali*.—Both 17 and 18 are cases of construction of new works.

*Mr. Hydari*.—We were pulling down old quarters and building new blocks.

*Mr. Scott.*—Page 256, section II. Abandonment of British consulate-general at Pondicherry. Is that an Indian charge or on behalf of H. M.'s Government ?

*Mr. Hydari.*—He is an officer of the External Affairs Department, it is an Indian charge.

*Moulvi Abdul Ghani.*—Foot-note on page 259. How are the caretakers appointed ? Are retired men taken ?

*Mr. Hydari.*—Applications are called for and the Chief Engineer selects from amongst them. Generally they are old soldiers of the rank of sergeants or subedars.

*Mr. Scott.*—Page 260, No. (4).

*Chairman.*—That will come in connection with the outstanding items. Serial No. 24. That will come next year.

Item No. 23, report on the staff employed in the C. P. W. D.

*Mr. Scott.*—Consulting Engineer,—is that going to be done away with ?

*Mr. Hydari.*—After this year, yes.

*Mr. Scott.*—What is the need for you during this year ?

*Mr. Hydari.*—For many years past we have been wanting to take over the execution of Central works in the Provinces which until the 1st of April 1940 were being performed through the agency of the Provincial Public Works Government. This was not wholly satisfactory from our point of view as the establishment charges, as will be seen from one of the Appendices to the Report, were very heavy and also as was natural our work generally had to give way to provincial work. There had been a good deal of controversy amongst the Engineers as to whether it was practicable for the Central Public Works Department to take over this work, but with the assistance of the then Chief Engineer we were able to work out what looks like a practicable scheme. It was considered that the officer who has worked out the details of the scheme should operate it for the first year since its inception. His services were therefore retained as Consulting Engineer for one year.

There was some criticism about having a consulting architect. Well, the cost of the schemes handled by the architect's section during 1938-39 was Rs. 90 lakhs, against which the establishment charges are Rs. 78,000. Now the fees to private architects on a six per cent. basis would have been a sum of Rs. 5½ lakhs.

*Chairman.*—There are other small grants. Grant No. 9. Irrigation, page 61 of the report. No comments.

*Mr. Scott.*—Page 63, D (3) (2). What is that ?

*Mr. Hydari.*—It conducts a research in regard to the course of rivers for name, the other day we had occasion to find means to prevent the Jumna from leaving the Power House at Delhi. We referred the question to the research station ; it conducted an experiment on the ground to scale and then they advised us. The Railway Board are making a grant of Rs. 25,000 a year for the upkeep of this station and Government have sanctioned its continuance for five years. It is eight miles from Poona.

*Moulvi Abdul Ghani.*—Page 61, B (2) (1), col. 1. “Due to the cession of certain areas in Ajmer-Merwara”. What is the value of the ceded territory ?

*Mr. Hydari.*—There was a sum of Rs. 24,000 for a new tank in Rajputana. After the Budget estimate was framed, this area was retroceded to Marwar.

## GRANT No. 20.

*Mr. Scott.*—F. (3), col. 4, at page 87. What was the reason for this ?

*Mr. Hydari.*—The old supervisor of railway labour was an officer of the Railway Department and was entitled to a saloon. When we appointed a non-railway officer, we said there was no reason for him to travel in a saloon and he got the ordinary first-class. At out-of-the-way stations where there are no mail trains he is allowed to have a four-wheeler.

## GRANT No. 54—EMIGRATION, INTERNAL.

*K. B. Piracha.*—A. (3). What is the contribution to Provincial Governments ?

*Mr. Hydari.*—Contributions in respect of dispensaries and so on. This is not the cost of establishment. It has got a separate budget.

*Sir Raza Ali.*—Do the Government of India incur any expenditure on emigration to Ceylon ?

*Mr. Hydari.*—That is external. We levy a cess varying from three to four rupees per coolie.

*Chairman.*—Miscellaneous Departments, page 220, C—Explosives.

*Sir Raza Ali.*—Have we expanded our activities in connection with explosives ?

*Mr. Hydari.*—This is almost entirely the Chief Inspector and his inspectors. We are expanding. There is not a lot of office establishment ; most of the work falls to the Chief Inspector and the inspectors. In 1939-40 the whole work of inspection was centralized. In the Budget for 1940-41 you will get a slight increase.

*Sir Raza Ali.*—Would it be only a slight increase ?

*Mr. Hydari.*—It is only the pay of the officer ; there is not a big clerical staff, and it is the Chief Inspector in whom vests the administration of the Petroleum Act and the Explosives Act. He administers the Act.

*Sir Raza Ali.*—Do the Government have a dynamite factory in India ?

*Mr. Hydari.*—We have a cordite factory ; we do not manufacture dynamite for our own use.

*Chairman.*—Stationery & Printing. Grant No. 63.

*Sir Raza Ali.*—C. 1, page 274 : I find that the actual expenditure for the year under review on the purchase of paper was Rs. 44,95,000 odd. Is there anything to show how much of this paper was manufactured in India and how much was imported from other countries ?

*Mr. Hydari.*—I have got a graph because this question comes up every year. The purchases in England from 1925-26 have dropped from 9 lakhs to about a lakh and half out of a total of 46½ lakhs of stationery.

*Sir Raza Ali.*—In India your purchases would fall into two classes : firstly, paper manufactured in India, and, secondly, paper manufactured in other countries ?

*Mr. Hydari.*—No. Our purchases in India are of paper manufactured in India. That is the reason why you have at the present moment no shortage of paper. There is none coming from England at present.

*Mr. Scott.*—I hope you are also undertaking an economy campaign in regard to paper ?

*Mr. Hydari.*—We will probably reduce Government consumption by about 25 per cent.

*Sir Raza Ali.*—I find that we propose in the near future to manufacture aeroplanes. Is anybody thinking of manufacturing the type-writers in India ?

*Chairman.*—Lala Shri Ram showed me his works outside Calcutta where he is already manufacturing some sewing machines and also type-writers.

*Moulvi Abdul Ghani.*—What have you decided in regard to the fixing of price of your various publications ?

*Chairman.*—I asked for a note on that subject and it seems to me that the reply given is a satisfactory one.

*Moulvi Abdul Ghani.*—I have noticed that if there are 300 publications of one book and three hundred publications of another book more or less of the same size, there is a difference in their prices.

*Chairman.*—The prices depend on illustrations and all sorts of things. There may be figures and chronological tables. It depends on the cost of setting them up.

*Moulvi Abdul Ghani.*—My point is that there should be a certain basis having regard to the number of pages and the kind of paper ?

*Chairman.*—We will be getting away from the cost basis altogether : whereas the object of this Committee was to get nearer to the cost basis and not to fix a uniform charge per page.

*Moulvi Abdul Ghani.*—But for the same kind of publications, there should be some kind of uniform basis.

*Chairman.*—Much depends upon the number of copies of a certain publication. At first they work out the cost, then they add 60 per cent. to it to cover the charges of the agents to distribute the work and other overhead charges. Then they divide the amount by the number of copies required and that is the price per copy. That is the sale price.

*Sir Raza Ali.*—C. 1 (3). Can you give me some idea of the other important stores ? This is rather a large expenditure.

*Mr. Hydari.*—C. 1 (3) is the whole mass of other equipment like ink, pencils, clips, pen-knives, and all sorts of things. Besides, we do not supply only to the Government of India but also to many Provincial Governments.

*Moulvi Abdul Ghani.*—May I know why certain Departments of the Government make cash payment to the printing press and certain other departments are exempted from this payment ?

*Chairman.*—If a Department is not a commercial department, it is no use charging it.



*Mr. Hydari.*—I do not think we charge the Salt Department. It is a revenue producing department. But we do charge the P. and T. Department, the Army Headquarters and the Railway Department. They pay cash. This information is given on page 283.

*Mr. Scott.*—Col. 1, page 283. What is the explanation of this ?

*Mr. Hydari.*—I am afraid I have only got the explanation why this re-appropriation was necessary. The intimation of this information was received from the High Commissioner towards the close of March 1939.

*Mr. Scott.*—So, the closing of the India Office press does not seem to be any saving ?

*Chairman.*—No. There were arrears due to His Majesty's Stationery Office.

#### COMMERCIAL APPENDIX.

*Chairman.*—The Salt Department has got two aspects. One of its activities is to manufacture salt and to sell it at cost price. That is the commercial side of the department because it must arrange to receive a price which will cover the actual expenditure. Then, the Salt Department is also a revenue department like other departments and in this aspect it is not a commercial department. It is only the manufacturing aspect of it which constitutes a commercial activity. On the revenue collecting side it pays handsomely. The only object of the manufacturing side is that the actual cost of production of salt shall be determined correctly and shall be recovered as an item of cost.

*Sir Raza Ali.*—I take it that some departments supply salt only to the Salt Revenue Department for the purpose of selling it.

*Chairman.*—What the Department does is this : Supposing it sells to a distributor 1,000 maunds of salt, then, first of all, he will be charged the price of the salt and then the tax whatever it is.

*Mr. Scott.*—Page 284, para. 2. May I know what is the explanation of that ?

*Mr. Hydari.*—The Controller asked for a budget provision based on the average of the previous years. In this case the excess was mostly due to requirements of the Defence Department where there was a rush of printing.

*Mr. Jones.*—There was also rise in prices.

*Mr. Hydari.*—In this case it was mostly due to rush of printing.

*Moulvi Abdul Ghani.*—May I know what progress has been made in connection with the recommendations of the Royal Commission ?

*Mr. Hydari.*—If you will come and see me, I will give you the information.

*Mr. Scott.*—What is this item about economy about Baluchistan on page 386 ?

*Mr. Hydari.*—When the Local Government was about to spend this money it was pointed out to them that their project was not technically sound and we advised them to refer the matter to a select committee of experts of the Central Board of Irrigation. We hope that the work will begin fairly soon.

*Chairman*.—Grant No. 77, Delhi Capital Outlay.

*Mr. Scott*.—I believe the Irwin Hospital was a case of rush work and that the brick work was very poor ?

*Mr. Hydari*.—It was I am informed due to a desire to fet the thing opened by a certain date.

*Mr. Scott*.—What is the expenditure on New Delhi now ?

*Mr. Hydari*.—We are spending a certain amount on office accommodation. The expenditure has been mostly on chaprasis' quarters and clerks' quarters. To chaprasis we are giving two rooms instead of one. The whole of the expenditure has been really on the lower paid staff.

*Sir Raza Ali*.—Has radium been installed in the Irwin Hospital ?

*Mr. Hydari*.—There is a building for it. Whether they have the equipment I do not know.

*Sir Raza Ali*.—Delhi has now become the capital of India and it is a central place. We should consider the possibility of having radium treatment at the Irwin Hospital as early as funds permit.

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The Committee then adjourned till 11-30 A.M. on Saturday, the 31st August for consideration of the Report.

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