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THE LEGISLATIVE ASSEMBLY DEBATES

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(17th September to 26th September, 1935)

SECOND SESSION

OF THE

FIFTH LEGISLATIVE ASSEMBLY,
1935



NEW DELHI
GOVERNMENT OF INDIA PRESS
1936

Legislative Assembly.

President :

THE HONOURABLE SIR ABDUR RAHIM, K.C.S.I., KT.

Deputy President :

MR. AKHIL CHANDRA DATTA, M.L.A.

Panel of Chairmen :

PANDIT GOVIND BALLABH PANT, M.L.A.

ABDUL MATIN CHAUDHURY, M.L.A.

MR. G. MORGAN, C.I.E., M.L.A.

MR. M. S. ANEY, M.L.A.

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Assistant of the Secretary :

RAI BAHADUR D. DUTT.

Marshal :

CAPTAIN HAJI SARDAR NUR AHMAD KHAN, M.C., I.O.M., I.A.

Committee on Petitions :

MR. AKHIL CHANDRA DATTA, M.L.A., Chairman.

PANDIT GOVIND BALLABH PANT, M.L.A.

SYED GHULAM BHIK NAIRANG, M.L.A.

DR. F. X. DESOUSA, M.L.A.

MR. LALCHAND NAVALRAI, M.L.A.

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CORRIGENDUM.

In the Legislative Assembly Debates, Vol. V,
No. 7, dated the 10th September, 1935, page 724,
last line, *for* “ **weakers** ” *read* “ **weakness** ”.

LEGISLATIVE ASSEMBLY.

Friday, 20th September, 1935.

The Assembly met in the Assembly Chamber at Eleven of the Clock,
Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

MEMBERS SWORN.

The Honourable Sir Girja Shankar Bajpai, K.B.E., C.I.E.
(Member for Education, Health and Lands) ; and

Mr. John Carson Nixon, C.I.E., M.L.A. (Government of India :
Nominated Official).

QUESTIONS AND ANSWERS.

PROTECTION OF THE INDIAN TRADE IN CHINESE TURKISTAN.

523. ***Pandit Sri Krishna Dutta Paliwal :** Will Government please state the steps they propose to take to protect the Indian trade in Chinese Turkestan from Russian menace ?

Mr. J. G. Acheson : The matter is under the consideration of the Government of India, in consultation with His Majesty's Government.

Mr. S. Satyamurti : How long has this matter been under consideration, and what is the latest position ?

Mr. J. G. Acheson : It has been under consideration for some months past.

Mr. S. Satyamurti : What is the latest position ? Have they heard from His Majesty's Government about this ?

Mr. J. G. Acheson : I am afraid I am not in a position to give any further information at present.

Mr. S. Satyamurti : But are Government assiduously pursuing all the steps necessary to protect Indian trade in this territory ?

Mr. J. G. Acheson : The matter is under consideration. I am afraid that is all that I can say at present.

Mr. S. Satyamurti : But what is under consideration ? Is it the position or the steps they are going to take ?

Mr. J. G. Acheson : The steps have not yet been decided on.

Mr. S. Satyamurti : When do they hope to decide this matter ?

Mr. J. G. Acheson : As soon as possible.

Mr. S. Satyamurti : Is it likely to be in time to prevent any serious damage to this trade ?

Mr. J. G. Acheson : I hope so, Sir.

(1379)

LOCATION OF THE AERODROME AT CHITTAGONG.

524. ***Mr. Muhammad Anwar-ul-Azim** : Will Government please state whether they have yet decided anything about the location of the Aerodrome at Chittagong ? Are Government aware that it takes a long time to get to the Aerodrome by river, and will Government please state whether they propose to make the Patanga Beach road motorable in the immediate future ?

Mr. A. G. Clow : The Government of India have decided to retain the existing landing ground at Chittagong (Gupta Point). Government are aware of the position and the question of the construction of a road connecting the landing ground with the city of Chittagong is under consideration.

POSITION OF MUSLIMS IN THE AERODROMES AT MINGALADON, AKYAB AND CHITTAGONG.

525. ***Mr. Muhammad Anwar-ul-Azim** : (a) Will Government please state what is the position of Mussalmans in the Aerodromes at Mingaladon, Akyab, and Chittagong ?

(b) Will Government please state whether the Home Department circular does not apply to this Department of Government, in matter of recruitment ?

Mr. A. G. Clow : (a) No Muslim is employed in the aerodrome offices at Mingaladon and Akyab and there is at present no aerodrome staff at Chittagong.

(b) The circular applies to the Civil Aviation Directorate, including its local offices.

GRIEVANCES OF THE INDUSTRIAL EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

526. ***Mr. Amarendra Nath Chattopadhyaya** : (a) Is it a fact that the Honourable Member-in-charge, Department of Industries and Labour, stated in the Council of State on the 25th February, 1935, that the Works Committees of the Government of India Presses are ordinary departmental channels through which representations can be made to the authorities ?

(b) Is it a fact that the Honourable Member stated on the 25th February, 1935, in the Council of State that any grievances represented through the ordinary departmental channels would receive the most sympathetic consideration ?

(c) Is it a fact that the Works Committee in the Government of India Press, Calcutta, represented the following grievances of the industrial hands to the Honourable Member through the Controller of Printing and Stationery and the Manager on the 18th December, 1934 :

- (i) that the concession of 15 minutes late attendance after normal working hours which the said press employees used to enjoy for a long time in the past, has been discontinued ;
- (ii) that payment for meal hour is not allowed to the press-employees whenever they are requisitioned for morning overtime work ; and

- (iii) that the concession of late excuse and one hour's early leave on a holiday is not allowed to them as before whenever they are requisitioned to work on a gazetted holiday ?

(d) Is it a fact that the Works Committee in the Government of India Press, Calcutta, represented in the months of June, July, August and September, 1926, the arbitrary actions of the Checkers and the consequent disastrous effect of the same on the Piece-Workers ?

(e) If the answers to (a) and (b) are in the affirmative, will the Honourable Member-in-charge be pleased to state what decisions have been arrived at with regard to the grievances stated in parts (c) and (d) ?

Mr. A. G. Clow : (a) and (b). Yes.

(c) No such representation has been received.

(d) This apparently relates to a matter of nine years ago and I am unable to trace the receipt of any such representation.

(e) Does not arise.

GRIEVANCES OF THE INDUSTRIAL EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

527. ***Mr. Amarendra Nath Chattopadhyaya :** (a) Is it a fact that the Honourable Member-in-charge, Department of Industries and Labour, stated that any grievance properly represented through the ordinary departmental channels would receive the most sympathetic consideration ?

(b) Is it a fact that the Industrial employees of the Government of India Press, Calcutta, submitted memorials in November, 1933, to the Controller of Printing and Stationery through the Manager, Government of India Press, Calcutta, praying for granting of medical leave from the date of appointment as before ?

(c) Is it a fact that the industrial employees of the Government of India Press, Calcutta, further submitted memorials to the Honourable Member through the Controller and Manager in August, 1934, praying for granting of medical leave from the date of appointment as before ?

(d) Is it a fact that the several binders of the Government of India Press, Calcutta, submitted a petition for making them permanent on the 20th July, 1930, and which was returned by the then Manager with a note which said amongst other things that " I am certain that those who can claim a fair amount of service will have their posts converted to permanent posts before very long " ?

(e) Is it a fact that the temporary binders in the Calcutta Press claiming services from 12 to 22 years submitted memorials to the Honourable Member through proper channel in September, 1934, with a prayer to include them in the permanent staff so that they may enjoy the privileges of Government service ?

(f) If the answers to parts (a) to (e) be in the affirmative, will the Honourable Member-in-charge, be pleased to state whether the grievances as in parts (b) to (e) have been redressed and how ? If not, why not ?

Mr. A. G. Clow : (a) to (e). Yes.

(f) The question refers to two prayers of which one, namely that relating to medical leave, has been granted. The attention of the

Honourable Member is invited to the Finance Department Resolution, dated the 8th August, 1935, which was published in Part I of the Gazette of India, dated the 10th August, 1935. The other prayer is under consideration. The latter part of the question does not, therefore, arise.

GRIEVANCES OF THE COMPOSITORS IN THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

528. ***Mr. Amarendra Nath Chattopadhyaya**: (a) Is it a fact that the Piece Enquiry Committee recommended and Government accepted the principle that the older hands in Government Presses, should be given lighter works ?

(b) Will Government be pleased to state whether the principle stated in (a) has been applied in the Calcutta Press ?

(c) Will Government be pleased to lay on the table a statement showing :

(i) the names of the compositors in the Calcutta Press whose ages range between 42 and 50 ;

(ii) the nature of works given to each of them in the years 1931, 1932, 1933, 1934 and upto July, 1935 ;

(iii) the earnings of each of them in the years 1931, 1932, 1933, 1934 and upto July, 1935 ?

Mr. A. G. Clow : (a) Yes, as far as practicable.

(b) I understand that the principle is not being followed completely in the Calcutta Press as some difficulties have been experienced in giving effect to it. The Controller of Printing and Stationery is enquiring into the matter.

(c) I regret that I cannot furnish the information required by the Honourable Member as its collection would involve an amount of time and trouble disproportionate to the result.

WORKS COMMITTEE IN THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

529. ***Mr. Amarendra Nath Chattopadhyaya** : (a) Is it a fact that there is a Works Committee in the Government of India Press, Calcutta, which is composed of the representatives of the superior officers as well as of the representatives of the industrial employees ?

(b) Is it a fact that the following important subjects, amongst others, are discussed in the said Committee :

(i) distribution of work by section-holders and Heads of Branches ;

(ii) questions regarding the cutting of time, etc., by the Checkers ;

(iii) questions regarding computing ; and

(iv) punishments and individual grievances ?

(c) Are Government aware that the representatives of the industrial employees have to challenge, in the course of the discussion, the validity of the orders of the superior officers regarding cutting of time, distribution of work or of computing ?

(d) If the answer to part (c) be in the affirmative, what steps do Government propose to take to safeguard the interests of these representatives? If in the negative, will Government be pleased to lay on the table a statement showing the orders of punishments, if any, in the service sheets of the following employees in the Calcutta Press, before and after the period they had been elected to the Works Committee?

| | |
|-----------------------------------|-------------|
| (i) Golam Mustafa | Compositor. |
| (ii) Narayan Chandra Sarkar | Do. |
| (iii) Surendra Nath Bose | Do. |
| (iv) Dwarka Gopal | Do. |
| (v) Amullaya Gupta | Do. |

Mr. A. G. Clow : (a) and (b). Yes.

(c) The correct position is that the employees are afforded regular opportunities of discussing with the supervising staff at the committee meetings any inequalities and difficulties which may arise under working conditions.

(d) None of the five persons mentioned is now working in the Government of India Press, Calcutta, and no papers can be traced to show whether any punishment was inflicted on them.

COMMUNAL COMPOSITION OF THE INDUSTRIAL EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

530. *Mr. Amarendra Nath Chattopadhyaya : Will Government be pleased to lay on the table a statement showing the number of industrial workers employed in the Calcutta Press under each of the following category :

- (i) Hindus,
- (ii) Muhammadans,
- (iii) Anglo-Indians, and
- (iv) Europeans?

Mr. A. G. Clow : A statement is laid on the table.

Communal Composition of Industrial Workers, Calcutta Press.

There are 370 Hindus, 312 Muslims, 6 Anglo-Indians, and no Europeans.

PROTECTION OF INDIANS IN ABYSSINIA.

531. *Pandit Sri Krishna Dutta Paliwal : (a) Will Government please state what steps, if any, they have taken to protect the Indian settlers in Abyssinia, in the event of war breaking out between that country and Italy?

(b) How and by whom was India represented at the League of Nations when the dispute between Italy and Abyssinia was brought forward before that body?

Mr. J. G. Acheson : (a) The Honourable Member is referred to the answer given on the 3rd September, 1935, to a short notice question on the same subject by Mr. Satyamurti.

(b) The only authority of the League which has hitherto handled the dispute is the Council of which India is not a member.

Mr. S. Satyamurti : Is the Honourable Member aware that the Assembly has met and has considered this question ?

Mr. J. G. Acheson : No, Sir.

CANCELLATION OF THE PASSPORT OF MR. MASANI OF BOMBAY.

532. ***Pandit Sri Krishna Dutta Paliwal :** Is it a fact that the passport of Mr. Masani was impounded as a result of reports submitted by the Government of India ? If so, will Government please lay a copy of the report on the table ? What is the basis of the report ?

The Honourable Sir Henry Craik : With your permission, Sir, I will answer questions Nos. 532, 547, 556 and 632 together. I would refer the Honourable Members concerned to the replies given by me on the 12th September, 1935, to Professor Ranga's question No. 315 and the supplementary questions on this subject. I am unable, on grounds of public interest, to lay any of the correspondence on the table of the House.

Mr. S. Satyamurti : Was this Government consulted, before the Secretary of State granted a passport to Mr. Masani to go to certain countries in Europe ?

The Honourable Sir Henry Craik : Yes, Sir.

Mr. S. Satyamurti : And what was the information which this Government gave on that consultation ?

The Honourable Sir Henry Craik : I am not prepared to reveal that.

Mr. S. Satyamurti : Did this Government take at any time the position that Mr. Masani's holding certain opinions on reform of society disentitled him to travel to certain countries ?

The Honourable Sir Henry Craik : No.

Mr. Sri Prakasa : Is the Honourable Member aware that the Secretary of State said in the House of Commons that Mr. Masani had advocated violence ?

The Honourable Sir Henry Craik : Yes : I understand the Secretary of State said that he seemed to recollect something of that sort.

Mr. Sri Prakasa : Did the Government of India inform the Secretary of State that what he was saying was false and did they see to it that an Indian subject was not libelled like that ?

The Honourable Sir Henry Craik : There is another question on the paper about this.

Prof. N. G. Ranga : Is the Honourable Member aware of the fact that Mr. Masani is one of the General Secretaries of the All-India Congress Socialist Party, which is wedded to non-violence ?

The Honourable Sir Henry Craik : I am aware that he is one of the Secretaries of the All-India Congress Socialist Party.

QUESTIONS AND ANSWERS.

Mr. Sri Prakasa : The question referred to by the Honourable the Home Member may never come up this Session : will not the Honourable Member reply at once ?

The Honourable Sir Henry Craik : No.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has referred to some question which comes later ; is that likely to be reached this Session ?

The Honourable Sir Henry Craik : I cannot say : I should think it was doubtful.

Prof. N. G. Ranga : Is the Honourable Member aware that the Congress Socialist Party is a part of the Indian National Congress and is also wedded to non-violence like the Congress itself ?

The Honourable Sir Henry Craik : I understand that the Congress Socialist Party is a part, but not a very concordant part of the Congress.

Prof. N. G. Ranga : Is he aware of the fact that its main creed is non-violence ?

(No answer.)

FALL IN THE EXPORT OF OIL AND OIL CAKES FROM INDIA TO GREAT BRITAIN.

533. ***Pandit Sri Krishna Dutta Paliwal :** (a) Is it a fact that the export of oil and oil cakes from India to Great Britain have fallen during the last two years ?

(b) Is it also a fact that Great Britain proposes to raise the duty on India's oil and oil cakes ?

(c) What steps, if any, have Government taken to prevent Great Britain from taking that step ?

The Honourable Sir Muhammad Zafrullah Khan : (a) No.

(b) Government have no reason to believe that this is so.

(c) Does not arise.

Mr. S. Satyamurti : Did Government make any inquiries after receipt of this question with regard to clause (b) ?

The Honourable Sir Muhammad Zafrullah Khan : No.

Mr. S. Satyamurti : Why did not Government make any inquiry ?

The Honourable Sir Muhammad Zafrullah Khan : Because, if anything was in contemplation of that description, I have no doubt that Government would be informed of it in due course.

Mr. S. Satyamurti : Is it the Government of India's position that the Government in Great Britain will not levy any such duty, without consulting the Government of India ?

The Honourable Sir Muhammad Zafrullah Khan : That is not the Government's position.

Mr. S. Satyamurti : Then, how do the Government of India expect to be consulted ?

The Honourable Sir Muhammad Zafrullah Khan : As there is a good deal of communication going on all the time, I did not say they would be consulted, but that they would get information.

Mr. S. Satyamurti : Officially, or through the newspapers ?

The Honourable Sir Muhammad Zafrullah Khan : Officially.

Mr. S. Satyamurti : Will the Government of India be given an opportunity to state their case before Great Britain makes up its mind and imposes a duty ?

The Honourable Sir Muhammad Zafrullah Khan : That I cannot say ; but, before a final decision is taken, I have no doubt Government will have an opportunity of putting their views for His Majesty's Government to consider.

Mr. S. Satyamurti : With reference to part (a), may I know what the latest figures are ?

The Honourable Sir Muhammad Zafrullah Khan : The latest figures are Rs. 126.9 lakhs for 1934-35.

Mr. S. Satyamurti : How does it compare with the previous years' figures ?

The Honourable Sir Muhammad Zafrullah Khan : It compares with Rs. 95.8 lakhs for 1932-33 and Rs. 106.6 lakhs for 1933-34.

FACILITIES FOR THE EDUCATION OF THE CHILDREN OF THE INDIAN AND EUROPEAN STAFF OF THE INDIAN RAILWAYS.

534. ***Pandit Sri Krishna Dutta Paliwal** : (a) Will Government please state the facilities they give for the education of the children of the (1) Indian, and (2) European staff of the Indian railways, respectively ?

(b) Will Government please state the reasons why they give greater facilities to the children of the European staff ?

(c) Are Government prepared to consider the advisability of helping the children of the Indian staff up to the High School Standard which is the minimum educational qualification for engagement in the service ?

Mr. P. R. Rau : (a) The information is contained in the " Rules governing the grant of assistance from railway funds to employees of State-managed Railways towards the education of their children", a copy of which is in the Library of the House.

(b) The present rules are the same for Indian and European staff.

(c) This is one of the questions for discussion at the next meeting of the Central Advisory Council for Railways.

Pandit Lakshmi Kanta Maitra : Is the Honourable Member aware that, at the last Delhi Session, I gave notice of a question inquiring as to what steps the Eastern Bengal Railway administration was going to take for giving facilities for the education of the children of its Indian employees ?

Mr. P. R. Rau : The facilities are contained in the rules to which I have already invited the attention of the Honourable Member.

Pandit Lakshmi Kanta Maitra : Does the Honourable Member remember that at the last Session, the Honourable Member told me that

nothing so far had been done for giving such facilities to the children of its Indian employees, while much had been done for the Anglo-Indians and Europeans ?

Mr. P. R. Rau : I do not remember to have said anything of the kind.

Mr. Lalchand Navalrai : Is there any arrangement for training in vernacular in places where their mother tongue is not the language ?

Mr. P. R. Rau : I suggest my Honourable friend might read the detailed rules and then ask me questions on that.

Pandit Lakshmi Kanta Maitra : Is it not a fact that the Eastern Bengal Railway Administration is paying a certain amount by way of allowances to the European and Anglo-Indian employees in proportion to their pay and to the number of children, whereas nothing has been done for Indians ?

Mr. P. R. Rau : The first is correct, but not the second. Indian employees are also entitled to certain assistance under the rules governing the grant of assistance.

Pandit Lakshmi Kanta Maitra : Is it not a fact that the allowance referred to by the Honourable Member is disproportionately small compared with that given to the Anglo-Indian and European employees ?

Mr. P. R. Rau : The rules contain all the information that there is available in the matter, and I would ask my Honourable friend to study the rules before asking questions.

Mr. Lalchand Navalrai : Where are the rules to be got from ?

Mr. P. R. Rau : In the Library of the House.

PAYMENT OF INTEREST ON SECURITY AMOUNT DEDUCTED FROM THE PAY OF THE RAILWAY EMPLOYEES.

535. ***Pandit Sri Krishna Dutta Paliwal :** (a) Will Government please state if they propose to pay interest, on the security amount deducted from the pay of the railway employees since February, 1931, at the Government rate ? If so, when ? If not, why not ?

(b) Do Government intend to refund the securities of those members of the railway staff whose provident fund account exceeds the amount of security asked for ? If so, when ? If not, why not ?

Mr. P. R. Rau : (a) Government decided in February, 1934, that interest should not be paid in future from railway funds on security deposits in cash. If a person depositing cash security wishes that his deposits should earn interest, such deposits can be made in the form of Government securities or the amounts deposited in post office savings banks and hypothecated to Government.

(b) No. There is no connection between the two.

Mr. Sri Prakasa : Sir, Seth Govind Das has authorised me in writing to ask his questions on his behalf : No. 536.

STATE PRISONERS IN DIFFERENT PROVINCES.

536. ***Mr. Sri Prakasa** (on behalf of Seth Govind Das) : (a) Will Government be pleased to state the number of State Prisoners in the different provinces of this country ?

(b) What is the duration of their imprisonment (separately) and the different charges on which they are booked ?

(c) Will Government be pleased to state the total annual expenditure incurred by Government with regard to their detention ?

(d) How is the expenditure so incurred met with—whether from the provincial revenues of the province to which the prisoner belongs, or from the Central revenues ?

(e) Will Government state the basis on which personal and family maintenance allowances have been allotted ?

(f) Will Government state the exact amount of their family and personal allowances in each case ?

(g) Do their personal allowances vary according to the provinces of detention ?

(h) If so, how is the difference in allowances in the different provinces based ?

(i) What is the provision made for their recreation ?

(j) Will Government state whether these provisions vary in the different jails of various provinces ? If so, what are the reasons ?

The Honourable Sir Henry Craik : (a), (b) and (f). I would refer the Honourable Member to the statement laid on the table on the 14th August, 1934, in reply to question No. 555. I now lay on the table a further statement bringing the information given there up to date.

(c) and (d). All expenditure in connection with State Prisoners under Regulation III of 1818 and the cognate Regulations in Madras and Bombay is a *Central* charge and is met from the head “ 29—Political, Refugees and State Prisoners ”, amounts being placed at the disposal of Local Governments according to the requirements of the State Prisoners and Refugees within their jurisdiction. As regards the expenditure incurred on State Prisoners I would refer the Honourable Member to part (b) of the reply given by me on the 8th March, 1935, to question No. 738 on this subject.

(e), (g) and (h). In accordance with the requirements of the Regulation, suitable provision is made for the State Prisoner according to his rank in life, and to his own needs and those of his family. The allowances are fixed after careful consideration of all the facts of each case. The personal allowances vary according to the requirements of each State Prisoner and to local conditions.

(i) and (j). Games and implements for recreation are provided under the rules on consideration of the requirements and local circumstances of each case, and such expenditure as is reasonable is sanctioned.

Supplementary Statement regarding State Prisoners. Modifications in entries in previous list.

| No. | Names of State prisoner. | Date of arrest. | Amount of allowances sanctioned | | Remarks. |
|-------|--------------------------------|---------------------------------|---|--------------------------------|---|
| | | | for the State prisoner himself. | for his family and dependents. | |
| 1 | Sarat Chandra Bose | } have been released from 1818. | | | Regulation III of |
| 19 | Abdul Ghaffar Khan | | | | |
| 20 | Dr. Khan Sahib .. | | | | |
| 8 | Suresh Chandra Das | 2-1-32 | Rs. 20 p.m. plus Rs. 1/8 per diem. | Rs. 100 p.m. | |
| 9 | Manoranjan Gupta | 24-11-31 | } Rs. 1/12 per diem for diet plus Rs. 34 p.m. | Nil. | |
| 10 | Arun Chandra Guha | Do. | | Nil. | |
| 11 | Bhupendra Kumar Datta. | Do. | | Rs. 20 p.m. | |
| 12 | Satya Bhushan Gupta | Do. | | Rs. 40 p.m. | |
| 14 | Surendra Mohan Ghosh. | 23-11-31 | Rs. 1/4 per diem for diet plus Rs. 32 p.m. | Rs. 30 p.m. | |
| 18 | Bhupendra Kishore Rakshit Roy. | | Rs. 0/12/0 per diem for diet plus Rs. 32 p.m. | Rs. 35 p.m. | |
| 36 | Sardar Abdull Jan.. | 21-12-25 | Rs. 600 p.m. | | |
| 37 | Sardar Abdul Hamid Khan. | 21-12-25 | Rs. 500 p.m. | .. | |
| 38 | Sardar Abdul Quayyam Khan. | 27-7-34 | Rs. 450 p.m. | | |
| 40 | Khan Baba .. | 15-11-33 | Rs. 30 p.m. | | In addition Rs. 1 per day for diet. |
| 41-44 | .. | 15-11-33 | | | |
| 45 | Atta Mohammad .. | 15-11-33 | Rs. 60 p.m. | | |
| 47 | Ismail | 15-11-33 | Rs. 60 p.m. | | |
| 48 | Mohd. Jan .. | 15-11-33 | Rs. 60 p.m. | | |
| 53 | Khawaja Abdul Karim. | 23-12-33 | *Rs. 45 p.m. | Rs. 40 p.m. | *In addition Rs. 1-6-0 per diem for diet. *Do. |
| 54 | Muhd. Nasir .. | 23-12-33 | *Rs. 45 p.m. | .. | |

| No. | Names of State prisoner. | Date of arrest. | Amount of allowances sanctioned | | Remarks. |
|-----|---------------------------|--|---------------------------------|--------------------------------|---|
| | | | for the State prisoner himself. | for his family and dependents. | |
| | | <i>Additions to the previous list.</i> | | | |
| | Taj Muhammad .. | 23-10-34 | Rs. 60 p.m. | | |
| | Abdur Rahman Jan | 15-2-35 | *Rs. 45 p.m. | | *In addition Rs. 1-6-0 per diem for diet. |
| | Sardar Abdul Khaliq Khan. | 6-4-35 | Rs. 50 p.m. | Rs. 70 p.m. | |
| | Ghulam Jilani .. | 29-4-35 | Rs. 50 p.m. | | |
| | | <i>Madras Regulation II of 1819.</i> | | | |
| | Amir Haidar Khan | 31-8-34 | Rs. 60 p.m. | | |

Mr. Sri Prakasa : How is the Honourable Member able to find out and decide the rank of a prisoner and the needs of his family ?

The Honourable Sir Henry Craik : By making inquiries.

Mr. Sri Prakasa : What is the source of the inquiries ? To whom are those inquiries directed ?

The Honourable Sir Henry Craik : To the Local Governments concerned, and the officer in whose charge the prisoner is, and, if necessary, from the prisoner himself.

Mr. Sri Prakasa : From the members of the family of the prisoner also ?

The Honourable Sir Henry Craik : Yes.

Pandit Lakshmi Kanta Maitra : Is the premium on the life policies held by the prisoners paid by the Government ?

The Honourable Sir Henry Craik : In one or two exceptional cases those premia were paid, I believe, but not as a rule.

Pandit Lakshmi Kanta Maitra : May I know why special consideration was shown in the case of one or two prisoners and not in the case of all prisoners who hold life insurance policies ?

The Honourable Sir Henry Craik : I don't see that Government are under any obligation to pay premia on life policies.

Mr. Sri Prakasa : Then, why does it pay in the case of one or two prisoners ?

The Honourable Sir Henry Craik : I said that, in the case of one or two prisoners, premia were paid, but not as a general rule.

Sardar Sant Singh : May I know, Sir, whether the reply given to part (a) of question No. 536 giving the number of State Prisoners in

the different provinces of this country includes the *ex*-Maharaja of Nabha also ? Does this number include the *ex*-Maharaja of Nabha ?

Mr. J. G. Acheson : I want notice of that question, Sir.

Sardar Sant Singh : Why notice ?

Mr. President (The Honourable Sir Abdur Rahim) : There may be a large number of State Prisoners. The Honourable Member may not recollect all the names.

The Honourable Sir Henry Craik : I have now looked up the statement I laid on the table in August last year, and I find that it does include the *ex*-Maharaja of Nabha.

Pandit Lakshmi Kanta Maitra : Are Government aware that frequent complaints are made by State Prisoners about the inadequacy of provisions ?

The Honourable Sir Henry Craik : They often make representations.

STATE PRISONERS IN THE CENTRAL PROVINCES JAILS.

537. ***Mr. Sri Prakasa** (on behalf of Seth Govind Das) : Will Government be pleased to state :

- (a) the number of State prisoners at present in the central and sub-jails, separately, of the Central Provinces ;
- (b) whether sub-jails are adequately equipped, with regard to medical and recreation facilities for State prisoners ;
- (c) the facilities extended to them for exercise and games ;
- (d) whether their personal allowances have been reduced as a result of their transfer to this province from another, if so, to what extent and for what reasons ;
- (e) whether Central Provinces is regarded as a cheaper province than any other, such as Bengal and Madras ; and
- (f) what the relevant motive of the Government is to keep transferring State prisoners from one province to another and particularly to sub-jails ?

The Honourable Sir Henry Craik : (a), (b) and (c). There are four State Prisoners in the Central Provinces, all of whom are confined in Damoh, not in the jail building proper but in a separate building formerly used as a *tahsil* which is adjacent to the jail and has a yard which allows them ample space for exercise. They are allowed to move about freely in the yard and have been provided with parallel bars and a badminton court. The health of the prisoners is satisfactory and the medical facilities available to them are adequate.

(d) and (e). The rate of personal allowance is fixed in consultation with Local Governments after taking into consideration local conditions. The Bengal State Prisoners now confined in the Central Provinces get a personal allowance of Rs. 20 per mensem. In the case of one of the prisoners transferred in April, 1934, from Madras, where the rate of personal allowance is Rs. 32 per mensem the allowance was reduced to bring it to the level fixed for the other State Prisoners in the Central Provinces.

(f) The suggestion behind the Honourable Member's question is quite incorrect. The transfer referred to in my reply to parts (d) and (e) was made at the request of the prisoner concerned.

Pandit Lakshmi Kanta Maitra : Is it a fact that State Prisoners in jails and sub-jails are subject to ordinary jail rules ?

The Honourable Sir Henry Craik : No. There are special rules dealing with State Prisoners.

Pandit Lakshmi Kanta Maitra : Are they governed by special regulations in jails and sub-jails ?

The Honourable Sir Henry Craik : Yes, there are special rules for them.

Mr. T. S. Avinashilingam Chettiar : Are they always transferred at their request ?

The Honourable Sir Henry Craik : Not always. In this particular case, the suggestion was that Government transferred the prisoners without consulting him. In this particular case, the prisoner asked for a transfer.

Mr. Mohan Lal Saksena : Will the Honourable Member kindly keep a copy of the special rules on the table of the House ?

The Honourable Sir Henry Craik : I think those are confidential.

Prof. N. G. Ranga : Do these rules vary from jail to jail ?

The Honourable Sir Henry Craik : I must have notice of that question.

Mr. Sri Prakasa : Is the allowance paid directly to the prisoner concerned or it is kept for him at the jail gate ?

The Honourable Sir Henry Craik : I must have notice.

FACILITIES FOR PLAYING GAMES OUTSIDE THE JAIL COMPOUNDS ALLOWED TO STATE PRISONERS.

538. ***Mr. Sri Prakasa** (on behalf of Seth Govind Das) : Will Government be pleased to state :

- (a) whether State prisoners in this country are given the facility of playing games outside the jail compounds in certain jails and not so in some others ;
- (b) the reason for this discriminative treatment ;
- (c) whether the discriminative decision entirely rests at the sweet will of the jail officers ; and
- (d) whether one rule with regard to such treatment is applied to all State prisoners in all the jails ?

The Honourable Sir Henry Craik : Facilities for exercise vary according to local circumstances. Arrangements are made by the Superintendent with due regard to the maintenance of jail discipline and the safe custody of the State Prisoners. They are allowed to exercise in the open air in the mornings and evenings, and where conditions permit and they so desire arrangements are made for badminton, Indian clubs, and other forms of exercise.

Mr. Sri Prakasa : Are they allowed to have doctors from outside ?

The Honourable Sir Henry Craik : Yes, if necessary.

Mr. Sri Prakasa : Who is to decide the necessity of an outside doctor,—the prisoner himself or the jail authorities ?

The Honourable Sir Henry Craik : The Medical Officer of the jail.

Mr. Sri Prakasa : It is the Superintendent, I take it. In my province, the Medical Officer is the Jail Superintendent, and I take it that he decides whether any further outside medical aid is necessary or not ?

The Honourable Sir Henry Craik : Not always.

Prof. N. G. Ranga : In case these prisoners are allowed to have outside medical men, who pays for medical treatment ?

The Honourable Sir Henry Craik : To the best of my belief, Government pay.

Mr. Sri Prakasa : Not out of their allowance ?

The Honourable Sir Henry Craik : No.

STATE PRISONERS IN THE DAMOH SUB-JAIL IN THE CENTRAL PROVINCES.

539. ***Mr. Sri Prakasa** (on behalf of Seth Govind Das) : Will Government be pleased to state :

- (a) whether they are aware that the State prisoners in the Damoh sub-jail in Central Provinces have had distinguished Congress careers in Bengal ;
- (b) since when the majority of the terroristic crimes commenced in Bengal ;
- (c) whether they possess a full *dossier* of their career in connection with the Indian National Congress ;
- (d) whether these State prisoners were arrested before most of the crimes under terrorism commenced ;
- (e) whether these State prisoners, now in the Damoh sub-jail, were arrested for revolutionary activities ;
- (f) whether they will be pleased to lay such record on the table to give an opportunity to this House to judge the justification of their detention over five years ;
- (g) what the full record of their detention since 1915 is ;
- (h) the crimes and the laws under which they were so detained and arrested from time to time ;
- (i) whether their detention, without trial, under the Defence of India Act, and the Bengal Regulation III of 1818, in 1915, has any connection with their detention at present of 5½ years, and, if so, what they are ;
- (j) whether they desire keeping these prisoners under detention without trial for their entire lives ;
- (k) why Government do not prosecute them in a Criminal Court of law and prove their guilt, if guilty they really are ;

- (l) if they cannot prosecute them in a court, whether they propose to consider the desirability of releasing them at this time of peace ;
- (m) if so, when they are likely to be released ; and
- (n) if not, why not ?

The Honourable Sir Henry Craik : (a) and (c) to (i). It is a fact that the persons referred to in his question, who were described by the Government of Bengal, in 1931, as " active revolutionaries and leaders in the present terrorist movement ", were also prominent members of the Congress in Bengal. According to my information one of them was the Secretary and another the Assistant Secretary of the Bengal Provincial Congress Committee, while a third was the President of the Chinsurah Congress Committee. Each of them was detained under the Defence of India Act or Regulation III of 1818, on account of their terrorist activities, before 1920. All four were released in 1920. They were again detained first under Regulation III and later under the Bengal Criminal Law Amendment Act, 1925, between 1923-24 and 1928 when again all four were released. They were again arrested under the Bengal Criminal Law Amendment Act, 1930, and in 1931 their detention was changed to Regulation III in order that they might be confined in a place outside Bengal. I cannot in the public interests lay on the table of the House the evidence which justifies their present detention which has been examined by two Judges and found by them to be sufficient for that purpose.

(b) After a period of intensive preparation in 1928-30 terrorist crimes became numerous in 1930 and were at their height in 1931 and 1932.

(j) to (n). The prisoners will be detained so long as their detention is necessary in the public interests. They have not been prosecuted because the evidence against them is not of a nature that can be put into Court.

Prof. N. G. Ranga : In view of the fact that these people have been kept in detention for five years without trial, will Government consider the advisability of releasing them on parole so that they may have at least some family life ?

The Honourable Sir Henry Craik : No, Sir.

Mr. S. Satyamurti : What is the evidence which is in the possession of the Government, but which is not fit for Courts to look at ? Is it the information of informers and spies, or anything more than that ?

The Honourable Sir Henry Craik : I have said that I cannot, in the public interest, lay it on the table of the House, nor can I disclose it here.

Mr. S. Satyamurti : I want to know what is the nature of the evidence. Have Government got the statements of any independent respectable witnesses ?

The Honourable Sir Henry Craik : I am not prepared to add anything to what I have already said.

Mr. S. Satyamurti : Is it only the evidence of spies and informers ?

Dr. N. B. Khare : Why do not Government put these people on open trial ?

The Honourable Sir Henry Craik : I have explained that.

Prof. N. G. Ranga : Will Government pay allowances to their dependents and their families ?

The Honourable Sir Henry Craik : That does not arise out of my reply.

Pandit Lakshmi Kanta Maitra : Is it not a fact Sir, that most of these people were arrested long before the outbreak of any terrorist crimes in Bengal ?

The Honourable Sir Henry Craik : I have given details in my reply.

Mr. M. Ananthasayanam Ayyangar : May I know who were the two Judges who sat to consider this matter ? Who are those Judges ? Are they Judges of the High Court or Sessions Judges ?

The Honourable Sir Henry Craik : Sessions Judges.

CENSOR CENTRES FOR CENSORING THE LETTERS OF STATE PRISONERS AND DETENUS.

540. ***Seth Govind Das :** Will Government be pleased to state :

- (a) the number of censor centres in this country where the letters of the State prisoners and detenues are being censored ;
- (b) the number and permanent staff attached thereto ;
- (c) the nature of their functions ;
- (d) the kind and parts of communications deleted by them from the letters of or for the prisoners ;
- (e) the annual expenditure of such offices ;
- (f) which Government (Central or Provincial) meets the expenditure so incurred ;
- (g) whether the staff so attached is sufficient to dispose of the work from day to day ;
- (h) whether Government receive frequent complaints with regard to the delay in delivery of such letters ;
- (i) what actions, if any, do Government take to remedy the evil ;
- (j) whence the staff attached to such offices are drawn ;
- (k) whether there are any Inspectors of Police or from the special branch of the Intelligence Department of the Government in this staff ;
- (l) whether the practice of this office is to delete the matters even with regard to bad state of health whether of the prisoners or their people while exchanging communications ;
- (m) whether this office brings out any annual administrative report ; and

(n) whether they are prepared to lay on the table a copy of such report ?

The Honourable Sir Henry Craik : (a) to (c), (g), (j) and (k). I presume the Honourable Member is referring to the arrangements made for the censorship of the correspondence of the Bengal State Prisoners and Detenus. The Government of India are not concerned with detenus in Bengal, but in the case of those detained in the Camps there and in the Deoli Camp Jail, the censorship is done by the Camp Commandant. In the case of other Bengal detenus and State Prisoners detained in jails outside Bengal, the censorship of their correspondence is done in the Central Intelligence Bureau, Calcutta, by a staff consisting of two Inspectors and two Sub-Inspectors who also review books and examine manuscript note-books found in possession of State Prisoners and detenus, in addition to attending to the censorship of the correspondence of terrorist convicts in the Andamans. The staff is overworked, especially at times when large batches of letters are received.

(d) The main object of censorship is to prevent communication with members of terrorist or revolutionary organisations and such references are deleted as well as false statements and improper language or matters relating to Government policy and information in regard to jail administration.

(e) and (f). Information is not readily available and I cannot, therefore, say what expenditure, if any, is charged to Central revenues.

(h) and (i). Complaints are occasionally received and these are passed on to the Local Government for investigation. Delay in censorship is due to enquiries having to be made regarding persons mentioned in correspondence, and often results from disregard of the standing rules which require the writers of letters to furnish particulars of persons named in correspondence so as to facilitate enquiries.

(l) It is not the practice to delete portions referring to the state of health either of State Prisoners or detenus or of their relatives except when such portions grossly exaggerate the facts relating to the prisoners themselves with a view to providing material for propaganda. When such deletions are made by the Central Intelligence Bureau, Calcutta, enquiries are made simultaneously from the jail authorities to ascertain the real facts.

(m) No.

(n) Does not arise.

Prof. N. G. Ranga : Are Government aware that several complaints had been made by State Prisoners in Madras in regard to clause (l) of the question, that portions of their letters relating to their health had been deleted by the censors ?

The Honourable Sir Henry Craik : I have already answered that.

Prof. N. G. Ranga : Have Government received any complaint to that effect ?

The Honourable Sir Henry Craik : I have said that complaints are occasionally received.

STATE PRISONERS IN BAD HEALTH.

541. ***Seth Govind Das** : Will Government be pleased to state :

- (a) the number of State prisoners who are at present in bad health ;
- (b) those that are in very bad health ;
- (c) the names of the prisoners and the jails they are detained in ;
- (d) names of State prisoners (with the names of jails) who are suffering from violent type of tuberculosis ;
- (e) the names of the jails that are regarded to be the best for such maladies ;
- (f) whether State prisoners in those jails are kept in separate wards ;
- (g) whether all the State prisoners that are suffering from phthisis are kept in such jails ;
- (h) if not, whether they will arrange to transfer all phthisis patients to such jails which are regarded good for such diseases ;
- (i) whether there are any helpless cases among them ;
- (j) whether they propose to consider the advisability of sending them to sanitoriums or to release them to live or die amidst their relations and family surroundings ;
- (k) if not, why not ?

The Honourable Sir Henry Craik : (a) and (b). The health of all State Prisoners confined in jail is reported to be satisfactory. Three State Prisoners have in the past not kept the best of health, but have lately improved.

(c) Does not arise.

(d) There is no case of any violent type of tuberculosis among the State Prisoners. One State Prisoner, who has a phthisical family history, has suffered from tuberculosis but for some time he has not had any signs of active disease and his present state of health is satisfactory.

(e) to (k). Do not arise.

Mr. G. Morgan : Is the Honourable Member in a position to state how many of these State Prisoners are in very much better state of health than before they became State Prisoners ?

Mr. S. Satyamurti : Why should not the Honourable Member himself go there ? He may also improve in health !

Mr. Sri Prakasa : In view of the fact that Superintendents of Jails are themselves Medical Officers, will the Honourable the Home Member take steps to see that qualified outside doctors examine the health of these prisoners from time to time ?

The Honourable Sir Henry Craik : That is done when it is necessary.

Mr. T. S. Avinashilingam Chettiar : Who are the three people referred to in part (b) of the question ?

The Honourable Sir Henry Craik : One is Jiban Lal Chatterjee in the Central Jail at Bellary, Madras, one is Rasiklal Das in the Bareilly Central Jail, and the third is B. K. Rakshit Roy, also in the Bareilly Central Jail.

Prof. N. G. Ranga : Will Government consider the advisability of publishing an annual report about the health condition of each one of these State Prisoners ?

The Honourable Sir Henry Craik : We get a six-monthly report about their health.

Prof. N. G. Ranga : Will Government consider the advisability of publishing the report, so that the public and the relatives of these prisoners may have the benefit of it ?

The Honourable Sir Henry Craik : There is no intention of doing so.

Pandit Lakshmi Kanta Maitra : May I know what steps have been taken in this particular tubercular case ?

The Honourable Sir Henry Craik : I cannot give that in detail, but I know that for some time the man has not shown any sign of active disease, and his present state of health is satisfactory.

Pandit Lakshmi Kanta Maitra : Does the Honourable Member mean that the detenu has been cured of his disease ?

The Honourable Sir Henry Craik : It looks as if he has been cured.

DELAY IN THE ANNOUNCEMENT OF THE APPOINTMENTS TO THE LISTED POSTS OF THE UNITED PROVINCES JUDICIAL SERVICE BY THE PUBLIC SERVICE COMMISSION.

542. ***Mr. Muhammad Azhar Ali :** (a) Are Government aware of the general dissatisfaction expressed during the last Budget Session of the United Provinces Legislative Council about the delay in announcing the appointments to the listed posts of the United Provinces Judicial Service, by the Public Services Commission ?

(b) Are Government aware that at present three posts amongst the District and Sessions Judgeships of the United Provinces and four posts amongst the Agra Sessions and Subordinate Judgeships and consequently and likewise in Oudh are lying vacant since the 14th November, 1934 and the 16th June, 1933, respectively ?

(c) Are Government aware that this delay in the announcement of promotions entails great hardship on all the Judicial Service people in regard to postings, reversions and taking of leave, etc. ?

(d) Are Government prepared to prevent delays in future and to ask the Department concerned (i.e., the Public Services Commission or others) to call for the recommendations to the listed posts from the Allahabad High Court and the Oudh Chief Court six months before the vacancy occurs ?

(e) Does the delay in selections amongst the Subordinate Judgeships under the Chief Court of Oudh act as a bar to selections under the Allahabad High Court or *vice versa* ?

(f) Will Government please state if the delay is due to the Public Services Commission or to some other agency ?

The Honourable Sir Henry Craik : (a) to (f). The question, except so far as it concerns the Public Service Commission, is one which concerns the Local Government and could be more appropriately asked in the local Legislative Council. The duty of the Public Service Commission under their Functions Rules, 1926, is limited to advising the Governor General in Council whether the candidates nominated by the Local Government have the requisite character and ability for the service to which it is proposed to appoint them. The Commission have no power to call for recommendations to fill vacant listed posts. There has been no delay on the part of the Commission in dealing with the recommendations of the Government of the United Provinces.

Mr. Muhammad Azhar Ali : Am I to take it that these cases are lying with the Local Government or with the High Court and that the Public Service Commission has no hand in it ?

The Honourable Sir Henry Craik : The Public Service Commission was asked for advice, and, as I have explained, they have given that advice. There was no delay in giving that advice.

Mr. Muhammad Azhar Ali : What I wanted to know was, are these cases lying with the Local Government or with the Chief Court or the Allahabad High Court ?

The Honourable Sir Henry Craik : I cannot say.

NON-APPLICATION OF THE CHILD MARRIAGE RESTRAINT ACT TO CANTONMENTS IN CENTRAL INDIA.

543. ***Mr. M. Asaf Ali :** (a) Will Government please state to which of the non-regulated provinces, administered areas, and cantonments, the Sarda Act has not yet been applied ?

(b) Is it a fact that the said Act has not been applied to Cantonments in Central India ? If so, why ?

The Honourable Sir Henry Craik : (a) I place on the table a statement showing the Administered Areas and Cantonments outside British India in which the Child Marriage Restraint Act, 1929, has not been applied. I am in some difficulty as to the significance of the Honourable Member's reference to "non-regulated" provinces. He presumably realises that by virtue of its extent clause the Act applies *proprio vigore* to the provinces formerly known as non-regulation provinces and that the only areas in British India to which it does not apply *proprio vigore* are certain of the areas declared to be backward tracts under subsection (2) of section 52-A of the Government of India Act and certain other so-called deregulationised areas. The Government of India are not aware whether the Local Governments concerned have applied the Act to any of the areas in question.

(b) The Act has not been applied to Cantonments in Central India, but the matter is under discussion with the Agent to the Governor General.

Statement.

| | | |
|--------------------------------|----|---|
| Western India States Agency .. | .. | Rajkot Civil Station. Wadhwan Civil Station. Sadar Bazar. |
| Central India Agency .. | .. | Mhow Cantonment. Nimach Cantonment. Nowgong Cantonment. Bhopal Agency Area. Indore Residency Bazars. Civil Lines of Nowgong. Sutna Agency Area. |
| Gwalior Residency .. | .. | Gwalior Residency Area. |
| Rajputana Agency .. | .. | Abu. |
| Kolhapur Residency .. | .. | Kolhapur Civil Station. |
| Assam .. | .. | British Reserve in Manipur. Shillong (Rifle Range) Cantonment. |

Mr. M. Asaf Ali : Can the Honourable Member kindly throw some light on the subject a little further and tell us why these cantonment areas have been excluded from the operation of this Act ? Is there any reason for it ?

The Honourable Sir Henry Craik : As far as I know, these are cantonment areas outside British India, and it does not rest with the Government of British India to extend the Act.

Mr. M. Asaf Ali : Is it suggested that cantonment areas are not included in British India ? By whom are they administered ?

The Honourable Sir Henry Craik : I think that question ought to be addressed to the Foreign and Political Department. Some of the cantonments are used as cantonments and some are abandoned cantonments, I think.

EXHIBITION OF THE FILMS " INDIAN SPEAKS " AND " BENGALI " .

544. ***Mr. Akhil Chandra Datta :** (a) Have Government been informed by the Secretary of State for India what steps, if any, have been taken to stop the exhibition of the films " India Speaks " and " Bengali " ?

(b) What has been the effect of such steps ?

(c) Have any effective steps been taken by the Secretary of State for India or by the Government of India to prevent any future production and exhibition in any country of films vilifying India ?

(d) Will Government be pleased to lay on the table the representation addressed by the Government of India to the Secretary of State for India in this matter and the reply of the Secretary of State thereto ?

The Honourable Sir Henry Craik : (a) to (d). I would invite the Honourable Member's attention to the reply given by me on the 16th September, 1935, to Dr. Banerjee's question No. 377.

Pandit Lakshmi Kanta Maitra : May I know if Government have got any definite policy as to how to fight against the campaign of vilification against Indians ?

The Honourable Sir Henry Craik : I gave a very full reply on that point in my answer to Dr. Banerjea's question.

Dr. P. N. Banerjea : Has the attention of Government been drawn to a telegram from Geneva which appears in the *Advance* in which it is stated that certain vagabonds are being paraded all over Switzerland for an "Indian show". These persons are made to stand in shabby dress and among them there are some women and children ? (*Cries of "Shame !"*).

The Honourable Sir Henry Craik : What date is that ?

Dr. P. N. Banerjea : Will Government kindly take note of this ? I will hand over the extract to them.

Mr. Sri Prakasa : Are posters of these films exhibited in public streets of foreign countries ? I ask this in view of the fact that the Honourable Member is perhaps more interested in posters than in films themselves.

The Honourable Sir Henry Craik : I cannot say about the film "India Speaks", but, as regards the film called "Bengali", which, I understand, is the same as the "Lives of a Bengal Lancer", certainly such posters are exposed.

DEFAMATORY PASSAGES ABOUT INDIANS IN A PUBLICATION ENTITLED " SOUVENIR PROGRAMME OF MALAYAN CELEBRATIONS ".

545. ***Mr. Akhil Chandra Datta :** (a) Has the attention of the Government of India been drawn to the article "Modern Singapore" that appeared in His Majesty King George V Silver Jubilee Souvenir Programme (Malayan Celebrations) edited by one James H. Martin and published by T. B. Rogers & Co., Ltd. ?

(b) Have Government noticed that in a certain passage in that article (at page 84 of the Souvenir Book), a most insulting and unwarranted attack was made on the whole of the Indian community in Malaya ?

(c) Are Government aware that the said article caused bitter resentment and indignation amongst the members of the Indian community and for a time, it threatened a serious breach of peace in Malaya ?

(d) Are the Government of India aware that in view of the Governor's message appearing on the 1st page of the Souvenir Book, the general impression in Malaya was that the said article and the sentiment expressed therein had the sanction and approval of the Colonial Government ?

(e) Will the Government of India be pleased to state what steps have been taken by them in respect of the publication of the said article ?

The Honourable Sir Girja Shankar Bajpai : (a), (b), (c) and (e). The attention of the Honourable Member is invited to the reply given by me to Mr. Satyamurti's question No. 224 on the 9th September, 1935.

(d) Any such impression should have been dispelled by the published expression of His Excellency the Governor's regret that the reputation of the Indian community should have been subjected to an odious and unjustified attack.

REFUSAL OF ADMISSION TO INDIAN STUDENTS IN ENGLAND TO A SWIMMING POOL.

546. ***Mr. Akhil Chandra Datta :** (a) Has the attention of Government been drawn to the fact that two Indian students in England were refused admission to a swimming pool even after the sale of admission tickets to them on the ground that they were coloured people ?

(b) If so, has the Government of India taken any steps to make amends to the aggrieved students and to put a stop to such a thing in future ?

The Honourable Sir Girja Shankar Bajpai : (a) and (b). The Secretary of State for India investigated the matter in July last. The swimming pool in question is owned and controlled by a commercial firm which excludes non-Europeans and has expressed its inability to relax the practice in favour of Indian students.

Mr. M. Asaf Ali : Referring to these swimming pools, is the Honourable gentleman aware that even in Delhi, the Capital of India, certain swimming pools are not open to Indians ?

The Honourable Sir Girja Shankar Bajpai : That does not arise out of this question.

CANCELLATION OF THE PASSPORT OF MR. MASANI OF BOMBAY.

†547. ***Mr. Akhil Chandra Datta :** (a) Has the attention of Government been drawn to the fact that the passport—for travel on the continent—of Mr. Massani, a Bombay Congress socialist, has been cancelled in England ?

(b) Will Government be pleased to state the reasons for the impounding of the said passport ?

(c) Was the said order passed at the instance of the Government of India ? If not, were the Government of India consulted, before the said order was passed, by the Home Government ?

POSITION OF THE INDIAN EMPLOYEES OF THE POSTAL DEPARTMENT IN BURMA AFTER THE SEPARATION.

548. ***Mr. S. Satyamurti :** Will Government be pleased to state :

(a) whether they have considered the position of the employees of the Post Office Department, especially of the Indian Ministerial staff, now serving in Burma, under the separation ;

(b) whether their interests are likely to be adversely affected ; and

(c) whether Government will take steps to see that their legitimate interests are safeguarded ?

†For answer to this question, see answer to question No. 532.

Mr. G. V. Bewoor : With your permission, I shall reply to questions Nos. 548 and 549 together. The position of employees of the Central Government in Burma, after separation, is at present under consideration, and the Honourable Member may rest assured that Government will take such measures as may be necessary for the protection of their interests.

Mr. S. Satyamurti : Will those steps be taken before separation becomes a fact ?

Mr. G. V. Bewoor : Yes, Sir.

RESOLUTIONS PASSED AT THE MEETING OF THE RANGOON POSTAL UNION.

†549. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to the resolutions passed at the meeting of the Rangoon Postal Union ;
- (b) whether Government have considered the suggestions contained therein ; and
- (c) what action Government propose to take thereon ?

VISIT OF THE HONOURABLE THE COMMERCE MEMBER TO COCHIN.

550. ***Mr. S. Satyamurti :** Will Government be pleased to state whether the visit of the Honourable the Commerce Member to Cochin was in connection with the arriving at a settlement with regard to the Cochin Port ?

The Honourable Sir Muhammad Zafrullah Khan : Yes.

Mr. S. Satyamurti : May I know what is the work that the Commerce Member did in Cochin, in regard to this matter ?

The Honourable Sir Muhammad Zafrullah Khan : If the Honourable Member will explain what he means by the work I did there in connection with this matter, I shall be happy to answer the question.

Mr. S. Satyamurti : I am referring to work connected with the settlement of the outstanding questions between the Government of India and the Cochin Government, with regard to the future of the Cochin port.

The Honourable Sir Muhammad Zafrullah Khan : Consultations were held with the authorities in Cochin.

Mr. S. Satyamurti : What are the outstanding questions ? Are they administrative and financial, or are there any other questions outstanding ?

The Honourable Sir Muhammad Zafrullah Khan : With regard to financial questions, a provisional agreement has already been arrived at. The other questions relate both to the administration of the harbour as well as to the jurisdiction to be exercised over the harbour.

Mr. S. Satyamurti : With regard to the question of jurisdiction, what is the claim of Cochin and what is the position of the Government of India ?

†For answer to this question, see answer to question No. 548.

The Honourable Sir Muhammad Zafrullah Khan : I do not think that is a matter which I could deal by way of question and answer.

Mr. S. Satyamurti : At what stage do the negotiations now stand ?

The Honourable Sir Muhammad Zafrullah Khan : They are still proceeding.

Mr. S. Satyamurti : Has work been stopped on the further progress of Cochin harbour, or is it going on ?

The Honourable Sir Muhammad Zafrullah Khan : The third stage has been completed and the matter rests where it was when it was completed.

Mr. S. Satyamurti : May I take it that the fourth stage has not begun ?

The Honourable Sir Muhammad Zafrullah Khan : No, Sir.

Mr. S. Satyamurti : May I know how long Government anticipate these negotiations will take before they are concluded and the last stage taken in hand ?

The Honourable Sir Muhammad Zafrullah Khan : That depends mainly on Cochin.

Mr. S. Satyamurti : Have the Government of India forwarded their final views to the Cochin Government on these two outstanding matters ?

The Honourable Sir Muhammad Zafrullah Khan : The Government of India hold certain views with regard to these two questions, and the Cochin Government are in possession of those views.

Mr. S. Satyamurti : Is there going to be a conference on this matter ?

The Honourable Sir Muhammad Zafrullah Khan : If at any time the hope arises that a conference might lead to a final settlement of the question, the Government of India will most certainly be prepared to call a conference.

POSITION OF INDIANS IN ZANZIBAR.

551. ***Mr. S. Satyamurti :** Will Government be pleased to state :

- (a) whether their attention has been drawn to the reply of Mr. Malcolm MacDonald, Secretary for the Colonies, in the House of Commons in answer to a question from Mr. Paling (Labour), about the position of Indians in Zanzibar ;
- (b) whether the Government of India was consulted in the matter, and if so, what their advice was ; and
- (c) whether they propose to take further action in order to press the Indian point of view on the British Government, and through the British Government, on the Sultan of Zanzibar ?

The Honourable Sir Girja Shankar Bajpai : (a) Yes.

(b) and (c). Government have recently received the text of resolutions on the subject which were passed at a mass meeting of Zanzibar Indians held on the 30th June, 1935. It is understood that copies were

also sent to His Majesty's Government and apparently the communication had not reach the Secretary of State for the Colonies at the time he gave his reply to Mr. Paling's question. The matter is receiving the attention of the Government of India.

Mr. S. Satyamurti : Have the Government of India received copies of the resolution ?

The Honourable Sir Girja Shanker Bajpai : That is what I have said.

Mr. S. Satyamurti : Have they forwarded them to the Secretary of State for the Colonies ?

The Honourable Sir Girja Shankar Bajpai : The Secretary of State for the Colonies has received copies of the Resolutions direct, and what the Government of India have to do, if they wish to do anything, is to send their own comments to the Secretary of State for the Colonies.

Mr. S. Satyamurti : Have they done so ?

The Honourable Sir Girja Shankar Bajpai : The matter is still under consideration.

Mr. S. Satyamurti : May I put the usual question, and ask how long the Government of India hope to take before coming to a settlement ?

The Honourable Sir Girja Shankar Bajpai : I think I can enlighten my friend. I hope it will be by the third week in October.

Mr. S. Satyamurti : I am greatly relieved.

NEWSPAPERS PUNISHED FOR ADVERSELY COMMENTING ON GOVERNMENTS' POLICY IN QUETTA.

552. ***Mr. Mohan Lal Saksena :** (a) Is it a fact that the Government of India issued a circular to the Local Governments regarding action to be taken against the Press adversely commenting on the Government's policy in Quetta ? If so, will Government be pleased to lay on the table a copy of the same ?

(b) Will Government lay on the table a statement giving the names of papers and the amount of security forfeited in this connection ?

(c) Will Government be pleased to make a comprehensive statement regarding the losses sustained by Government because of earthquake ?

(d) Will Government be pleased to state, if any non-official agencies were permitted to administer relief in Quetta ? If so, what are their names ?

(e) Will Government be pleased to state the names of individuals and associations who were refused permission to enter Quetta for purposes of administration of relief ?

(f) Will Government state the reasons for refusing permission to Mahatma Gandhi ?

(g) Are Government aware of the fact that the Government's refusal to allow Mahatma Gandhi and others to visit Quetta led to the spreading of all sorts of rumours ?

(h) Are Government prepared to appoint an enquiry committee consisting of non-official Members of the Legislative Assembly to enquire into and report on the adequacy of measures adopted by Government to administer relief to the earthquake victims ?

(i) Will Government be pleased to state if any military stores have been damaged by the earthquake ? If so, what ?

The Honourable Sir Henry Craik : (a) I would refer the Honourable Member to the reply given by me to parts (a) and (b) of Mr. Satyamurti's starred question No. 401 on the 16th September, 1935.

(b) Such a list was laid on the table by me in reply to Pandit Sri Krishna Dutta Paliwal's starred question No. 365 on the 13th September, 1935.

(c) The Honourable Member's attention is invited to the reply given to part (a) of Seth Haji Abdoola Haroon's starred question No. 163 on the 6th September, 1935, which gives the losses as regards buildings. No figures of other material damage have yet been collected.

(d) and (e). The Honourable Member's attention is invited to the reply given to Mr. Satyamurti's starred question No. 283 on the 11th September, 1935.

(f) I would refer the Honourable Member to the reply given by me to Mr. Satyamurti's starred question No. 219 on the 9th September, 1935.

(g) Government are aware that there were rumours but they are not prepared to express any opinion as to their cause.

(h) No.

(i) Yes. The preparation of the list of stores damaged would involve an expenditure of time and labour which would be incommensurate with the value of the results.

Mr. S. Satyamurti : What is the value of the military stores ?

The Honourable Sir Henry Craik : That question should be addressed to the Army Department.

LAWS RESTRICTING THE LIBERTY OF THE PRESS.

553. ***Mr. Mohan Lal Saksena :** Will Government be pleased to lay on the table a statement giving the names of laws restricting the liberty of Press at present in force, in British India ?

The Honourable Sir Henry Craik : I lay a statement on the table giving the information required. In addition to the Acts mentioned there are, as the Honourable Member is no doubt aware, certain provisions in the Indian Penal Code and the Criminal Procedure Code which deal with the publication of incitements to sedition and to communal and religious animosity.

Statement of the Laws dealing with the Activities of the Press.

1. The Indian Press (Emergency Powers) Act, 1931, as amended by,
2. The Indian Criminal Law Amendment Act, 1932 (Sections 14—16).
3. The Indian States (Protection) Act, 1934 (Section 3), and
4. The Bengal Criminal Law Amendment Act, 1934 (Sections 6—8).

GRANT OF GENERAL AMNESTY TO POLITICAL PRISONERS BEFORE THE
INTRODUCTION OF NEW CONSTITUTION.

554. ***Mr. Mohan Lal Saksena** : Is it a fact that Government is contemplating to grant amnesty to all political prisoners before the introduction of the new Constitution as was done in 1919 before the introduction of the present Reforms ? If so, will they be released in time to enable them to participate in elections if they so choose ?

The Honourable Sir Henry Craik : The answer to the first part is in the negative. The second part does not arise.

PRISONERS CONVICTED IN CONNECTION WITH THE CIVIL DISOBEDIENCE
MOVEMENT NOT YET RELEASED.

555. ***Mr. Mohan Lal Saksena** : What is the total number of prisoners in India who were convicted in connection with the civil disobedience movement and who have not yet been released from jail ? Will Government state the reason for not releasing them so far ?

The Honourable Sir Henry Craik : The total number of civil disobedience prisoners who were still in jail at the end of July last was 31.

As regards the second part of the question I would refer the Honourable Member to the reply given by me to parts (b) and (c) of Mr. S. Satyamurti's starred question No. 782 on the 9th March, 1935.

CANCELLATION OF THE PASSPORT OF MR. MASANI OF BOMBAY.

†556. ***Mr. Mohan Lal Saksena** : Is it a fact that the Government of India requested the Secretary of State for India to impound the passport of Mr. Massani, Bar-at-Law, Bombay ? If so, will Government be pleased to lay on the table a copy of the letter ?

INSTRUCTIONS REGARDING PASSPORTS.

557. ***Mr. Mohan Lal Saksena** : Will the Government of India state if it has issued any instructions to the Local Governments regarding granting passports ?

The Honourable Sir Henry Craik : Yes.

Mr. S. Satyamurti : What are the instructions, Sir ?

The Honourable Sir Henry Craik : They are confidential.

Prof. N. G. Ranga : Have Government issued special instructions regarding the issuing or refusing of passports to Socialists ?

The Honourable Sir Henry Craik : No.

Mr. S. Satyamurti : Are the Government of India using this right to give or refuse passports, as a means of punishing the holding of certain political opinions and the propagation of them ?

The Honourable Sir Henry Craik : No.

Mr. S. Satyamurti : What are the criteria by which the Government of India want Local Governments to be guided in the issuing or refusing of passports ?

The Honourable Sir Henry Craik : Public interest.

†For answer to this question, see answer to question No. 532.

RETURN OF MR. SUBHASH CHANDRA BOSE TO INDIA.

558. ***Mr. Mohan Lal Saksena** : (a) Will Government state how long will B. Subhash Chandra Bose not be allowed to return to India ?

(b) In view of the unconditional release of B. Sarat Chandra Bose, do Government propose to consider the feasibility of removing restrictions from B. Subhash Chandra as well ?

The Honourable Sir Henry Craik : (a) and (b). Apart from the fact that his passport is only valid for certain foreign countries, no restrictions are at present imposed on Mr. Bose.

Dr. P. N. Banerjee : Will Mr. Subhas Chandra Bose be allowed to come back to India ?

The Honourable Sir Henry Craik : Yes—unless any restriction is imposed before he returns. (Laughter.)

Mr. Sri Prakasa : Why was Mr. Bose released at all ? Was not this House informed that he was a dangerous man, when we met in Delhi ? How has “ public interest ” suddenly changed in his favour ?

The Honourable Sir Henry Craik : That does not arise out of any answer I have given.

DISTRIBUTION OF THE GRANT FOR RURAL UPLIFT.

559. ***Mr. Mohan Lal Saksena** : (a) Will Government be pleased to make a comprehensive statement regarding the manner in which the grant of rupees one crore and thirteen lacs for rural uplift has been distributed in the provinces ? Will they also lay on the table the schemes of rural uplift prepared by the various governments for utilising the grants ?

(b) Will Government state what proportions of this, if any, will be spent in removing illiteracy ?

(c) Will Government be prepared to state the total number of persons who have been engaged under the scheme in the various provinces ? Will Government state the maximum and minimum salary sanctioned to them ?

(d) Are Government aware that these persons are being used to carry on anti-Congress propaganda in villages ?

(e) Are Government prepared to issue strict orders that these persons should not take any part in the elections to local boards or legislatures ?

The Honourable Sir James Grigg : (a) and (b). The Honourable Member is referred to the statement laid on the table in reply to question No. 162 asked by Mr. Basanta Kumar Das.

(c) Information is not available.

(d) Government have no reason to suppose that this allegation contains any element of truth.

(e) Such persons are appointed for the performance of specific duties. The Local Governments will no doubt satisfy themselves that they discharge those duties and do not engage in politics.

Prof. N. G. Ranga : Will Government see that the discretionary funds placed at the disposal of these Collectors are spent on the purposes specified in the communications and papers making these grants ?

The Honourable Sir James Grigg : I do not think the Government of India should act as a policeman over the Local Governments : the grants have been made for specific purposes, and the Government of India will assume that the Local Governments will spend the grants on those objects.

Prof. N. G. Ranga : Sir, in regard to certain provinces, certain conditions have been specifically laid down—especially in Bengal and Madras—conditions under which the Collectors should spend these discretionary funds, but in other provinces no such conditions have been fixed at all, and there the Collectors are entirely free to spend the funds as they like.

The Honourable Sir James Grigg : These grants have been made for the welfare of the villages, and we take it they will be so spent.

Mr. T. S. Avinashilingam Chettiar : What was the answer to clause (d) of the question ?

The Honourable Sir James Grigg :

“ Government have no reason to suppose that this allegation contains any element of truth.”

Mr. M. Ananthasayanam Ayyangar : Why is it that, in suggesting the items of the proposed expenditure, the Government of India have not included among the items any expenditure for the improvement of rural industries ?

The Honourable Sir James Grigg : The Government did not circumscribe in any way the freedom of Local Governments in putting forward such schemes as they liked ; the Government of India themselves suggested certain kinds of scheme which they would be prepared to accept without question, but the Local Governments were perfectly free to propose what schemes they liked, outside that list, and a good many of them, in fact, have done so.

Mr. M. Ananthasayanam Ayyangar : Did not the Government of India themselves suggest certain schemes ?

The Honourable Sir James Grigg : This is exactly what I have said.

INTRODUCTION OF THE BALLOT SYSTEM OF VOTING.

560. ***Mr. Mohan Lal Saksena :** (a) Are Government aware of the difficulty experienced by the illiterate voters in keeping their votes secret in provinces where they are required to mark the ballot paper ?

(b) Are Government prepared to consider the feasibility of introducing throughout India ballot system similar to that as obtains in Bihar to obviate this difficulty and to ensure the secrecy of the ballot box ?

The Honourable Sir Nripendra Sircar : (a) No.

(b) The Honourable Member is referred to my reply to starred question No. 658 asked on the 5th March, 1935, by the Honourable Member himself.

GOLD EXPORTED FROM INDIA SINCE ENGLAND WENT OFF THE GOLD STANDARD.

561. ***Mr. Mohan Lal Saksena :** Will Government state the total weight of Gold exported from India since England went off the gold standard till the 25th August, 1935 ?

The Honourable Sir James Grigg : The attention of the Honourable Member is invited to the answer that I gave to starred question No. 201 asked by Mr. S. Satyamurti during the current Session.

COUNTRIES RESTRICTING THE FREE FLOW OF GOLD.

562. ***Mr. Mohan Lal Saksena** : Will Government state, if they are in a position to do so, the countries in which the State has restricted the free flow of gold ?

The Honourable Sir James Grigg : The attention of the Honourable Member is invited to the answer that I gave on the 18th February, 1935, to starred question No. 324 asked by Sardar Sant Singh.

Prof. N. G. Ranga : What are the steps being taken by other countries to prevent the export of gold beyond their boundaries ?

The Honourable Sir James Grigg : I must have notice of that.

Prof. N. G. Ranga : Will Government consider the advisability of yielding to public opinion for once and prohibit the export of gold at least ?

Mr. President (The Honourable Sir Abdur Rahim) : That is not a proper form of question, and the Chair will not allow it.

Mr. Mohan Lal Saksena : Question No. 563.

Mr. President (The Honourable Sir Abdur Rahim) : That has been disallowed.

†563. *

Mr. Mohan Lal Saksena : Question No. 564.

HARDSHIPS OF PRISONERS IN THE CELLULAR JAIL, ANDAMANS.

564. ***Mr. Mohan Lal Saksena** : (a) Are Government aware of an article published in *Advance*, dated the 27th June, 1935, on Andamians in reply to Dewan Bahadur Chetti's report ? If so, what action did Government take on it ?

(b) Is it a fact that the cells in Cellular jail are smaller than cells in Bengal jails and they are ill-lighted and ill-ventilated ? Is it also true that cells situated on ground-floor are damp ?

(c) Is it a fact that rain-water leaks inside some of the cells and they have not been repaired notwithstanding the fact that it has been repeatedly brought to the notice of Jail Superintendent ?

(d) Is it also a fact that the Chief Engineer has twice declared Block No. V as un-inhabitable, and the prisoners were consequently removed from that building, and were retransferred after the rainy season ? If so, are Government prepared to consider the feasibility of demolishing Block V and rebuild the cells on an improved model ? Are Government prepared to direct that necessary repairs be immediately made to save the prisoners from inconvenience ?

(e) Is it a fact that the working sheds in the cellular jail are in a tottering condition and have no ceiling, and are covered with corrugated tin ? If so, are Government aware that prisoners experience a lot of hardship to work under these sheds because of equatorial climate ? Are Government prepared to consider the advisability of providing roofs or covering them with tiles instead of corrugated sheets ?

(f) Is it a fact that the Cellular Jail was originally meant for lodging for short periods, of prisoners sentenced to transportation, prior to their being housed in other quarters outside the jail, and it was not built with

†This question was disallowed by the Honourable the President.

the idea of keeping prisoners confined for longer periods ? Is it also a fact that the sanitary arrangements are as unsatisfactory as has been stated in the aforesaid article, viz., the drains are seldom disinfected and the latrines are totally inadequate ?

(g) Is it true that the water, prisoners get, is rain water stored in tanks outside jail, and that the supply is not adequate specially during the periods when rains fail ?

(h) Will Government state what arrangements, if any, have been made for filtering of water for drinking ? Is it correct that the dysentery epidemic breaks out in the jail almost every year ? If so, have Government made any enquiry as to its cause and what steps, if any, have been taken to prevent its recurrence ?

The Honourable Sir Henry Craik : (a) Government have seen the article published in the *Advance* newspaper of June 27, 1935, and have made enquiries about the allegations made in it, practically every one of which was found to be false.

(b) The cells in the Cellular Jail are of practically the same size as the cells in the Bengal Jails. The cells are in three storeys, and have good ventilation and an excellent out-look. The ground floor is free from damp.

(c) No.

(d) This is not a fact. In August, 1934, the Executive Engineer noticed a horizontal crack along the springing of the arches of the second floor of wing No. 5. Though the crack was not serious, immediate steps were taken by the Executive Engineer to carry out the necessary repairs. The work took about two months, as it was necessary to order the material from Calcutta, and during that period the second floor of wing No. 5 was vacated. No further cracks have been noticed since, and Government see no reason for demolishing it.

(e) The work-sheds were thoroughly repaired in 1934. They are large, airy, in excellent repair and have watertight roofs.

(f) The Cellular Jail was not built solely to house prisoners for short periods only ; it was intended also for the confinement of prisoners who could not be released in the Settlement. The statement that the sanitary arrangements are unsatisfactory is untrue. The drains are cleaned every morning and flushed with seawater. They are inspected every evening, and any rubbish seen is immediately removed. They are also daily treated with standard Cresol solution. The latrine accommodation is more than sufficient.

(g) and (h). The drinking water for the Cellular Jail (and for the greater part of Port Blair) is drawn from a catchment-area tank which, as elsewhere, receives rain water ; but the water is filtered before reaching the jail and is boiled and cooled before being issued as drinking water. The water supply was improved in July, 1934. The quantity is sufficient to supply about 40 gallons per prisoner per day. It is also incorrect to say that an epidemic of dysentery breaks out in the jail almost every year. The incidence of dysentery in the Cellular Jail in 1933 (the last year for which we have comparative figures) was much less than in the jails in most provinces in India.

Pandit Lakshmi Kanta Maitra : May I ask, Sir, if the Honourable Member has any personal knowledge of these jails ?

The Honourable Sir Henry Craik : I have never been to the Andamans, but I have obtained a long report from the Chief Commissioner and I have also had a long conversation on the subject with Colonel Barker who was stationed for many years in the Andamans and who visited it recently.

Pandit Lakshmi Kanta Maitra : Has any responsible officer of the Government of India been deputed by the Honourable Member to inspect for himself the actual conditions prevailing in these jails ?

The Honourable Sir Henry Craik : I think Colonel Barker has already proceeded to the Andamans or is about to go.

Mr. M. Ananthasayanam Ayyangar : Has Mr. Chetty made any recommendation regarding the further improvement of jail life in the Andamans ?

The Honourable Sir Henry Craik : I cannot say off-hand. That does not arise.

Mr. Mohan Lal Saksena : Sir, I have not been able to follow the answer to clauses (f), (g) and (h).

The Honourable Sir Henry Craik : I do not see why I should read them again. The Honourable Member will see them in the official report.

STATEMENT OF BUSINESS.

The Honourable Sir Nripendra Sircar (Leader of the House) : With
12 Noon. your permission, Sir, I desire to make a statement as to
the probable course of Government business for the
remainder of the Session.

On Monday, the 23rd, motions will be made to take into consideration and to pass the Indian Coffee Cess Bill and the Jubbulpore and Chhattisgarh Divisions (Divorce Proceedings Validation) Bill. Tuesday, the 24th, has been allotted for the discussion of non-official Bills. On Wednesday, the 25th, the following business will be brought forward, namely :

- (1) Demands for Supplementary Grants,
- (2) Demands for Excess Grants, and
- (3) Motion for the consideration of the report of the Public Accounts Committee for the year 1933-34.

So far as I can see, I do not think it will be necessary for the House to sit beyond Wednesday, the 25th.

SHORT NOTICE QUESTIONS AND ANSWERS.

PLIGHT OF INDIAN SUBJECTS IN ABYSSINIA.

Pandit Nilakantha Das : (a) Has the attention of Government been drawn to the news published in the *Hindustan Times* of the 10th September, 1935, page 3, under the heading "Plight of Indian subjects in Abyssinia" ?

(b) If so, will Government be pleased to state whether the British Consul has asked the Indians to send their families back to India within eight days ?

(c) Is it a fact that Indian British subjects have been told by the British Consul that the British Government have no responsibility in their case ?

(d) If so, will Government be pleased to state whether in similar circumstances during previous wars the British Government took responsibilities for Indians and their properties ?

Mr. J. G. Acheson : (a) Yes.

(b) For some time past British Consuls under instructions from His Majesty's Minister, Addis Ababa, have recommended to all British subjects without distinction to send their families out of the country if they could do so without inconvenience. No time limit has, however, been set.

(c) Of course not.

(d) Does not arise.

LIMIT OF EXCHANGE APPLIED TO INDIAN SUBJECTS IN ABYSSINIA.

Pandit Nilakantha Das : (a) Is it a fact that it has been announced that the Bank in Abyssinia will give Indians exchange up to Rs. 300 for their money, and no more ?

(b) If so, will Government please state whether this limit of exchange applies only to Indian British subjects, or to European British subjects as well ?

(c) Will Government be pleased to state whether any differential treatment is being meted out to Indians in this respect ? If so, why ?

Mr. J. G. Acheson : (a) and (b). The Bank of Ethiopia, which is an Ethiopian institution, has practically no foreign exchange to sell to anyone. Sale has accordingly been restricted to travelling expenses for persons leaving the country. Nevertheless, on a representation from His Majesty's Minister, a fair share in the exchange available has been reserved for Indians.

(c) Does not arise.

REGISTRATION OF PROPERTIES OF INDIANS IN ABYSSINIA.

Pandit Nilakantha Das : (a) Is it a fact that registration of properties of Indians in Abyssinia by the British Consul has been stopped ? If so, what are the reasons ?

(b) Have the properties of British subjects other than Indian been all registered now ? If so, why has registration of Indians' properties been refused ?

Mr. J. G. Acheson : (a) and (b). Consular registration of inventories of property is allowed to all British subjects including British Indians. I am unable to say how far the British and Indian communities, respectively, have availed themselves of this privilege.

Mr. M. Ananthasayanam Ayyangar : Will Government take steps to intimate to the Indian settlers there that there is such a provision and they can easily take advantage of it ?

Mr. J. G. Acheson : I believe they are already aware of it.

Mr. M. Ananthasaynam Ayyangar : How many Indians have taken advantage of it till now ?

Mr. J. G. Acheson : I am afraid I cannot give answer to that. I have not got the information.

Pandit Nilakantha Das : Have arrangements been made that Indians will feel no difficulty in this matter ?

Mr. J. G. Acheson : Certainly, Sir.

ALLEGED CONDITIONS APPLIED ON CERTAIN INDIANS IN ABYSSINIA.

Pandit Nilakantha Das : (a) Is it a fact that Indians willing to reside in Zeila and Behra have been asked to keep ready money with them, or else they have been threatened to be ejected ?

(b) If the answer to part (a) be in the affirmative, do these conditions also apply to all other British subjects ? If not, what is the reason for this differentiation ?

Mr. J. G. Acheson : (a) and (b). No such conditions have been applied or even contemplated.

RETURN OF INDIAN WAGE EARNERS FROM ABYSSINIA.

Pandit Nilakantha Das : (a) What arrangement have Government made for the return to India of such Indian wage earners and their families from Abyssinia as have got no money with them to defray the expenses ?

(b) Are Government prepared to pay for the costs of the return passage for the Indian labourers and their families and other destitute Indians now living in Abyssinia ? If not, why not ?

Mr. J. G. Acheson : (a) and (b). Under the existing practice British Indian subjects who are stranded in foreign countries are repatriated at Government expense on their giving undertakings to repay the amount which the Government may spend on such repatriations. This practice will be observed if necessity arises.

Pandit Nilakantha Das : In cases where they are unable to pay the amount, what will happen to them ?

Mr. J. G. Acheson : That seems to be more a matter for private charity.

CANCELLATION OF CERTAIN GALLERY PASSES.

Mr. President (The Honourable Sir Abdur Rahim) : Order, order : I have to inform the House that I have received a letter from the Honourable Member, Pandit Sri Krishna Dutta Paliwal, saying that he wishes to raise the question as to the cancellation of certain Passes to the galleries of this House under my orders. I cannot allow such a question being raised. I may, however, inform the House that I acted in the discharge of my responsibility in that matter upon the information that I received for the safety of the House, and I may also inform the House that there have been very few cases in which I have had to cancel Passes already issued.

PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

The Honourable Sir James Grigg (Finance Member) : Sir, I beg to present the report of the Public Accounts Committee (Parts I and II) on the accounts for the year 1933-34. Perhaps, in making this presentation, I must ask the Members of the House, in view of the fact that the report will be discussed on Wednesday and it covers a very large range of subjects, to be good enough to give notice to the representatives of the Departments concerned of the subjects which they wish to raise during that debate.

Report of the Public Accounts Committee on the Accounts of 1933-34 other than Railways.

PART I—CIVIL, MILITARY AND POSTS AND TELEGRAPHS.

I.—Excess Votes.

1. *General Summary.*—The following table compares the total grants voted by the Legislative Assembly with the total expenditure against those grants :—

| | | (In lakhs of Rs.) | | | |
|-------------------------------------|----|-------------------|----------------------|--------------|---------------------|
| | | Original Grant. | Supplementary Grant. | Final Grant. | Actual Expenditure. |
| Expenditure charged to revenue | .. | 25.39 | 2.14 | 27.53 | 26.97 |
| Expenditure charged to capital | .. | 83 | 37 | 1.20 | 95 |
| | | 26.22 | 2.51 | 28.73 | 27.92 |
| Disbursements of loans and advances | .. | 6.03 | 1.67 | 7.70 | 5.91 |
| | | 32.25 | 4.18 | 36.43 | 33.83 |

2. The following table compares the non-voted appropriations sanctioned by the Government of India with the total expenditure against such appropriations :—

| | | | | | |
|--------------------------------|----|-------|-------|-------|-------|
| Expenditure charged to revenue | .. | 79.07 | —4.26 | 74.82 | 74.35 |
| Expenditure charged to capital | .. | 43 | 2 | 45 | 45 |
| | | 79.50 | —4.23 | 75.27 | 74.80 |

3. The position regarding total expenditure voted and non-voted is as follows :—

| | | Original Grant. | Final Grant. | Actual Expenditure. |
|-------------------------------------|----|-----------------|--------------|---------------------|
| Expenditure charged to revenue | .. | 1,04.46 | 1,02.35 | 1,01.32 |
| Expenditure charged to capital | .. | 1.26 | 1.65 | 1.40 |
| | | 1,05.72 | 1,04.00 | 1,02.72 |
| Disbursements of loans and advances | .. | 6.03 | 7.70 | 5.91 |
| | | 1,11.75 | 1,11.70 | 1,08.63 |

4. *Savings*.—There was a saving of 3,07 lakhs or 2.7 per cent. of the final grant. The percentage compares as follows with the results of previous years :—

| | 1929-30. | 1930-31. | 1931-32. | 1932-33. | 1933-34. |
|--------------------------------------|----------|----------|----------|----------|----------|
| Expenditure charged to revenue | ·7 | ·3 | 3·2 | 1·9 | 1·0 |
| Expenditure charged to capital.. | 12·9 | 15·9 | 11·4 | 8·3 | 15·2 |
| Disbursements of loans and advances. | —·3 | —20·3 | 10·8 | 37·1 | 23·3 |
| Combined percentage | ·9 | —·7 | 4·3 | 5·9 | 2·7 |

5. The following table compares the percentages of savings under Voted Grants for expenditure proper (*i.e.*, exclusive of disbursements of loans and advances) with those of savings under non-voted appropriations :—

Percentage of savings.

| | Voted. Non-voted. | |
|---------|-------------------|---------|
| 1929-30 | | ·8 1·1 |
| 1930-31 | | 3·9 —·2 |
| 1931-32 | | 9·6 1·0 |
| 1932-33 | | 7·0 ·2 |
| 1933-34 | | 2·8 ·7 |

6. *Excesses*.—In the following cases the actual expenditure exceeded the voted grants and an excess vote of the Assembly is accordingly required :—

| Item No. | No. of Grant. | Amount voted by Assembly. | Actual Expenditure. | Excess. |
|----------|---|---------------------------|---------------------|-------------|
| | | Rs. | Rs. | Rs. |
| 1 | 26—Interest on Miscellaneous Obligations .. | 55,01,000 | 57,13,409 | 2,12,409 |
| 2 | 50—Geological Survey | 1,78,000 | 1,86,634 | 8,634 |
| 3 | 70—Indian Stores Department | 6,87,000 | 7,06,895 | 19,895 |
| 4 | 76—Miscellaneous | 7,13,000 | 7,13,856 | 856 |
| 5 | 76A—Expenditure on Retrenched personnel charged to revenue. | 6,45,000 | 7,20,743 | 75,743 |
| 6 | 76C—Transfer to Fund for reconstruction of Earthquake damage. | 1,28,89,000 | 2,71,66,180 | 1,42,77,180 |
| 7 | 95A—Civil Works not charged to revenue .. | .. | 1,76,613 | 1,76,613 |
| 8 | 96A—Expenditure on Retrenched personnel charged to capital. | 3,02,000 | 3,26,288 | 24,288 |

7. A brief explanation of the more important excesses is given below :—

Item 1.—The voted charges under this grant represent mainly payments to the Posts and Telegraphs Department for savings bank and cash certificate work. The excess was due to the increase in the post office savings bank transactions during the closing months of the year, the volume of which is not susceptible of accurate estimating.

- Item 2.*—The excess was caused by the reimbursement to the Burma Government of arrear charges (from 1930-31) in connection with the survey of the Northern Shan States.
- Item 3.*—Heavy decline in inspection work for Railways and consequent fall in recoveries caused the excess.
- Item 5.*—The excess was due to more leave salary charges of retrenched personnel and the omission through misunderstanding on the part of the Account Officer to provide for them in a supplementary estimate.
- Item 6.*—The revenue surplus for 1933-34 was anticipated to be Rs. 1,28,89,000 and it was decided to transfer the entire surplus to the Fund for reconstruction of Earthquake damage. The actual revenue surplus however amounted to Rs. 2,71,66,180.
- Item 7.*—This represents the Central Government share of the cost of reconstructing and repairing the provincial government buildings, etc., in Bihar and Orissa damaged by the earthquake. A supplementary grant could not be obtained from the Assembly as it was not possible to estimate before the close of the year the actual expenditure likely to be incurred. It has since been decided to transfer this expenditure to the Fund for the reconstruction of earthquake damage.
- Item 8.*—The excess was due to larger payments of gratuity to retrenched personnel and to smaller amounts transferable to revenue mainly in the Posts and Telegraphs Department.

8. We recommend that the Assembly assent to the excess grants detailed above which the Governor General in Council will place before them in due course.

9. Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another, every reappropriation within a grant which is not made in accordance with such rules as may be prescribed by the Finance Department and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. We are glad to be able to report that there have been no reappropriations failing under these categories during the year, nor have the Finance Department requested us to bring to the notice of the Assembly any particular item of expenditure.

II.—Important comments on matters arising out of the accounts for 1933-34.

10. *Accuracy of budgeting, control over expenditure, etc.*—It will be seen from the figures given in paragraphs 4 and 5 above that the results of the year under review compare favourably with those of the two previous years except under expenditure charged to capital. In making this comparison, however, it should be remembered that the years of 1931-32 and 1932-33 were exceptional in view of the retrenchments then in progress.

We went through the Appropriation Accounts in great detail and were struck by the large number of major variations between the estimates and actuals. Even in cases where variations under the totals of the Grants

were not great, the variations in individual sub-heads were very large indeed. This was specially the case in the case of Civil Works and Posts and Telegraphs grants. We understand that, until two years ago, there were no proper rules for budgeting for Civil Works and we hope that, as a result of the rules then issued, the appropriation accounts of later years will show some improvement. As regards the Posts and Telegraphs Department, previous Committees have commented on the serious faults in budgeting and control of expenditure. Last year's Committee was furnished by the department with a memorandum explaining the various steps taken or under contemplation to remedy the defects noticed, and to effect improvements in the procedure concerning budgeting and control of expenditure. Judging from the results of the year 1933-34, we too are definitely of opinion that budgeting and control of expenditure in the department were far from satisfactory and the Auditor General particularly brought to our notice the continuance of the over-budgeting under the Repairs grant which had been a marked feature of the preceding ten years. We realise that the effect of the steps taken by the department could not have become noticeable in the accounts now under review but we hope that future appropriation accounts, at least from 1935-36, will show the results of the action taken by the department.

The grant for the Survey of India was another grant under which there were large variations due mainly, we understand, to the difficulty of estimating the work to be done for provincial governments and consequent recoveries from them. We realise the difficulties but desire that the Finance Department should, in consultation with the Education, Health and Lands Department, try to remedy the defects as far as possible.

We specially desire to impress upon the various departments that, though variations within a grant are less important than variations in the grant as a whole, even here large variations are to be deprecated as showing a certain indefiniteness in estimating.

11. *Supplementary Grants.*—The Accountant General, Central Revenues, has brought to our notice 6 cases in which supplementary grants obtained from the Assembly proved to be unnecessary. We were informed that the Finance Department is at present considering the whole question of more effective control of expenditure and the procedure for obtaining supplementary grants. In this connection we suggest that the Finance Department should consider whether, when they go for a supplementary grant to the Assembly for a portion of the amount required for a scheme as a whole, the balance being met by reappropriation from savings elsewhere, the particular sub-heads under which the savings are available should not, in the case of large savings at least, be shown in the supplementary demands presented to the Assembly. We understand that a similar procedure is in force in Great Britain.

12. *Accounts of separate funds created for special expenditure.*—During the last two years the Government of India have created a number of funds from the revenue surpluses for special expenditure such as reconstruction of earthquake damage in Bihar, development of Civil Aviation, Broadcasting, etc. We suggest that progressive accounts of expenditure from the various funds should be included in future appropriation accounts.

13. *Audit of Customs revenue.*—We agree with the Auditor General that the revised system of concurrent audit of Customs revenue which was introduced on a temporary basis 3 years ago should be made permanent.

14. *London Stores Department.*—The last year's Committee recommended that, in view of the large drop in the value of stores purchased through the London Stores Department, the question of reducing the strength of that Department and of making it a part of the Indian Stores Department should be considered. We are informed that the Government of India have decided to depute Sir James Pitkeathly, the Chief Controller of Stores, Indian Stores Department, who will be on leave during the winter of 1935-36, to make a detailed examination of the working of the London Stores Department and to submit a scheme for the amalgamation of the two departments.

15. *Mathematical Instrument Office, Calcutta.*—We discussed with the representative of the Education, Health and Lands Department the question of reducing the size of the Mathematical Instrument Office, Calcutta, as a result of the decision of the Army Department to get their work done through their own agencies and of the receipt of smaller demands from Provincial Governments and other Departments of the Government of India. We were informed that the Surveyor General had proposed certain reductions to the extent of about Rs. 20,000 a year. We feel that these reductions are considerably less than the loss of revenue from the Army Department, and that it should be seriously considered whether more drastic reductions are not possible. If, even after these reductions, it is found that the office is not able to pay its way, the question of closing it down should be taken up.

16. *Unauthorised Excluded Funds in N.-W. F. P.*—We understand that there are about 20 such funds of which the important ones are the Motor Lorry Depreciation Funds and the Khassadar Fund. We are informed that the Motor Lorry Depreciation Funds have already been closed and that orders have also been issued to close the Khassadar Fund, detailed instructions having been issued to regulate the various budget grants relating to the Khassadars. The other funds, which are minor ones, are being scrutinised and orders are being issued to close the funds which are unnecessary and to continue those that are necessary under proper sanction and regular audit. We desire that a further report on this matter should be included in the next year's audit report.

17. *Financial position of the Indian Posts and Telegraphs Department.*—We have perused the Memorandum furnished by the Director General, Posts and Telegraphs, on the commercial prospects of the Department and on the various measures taken to reduce the expenditure and increase the revenue of the Department. We are glad to note that a loss of about half a crore incurred in 1933-34 has been converted into a surplus of about Rs. 37 lakhs in 1934-35, though this result was attained after suspending the allocation to the Depreciation Fund to the extent of about Rs. 27 lakhs. In 1935-36 the Department anticipate a loss of about Rs. 13 lakhs after restoring about Rs. 19 lakhs of the provision for the Depreciation Fund, providing Rs. 27 lakhs for the restoration of the remainder of the pay cut and allowing for increments in the pay of the staff. So far as we can make out the Department should be able, on the present basis, to produce a balanced budget in the near future. We con-

sidered at great length whether the general financial position of the Department could be improved by restricting the amount of the contribution to the Depreciation Fund. The non-official Members of the Committee thought that this was somewhat in excess of the amount required and recommended that the question should be carefully considered by the Finance Department. The Chairman undertook that this should be done.

18. *Report of the Military Accounts Committee.*—We append the Report submitted by the Military Accounts Committee (Annexure A) constituted to make a preliminary examination of the Military Appropriation Accounts and connected documents. We endorse the recommendations and observations of the Committee both in its Report and in the proceedings of its meetings. We desire to lay special stress on the importance of completing the revision of the Army Regulations as soon as possible.

III.—Miscellaneous Observations.

19. As in the previous year, we append to our Report minutes of our proceedings which we consider should be treated as part of the Report. We assume that, in accordance with the established practice, such action as may be necessary will be taken by Departments on the observations and recommendations contained in these proceedings.

20. We wish to thank the Auditor General for the assistance which he rendered to us throughout the proceedings. His great knowledge and his patient willingness to impart it have been beyond praise. We should like also to express our great appreciation of the work of our extremely competent Secretary, Mr. K. Sanjiva Row, C.I.E.

K. SANJIVA ROW,
14th September 1935.

P. J. GRIGG.
B. DAS.
S. SATYAMURTI.
N. G. RANGA.
THEIN MAUNG.
MD. YAKUB.
RAMSAY SCOTT.
SHER MD. KHAN.
BHAI PARMANAND.
R. D. DALAL.
S. C. MUKHERJEE.
FAZL-I-HAQ PIRACHA.

ANNEXURE A.

Report of the Military Accounts Committee.

We were constituted in pursuance of the recommendations of the Public Accounts Committee of the year 1931-32 to make a preliminary examination of the Military Appropriation Accounts and connected documents. The results of our examination are, as usual, embodied in the proceedings of our meetings (Annexure I), which should be treated as a part of our report, and it is unnecessary for us here to do more than refer to the more important points.

2. *Control over expenditure.*—We are glad to note that the Auditor General considers that “so far as control of expenditure in bulk is concerned, the financial administration of the year has been shown to be careful, efficient and, in the abnormal circumstances mentioned by the Financial Adviser, successful”. There is, however, room for still further improvement, and we hope that this will be achieved in future years as a result of the efforts that are being made by the Army authorities.

3. *Military Engineer Services expenditure.*—We have been through the review of expenditure on Military Engineer Services prepared by the Financial Adviser. In pursuance of the views expressed by the previous Committees, the Financial Adviser has carried out a detailed examination of variations between the estimates of cost of individual works and the actual expenditure incurred. In order to make the review more informative, the Auditor General has suggested—and we agree with the suggestions—that :—

- (1) variations from (a) original estimates, and (b) the year's appropriation in the case of works of major importance or higher value, should be exhibited in the Appropriation Accounts ; and
- (2) a detailed account of the utilization of the Military Engineer Services Reserve should be given in the Appropriation Accounts.

We understand that these suggestions have been accepted by the Financial Adviser.

The various steps which the Army authorities are taking in order to improve control of expenditure, regulation of contracts and other financial matters are mentioned in paragraphs 11 and 25 to 28 of the proceedings.

4. *Revision of Army Regulations.*—In view of the numerous irregularities due to the complexity and obscurity of the existing regulations, the previous Committees, at the instance of the Auditor General, had recommended that steps should be taken to simplify and amend the existing regulations. The Army Secretary hoped that two important sets of regulations would be completed within twelve months. We consider that this is a very important matter and the Army Department should take every step possible to complete the revision earlier, if possible.

5. *Financial Irregularities.*—The action taken by the Army authorities under the orders of His Excellency the Commander-in-Chief, in pursuance of the statement made to the Committee last year by the Army Secretary, is explained in the note attached to our proceedings of the 8th August 1935. This year's report again includes an undesirably large number of cases of financial irregularities pointing to the same conclusion as was reached by the Committee last year. We realise that these irregularities occurred prior to the issue of the special instructions referred to above, and we hope that the effect of these instructions will be reflected in the results of future years. Some of us think that negligence has not in the past been punished sufficiently seriously, and indeed a number of the cases specifically referred to by the Auditor General afford a *prima facie* confirmation of this view. The more important of these, we have discussed with the Army Secretary and on one of them in particular the whole Committee considered that his explanations were, to say the

least of it, unconvincing and we have requested some further information in the case. We hope that the Army Secretary will be able to communicate this to the Public Accounts Committee in time for them to consider it before drafting their Report. In any case we assume that, in view of the instructions which have been issued by His Excellency the Commander-in-Chief and the impending simplification of the regulations, it will not only be clear that the Army authorities take a serious view of negligence or inefficiency but also that they will in no wise admit ignorance of the regulations as an extenuation of shortcomings under these heads. The natural corollary of this should be a manifest tendency for the punishments awarded in such cases to become heavier in future.

6. *Authorised War reserves of stores.*—The Quartermaster-General and the Master-General of the Ordnance have furnished the necessary certificates in regard to the existence in stock of the authorised war reserves of stores on the 31st of March 1935. Copies of these certificates are attached to our proceedings (Annexures II and III).

P. J. GRIGG.
P. C. TALLENTS.
B. DAS.
S. SATYAMURTI.
SHER MD. KHAN.

K. SANJIVA ROW.
26th August, 1935.

ANNEXURE I.

Proceedings of the first meeting of the Military Accounts Committee held on Wednesday, the 7th August 1935, at 2-30 P.M.

PRESENT :

| | |
|---|---------------------------------|
| The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, <i>Chairman</i> . | |
| The Hon'ble Mr. P. C. TALLENTS, C.S.I., C.I.E., I.C.S., Finance Secretary, | } <i>Members.</i> |
| Mr. S. SATYAMURTI, M.L.A., | |
| Mr. B. DAS, M.L.A., | |
| Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A. | |
| Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General, | } <i>Were also present.</i> |
| Mr. K. R. S. RAU, Director of Army Audit, | |
| Mr. G. R. F. TOTTENHAM, C.I.E., I.C.S., Army Secretary, | } <i>Witnesses.</i> |
| Mr. J. C. BROMMAGE, M.B.E., Deputy Financial Adviser, | |
| Lt.-Colonel R. PRINCE, O.B.E., Military Accountant General. | |

1. The Committee took up the examination of Appendix A to the Appropriation Accounts prepared by the Financial Adviser, Military

Finance. The Committee accepted the explanation given or the action taken in regard to the cases mentioned in the Appendix subject to the following remarks.

2. *Item 1—The Administration of Military Engineer Services expenditure.*—This was postponed for consideration when the Engineer-in-Chief appeared before the Committee.

3. *Item 2—Revision of Army Regulations.*—The Committee was informed that, the general principles that will govern the revision having been settled as intimated to the Committee last year, the revision of 'Regulations for the Army in India' and 'Pay and Allowance Regulations' had been in hand since the 1st September 1934, that very definite and important progress had been made, but that it was not possible to say when the revision of those books would be completed. The draft Defence Services (Classification, Control and Appeal) Rules to govern civilian personnel serving under the Army Department were referred to the Secretary of State early in 1934. As a result of certain criticisms made by him, the volume had been re-cast into a comprehensive book of regulations for this category of personnel, and it was hoped that it would be completed within the next two months. The Committee after discussion with the Army Secretary was of opinion that the revision of regulations was a very important matter, and the Army Department should take every step possible to complete the revision as quickly as possible. The Army Secretary promised to try his best to have the 'Regulations for the Army in India' and the 'Pay and Allowance Regulations', which are the most important ones, in a revised form by the time the Committee meets next year.

Item 3—Compilation of statistics showing losses due to the sale of surplus and obsolete stores.—This item was postponed for consideration with paragraph 5 (b) of the Auditor General's letter.

4. *Item 4—Military Engineer Services Reserve.*—The Auditor General desired that, as it has been prescribed that the reserve should be utilised for unforeseen works, a detailed account of its utilisation should be given in the Appropriation Accounts to enable audit and the Committee to see that it was properly utilised. The Committee agreed.

5. *Item 5—Revision of rules for the Depreciation Reserve Fund of Ordnance and Clothing Factories.*—The Auditor General said that on further examination he had decided not to press for any change. The Committee agreed.

6. *Item 6—Revision of equipment tables.*—The Committee was informed that the tables had been revised. The Military Accountant General was satisfied with the revised tables.

7. *Item 8—Improvement of supervision and proper liaison with Finance to prevent frauds.*—Consideration was postponed till the next day.

8. *Item 9—Improvements in the procedure for recovery of rent, water and electric charges and conservancy tax.*—The Military Accountant General informed the Committee that he had issued instructions that these bills should be sent to the units concerned, and that recoveries should be made from the pay bills. As regards the conservancy tax, it has been decided that these charges should be levied except in the case of certain very poor people.

9. *Item 10—Judge Advocate General's rulings in certain cases.*—The conclusions reached by the Government of India are given in the annexure to the Quarterly Statement of outstanding items.

10. *Item 12—Statement comparing the cost of important items of manufacture with Home Priced Vocabulary Stores rates.*—The Committee agreed to the discontinuance of this statement as it served no useful purpose.

11. *Item 13—Trained works accountants for Military Engineer Services audit.*—The Military Accountant General informed the Committee that he had agreed to take over certain trained Public Works Department accountants who will also train others. The Committee desired to have a report of the success or otherwise of the new arrangement after two years.

12. The Committee then took up the consideration of paragraph 5 (a) of the Auditor General's letter, namely the possibility of amplifying the first part of Appendix E to the Appropriation Accounts so as to give information regarding a larger number of categories of stores. At present there are certain important omissions, for example, mechanical transport stores. The Auditor General explained to the Committee that this information would be useful for exercising greater financial control. He said that there was no difference of opinion so far as the principle was concerned between him and the Financial Adviser, Military Finance; the whole difficulty lay in devising a procedure whereby these statistics could be obtained without undue extra expense. The Committee desired that every effort should be made to give fuller information in the next year's report. Mr. Das also desired that in the memorandum of the Financial Adviser regarding stores transactions, figures for the amount of stores purchased in India and outside India should be given separately. The Deputy Financial Adviser agreed to do this.

13. *Item 3 of Appendix A and paragraph 5 (b) of the Auditor General's letter—Exhibition in a valued statement of surplus and obsolete stores disposed of during the year.*—The Auditor General explained to the Committee that the Financial Adviser had accepted the advisability of preparing a valued statement of surplus and obsolete stores discarded in the course of each year as one method of check over the exercise of control in respect of the purchase of stores. A statement in respect of the year 1934-35 had actually been prepared and submitted to audit and this provided the Financial Adviser with a *prima facie* case for enquiry into certain discards of M. T. stores. The Committee desired that the statement should be utilised where necessary to improve the present 'provisioning' arrangements and to prescribe suitable limitations on store holding.

In this connection the Auditor General brought to the special notice of the Committee the former absence of a proper system of provisioning, the overstocked condition owing to this reason, and the necessity of a valued account of all surplus and obsolete stores in the Royal Air Force. The Army Secretary circulated a note (copy attached) explaining the steps taken to improve the system. The Auditor General stated that he thought that measures had been taken locally to remedy the defects in the provisioning system, and that as far as he could see they were reasonably satisfactory. He urged that Government should issue authoritative orders

regarding a provisioning system and fix stock limits. The Army Secretary assured the Committee that the Royal Air Force Headquarters and the Army Department realised the importance of the matter and were giving very close attention to it. He acknowledged that the Auditor General's interest in the question had been instrumental in focussing attention upon it.

14. *Paragraph 6 of the Auditor General's letter—Special expenditure on Territorial Force (Appendix L to the Appropriation Accounts).—*The Army Secretary informed the Committee that they were surrendering a sum of Rs. 5,85,000 to general revenues.

15. The Committee then took up for consideration various financial irregularities mentioned in paragraph 7 of the Auditor General's letter. As regards these irregularities, the last year's Committee had observed "they also desired to record their opinion that the punishment awarded in some cases was entirely inadequate and that the administrative authorities appear to take far too lenient a view of cases where the furnishing of false certificates was deliberate". The Auditor General in his letter says: "In last year's report I was constrained to observe that the cases brought to notice taken as a whole seemed to afford evidence that there was considerable laxity of view and an insufficient sense of responsibility in financial matters, not in the administration as viewed in the abstract but amongst individuals. It is regrettable that this year's report should again include an undesirably large number of cases pointing to the same conclusion". The Committee desired to draw the pointed attention of the Army authorities to these remarks. They realised that the irregularities mentioned in this report occurred prior to the issue of special instructions by H. E. the Commander-in-Chief and hoped that the effect of these instructions would be reflected in the results of future years. Some members of the Committee also felt that negligence had not in the past been punished sufficiently seriously, but after the special instructions issued under the orders of H. E. the Commander-in-Chief punishments for negligence or slackness should tend to become heavier.

16. *Paragraph 24 of the Report of the Director of Army Audit.—*The Committee desired to record that the cost or the inconvenience involved should not be the sole criterion in considering whether a prosecution should be launched. All relevant factors, such as the amount involved in the fraud and the seriousness of the fraud, should be taken into account.

17. *Paragraph 29 of the Report of the Director of Army Audit.—*The Army Secretary informed the Committee that this particular fraud was still under investigation but that the Army Commander had appointed a standing committee in each district of the Northern Command consisting of the Assistant Director of Medical Services and two officers of the garrison concerned, one of the rank of Lieutenant-Colonel and the other a field officer of the Royal Indian Army Service Corps, to visit hospitals periodically, enquire into their administration and submit reports to Command Headquarters. The question of instituting such committees in other Commands was also under consideration. The Committee desired that an investigation should be conducted to see whether there was any defect in the system of accounts which facilitated the fraud.

The Committee then adjourned till 11 A.M. on the 8th August 1935.

ANNEXURE.

Royal Air Force Stores.

In answer to the main criticism that the system, or lack of system, in the matter of "provisioning" has led to the holding of excessive stocks of stores, the Royal Air Force authorities do not claim that their system is perfect, and they acknowledge that the Auditor General's interest in the matter will help to secure the improvement that they themselves desire.

On the other hand they do claim that they have evolved a definite system, that for many years they have been endeavouring to improve it; that they have brought about many improvements by their own efforts and have still further improvements under consideration, and that their task is rendered particularly difficult owing to the rapid scientific development that is taking place in the construction of aircraft and aircraft engines and the fact that most of the stores they require are unobtainable in India.

In particular they desire to bring the following facts to notice—

- (1) the present "qualification" of the audit certificate is based on the assumption that the Government of India have not given their authority to the stock limits which now govern the Royal Air Force provisioning system. This is not the case. Between 1927—1931 the stock limits were reduced and the acceptance by the Government of India of the new limits was obtained in the process of reporting the Royal Air Force retrenchments to the Secretary of State in 1932. The only mistake was that this acceptance was not communicated to the audit authorities. The A. O. C. is taking action to regularise the position and is now applying for formal sanction to cover the issue of Equipment Tables to consuming units on the basis of the stock limits approved.
- (2) It is this very reduction as a measure of economy—rather than the defects of the system itself—that has largely accounted for an accumulation of excess stocks, many of which consist of surpluses returned to the depot by consuming units.
- (3) On the Army side, Mobilisation and War Reserves are held and shown separately from working stocks. On the Royal Air Force side there is no such distinction and a considerable portion of the stocks, which may seem to be excessive, are really emergency reserves.
- (4) Even if stock limits of so many months supply are laid down, it is particularly difficult in the Royal Air Force to make absolutely correct estimates of monthly requirements—especially when new types of equipment are introduced, as they often have to be, either for the sake of increased efficiency or because the maintenance of the old type eventually becomes more expensive.
- (5) Whatever may have been the case many years ago, stores are now never purchased except on detailed indents which are seen and priced by the Military Finance Branch. There is no question of India's being compelled to purchase stores sent out by the Air Ministry or leaving it to the Air Ministry

to despatch such stores as they may consider necessary up to a monetary limit intimated by the Indian authorities. When a new type of aircraft is introduced, some advice from the Air Ministry is necessary as regards the initial provision of spare parts, but the policy is to work as far as possible on Indian experience of similar types.

- (6) The fact that surplus stores are held is admitted. They represent the accumulation of several years and will take time to dispose of economically.

Obsolescence is a constant factor and a certain quantity of obsolescent stores must eventually pass into the category of obsolete stores.

The Royal Air Force will welcome any means of confining stores in these categories to the narrowest possible limits. They are already rendering a quarterly return of disposals, which can be prepared on the lines finally approved on the Army side. Their sole object is to keep their aircraft efficient in peace and war and so long as due recognition is given to the peculiar features mentioned above, they hope that the present discussions will lead to a definite improvement which can form the subject of report to the Military Accounts Committee next year.

Proceedings of the second meeting of the Military Accounts Committee held on Thursday, the 8th August 1935, at 11 A.M.

PRESENT :

| | |
|---|---------------------------------|
| The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, <i>Chairman</i> . | |
| The Hon'ble Mr. P. C. TALLENTS, C.S.I., C.I.E., I.C.S., Finance Secretary, | } <i>Members.</i> |
| Mr. S. SATYAMURTI, M.L.A., | |
| Mr. B. DAS, M.L.A., | |
| Captain SHEER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A. | |
| Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor- General, | } <i>Were also present.</i> |
| Mr. K. R. S. RAU, Director of Army Audit. | |
| Mr. G. R. F. TOTTENHAM, C.I.E., I.C.S., Army Secretary, | } <i>Witnesses.</i> |
| Mr. J. C. BROMMAGE, M.B.E., Deputy Financial Adviser, | |
| Lt.-Colonel R. PRINCE, O.B.E., Military Accountant General. | |

18. The Auditor General first raised the question whether the convention that 24 hours notice should be given if the Committee desired to take up any case not mentioned in the Auditor General's letter should not be denounced. He explained that formerly the Auditor General included in his letter practically every item on which the Committee should make enquiries but was now trying gradually to break away from this practice and to leave it to the Committee to decide which particular items they

should take up. The Committee agreed that the convention should be denounced, but if the witnesses desired, the Committee ought to allow them reasonable opportunity for looking into the papers relating to the case in greater detail.

19. *Item 8 of Appendix A.—Improvement of supervision and proper liaison with Finance to prevent frauds.*—A note (copy attached) was circulated to the Committee explaining the action taken under the orders of His Excellency the Commander-in-Chief in pursuance of the statement that was made to the Committee last year by the Army Secretary.

20. *Paragraph 25 of the Report of the Director of Army Audit.*—The Military Accountant General explained that he had taken special steps to tighten up audit in the case of irregular units in which this and some other frauds occurred.

21. *Paragraph 31 of the Report of the Director of Army Audit.*—Some members of the Committee were of opinion that this was one of the cases in which inadequate punishment had been awarded on the administrative side as compared with the Military Accountant General's side. Arising out of the explanation given by the Army Secretary, the Auditor General remarked that on the civil side action had been taken by the Railway Board and was probably being taken in other Departments to explain that departmental enquiries should not necessarily be delayed pending decision of criminal cases, as at a later stage the evidence might disappear and the departmental enquiry could not be brought to any conclusion at all. He desired that a similar practice should be followed on the Army side. The Committee agreed with the view of the Auditor General and desired that a report should be made to them as to the action taken.

22. *Paragraph 32 of the Report of the Director of Army Audit.*—As regards the punishment of one of the officers concerned, the Army Secretary explained that he was tried by Court Martial on certain charges and was acquitted. After acquittal the Army Commander and the Quartermaster General took the view that, although he had been acquitted of a criminal charge, he had shown himself inefficient and slack in the performance of his duties and that he ought to be got rid of for inefficiency. The Commander-in-Chief decided, however, that in accordance with the custom in the Army after a man had been tried for certain charges and acquitted, no further departmental action should be taken against him on the same set of facts. The Army Secretary, who explained that he had not yet seen the papers himself, was not sure whether this was the legal position or whether it was based on custom only. The Committee was not at all satisfied with the position as they felt that it should be permissible to take departmental action against an officer for negligence and inefficiency even if he had been acquitted by a court of a criminal offence. The Committee, therefore, desired that the Army Secretary should further investigate the matter and intimate the result to the Committee, if possible before the drafting of the report of the Public Accounts Committee.

23. *Paragraph 35 of the Report of the Director of Army Audit.*—The Military Accountant General explained that this was another case in an irregular unit where steps have been taken to tighten up audit. Some

members of the Committee were of opinion that this was another case in which the punishment awarded was inadequate.

24. The Committee then went through paragraphs 46, 22, 23, 33, 37, 38, 39 and 45 of the Report of the Director of Army Audit.

The Committee then adjourned till 2.30 P.M.

Note by the Army Department.

In item 8 of Appendix A of the Appropriation Accounts of the Defence Services for the year 1933-34, and in paragraph 15 (a) and (b) of the Proceedings of the Military Accounts Committee held on the 25th June 1934, which are reproduced in the Report of the Public Accounts Committee on the accounts of 1932-33, it is stated that His Excellency the Commander-in-Chief ordered, in connection with the financial administration of Army expenditure, that the serious attention of local military authorities should be drawn to the two following directions in which he considered improvement was most necessary, namely :—

(a) Improvement of supervision, and

(b) proper liaison with Finance.

2. The following action has been taken to implement His Excellency's orders :—

(i) A revised edition of the pamphlet entitled " Notes on the Prevention of Fraud ", and

(ii) a circular memorandum No. B./29799/1/A.G.-8, dated the 20th September 1934, on the subject of liaison with Finance,

have been issued by the Adjutant General in India.

3. A copy of the pamphlet referred to under (i) was circulated to the members and a copy of the circular memorandum is attached.

No. B./29799/1 (A. G.-8).

ARMY HEADQUARTERS, INDIA,

ADJUTANT GENERAL'S BRANCH.

Simla, the 20th September, 1934.

FROM

THE ADJUTANT-GENERAL IN INDIA,

TO

HEADQUARTERS, NORTHERN COMMAND.

HEADQUARTERS, SOUTHERN COMMAND.

HEADQUARTERS, EASTERN COMMAND.

HEADQUARTERS, WESTERN COMMAND.

HEADQUARTERS, BURMA (INDEPENDENT) DISTRICT.

Memorandum.

His Excellency the Commander-in-Chief has recently had under consideration the standard of financial administration in command and lower formations. While considerable advance appears to have been made in

recent years towards a more satisfactory state of affairs, His Excellency believes that there is still great room for improvement, and he is particularly impressed in this connection with the advantages to be obtained from a closer co-operation between units and their accounts and audit officers; a subject on which you have been already addressed in A. G.'s No. B.17456/9/A.G.-13, dated 12th September 1932.

2. There is a tendency in some quarters to regard the duties of accounts and audit officers as confined to the mere keeping of accounts, the checking of bills and the prevention or detection of fraud. A more irresponsible view is that their general function is to criticise and obstruct. These are grave misapprehensions. It is a primary duty of the accounts and audit department to help wherever possible with financial advice and to ensure prompt payment of all legitimate claims. They should be able to give the financial state of a unit, formation or service and inform the administrative authorities early of any expenditure that appears to require looking into. Detection and exposure of errors long after they have taken place must be replaced as far as possible by assistance in preventing errors. The officers of that department are the only trained staff on which the administrative authorities should rely for this form of assistance. It is therefore essential that their services should be fully utilised and that if errors are to be prevented or losses obviated, they should be freely consulted at every stage of a financial transaction and particularly at the beginning.

3. In recent months the Controllers of Military Accounts have opened in their respective offices a "Financial Advice" section which examines accounts figures and transactions with a view to the discovery of possible economies in administration or to the stoppage of waste. Various suggestions emanating from this source have doubtless already been considered in commands, and the work being done holds promise of genuine usefulness. His Excellency trusts that full advantage will be taken of it by carefully examining any suggestions offered. It should not, however, be left solely to the accounts and audit authorities to initiate suggestions, but in their day to day control over expenditure and efforts at economy, administrative officers should make free use of their accounts figures (as would a private individual in the conduct of his own business) and in doing so, should refer freely to the accounts department for guidance. With the same object in view—sound and economical administration—commanding and administrative officers should ensure that the queries of the accounts department receive full, clear and accurate replies without delay. Accounts officers on their side should ensure that the queries are really necessary and essential. In many instances difficulties can be settled by personal discussion without recourse to correspondence. These measures will at least diminish, though it cannot be hoped that they will entirely eliminate, the possibility of fraud and loss.

4. The preceding paragraphs deal with the Military Accounts Department which is the internal instrument of financial control functioning on behalf of the Finance Department of the Government of India. Outside the organization there exists a separate statutory authority charged with responsibility for the efficiency of the audit not only of the expenditure of the defence services, but of all expenditure in India from the revenues, of India, and of its correct accounting. This "statutory audit" commonly called test audit is conducted on behalf of the Secretary of State for India under the general control of the Auditor General in India.

His Excellency desires to emphasise the fact that co-operation with the statutory audit authorities, on the part of officers of all commands, staff, units, etc., is fully as essential as is co-operation with the Military Accounts Department, and that every facility should be given to the Director of Army Audit and to his officers and staff entrusted with this duty, and advantage taken of the assistance which they should always be ready to offer.

5. A copy of these orders is being sent to the Military Accountant General and to the Director of Army Audit with the request that they will please take any steps they may consider desirable in their respective departments to encourage that cordial co-operation with the Army to which in the interests of effective financial supervision, His Excellency attaches the highest importance.

(Sd.) G. THORPE, *Major-General,*
Offg. Adjutant-General in India.

Copies to—

Districts Independent Brigade Areas.

Brigade Areas and Brigades, with sufficient copies for distribution to all units.

The M. A. G.

The D. A. A.

Proceedings of the third meeting of the Military Accounts Committee held on Thursday, the 8th August 1935, at 2-30 P.M.

PRESENT :

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

The Hon'ble Mr. P. C. TALLENTS, C.S.I.,
C.I.E., I.C.S., Finance Secretary,

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

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

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

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

Mr. K. R. S. RAU, Director of Army Audit.

Mr. G. R. F. TOTTENHAM, C.I.E., I.C.S., Army
Secretary,

Major-General G. H. ADDISON, C.B., C.M.G.,
D.S.O., Engineer-in-Chief,

Mr. J. C. BROMMAGE, M.B.E., Deputy
Financial Adviser,

Lt.-Col. R. PRINCE, O.B.E., Military
Accountant-General.

Members.

*Were also
present*

Witnesses.

25. The Engineer-in-Chief explained to the Committee the various steps taken by him to strengthen the financial control over Military

Engineer Services expenditure. He explained that everything centred round the system of contracts which hitherto had been normally made on the basis of measurements and schedules of prices as there was no trained staff of quantity surveyors to prepare bills of quantities. This system gave an enormous amount of additional work to all concerned including the audit and accounts staff and offered numerous occasions of friction. The regulations also allowed certain opportunities to the executive staff to get works done which were not included in the original contracts and estimates, with the result that the finished works varied from what had actually been approved. In order to get over all these difficulties he had now secured a trained staff of quantity surveyors who were now training the staff in India. His idea was that ultimately all new works, where the scope of the work can be foreseen, should be carried out under lump-sum contracts. This should enable Government to get much cheaper tenders and the scope of the work would also be exactly defined. He had also made it quite clear that no diversions from the original contract would be allowed except as provided for in the contract itself. Of course, the system of lump-sum contracts could not be applied to maintenance which must necessarily be done in most cases by measurements. Even in these cases the quantity surveyors will, first of all, be able to prepare much more accurate schedules, will check the actual measurements in cases of importance and also check all the measurement work that comes in before it is actually paid for. He admitted that there was room for tremendous improvement in the whole of their measurement of maintenance work ; that was due not to any slackness or carelessness, but because the staff have not had the necessary training. These surveyors have been of enormous help and every day he saw an improvement—in saving money on maintenance and in improving the method of contracts for new works.

26. In reply to a question by Mr. Das, the Engineer-in-Chief explained that the quality of the work would not in any way suffer as detailed specifications would be included in the contract and there would be regular inspections to see that these specifications were adhered to.

27. As the Chairman desired to have the views of the Auditor General on the new system, the Auditor General said that it was claimed that the new system increased efficiency of financial control and did not diminish facilities for audit, but he would have to watch the position carefully to see whether the claim was actually justified. Audit was certainly not a hostile critic. He added that the system of lump-sum contracts had not been very successful in other departments, but that was mainly due to defective estimates, defective drawing up of contracts, and employment of unsuitable contractors.

28. The question of acceptance of the lowest tenders was then discussed. The Engineer-in-Chief explained that there were detailed instructions now that, if the lowest tender was not accepted, the agreement of the C. M. A. should, whenever possible, be obtained before acceptance of another tender ; in every case the officer accepting the tender had to put in writing, for the information of the Military Accounts Department, the detailed reasons for not accepting the lowest tender. If the Military Accounts Department did not accept these reasons as satisfactory, the case was referred to the Engineer-in-Chief. The Military Accountant-General explained that during the last six months there had been no such case.

After some further discussion regarding the Military Engineer Services expenditure, the Engineer-in-Chief withdrew.

29. The Committee then considered paragraphs 18, 34 and 36 of the Report of the Director of Army Audit. The Committee then took up for consideration the Commercial Appendix, the Financial Adviser's Review and the Auditor General's comments thereon. In view of the large losses incurred in the Medical Stores Depots and Ordnance Factories, the Committee expressed the opinion that the Army Department should consider whether they should not take steps to reduce these losses by taking advantage of the existing and expanding trade facilities in India. The Military Accountant-General and Army Secretary explained that the so-called "losses" in the Ordnance Factories were in fact the differences between the issue (P. V. S.) rates and the cost of production. Such "losses" could be concealed by varying the P. V. S. rates which would then lose their value as a standard of comparison from year to year. The fact was that the factories were maintained for war production; their overhead charges could not be varied (as they might be in a commercial business) according as production increased or decreased; and attempts were now being made to evolve a system of accounts which would display, separately and fairly, this "war insurance" element which necessarily entered into the cost of all production. The Army Secretary also assured the Committee that, whenever there were satisfactory facilities for the supply of Army stores from trade sources, advantage was always taken of them. As an instance he referred to the closing down of two clothing factories. The Committee expressed the opinion that this was a very important point which should always be borne in mind by the Army Department.

30. The Committee after examining the Commercial Appendix and the Home Auditor's report in detail adjourned.

ANNEXURE II.

Certificate by the Quarter Master General.

I certify that, on 31st March 1935, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the Army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand, and with the exceptions shewn in the attached Annexure.

E. IRONSIDE, *Lieut.-General,*

Quarter Master General.

29th May 1935.

Annexure to Certificate, dated 29th May 1935.

Deficiencies in the authorised number of M. T. vehicles to be held in mobilization reserve :—

(i) 21 Motor cycles, solo.

(5 issued to 4th Cav. Bde. Signal Troop.

2 issued to Light Tank Coy., Delhi.

14 issued to 4th Field Bde., R. A.).

Orders for the deficiencies will be placed as soon as the type of replacement machines is decided.

(ii) 6 Motor cycles, combination.

(Issued to 1st, 2nd and 3rd Divisional Signals.)

The deficiencies will be made good by the purchase of class "D" cars. The question of provision of funds has been taken up with A. G.'s Branch, and orders will be placed at an early date.

(iii) 18 Motor vans.

(12 issued to 4th Field Bde., R. A.

6 issued to 1st, 2nd and 3rd Divisional Signals.)

The question of provision of funds has been taken up with branches concerned, and orders will be placed at an early date. Orders for 12 vans have since been placed.

(iv) 3 Lorries, 30-cwt., 4-wheeled.

(Issued to 1st, 2nd and 3rd Indian Divisional Signals.)

The question of provision of funds has been taken up with the branch concerned and orders will be placed at an early date.

(v) 5 Workshop lorries.**14 Store Lorries.**

Sufficient numbers of 3-ton, 4-wheeled workshop and store lorries are held in the country to make up the deficiencies. No action has, however, been taken to complete the deficiencies pending a decision on the Technical Vehicles Policy.

(vi) 7 Breakdown lorries.

Necessary action to complete the deficiencies has been held up pending a decision on the Technical Vehicles Policy.

(vii) 4 *Foden Disinfector lorries.*

Against the authorised establishment of 11 disinfector lorries, only 7 are held in the country. To meet the deficiency of 4 vehicles, a like number of Albion, A-10 type 3-ton, 4-wheeled chassis is available.

Mobilization equipment of Supply units.

The completion of mobilization equipment of supply units for which War Equipment Tables have not been issued has been held over pending the reorganization of supply units.

ANNEXURE III.

Certificate by Master-General of the Ordnance in India.

I certify that on 31st March 1935 :—

1. The mobilization equipment and clothing authorized to be held for the mobilization of the army in India and detailed in published War Equipment Tables was complete to the extent to which the quantities have been provided with the exception of fluctuations normal to the maintenance of such equipment. Deficiencies have been calculated from War Equipment Tables as and when published and the estimated financial requirements therefor have been notified in the General Staff publication "Preparedness for War".

2. War Maintenance Reserves detailed in published W. M. R. Statements and which have been provided were complete with the exception of fluctuations normal to the maintenance of such reserves. Deficiencies have been calculated in accordance with the rules approved by the Secretary of State and are revised over a regular programme in accordance with the latest available information. The estimated financial requirements therefor have been notified in the General Staff publication "Preparedness for War".

3. Materials and semi- or fully-manufactured articles, which have been set aside in Ordnance factories or provided for them from specially allotted funds as Reserves to enable expansion after mobilization to be carried out according to programme, were complete with the exception of fluctuations normal to the maintenance of such materials and stores.

The calculation of deficiencies continues and the estimated financial requirements therefor have been notified in the General Staff publication "Preparedness for War".

H. E. APRHYS PRYCE, *Lieut.-General,*

M. G. O. in India.

9th May 1935.

IV.—PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE.

Proceedings of the first meeting of the Public Accounts Committee held on Monday, the 12th August 1935, at 11 A.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. N. B. DEANE, O.B.E., Accountant General,
Central Revenues.

The Hon'ble Mr. P. C. TALLENTS, C.S.I., C.I.E.,
I.C.S., Finance Secretary.

Members.

*Were also
present.*

Witness.

The Committee discussed the following points :—

- (1) The check applied to see that the money voted by the Assembly was being spent within the scope of the demand, and that the expenditure charged against a particular demand related clearly to that demand and to no other ;
- (2) Financial control over expenditure to see that money was not spent in excess of the grant, and that surrenders were made where there were likely to be savings ; and
- (3) The powers of reappropriation of the various spending authorities.

2. In reply to a question by one of the members, it was explained to the Committee how and why the unutilised revenue surplus of a year went automatically for reduction or avoidance of debt unless it was intercepted before the close of the year and earmarked with the approval of the Legislative Assembly for specific purposes.

3. The Auditor General explained to the Committee that, in order to simplify the Appropriation Accounts and to bring them more into line with British Appropriation Accounts, he was reducing the number of columns in those accounts from 6 to 4. The first column will show the

head with the details of the original grant, supplementary grant and any modifications ; the second column will show the final appropriation ; the third column the actual expenditure ; and the last column the excess or savings as compared with the final appropriation.

4. The Committee then considered the various important accounts changes mentioned in paragraphs 4 to 17 of the Accountant General, Central Revenue's Report.

5. The Committee then went through paragraphs 19 to 21 of the Accountant General, Central Revenue's Report giving a brief summary of the financial results of the year, which has been included in the report for the first time this year, in order to give the Committee a complete picture, including receipts, of the financial position of the Government.

6. The Committee then examined the general results of the appropriation audit during 1933-34 given in paragraphs 33 to 35 of the Accountant General, Central Revenue's Report.

The Committee adjourned till 2-45 P.M.

Proceedings of the second meeting of the Public Accounts Committee held on Monday, the 12th August 1935, at 2-45 P.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. N. B. DEANE, O.B.E., Accountant General, Central Revenues.

The Hon'ble Mr. P. C. TALLENTS, C.S.I., C.I.E., I.C.S., Finance Secretary.

Members.

Were also present.

Witness.

7. The Committee took up the consideration of the various appropriation accounts relating to the Finance Department.

8. *Grant No. 20—Stamps.*—The large savings under this head were explained as being due to the special condition of work, which necessitates retaining some provision as a reserve to meet sudden unforeseen demands for the products of the press. The Auditor General suggested, and the Committee agreed with him, that if a reserve was required under this grant, it should be shown as such under a separate sub-head and should not be provided under the ordinary heads of expenditure.

9. *Grant No. 25—Interest on ordinary debt.*—The large savings under this grant were mainly due to the conversion of a larger number of loans than anticipated in the budget, the non-payment of the interest on War Debt to His Majesty's Government and the reduction of the provision made for "reduction or avoidance of debt". The Committee generally was of opinion that it was not right to reduce the provision for reduction or avoidance of debt in the course of a year merely to avoid a revenue deficit or to provide for any special items of expenditure.

10. *Grant No. 26—Interest on miscellaneous obligations.*—The voted excess under this grant was due almost entirely to larger payments to the Posts and Telegraphs Department for Post Office Savings Bank and Cash Certificate work. The Committee agreed to recommend to the Assembly that assent should be accorded to the excess grant.

11. *Grant No. 27—Staff, Household and Allowances of the Governor General.*—In reply to a question by one of the members, it was explained that the expenditure on "contract allowance" and on "State conveyances and motor-cars" was not audited under the orders of the Secretary of State. The Auditor General explained at a later meeting that in respect of these items he had arranged to obtain from the Military Secretary a certificate that the amounts had been spent for the purposes for which they were intended.

12. *Grant No. 71—Currency.*—Some members of the Committee were of opinion that in the case of the defalcation mentioned under this grant, the superior officers escaped with lighter punishment than the lower paid staff. The Committee decided that, if on going through all the appropriation accounts they found that this was generally the case, they would draw special attention to the matter in their report.

13. *Grant No. 72—Mint.*—With regard to the non-verification of stores in the Bombay Mint, the Finance Secretary stated that he had later information that the verification was actually done in 1935. The Committee desired that instructions should be issued to the Mint Master that it was very important that the verification of stores should be done every year. The Committee also desired that the question of writing down the obsolete stores should be considered.

14. The Committee also went through the Appropriation Accounts relating to Grants Nos. 43-Audit, 74-Superannuation Allowances and Pensions and 76-Miscellaneous.

The Committee then adjourned till 10-30 A.M. on Tuesday, the 13th August 1935.

Proceedings of the third meeting of the Public Accounts Committee held on Tuesday, the 13th August 1935, at 10-30 A.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. N. B. DEANE, O.B.E., Accountant General,
Central Revenues.

Sir GIRJA SHANKAR BAJPAL, C.I.E., C.B.E.,
I.C.S., Secretary, Education, Health and
Lands Department.

Mr. M. W. YEATTS, I.C.S., Deputy Secretary,
Education, Health and Lands Department.

Mr. K. P. S. MENON, I.C.S., Additional Deputy
Secretary, Education, Health and Lands
Department.

Members.

*Were also
present.*

Witnesses.

15. The Committee took up the examination of the appropriation accounts and connected documents relating to the Department of Education, Health and Lands.

16. *Grant No. 48—Survey of India.*—The Committee was informed that the large variations under this grant were mainly due to the difficulty of estimating the work to be done for provincial Governments and consequent recoveries from them. The Committee realised the difficulties, but desired that the Finance Department, while scrutinising the estimates, should, in consultation with the Education, Health and Lands Department and the Surveyor General, take into consideration the past variations and try to make the estimate as accurate as possible.

17. The Committee then took up for consideration the question of reducing the size of the Mathematical Instrument Office, Calcutta, as a result of the decision of the Army Department to get their work done through their own agencies and small demands from provincial Governments and other Departments of the Government of India. The Com-

mittee was informed that the Surveyor General had proposed certain reductions to the extent of about Rs. 20,000 a year. The Committee felt that these reductions were considerably less than the loss of revenue from the Army and the Department should seriously consider whether reductions on a higher scale were not possible ; if even after these reductions it is found that the office is not able to pay itself, the question of closing it down should be seriously considered.

18. *Grant No. 51—Botanical Survey.*—The Committee agreed with the Auditor General that every effort should be made to improve the accounting arrangements at the Government of Bengal Quinine Factory, Mungpoo. As regards the surplus stock of quinine held by the Government of India, Sir Girja Shankar Bajpai informed the Committee that they have decided to keep a reserve stock of 150,000 lbs. Excluding this, the surplus was only 79,000 lbs. out of which they were distributing 44,000 lbs. to the provinces for free distribution subject to the condition that their own distribution was not in any way reduced owing to this free supply by the Government of India.

19. *Grant No. 53—Archaeology.*—The Committee desired to have a report next year on the question of the new rules proposed for the accounting of works expenditure in the Archaeological Department.

20. *Grant No. 59—Agriculture.*—The Committee did not agree with the view expressed by the Director of Agricultural Research Institute at Pusa that the maintenance of valued stores account was not necessary. The Committee considered that these accounts were important, and that they should be maintained. They therefore desired that the Education Department should issue necessary instructions to the Director.

The Committee adjourned for lunch till 2-30 P.M.

**Proceedings of the fourth meeting of the Public Accounts Committee
held on Tuesday, the 13th August 1935, at 2-30 P.M.**

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

BHAI PARMA NAND, M.L.A.

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

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

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

Members.

| | |
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| Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General. | } Were also present. |
| Mr. N. B. DEANE, O.B.E., Accountant General, Central Revenues. | |
| Sir GIRJA SHANKAR BAJPAL, C.I.E., C.B.E., I.C.S., Secretary, E., H. and L. Department. | } Witnesses. |
| Mr. M. W. YEATTS, I.C.S., Deputy Secretary, E., H. and L. Department. | |
| Mr. K. P. S. MENON, I.C.S., Additional Deputy Secretary, E., H. and L. Department. | |
| The Hon'ble Mr. P. C. TALLENTS, C.S.I., C.I.E., I.C.S., Finance Secretary. | |

21. The Committee went through the appropriation accounts relating to Grant No. 61-Civil Veterinary Services and the portion of Grant No. 82 relating to Andaman Forests. The Committee also considered the memorandum furnished by the Department of Education, Health and Lands regarding the separation of the commercial accounts of the Mathematical Instruments Office, Calcutta, into two portions, namely, serviceable stores and workshops. The proposal of the Education, Health and Lands Department was that a regular commercial account should be maintained only in respect of the workshops, while in respect of serviceable stores section only a revenue and expenditure account should be maintained. The Committee did not come to any conclusion whether a mere revenue and expenditure account in respect of the latter was sufficient.

22. The Committee then took up the consideration of the appropriation accounts relating to the Finance Department.

23. *Grants Nos. 76A—Expenditure on retrenched personnel charged to revenue and 96A—Expenditure on retrenched personnel charged to capital.*—The Committee agreed to recommend to the Assembly to assent to the excess grants which arose owing to a misunderstanding. The Accountant General, Central Revenues, explained how the misunderstanding arose and what steps he had taken to prevent its recurrence.

24. *Grant No. 76C—Transfer to Fund for reconstruction of earthquake damages.*—In this case also the Committee agreed to recommend to the Assembly to assent to the excess grant. The Committee desired that a progressive account of the expenditure from this fund and similar other funds should be included in the appropriation accounts of the Accountant General, Central Revenues. The Auditor General agreed.

25. The Committee then went through Grants Nos. 77-Refunds, 86-Expenditure in England under the control of the Secretary of State, 87-Expenditure in England under the control of the High Commissioner, 88-Capital outlay on Security Printing, 93-Capital outlay on Currency Note Press, 96-Commuted Value of Pensions and the non-voted appropriation for Territorial and Political pensions.

26. The Committee then adjourned till 10-30 A.M. on the 15th August 1935.

Proceedings of the 5th meeting of the Public Accounts Committee held on Thursday, the 15th August 1935, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman*.
Mr. B. DAS, M.L.A.

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

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

Dr. THEIN MAUNG, M.L.A.

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

Members.

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

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

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

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

*Were also
present.*

Mr. N. B. DEANE, O.B.E., Accountant General,
Central Revenues.

The Hon'ble Mr. T. A. STEWART, C.S.I., I.C.S.,
Secretary, Commerce Department.

Mr. H. Dow, C.I.E., I.C.S., Joint Secretary, Com-
merce Department.

Witnesses.

Mr. J. A. THORNE, C.I.E., I.C.S., Joint Secretary,
Home Department.

Mr. A. S. HANDS, C.I.E., I.C.S., Deputy Secretary,
Home Department.

27. The Committee took up the consideration of the appropriation accounts and the connected documents relating to the Commerce Department.

28. At the instance of one of the members, the Chairman suggested that the Finance Department should consider whether, when they go up for a supplementary grant to the Assembly for only a portion of the amount actually required for a scheme as a whole, the balance being met by reappropriation from savings elsewhere, in the case of large savings at least, the particular sub-heads under which the savings are available may not be shown in the supplementary demand presented to the Assembly.

29. The Committee then went through the appropriation accounts relating to Grants Nos. 46-Ports and Pilotage, 47-Lighthouses and Lightships, 64-Commercial Intelligence and Statistics and 95-Capital Outlay on Lighthouses and Lightships not charged to revenue.

30. The Committee then took up the examination of the appropriation accounts relating to the Home Department.

31. The Auditor General raised the question of the audit of the accounts of the New Delhi Municipality. He explained that the municipality was managing a very large amount of Government property and its deficit was financed from Government grants. He therefore considered

it necessary that the standard of audit to be applied to the transactions of the New Delhi Municipality should be much higher than that applicable to other municipalities. The Department of Education, Health and Lands, on the other hand, were content with the ordinary standard of audit prevalent in other municipalities. The Auditor General stressed that this was a very important matter and should be looked into by the Finance Department. The Chairman agreed to do this.

32. One of the members desired that the receipts pertaining to each centrally administered area should be given at the end of the appropriation accounts of the grant relating to that area. The Auditor General promised to consider the matter.

33. The Committee then went through the appropriation accounts relating to Grants Nos. 33-Public Service Commission, 45-Police, 80-Delhi and 82-Andamans and Nicobar Islands.

The Committee adjourned till 2-45 P.M.

Proceedings of the 6th meeting of the Public Accounts Committee held on Thursday, the 15th August 1935, at 2-45 P.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. N. B. DEANE, O.B.E., Accountant General,
Central Revenues.

Mr. A. G. CLOW, C.S.I., C.I.E., I.C.S., Secretary,
Industries and Labour Department.

Mr. E. M. JENKINS, I.C.S., Joint Secretary,
Industries and Labour Department.

Mr. P. J. EDMUNDS, Director of Broadcasting.

Mr. G. L. GANDY, Officiating Director of Civil
Aviation.

Members.

*Were also
present.*

Witnesses.

34. The Committee took up the examination of the appropriation accounts and the connected documents relating to the Industries and Labour Department.

35. The Committee examined in great detail the review on the accounts of the Central Publication Branch and the audit comments thereon. The Committee noted with concern the remarks of the Audit Officer that a test audit of the accounts for 1932-33 revealed innumerable irregularities in the maintenance of the stock of publications, etc., and in the accounting thereof. Mr. Clow admitted that the remarks of the audit officer were justified, and explained in detail the various difficulties in the way of rectifying the irregularities. He further explained that at present there was a large number of superfluous publications and they were having a general clean-up. After this was completed, they proposed to have an actual verification of stock and to open new registers with the actual stock-in-hand. The Auditor General remarked that no improvement could be expected until the standard of the staff was raised. The Committee desired that special steps should be taken to this end.

36. The Committee was informed that the question of allocation of Ecclesiastical expenditure between the Civil and the Army Departments was still under the consideration of the Government of India. The Committee expressed some dissatisfaction at the delay in settling this matter and hoped that it would soon be brought to some conclusion.

37. The Committee then went through the appropriation accounts relating to Grants Nos. 22-Irrigation, Navigation, etc., 49-Meteorology, 50-Geological Survey, 63-Aviation, 69-Miscellaneous Departments, 75-Stationery and Printing, 76-Miscellaneous and 97-Delhi Capital Outlay. The Committee agreed to recommend to the Assembly to assent to the excess grants under Grants Nos. 50 and 76.

38. The Committee then adjourned till 10-30 A.M. on Friday, the 16th August 1935.

Proceedings of the 7th meeting of the Public Accounts Committee held on Friday, the 16th August 1935, at 10-40 A.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. N. B. DEANE, O.B.E., Accountant General.
Central Revenues.

Members.

*Were also
present*

Sir. JAMES PITKEATHLY, C.M.G., C.I.E., C.V.O.,
C.B.E., D.S.O., Chief Controller of Stores.
Mr. E. M. JENKINS, I.C.S., Joint Secretary,
Industries and Labour Department.

} Witnesses.

39. The Committee continued the examination of the appropriation accounts and connected documents relating to the Industries and Labour Department.

40. *Grant No. 70—Indian Stores Department.*—The Committee discussed in great detail with the Chief Controller the appropriation accounts of the Indian Stores Department, the policy of the Department in helping Indian industries, etc. The Committee was informed that the Government of India would very shortly come to a decision regarding the question of reducing the strength of the London Stores Department and making it a part of the Indian Stores Department. The Committee decided to postpone any comments on this question till the decision of the Government of India was known. The Committee agreed to recommend to the Assembly to assent to the excess grant under this Grant.

41. *Grant No. 73—Civil Works.*—Some members of the Committee expressed the opinion that there was considerable scope for improvement in the budgeting for civil works. The Auditor General explained that formerly there were no proper rules for budgeting for civil works, but definite rules were prescribed two years ago and there ought to be some improvement in the appropriation accounts of later years. The Auditor General desired to know whether any decision had been reached as to the terms on which certain assets were transferred to the New Delhi Municipal Committee. The Committee was informed that assets costing about Rs. 1,73,00,000 were handed over to the Municipal Committee at a written down value of Rs. 60 lakhs, and the question of sanctioning a loan to the Municipality to cover this was under consideration. The Committee desired that the Finance Department should look into this matter also while considering the question of audit of the Municipal accounts previously raised by the Auditor General.

42. The Committee then adjourned till 10-30 A.M. on Monday, the 19th August 1935.

Proceedings of the 8th meeting of the Public Accounts Committee held on Monday, the 19th August 1935, at 11 A.M.

PRESENT :

The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, *Chairman*.
Mr. B. DAS, M.L.A.
Mr. S. SATYAMURTI, M.L.A.
Professor N. G. RANGA, M.L.A.
Dr. THEIN MAUNG, M.L.A.
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.
Captain SHER MOHAMMAD KHAN, C.I.E.,
M.B.E., M.L.A.
Bhai PARMA NAND, M.L.A.
Dr. R. D. DALAL, M.L.A.
Rai Bahadur Sir SATYA CHARAN MUKHERJEE,
Kt., C.B.E., M.L.A.
Khan Sahib Shaikh FAZL-I-HAQ, PIRACHA,
M.L.A.

} Members.

Mr. N. B. DEANE, O.B.E., Accountant General,
Central Revenues.

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

Mr. V. NARAHARI RAO, Addl. Deputy Secretary, F. & P. Dept.

Rai Bahadur CHUNI LAL, Financial Secretary,
N.-W. F. P.

Mr. J. G. ACHESON, C.I.E., I.C.S., Foreign Secretary.

} Were also
present.

} Witnesses.

43. The Committee passed a resolution of condolence on the untimely death of Sir Basil Blackett and requested the Chairman to convey the feeling of the Committee to Lady Blackett.

44. The Committee then took up the examination of the appropriation accounts and connected documents relating to the Foreign and Political Department.

45. *Item 7 of the quarterly statement—page 334 of the Appropriation Report—Unauthorised excluded funds in the North-West Frontier Province.*—The Committee was informed that the total number of such funds was 30 including 3 recently discovered by the audit officer. Of these, the important ones were the Motor Lorry Depreciation Funds and the Khassadar Fund. The Motor Lorry Depreciation Funds have already been closed. As regards the Khassadar Fund, orders have been issued to close the fund and detailed instructions have been issued to regulate the various budget grants relating to the Khassadars. These orders were issued with the concurrence of the Auditor General in May last and steps are being taken to carry them out and to close the fund. The other funds are minor ones, and each one of them is being scrutinised and orders are being issued to close down the funds which are unnecessary and to continue those that are necessary under proper sanction and regular audit. The Committee desired to have a further report on this matter in the next year's report.

46. The Committee examined the appropriation accounts relating to grants Nos. 76-Miscellaneous, 79-Baluchistan, 81-Ajmer-Merwara, 83-Rajputana, 85-Hyderabad, 85A-Aden and the non-voted appropriations relating to Political and the Frontier Watch and Ward.

47. The Committee then adjourned for lunch till 2-45 P.M.

Proceedings of the 9th meeting of the Public Accounts Committee held on Monday, the 19th August 1935, at 2-45 P.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.,

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

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

Bhai PARMA NAND, M.L.A.,

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

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

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

} Members.

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| Mr. A. C. BADENOCH, C.I.E., I.C.S., Auditor General, | } Were also present. |
| Mr. N. B. DEANE, O.B.E., Accountant General, Central Revenues, | |
| Mr. V. D. DANTYAGI, Audit Officer, Indian Stores Department, | |
| Mr. A. H. LLOYD, C.S.I., C.I.E., I.C.S., Member, Central Board of Revenue, | } Witnesses. |
| Mr. W. W. NIND, Member, Central Board of Revenue, | |
| The Hon'ble Mr. P. C. TALLENTS, C.S.I., C.I.E., I.C.S., Financial Secretary, | |

48. The Committee took up the examination of the appropriation accounts and connected documents relating to the Central Board of Revenue and the remaining two appropriation accounts relating to the Finance Department.

49. *Audit of customs revenue.*—The Auditor General explained to the Committee the system of audit of customs revenue in force three years before, and the revised system of concurrent audit which was introduced then on a temporary basis. He said that, as the new system had worked smoothly and was better than the old one, he had gone up to the Government of India to make it permanent. The Committee agreed with the Auditor General that the new system was better and should be continued.

50. The Committee then went through the appropriation accounts in respect of Grants Nos. 16-Customs, 17-Taxes on Income, 18-Salt, 19-Opium and 77-Refunds.

51. The Committee then examined the appropriation accounts in respect of Grants Nos. 98-Interest-free Advances and 99-Loans and Advances bearing interest.

52. The Committee then adjourned till the next day.

Proceedings of the 10th meeting of the Public Accounts Committee held on Tuesday, the 20th August 1935, at 11 A.M.

PRESENT :

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| The Hon'ble Sir JAMES GRIGG, K.C.B., Finance Member, <i>Chairman</i> . | } Members. |
| Mr. B. DAS, M.L.A., | |
| Mr. S. SATYAMURTI, M.L.A., | |
| Professor N. G. RANGA, M.L.A., | |
| Dr. THEIN MAUNG, M.L.A., | |
| Maulvi Sir MOHAMMAD YAKUB, KT., M.L.A., | |
| Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A., | |
| Bhai PARMA NAND, M.L.A., | |
| Dr. R. D. DALAL, M.L.A., | |
| Rai Bahadur Sir SATYA CHARAN MUKHERJEE, KT., C.B.E., M.L.A., | |
| Khan Sahib Shaikh FAZL-I-HAQ, PIRACHA, M.L.A. | |

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|---|----------------------|
| Mr. A. C. BADENOOH, C.I.E., I.C.S., Auditor General, | } Were also present. |
| Mr. E. T. COATES, I.C.S., Accountant General, Posts and Telegraphs, | |
| Mr. G. V. BEWOOR, C.I.E., I.C.S., Director General, Posts and Telegraphs, | } Witnesses. |
| Mr. C. V. S. RAU, Financial Adviser, Posts and Telegraphs, | |
| Mr. P. N. MITRA, C.I.E., Chief Engineer, Posts and Telegraphs, | |
| Mr. GHULAM MOHAMMAD, Deputy Director General (Finance), Posts and Telegraphs. | |

53. The Committee took up the examination of the appropriation accounts and connected documents relating to the Posts and Telegraphs Department.

54. *Para. 3 of the Auditor General's letter—Financial position of the Department.*—In 1933-34 the Department incurred a loss of about half of crore ; in 1934-35, after suspending the allocation to the depreciation fund to the extent of about 27 lakhs, the revised estimate showed a profit of about 14 lakhs, and the budget for 1935-36 anticipated a loss of about 13 lakhs after :—

- (1) restoring about 19 lakhs of the provision for the depreciation fund ;
- (2) providing 27 lakhs for the restoration of the pay cut ; and
- (3) allowing for normal increments in the pay of staff amounting to about 15 lakhs.

The Committee was informed that the approximate actuals of the year 1934-35 were better than the revised estimate, and that they showed a surplus of about 37 lakhs. The various steps which the Department was taking to reduce expenditure and to increase revenue were explained to the Committee, namely introduction of revised scales of pay, giving effect to such recommendations of the Postal Enquiry Committee as were accepted by Government, the reduction in telephone and telegram charges, the introduction of the 1 anna letter, etc. The general conclusion reached was that in the near future the Department should be able to produce a balanced budget, though they may not be able to produce a disposable surplus. In this connection the question of the contribution to the depreciation fund was discussed in great detail. The Committee was informed that no final decision had yet been reached as to the exact amount of the contribution, but it was generally agreed that the existing contribution was rather on the high side, and that the Finance Member should consider very carefully to what extent it could be safely reduced. Some of the unofficial members of the Committee were of the opinion that if the contribution to the depreciation fund was restricted to the amount that was absolutely necessary, it might be possible to have a disposable surplus either for the improvement of postal facilities or for the reduction of rates.

Incidentally, the Committee was in general agreement with the Accountant General, Posts and Telegraphs, that, instead of a Deprecia-

tion Reserve Fund calculated on a pseudo-scientific basis, the department should constitute a Renewals and Replacement Reserve Fund on the basis of what is actually required year after year to cover renewals and replacements with a small margin; the contribution to such a fund should, of course, be subject to periodical review.

55. The Committee then took up the Memorandum on the percentage of the cost of establishment to expenditure on works in the Department. After considerable discussion they came to the conclusion that, if these statistics could be developed so as to afford a useful basis of comparison between different circles, they would be useful, but if they could not be utilised in that way, there was *prima facie* reason for abandoning them.

The Committee then adjourned till 2-30 P.M.

ANNEXURE A.

Memorandum on the financial position of the Indian Posts and Telegraphs Department furnished by the Director General, Posts and Telegraphs.

(NOTE.—*Figures unless otherwise stated are in thousands of rupees.*)

1932-33.

The accounts for the year 1932-33 closed with a loss of 41,89, the expenditure charged to revenue being 10,97,29, while the revenue was 10,55,40.

1933-34.

The following statement compares the actual results of 1933-34 with the anticipations, namely, the original estimates made before the beginning of the year and the revised estimates prepared near its end :—

| | Budget Estimate. | Revised Estimate. | Actuals. |
|---------------------------|---------------------|----------------------|----------|
| Revenue | 10,81,34 | 10,75,74 | 10,72,62 |
| Expenditure .. | 11,38,54 | 11,27,46 | 11,24,56 |
| Profit (+) or Loss (—) .. | —57,20 | —51,72 | —51,94 |

The decrease of 8,72 in the revenue as compared with the budget estimate is chiefly due to a fall of 12,12 under sale of stamps which was partially counter-balanced by an increase of 4,27 in telephone receipts, the variations under the other heads cancelling each other out. Fortunately, the actual expenditure during the year was less than the budget estimate by 13,98 the improvement being chiefly the result of the efforts to restrict expenditure and an increase in the credits to working expenses consequent on increased Savings Bank transactions. The final loss on the working of the Department was thus about Rs. 5 lakhs less than the original estimates.

The revenue during 1933-34 showed an increase of 17.22 over 1932-33. This improvement was, however, not real, as it includes a receipt of about Rs. 15½ lakhs on account of interest on the Depreciation Fund consequent on the conversion of the Sinking Fund into a Straight Line Depreciation Fund with effect from the accounts for 1933-34 and the increase in revenue on this account was more than offset by the larger contribution required to be made to the Depreciation Fund under the revised system. The real improvement in revenue was thus only Rs. 1.68 lakhs, but, small as it is, it is indicative of the turning of the tide. The expenditure increased by Rs. 27½ lakhs as compared with 1932-33 and the loss for the year was therefore about Rs. 10 lakhs more than in that year. If, however, allowance is made for the net additional expenditure of Rs. 5.35 lakhs on account of the Depreciation Fund adjustments under the revised method and on account of the restoration of one-half of the cut in salaries amounting to Rs. 28 lakhs there is a net improvement in 1933-34 of about Rs. 23 lakhs over the working of the previous year, as, excluding these items, the loss on the year's working would be about Rs. 19 lakhs as against Rs. 42 lakhs in 1932-33.

1934-35.

The budget and revised estimates for 1934-35 were as follows :—

| | Budget Estimate, 1934-35. | Revised Estimate, 1934-35. |
|------------------------|---------------------------------|----------------------------------|
| Revenue | 10,71,26 | 11,05,35 |
| Expenditure | 10,85,73 | 10,91,54 |
| Profit (+) or loss (—) | —14,47 | +13,81 |

The trend of receipts towards the close of 1933-34 appeared to justify a more cheerful outlook, and after allowing for the reduced postage and telegram rates the revenue estimate for 1934-35 was placed at very nearly the actuals for the preceding year. On the expenditure side the contribution to the Depreciation Fund was, as a temporary measure, limited to Rs. 9 lakhs representing the sum required for meeting the cost of renewals and replacements during the year. It is about Rs. 27 lakhs less than the contribution required to be made under the normal operation of the rules and about Rs. 35 lakhs less than in the previous year.

The improvement in revenue during the first 7 months of the year exceeded expectations and the revised estimate allows for this. The slight increase in expenditure in the revised estimate is chiefly due to the payments connected with the retrenchment concessions being larger than anticipated. It should also be mentioned that these concessions were extended until the close of the year in order to enable the Department to complete its retrenchment plans. The year is, on the whole, expected to close with a profit of Rs. 13,81 lakhs.

The actuals for the year available so far which will probably be modified slightly by accounts adjustments before the accounts are finally closed indicate that the revised estimate will be realised. Comparing the

revised estimates for 1934-35 with the actuals for 1933-34, the revenue shows an increase of about Rs. 38 lakhs while expenditure is less by Rs. 33 lakhs. It must, however, be remembered that the bulk of the decrease in expenditure is accounted for by the reduction in the contribution to the Depreciation Fund mentioned already. Even after allowing for this special reduction the expenditure for the year shows a substantial decrease over the previous year if allowance is made for the normal increments to the pay of staff which amounts to about Rs. 15 lakhs a year.

Prospects for 1935-36.

The estimates for 1935-36 assume that the improvement in trade and economic conditions generally will continue and the revenue has been placed at 11,32,57 or an increase of about Rs. 27 lakhs over the revised estimates for 1934-35, while the expenditure is estimated at 11,45,58 which is about Rs. 54 lakhs more than the revised expenditure estimate for 1934-35 and the year is expected to close with a loss of Rs. 13 lakhs. The main items which have contributed to the worsening of the position as compared with 1934-35 are the restoration of the remainder of the cut in pay costing about Rs. 27 lakhs, the normal increment in the pay of the staff amounting roughly to Rs. 15 lakhs and the partial restoration, pending further investigation, of the provision for depreciation not at its old rate but still at a rate which is Rs. 19 lakhs higher than it was in 1934-35.

It may be mentioned that the estimated revenue for 1935-36 is higher (by about Rs. 3 lakhs) than the highest revenue earned during the past 10 years. But if allowance is made for the interest on Depreciation Fund balances (which is credited to Revenue since 1933-34 as explained already) the revenue expected in 1935-36 will be found to be less than the highest figure reached in 1929-30 by about Rs. 12 lakhs. The expenditure (even after the restoration of the salary cut) is, however, less than in the two years immediately preceding the year in which the salary cuts were introduced and the loss in the year's working is also expected to be less than in any of the years from 1927-28 to 1933-34.

On the receipt side the possibility of securing more traffic is being examined. For example, the rates for telephones have been overhauled and reduced and new productive works calculated to bring in more traffic have been undertaken. The effect of the reductions in the postage and telegram rates made last year is being watched carefully. As regards expenditure, no further economies on a large scale can be expected in the near future. There will in due course be some savings as a result of some of those recommendations of the Telegraph Establishment Enquiry Committee which have been accepted by Government. The Report of the Postal Enquiry Committee has also been received and is under examination, but it is not possible to say at present what savings, if any, can be secured. The special expenditure on retrenched personnel will disappear, but it will to some extent be reflected in an increased pension bill. The revised scales of pay introduced recently will appreciably reduce the pay bill of the Department. It will, however, be some years before its full effect will be visible. On the whole, therefore, if the improvement in trade conditions which commenced in 1933-34 continues, the Department should soon be able to balance its budget.

Proceedings of the 11th meeting of the Public Accounts Committee held on Tuesday, the 20th August 1935, at 2-30 P.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Members.

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. E. T. COATES, I.C.S., Accountant General, Posts
and Telegraphs

*Were also
present.*

Mr. G. V. BEWOOR, C.I.E., I.C.S., Director-General
Posts and Telegraphs.

Mr. C. V. S. RAU, Financial Adviser, Posts and
Telegraphs.

Mr. P. N. MIRTA, Chief Engineer, Posts and
Telegraphs.

Witnesses.

Mr. GHULAM MOHAMMAD, Deputy Director-General
(Finance), Posts and Telegraphs.

56. The Committee went through the appropriation accounts of the Posts and Telegraphs Department in detail. They were struck by the large number of major variations between the estimates and actuals. The Auditor General drew the special attention of the Committee to the consistent over-budgeting under the Repairs grant during the last ten years. Even in cases where variations under sub-head totals were not great, this was only the result of large excesses and savings under the detailed heads. The Committee was informed that there were serious faults in the system of budgeting in 1933-34 and previous years, and that the Department had taken steps the result of which would be noticeable in later appropriation accounts. The Committee expressed the opinion that though variations within a grant are less important than variations in the grant as a whole, even here large variations are to be deprecated as showing a certain indefiniteness in estimating in detail. Judging from the accounts of 1933-34, the Committee was definitely of opinion that budgeting and control of expenditure in the Department were unsatis-

factory and hoped that the steps which had already been taken by the Department would improve the position in future years.

57. The Committee desired that the Stores and Workshop Suspense Accounts should be shown separately in future Appropriation Accounts.

58. The Committee accepted the suggestion of the Auditor General that the balance sheet on page 119 of the Appropriation Accounts should be discontinued as it served no useful purpose.

The Committee then adjourned till 11 A.M. on Thursday, the 22nd August 1935.

Proceedings of the 17th* meeting of the Public Accounts Committee held on Tuesday, the 27th August 1935, at 11-15 A.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. K. R. S. RAU, Director of Army Audit.

Mr. G. R. F. TOTTENHAM, C.I.E., I.C.S., Secretary,
Army Department.

Mr. J. C. FROMMAGE, M.B.E., Deputy Financial
Adviser.

Lt.-Col. R. PRINCE, O.B.E., Military Accountant
General.

Members.

*Were also
present.*

Witnesses.

59. The Committee took up the consideration of the report of the Military Accounts Committee.

60. As regards the general principle raised in paragraph 22 of the proceedings of the Military Accounts Committee, the Army Secretary gave a general explanation of the rules, etc., relating to procedure by court martial and in particular emphasised the differences between military and civil law which made the normal canons of the latter only partially applicable to the former.

61. The Committee endorsed the recommendations and observations of the Military Accounts Committee. They desired to lay special stress on the importance of completing the revision of the Army regulations as early as possible

*12th to 16th meetings were for Railways.

V.—APPEN APPEN

Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed

PART I.—Civil, Military and

| Serial No. | Year of Report. | Paragraph of Report or Proceedings. | Recommendations or suggestions. |
|------------|-------------------------------|-------------------------------------|--|
| | | | <i>Civil (Auditor General).</i> |
| 1 | 1932-33 | 10 P. .. | That in future Appropriation Accounts the position regarding receipts and expenditure of the Central Museum should be explained more clearly. |
| | | | <i>Civil (Finance).</i> |
| 2 | 1932-33 | 10 R. .. | That particular attention of the various departments should be drawn to the detailed results of 1932-33 Appropriation Accounts in connection with the current control of expenditure. |
| 3 | 1932-33 | 33 P. ... | That a standard set of self-contained instructions for the guidance of Committees and Commissions should be issued including the decision that the cashiers of Committees should always be persons in the permanent service of Government. |
| 4 | 1932-33 | 37 P. .. | That in order to avoid defalcations the Government of India should press upon Provincial Governments the necessity of putting proper officers in charge of treasuries and seeing that there is proper supervision. |
| 5 | 1932-33 | 44 P. ... | That all special features of the year, such as suspension of repayment of instalments of principal, should be included in the Report on the working of the Provincial Loans Fund. |
| | | | <i>Civil (Commerce).</i> |
| 6 | 1926-27 1928-29 1929-30 | 25 R. .. 91 P. 118 P. | That the Government of India should consider the question of allocation of Ecclesiastical expenditure between the Civil and the Army Departments. |
| | | | <i>Civil (Foreign and Political).</i> |
| 7 | 1932-33 | 14 R. .. | That certain unauthorised excluded funds in the North West Frontier Province should be abolished immediately and that a list of all excluded funds maintained in the Province should be obtained as quickly as possible and an examination should be made to see whether all, or any of them, should not be abolished. |

DICES.**DIX I.**

so far made by the Central Public Accounts Committee which have not been finally of.

Posts and Telegraphs.

Action taken or proposed to be taken.

Necessary instructions have been issued to the Principal Auditor concerned.

This has been done.

The proposal has been considered and suitable instructions have been issued.

The action recommended by the Committee has been taken.

Noted for necessary action.

The matter is engaging the attention of the Government of India.

The unauthorised local funds in the North West Frontier Province Agencies are of very long standing originating generally with the inception of the Agencies. The Government of India have impressed on the Local Government the necessity for closing down all such funds which cannot be regarded as genuine local funds, and to submit proposals for bringing the transactions into Government account. This necessitates a detailed examination of every item of revenue and expenditure of each fund and a separation of genuine local funds from legitimate Government transactions, and the issue of orders by the competent authority sanctioning the expenditure, inclusion of budget provision and so on. This is a complicated matter involving some time, but the necessary action to attain the objective is being actively taken by the Local Government and the Government of India. Orders have already been issued for closing down the Khassadari funds and the motor lorry depreciation funds which were amongst the largest of such funds. The detailed proposals for regularising the remaining funds in Waziristan have been received and are under consideration in consultation with the Comptroller.

A list of other funds and the detailed recommendations of the Local Government are awaited. The latter have been pressed to submit proposals for reaching a final settlement before the budget for 1936-37 is taken up.

Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed

PART I.—Civil, Military and

| Serial No. | Year of Report. | Paragraph of Report or Proceedings. | Recommendations or suggestions. |
|---|-------------------------------|--|--|
| <i>Civil (Foreign and Political)—contd.</i> | | | |
| 8 | 1929-30 | 114 P. .. | That the question of incidence of expenditure on the Persian Legation should be considered in connection with the constitutional changes. |
| <i>Civil (Home).</i> | | | |
| 9 | 1932-33 | 34 P. .. | That it should be considered whether the loss in running the Dairy in the Andamans could not be made up by slightly increasing the selling price of the Dairy products. |
| 10 | 1932-33 | 35 P. .. | That the proposal regarding the posting of a trained Accounts Officer to the Andamans to assist the Chief Commissioner, which was held in abeyance, should be revived as soon as possible. |
| <i>Civil (Industries and Labour).</i> | | | |
| 11 | 1932-33 | 15 P. .. | That the value of the work done by the Government of India Presses for each paying and non-paying Department of the Government of India should be exhibited in the commercial accounts from the next year. |
| 12 | 1932-33 | 31 P. .. | That in view of the large drop in the value of stores purchased from the Indian Stores Department, London, the question of reducing the strength of that Department and of making it a part of the Indian Stores Department should be considered. |
| <i>Military.</i> | | | |
| 13 | 1930-31 1931-32 1932-33 | 1 R Military 3 R Accounts 2 P Committee. | That everything possible should be done to accelerate the work of simplifying the existing Army Regulations and that, having got the basic rules applicable to the various classes of personnel, the Army Department should resist any tendency to issue special orders to meet individual cases outside the ordinary regulations. |
| 14 | 1932-33 | 6 R (Military Accounts Committee). | That the cost of the Stores Section of the office of the Director General, Indian Medical Service, which is employed solely on work in connection with the Medical Stores Depots should be taken into account in calculating the cost of the drugs, etc. |

*so far made by the Central Public Accounts Committee which have not been finally
if—contd.*

Posts and Telegraphs—contd.

Action taken or proposed to be taken.

The matter is under consideration.

The Andamans Dairy Farm has recently been overhauled by an officer from the Military Dairy Farm, Jubbulpore, and it is hoped that it will show a profit next year. The Selling Price of the Dairy products was considered reasonable and no increase in the sale rates has been recommended by the officer.

An Assistant Accounts Officer has been appointed as an experimental measure.

Accepted. Necessary instructions have been issued to the Controller of Printing and Stationery.

The matter is under consideration.

The further progress made will be reported to Committee when it meets next.

A general recalculation of the cost of drugs has been taken in hand and the cost of stores section is being taken as one of the items making up the total cost. Progress will be reported to the Committee when it meets.

*Statement showing action taken or proposed to be taken on recommendations, etc.,
disposed*

PART I.—Civil, Military and

| Serial No. | Year of Report. | Paragraph of Report or Proceedings. | Recommendations or suggestions. |
|------------|-----------------|-------------------------------------|--|
| | | | <i>Military—contd.</i> |
| 15 | 1932-33 | 8 R (Military Accounts Committee). | That the Army Headquarters should comment to the General Officer Commanding-in-Chief of the Command on his failure to take disciplinary action against a field officer who signed a series of false certificates. |
| 16 | 1932-33 | 24 P (Military Accounts Committee). | That the rulings given by the Judge Advocate General in connection with certain cases should be re-examined in consultation with the Legislative Department and that the final conclusions reached be intimated to the Audit and a statement placed before the Committee next year. |
| 17 | 1932-33 | 33 P (Military Accounts Committee). | That the Military Accountant General and the Auditor General should examine the possibility of having trained Works Accountants for the Military Engineer Services' Audit and make joint recommendations. |
| 18 | 1931-32 | 7 R (Military Accounts Committee). | That in order to prevent claims of the Army Department against other Governments, etc., being overlooked, the Financial Adviser, Military Finance, should consider whether some arrangements could not be made to review periodically as far as practicable all agreements with outside parties which entitled them to concessions. |
| | | | <i>Posts and Telegraphs.</i> |
| 19 | 1931-32 | 66 P. .. | That the present method of working out the figures of percentages of the cost of establishment to expenditure on works in the Posts and Telegraphs Department does not serve any useful purpose and that a report should be submitted to the Committee in 1934 showing the results of the enquiry undertaken by the Financial Adviser, Posts and Telegraphs. |

so far made by the Central Public Accounts Committee which have not been finally of—concl'd.

Posts and Telegraphs—*concl'd.*

Action taken or proposed to be taken.

The action recommended by the Committee has been taken.

A Statement showing the conclusions reached by the Government of India is attached (*vide Annexure*).

The question is still under consideration.

Arrangements are nearing completion.

The matter is still under consideration.

ANNEXURE.

The four rulings of the Judge Advocate General to which reference was made in paragraph 50 of the Report of the Director of Army Audit, paragraph 11 of Auditor General's letter and paragraph 24 of the Report of the Military Accounts Committee, have been further examined and the following conclusions reached in regard to them :—

- (i) Government are entitled to recover overissues by deductions from pay only when they are specifically empowered to do so by Act of Parliament, by Royal Warrant, or by an Act of the Indian Legislature.
- (ii) An overissue made through an error as to the facts is legally recoverable as a public claim either from the recipient or from the person responsible for the overissue ; and Government may waive recovery from the recipient without prejudice to their power of recovery from the person responsible.
- (iii) An overissue made through an error as to the law (which includes regulations) is not legally recoverable from the recipient, but is recoverable from the person responsible for it when it amounts to an irregular expenditure of public money of which no satisfactory explanation is given by that person. It has been decided, however, to continue the past practice of attempting first of all to get the recipient to make good the overissue, before making recovery from the issuing officer. This appears to be the more equitable procedure as the recipient must as a rule have been in possession of the facts of the case and in any case has enjoyed the benefit of the overissue.
- (iv) In view of Army Department Office Order No. 48 of 1931 and India Army Order No. 628 of 1933 (attached), no further action is necessary to ensure that irregular expenditure is not regularised until all possible recoveries have been made.
- (v) It is illegal to make recovery save where an ascertained loss or an ascertained part of a greater aggregate loss has been identified as having been occasioned by the wrongful act or negligence of the particular officer from whom the recovery is sought to be made.

COPY OF ARMY DEPARTMENT OFFICE ORDER NO. 48, DATED THE 3RD NOVEMBER 1931.

Losses.—In any case of loss caused to Government through the irregular or erroneous action of any officer or officers, the question of the recovery of the amount of the loss, in whole or in part, from the officer or officers concerned, must be fully investigated and settled before the case is recommended to Government for the loss to be written off.

COPY OF INDIA ARMY ORDER NO. 628 OF 1933.

Losses.—Questions relating to losses or irregular expenditure of money or stores will only be submitted to the authority competent to dispose of them after a full examination. The extent, if any, to which the officer responsible for the loss or for sanction of the irregular expenditure can be held personally

liable will be considered. A recommendation will be recorded in each case as to whether the amount of the loss or irregular expenditure should be recovered in whole or in part from the officer concerned. Reasons in full for this recommendation will be submitted to the competent authority.

APPENDIX II.

Statement comparing expenditure with grants for 1933-34.

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|---|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| PART I.—CIVIL. | Rs. | Rs. | Rs. | Rs. |
| A.—EXPENDITURE CHARGED TO REVENUE. | | | | |
| 16. Customs : | | | | |
| Voted . | 63,75,000 | 62,64,310 | 1,10,690 | .. |
| Non-voted . | 34,56,000 | 34,51,429 | 4,571 | .. |
| 17. Taxes on Income : | | | | |
| Voted . | 81,24,000 | 79,10,896 | 2,13,104 | .. |
| Non-voted . | 2,03,141 | 1,95,410 | 7,731 | .. |
| 18. Salt : | | | | |
| Voted . | 72,03,000 | 69,63,409 | 2,39,591 | .. |
| Non-voted . | 44,58,736 | 44,57,694 | 1,042 | .. |
| 19. Opium : | | | | |
| Voted . | 69,45,000 | 69,28,655 | 16,345 | .. |
| Non-voted . | 1,49,890 | 1,62,914 | .. | 3,114 |
| 19-A.—Excise : | | | | |
| Voted . | 4,68,000 | 4,67,540 | 460 | .. |
| Non-voted . | 2,22,000 | 2,21,190 | 810 | .. |
| 20. Stamps : | | | | |
| Voted . | 16,43,000 | 12,96,650 | 3,46,350 | .. |
| Non-voted . | 65,968 | 62,199 | 3,769 | .. |
| 21. Forest : | | | | |
| Voted . | 5,11,000 | 5,10,594 | 406 | .. |
| Non-voted . | 1,44,700 | 1,43,581 | 1,119 | .. |
| 22. Irrigation, etc.—Charged to Revenue : | | | | |
| Voted . | 3,24,000 | 2,56,007 | 67,993 | .. |
| Non-voted . | 3,00,900 | 2,90,051 | 10,849 | .. |
| 25. Interest on ordinary Debt, etc. : | | | | |
| Voted . | 2,14,88,000 | 68,61,612 | 1,46,26,388 | .. |
| Non-voted . | 2,31,31,000 | 1,96,70,482 | 34,60,518 | .. |
| 26. Interest on miscellaneous obligations : | | | | |
| Voted . | 55,01,000 | 57,13,409 | .. | 2,12,409 |
| Non-voted . | 9,09,05,000 | 9,06,11,421 | 2,93,579 | .. |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|---|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| | Rs. | Rs. | Rs. | Rs. |
| PART I—contd. | | | | |
| A.—EXPENDITURE CHARGED TO REVENUE—contd. | | | | |
| 27. Staff, Household and Allowances of the Governor General : | | | | |
| Voted . | 4,36,000 | 4,30,162 | 5,838 | .. |
| Non-voted . | 9,26,731 | 9,35,730 | .. | 8,999 |
| 28. Executive Council : | | | | |
| Voted . | 77,000 | 67,950 | 9,050 | .. |
| Non-voted . | 4,44,000 | 4,43,355 | 645 | .. |
| 29. Council of State : | | | | |
| Voted . | 1,59,000 | 1,52,335 | 6,665 | .. |
| Non-voted . | 8,000 | 7,419 | 581 | .. |
| 30. Legislative Assembly and Legislative Assembly Department : | | | | |
| Voted . | 8,24,000 | 8,03,094 | 20,906 | .. |
| Non-voted . | 89,320 | 92,627 | .. | 3,307 |
| 31. Foreign and Political Department : | | | | |
| Voted . | 7,63,000 | 7,49,817 | 13,183 | .. |
| Non-voted . | 2,15,600 | 2,10,194 | 5,406 | .. |
| 32. Home Department : | | | | |
| Voted . | 5,70,000 | 5,43,680 | 26,320 | .. |
| Non-voted . | 8,20,524 | 8,17,977 | 2,547 | .. |
| 33. Public Service Commission : | | | | |
| Voted . | 1,51,000 | 1,29,531 | 21,469 | .. |
| Non-voted . | 1,89,600 | 1,89,868 | .. | 268 |
| 34. Legislative Department : | | | | |
| Voted . | 3,04,000 | 2,77,152 | 26,848 | .. |
| Non-voted . | 1,87,550 | 1,87,227 | 323 | .. |
| 35. Department of Education, Health and Lands : | | | | |
| Voted . | 5,43,000 | 5,33,593 | 9,407 | .. |
| Non-voted . | 1,37,982 | 1,37,792 | 190 | .. |
| 36. Finance Department : | | | | |
| Voted . | 9,42,000 | 9,35,822 | 6,178 | .. |
| Non-voted . | 2,28,825 | 2,26,662 | 2,163 | .. |
| 38. Commerce Department : | | | | |
| Voted . | 3,51,000 | 3,29,874 | 21,126 | .. |
| Non-voted . | 1,15,017 | 1,15,009 | 8 | .. |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|--|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| | Rs. | Rs. | Rs. | Rs. |
| PART I— <i>contd.</i> | | | | |
| A.—EXPENDITURE CHARGED TO REVENUE— <i>contd.</i> | | | | |
| 39. Army Department : | | | | |
| Voted . | 4,08,999 | 3,86,219 | 22,780 | .. |
| Non-voted . | 87,800 | 86,630 | 1,170 | .. |
| 40. Department of Industries and Labour : | | | | |
| Voted . | 4,60,000 | 4,49,752 | 19,248 | .. |
| Non-voted . | 1,31,596 | 1,31,634 | .. | 33- |
| 41. Central Board of Revenue : | | | | |
| Voted . | 1,77,000 | 1,76,064 | 936 | .. |
| Non-voted . | 87,407 | 86,691 | 716 | .. |
| 42. Payments to Provincial Governments, etc. : | | | | |
| Voted . | 1,54,000 | 1,50,925 | 3,075 | .. |
| Non-voted . | 70,430 | 70,089 | 341 | .. |
| 43. Audit : | | | | |
| Voted . | 88,52,000 | 87,51,068 | 1,00,932 | .. |
| Non-voted . | 8,05,200 | 7,89,501 | 15,699 | .. |
| 44. Administration of Justice : | | | | |
| Voted . | 63,000 | 60,806 | 2,194 | .. |
| 45. Police : | | | | |
| Voted . | 1,92,000 | 1,90,828 | 1,172 | .. |
| Non-voted . | 81,177 | 63,727 | 17,450 | .. |
| 46. Ports and Pilotage : | | | | |
| Voted . | 10,96,000 | 10,63,504 | 32,496 | .. |
| Non-voted . | 8,77,742 | 8,58,484 | 19,258 | .. |
| 47. Lighthouses and Lightships : | | | | |
| Voted . | 10,19,000 | 9,21,751 | 97,249 | .. |
| Non-voted . | 21,276 | 21,276 | .. | .. |
| 48. Survey of India : | | | | |
| Voted . | 17,01,000 | 16,21,733 | 79,267 | .. |
| Non-voted . | 5,57,000 | 5,48,141 | 8,859 | .. |
| 49. Meteorology : | | | | |
| Voted . | 18,67,000 | 17,54,254 | 1,12,746 | .. |
| Non-voted . | 81,150 | 74,072 | 7,078 | .. |
| 50. Geological Survey : | | | | |
| Voted . | 1,78,000 | 1,86,634 | .. | 8,634 |
| Non-voted . | 2,17,000 | 2,10,884 | 6,116 | .. |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|--|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| | Rs. | Rs. | Rs. | Rs. |
| PART I—contd. | | | | |
| A.—EXPENDITURE CHARGED TO REVENUE—contd. | | | | |
| 51. Botanical Survey : | | | | |
| Voted . | 1,34,000 | 1,25,497 | 8,503 | .. |
| Non-voted . | 32,408 | 31,778 | 622 | .. |
| 52. Zoological Survey : | | | | |
| Voted . | 88,000 | 82,546 | 5,454 | .. |
| Non-voted . | 46,000 | 45,981 | 19 | .. |
| 53. Archaeology : | | | | |
| Voted . | 9,08,000 | 8,85,530 | 22,470 | .. |
| Non-voted . | 1,25,250 | 1,24,052 | 1,198 | .. |
| 54. Mines : | | | | |
| Voted . | 1,20,000 | 1,11,201 | 8,799 | .. |
| Non-voted . | 1,14,440 | 1,16,065 | .. | 1,825 |
| 55. Other Scientific Departments : | | | | |
| Voted . | 2,66,000 | 2,65,850 | 150 | .. |
| 56. Education : | | | | |
| Voted . | 6,02,000 | 5,99,994 | 2,006 | .. |
| Non-voted . | 33,457 | 33,387 | 70 | .. |
| 57. Medical Services : | | | | |
| Voted . | 6,17,000 | 5,62,206 | 54,794 | .. |
| Non-voted . | 2,08,152 | 2,05,011 | 2,141 | .. |
| 58. Public Health : | | | | |
| Voted . | 6,58,000 | 4,97,844 | 1,60,156 | .. |
| Non-voted . | 1,47,353 | 1,51,495 | .. | 4,142 |
| 59. Agriculture : | | | | |
| Voted . | 9,48,000 | 9,38,211 | 4,789 | .. |
| Non-voted . | 1,18,040 | 1,15,713 | .. | 2,327 |
| 60. Imperial Council of Agricultural Research Department : | | | | |
| Voted . | 8,06,000 | 8,05,955 | 45 | .. |
| Non-voted . | 69,809 | 69,354 | 455 | .. |
| 61. Civil Veterinary Services : | | | | |
| Voted . | 5,78,000 | 5,64,702 | 13,298 | .. |
| Non-voted . | 68,200 | 68,555 | .. | 355 |
| 62. Industries : | | | | |
| Voted . | 1,60,000 | 1,50,216 | 9,784 | .. |
| Non-voted . | 3,188 | 3,158 | 30 | .. |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|--|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| | Rs. | Rs. | Rs. | Rs. |
| PART I— <i>contd.</i> | | | | |
| A.—EXPENDITURE CHARGED TO REVENUE— <i>contd.</i> | | | | |
| 63. Aviation : | | | | |
| Voted . | 12,26,200 | 12,19,899 | 6,301 | .. |
| 64. Commercial Intelligence and Statistics : | | | | |
| Voted . | 4,63,000 | 3,91,048 | 71,952 | .. |
| Non-voted . | 56,100 | 53,027 | 1,073 | .. |
| 65. Census : | | | | |
| Voted . | 73,000 | 72,113 | 887 | .. |
| Non-voted . | 29,000 | 28,316 | 684 | .. |
| 66. Emigration—Internal : | | | | |
| Voted . | 25,000 | 22,104 | 2,896 | .. |
| Non-voted . | 8,460 | 8,436 | 14 | .. |
| 67. Emigration—External : | | | | |
| Voted . | 1,98,000 | 1,97,561 | 419 | .. |
| Non-voted . | 56,185 | 52,769 | 3,416 | .. |
| 68. Joint Stock Companies : | | | | |
| Voted . | 1,15,000 | 1,12,848 | 2,152 | .. |
| Non-voted . | 15,193 | 14,478 | 715 | .. |
| 69. Miscellaneous Departments : | | | | |
| Voted . | 5,37,000 | 5,07,704 | 29,296 | .. |
| Non-voted . | 59,288 | 59,160 | 60 | .. |
| 70. Indian Stores Department : | | | | |
| Voted . | 6,87,000 | 7,06,895 | .. | 19,895 |
| Non-voted . | 1,15,400 | 1,15,151 | 249 | .. |
| 71. Currency : | | | | |
| Voted . | 44,17,000 | 43,29,471 | 87,529 | .. |
| Non-voted . | 1,32,070 | 1,31,381 | 689 | .. |
| 72. Mint : | | | | |
| Voted . | 17,66,000 | 13,31,672 | 4,34,328 | .. |
| Non-voted . | 87,490 | 37,710 | .. | 32,780 |
| 73. Civil Works : | | | | |
| Voted . | 1,95,83,000 | 1,86,70,475 | 9,12,525 | .. |
| Non-voted . | 11,68,000 | 11,52,984 | 15,016 | .. |
| 74. Superannuation Allowances and Pensions : | | | | |
| Voted . | 89,41,000 | 87,70,512 | 1,70,488 | .. |
| Non-voted . | 2,05,22,114 | 2,04,35,230 | 86,884 | .. |
| 75. Stationery and Printing : | | | | |
| Voted . | 35,22,000 | 32,98,130 | 2,23,870 | .. |
| Non-voted . | 64,000 | 63,065 | 935 | .. |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|---|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| | Rs. | Rs. | Rs. | Rs. |
| PART I—contd. | | | | |
| A.—EXPENDITURE CHARGED TO REVENUE—contd. | | | | |
| 76. Miscellaneous : | | | | |
| Voted . | 7,13,000 | 7,13,856 | .. | 856 |
| Non-voted . | 27,04,363 | 26,96,367 | 7,996 | .. |
| 76-A. Expenditure on Retrenched personnel charged to Revenue : | | | | |
| Voted . | 6,45,000 | 7,20,743 | | 75,743 |
| Non-voted . | 2,34,700 | 2,85,849 | | 51,149 |
| 76-B. Miscellaneous Adjustments between the Central and Provincial Governments—Non-voted . | 1,00,00,000 | 1,00,00,000 | | .. |
| 76-C. Transfer to Fund for reconstruction of Earthquake damages—Voted . | 1,28,89,000 | 2,71,66,180 | | 1,42,77,180 |
| 77. Refunds : | | | | |
| Voted . | 1,11,99,000 | 1,09,12,811 | 2,86,189 | .. |
| Non-voted . | 2,64,95,260 | 2,44,45,750 | 20,49,510 | .. |
| 79. Baluchistan : | | | | |
| Voted . | 27,25,000 | 27,02,676 | 22,324 | .. |
| Non-voted . | 42,49,600 | 42,12,605 | 36,995 | .. |
| 80. Delhi : | | | | |
| Voted . | 44,33,000 | 43,76,812 | 56,188 | .. |
| Non-voted . | 2,54,086 | 2,53,570 | 516 | .. |
| 81. Ajmer-Merwara : | | | | |
| Voted . | 13,70,000 | 13,59,958 | 10,042 | .. |
| Non-voted . | 97,520 | 95,807 | 1,713 | .. |
| 82. Andaman and Nicobar Islands : | | | | |
| Voted . | 31,60,000 | 29,41,677 | 2,18,323 | .. |
| Non-voted . | 2,45,519 | 2,42,124 | 3,395 | .. |
| 83. Rajputana : | | | | |
| Voted . | 4,26,000 | 4,13,710 | 12,290 | .. |
| Non-voted . | 7,33,117 | 7,38,022 | .. | 4,905 |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|---|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| | Rs. | Rs. | Rs. | Rs. |
| PART I—contd. | | | | |
| A.—EXPENDITURE CHARGED TO REVENUE—concl'd. | | | | |
| 84. Central India : | | | | |
| Voted . | 3,43,000 | 3,29,064 | 13,936 | .. |
| Non-voted . | 6,11,761 | 6,16,766 | .. | 5,005 |
| 85. Hyderabad : | | | | |
| Voted . | 2,63,000 | 2,32,317 | 30,683 | .. |
| Non-voted . | 5,73,100 | 5,69,581 | 3,519 | .. |
| 85-A. Aden : | | | | |
| Voted . | 7,05,000 | 6,85,084 | 19,916 | .. |
| Non-voted . | 1,65,068 | 1,56,275 | 8,793 | .. |
| 86. Expenditure in England under the control of the Secretary of State : | | | | |
| Voted . | 22,09,000 | 21,81,823 | 27,177 | .. |
| Non-voted . | 17,97,000 | 17,53,898 | 43,102 | .. |
| 87. Expenditure in England under the control of the High Commissioner : | | | | |
| Voted . | 25,41,000 | 24,22,781 | 1,18,219 | .. |
| Non-voted . | 32,89,000 | 31,65,172 | 1,23,828 | .. |
| <i>Ecclesiastical—Non-voted .</i> | 27,90,076 | 27,91,578 | .. | 1,802 |
| <i>Political—Non-voted .</i> | 1,02,71,592 | 1,01,75,468 | 96,124 | .. |
| <i>Frontier Watch and Ward—Non-voted .</i> | 1,92,86,038 | 1,91,13,930 | 1,72,108 | .. |
| <i>Territorial and Political Pensions—Non-voted .</i> | 31,15,000 | 30,27,820 | 87,180 | .. |
| <i>Bangalore—Non-voted .</i> | 14,53,406 | 14,44,124 | 9,282 | .. |
| <i>Western India States Agency—Non-voted .</i> | 17,18,065 | 16,88,113 | 29,952 | .. |
| Total | | | | |
| { Voted . | 17,09,28,199 | 16,62,19,726 | 1,93,03,190 | 1,45,94,717 |
| { Non-voted . | 24,27,76,954 | 23,62,03,735 | 66,60,821 | 87,602 |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure: | Expenditure as compared with Grant or Appropriation. | |
|---|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| | Rs. | Rs. | Rs. | Rs. |
| PART I— <i>contd.</i> | | | | |
| B.—EXPENDITURE CHARGED TO CAPITAL. | | | | |
| 88. Capital outlay on Security Printing : | | | | |
| Voted . | 1,000 | —9,01,185 | 9,02,185 | .. |
| 89. Forest Capital Outlay : | | | | |
| Voted . | 1,000 | .. | 1,000 | .. |
| 90. Irrigation Works— not charged to Revenue : | | | | |
| Voted . | 1,000 | | 1,000 | .. |
| 93. Capital outlay on Currency Note Press : | | | | |
| Voted . | 1,000 | —4,14,277 | 4,15,277 | .. |
| 94. Capital outlay on Vizagapatam Harbour : | | | | |
| Voted . | 33,52,000 | 33,28,967 | 25,033 | .. |
| Non-voted . | 17,78,000 | 17,74,538 | 3,462 | .. |
| 95. Capital outlay on Lighthouses and Lightships (not charged to Revenue) : | | | | |
| Voted . | 1,000 | | 1,000 | |
| 95-A. Civil Works not charged to Revenue : | | | | |
| Voted . | | 1,76,613 | .. | 1,76,613 |
| Non-voted . | | 699 | .. | 699 |
| 96. Commuted Value of Pensions : | | | | |
| Voted . | 58,27,000 | 55,32,305 | 2,94,695 | .. |
| Non-voted . | 27,20,674 | 27,66,981 | .. | 46,307 |
| 96-A. Expenditure on Retrenched personnel charged to Capital : | | | | |
| Voted . | 3,02,000 | 3,26,288 | .. | 24,288 |
| Non-voted . | —17,000 | —31,945 | 14,945 | .. |
| 97. Delhi Capital outlay : | | | | |
| Voted . | 9,81,000 | 9,09,579 | 71,421 | .. |
| Total { Voted . | 1,04,67,000 | 89,56,310 | 17,11,591 | 2,00,901 |
| Non-voted . | 44,81,674 | 45,10,273 | 18,407 | 47,006 |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|---|-------------------------------|--------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| | Rs. | Rs. | Rs. | Rs. |
| PART I—concd. | | | | |
| C.—DISBURSEMENTS OF LOANS AND ADVANCES. | | | | |
| 98. Interest Free Advances: Voted | 66,53,000 | 62,18,987 | 4,34,013 | .. |
| 99. Loans and Advances bearing interest: Voted | 7,03,34,000 | 5,28,52,211 | 1,74,81,789 | .. |
| Total Voted | 7,69,87,000 | 5,90,71,198 | 1,79,15,802 | .. |
| Total Civil | 50,56,40,827 | 47,49,61,242 | 4,56,09,811 | 1,49,30,226 |
| Voted | 25,83,82,199 | 23,42,47,234 | 3,59,30,587 | 1,47,95,618 |
| Non-voted | 24,72,58,628 | 24,07,14,008 | 66,79,228 | 1,34,608 |
| PART II.—POSTS AND TELEGRAPHS. | | | | |
| A.—EXPENDITURE CHARGED TO REVENUE. | | | | |
| 23. Indian Posts and Telegraphs Department: Voted | 10,44,09,000 | 10,35,48,523 | 8,60,477 | 1,06,241 |
| Non-voted | 97,14,000 | 98,20,241 | .. | .. |
| B.—EXPENDITURE CHARGED TO CAPITAL. | | | | |
| 91. Capital outlay on Indian Posts and Telegraphs Department—(not charged to Revenue): Voted | 15,78,000 | 5,37,740 | 10,40,260 | .. |
| Non-voted | 2,000 | 552 | 1,448 | .. |
| Total Posts and Telegraphs | 11,57,03,000 | 11,39,07,056 | 19,02,185 | 1,06,241 |
| Voted | 10,59,87,000 | 10,40,86,263 | 19,00,737 | .. |
| Non-voted | 97,16,000 | 98,20,793 | 1,448 | 1,06,241 |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|--|-------------------------------|---------------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| PART III.—RAILWAYS. | Rs. | Rs. | Rs. | Rs. |
| A.—EXPENDITURE CHARGED TO REVENUE. | | | | |
| 1. Revenue—Railway Board : | | | | |
| Voted | 8,31,000 | 8,02,093 | 28,907 | .. |
| Non-voted | 4,00,000 | 4,00,161 | .. | 161 |
| 2. Revenue—Inspection : | | | | |
| Voted | 82,000 | 69,660 | 12,340 | .. |
| Non-voted | 2,04,000 | 2,03,304 | 696 | .. |
| 3. Revenue—Audit : | | | | |
| Voted | 12,90,000 | 12,76,595 | 13,405 | .. |
| Non-voted | 4,23,000 | 4,23,451 | .. | 451 |
| 4. Revenue—Working Expenses—Administration : | | | | |
| Voted | 10,30,00,000 | 10,34,63,107 | .. | 4,63,107 |
| Non-voted | 1,13,01,000 | 1,12,98,971 | 2,029 | .. |
| 5. Revenue—Working Expenses—Repairs and Maintenance and Operation : | | | | |
| Voted | 38,17,25,000 | 38,11,37,949 | 5,87,051 | .. |
| Non-voted | 1,27,000 | 1,24,905 | 2,095 | .. |
| 6. Revenue—Companies and Indian States' share of surplus profits and net earnings : | | | | |
| Voted | 56,50,000 | 56,65,149 | | 15,149 |
| 9. Revenue—Appropriation to Depreciation Fund : | | | | |
| Voted | 13,75,00,000 | 13,56,47,945 | 18,52,055 | .. |
| 10. Appropriation from Depreciation Fund : | | | | |
| Voted | 7,87,11,000 | 8,05,33,325 | | 18,22,325 |
| 11. Revenue—Miscellaneous : | | | | |
| Voted | 6,20,000 | 4,58,781 | 1,61,219 | .. |
| Non-voted | 9,61,000 | 9,55,846 | 5,154 | .. |
| 12. Revenue—Appropriation to the Reserve Fund | | | | .. |
| 13. Revenue—Appropriation from the Reserve Fund | | | | .. |
| 14. Interest charges : | | | | |
| Voted | 2,83,000 | 2,81,107 | 1,893 | .. |
| Non-voted | 32,37,15,000 | 32,55,16,230 | .. | 18,01,230 |
| Total { Voted | 70,96,92,000 | 70,93,35,711 | 26,56,870 | 23,00,581 |
| { Non-voted | 33,71,31,000 | 33,89,22,868 | 9,974 | 18,01,842 |

| Number and name of Grant or Appropriation. | Final Grant or Appropriation. | Expenditure. | Expenditure as compared with Grant or Appropriation. | |
|--|-------------------------------|----------------|--|--------------------|
| | | | Less than granted. | More than granted. |
| PART III—concl'd. | Rs. | Rs. | Rs. | Rs. |
| B.—EXPENDITURE CHARGED TO CAPITAL. | | | | |
| 7. Capital—New Constructions : | | | | |
| Voted | 31,25,000 | 21,72,048 | 9,52,952 | .. |
| Non-voted | 57,000 | 64,517 | .. | 7,517 |
| 8. Capital—Open Line Works : | | | | |
| Voted | 8,92,01,000 | 5,80,99,181 | 3,11,01,819 | .. |
| Non-voted | 3,20,000 | 2,45,592 | 74,408 | .. |
| Discharge of Debentures | | | | |
| —Non-voted | 20,23,000 | 20,23,155 | .. | 155 |
| Total { Voted | 9,23,26,000 | 6,02,71,229 | 3,20,54,771 | .. |
| Non-voted | 24,00,000 | 23,33,264 | 74,408 | 7,672 |
| Total Railways | 1,14,15,49,000 | 1,11,08,63,072 | 3,47,96,023 | 41,10,095 |
| Total { Voted | 80,20,18,000 | 76,96,06,940 | 3,47,11,641 | 23,00,581 |
| Non-voted | 33,95,31,000 | 34,12,56,132 | 84,382 | 18,09,514 |
| PART IV.—DEFENCE SERVICES. | | | | |
| A.—EXPENDITURE CHARGED TO REVENUE. | | | | |
| Defence Services—Effective— | | | | |
| India— | 34,65,56,000 | 34,49,65,000 | 15,91,000 | .. |
| England— | 5,96,50,000 | 5,90,85,000 | 5,65,000 | .. |
| Defence Services—Non-effective— | | | | |
| India— | 3,63,05,000 | 3,65,57,000 | .. | 2,52,000 |
| England— | 5,00,56,000 | 4,99,31,000 | 1,25,000 | .. |
| Defence Reserve Fund | 31,64,000 | 69,71,000 | .. | 38,07,000 |
| Total Defence Services— | | | | |
| Non-voted | 49,57,31,000 | 49,75,09,000 | 22,81,000 | 40,59,000 |
| GRAND TOTAL | 2,25,86,23,827 | 2,19,72,40,370 | 8,45,89,019 | 2,32,05,562 |
| Voted | 1,16,63,87,199 | 1,10,79,40,437 | 7,55,42,961 | 1,70,96,199 |
| Non-voted | 1,09,22,36,628 | 1,08,92,99,933 | 90,46,058 | 61,09,363 |
| | | (A) | | |
| | | (B) | | |

(A) This amount is less than that given in Account No. 12 of the Finance and Revenue Accounts of the Government of India for the year 1933-34 by Re. 1 which is due to rounding.

(B) This amount is greater than that given in Account No. 12 of the Finance and Revenue Accounts of the Government of India for the year 1933-34 by Rs. 73 which is due to rounding.

APPENDIX III.

LETTER FROM SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, NO. 172-REP. 4-35, DATED THE 31ST MAY 1935.

SUBJECT :—Appropriation Accounts (Civil) 1933-34 and the Audit Report 1935.

In accordance with the provisions of rule 15 (1) of the Auditor General's Rules framed under Section 96 D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Central Government (Civil) for the year 1933-34 and the Audit Report, 1935, together with two copies of the Commercial Appendix to these documents, prepared by the Accountant General, Central Revenues, for submission to the Public Accounts Committee and for necessary action by the Government of India.

2. Two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India, on behalf of the Central Government, under the heads other than those relating to Military Services, for the year 1933-34, together with two copies of the relevant Appropriation Accounts, and the reports thereon, prepared by the Auditor of Indian Home Accounts, are also forwarded.

3. I append as usual the following subsidiary statements :—

Statement A*—giving particulars of all Central Voted Grants and Non-voted Appropriations for the year 1933-34, the expenditure incurred against them and variations between the two.

Statement B—showing the excesses over voted grants which require the vote of the Legislative Assembly.

Statement C—showing excesses over Non-voted Appropriations which require the sanction of the Government of India, Finance Department.

4. The Appropriation Accounts and the Audit Report of the Accountant General, Central Revenues, together with the Appendix containing Commercial Accounts, have, as usual, been examined in detail under my instructions and I find them generally to be in order. There is one new feature which has been introduced under my instructions, namely, a brief summary of the financial results of the year has been included in chapter II of the report. The essential purpose of the report is to give the Public Accounts Committee of the Legislative Assembly a formal opportunity of reviewing the financial administration, and it seems that at the least it may be convenient to present on such an occasion a picture, if only in outline, of the complete account, including receipts. The Appropriation Accounts of expenditure against grants, etc., illustrate only one aspect of the financial administration.

5. Following the practice introduced last year which has been approved by Government and the Public Accounts Committee I have added a "Key" statement (Statement D) in which I have brought together

(a) Firstly, a reference to each of the Appropriation Accounts of grants and appropriations for which each of the several departments of Government is responsible, and

*See Appendix II.

- (b) Secondly, linked with the references to the Appropriation Account of each grant, etc., enumerated as in (a) preceding, all points of importance arising out of each account which the Accountant General has brought to notice either in his general analysis or elsewhere.

The purpose of the "Key" statement is to give practical assistance to the departments of Government and the members of the Public Accounts Committee in carrying out the examination of the accounts and the report which now devolves upon them.

6. The last enclosure to this letter, Statement E, gives particulars of the overdrafts on current account taken by the provincial Governments at the expense of the Central Government during the year under report. A comparison of the figures with the corresponding figures of 1932-33 indicates that some improvement has again been effected. Further, I understand that as part of the financial arrangements to be adopted under the new constitution the balances of the provincial Governments are to be held entirely separate from the balances of the Federal Government, and that as one consequence of this the provincial Governments will in future be solely responsible to provide ways and means for themselves and will no longer be permitted to obtain overdrafts gratuitously from the Central Government.

STATEMENT B (Paragraph 3).

(1933-34.)

Statement showing the excesses over Voted Grants which require the vote of the Legislature.

| Item No. | Name of Grant. | Final Grant. | Actual Expenditure. | Excess requiring the vote of the Legislature. |
|----------|--|--------------|---------------------|---|
| | | Rs. | Rs. | Rs. |
| 1 | 26.—Interest on Miscellaneous obligations | 55,01,000. | 57,13,400 | 2,12,409 |
| 2 | 50.—Geological Survey | 1,78,000 | 1,86,634 | 8,634 |
| 3 | 70.—Indian Stores Department | 6,87,000 | 7,06,895 | 19,895 |
| 4 | 76.—Miscellaneous | 7,13,000 | 7,13,856 | 856 |
| 5 | 76A.—Expenditure on Retrenched personnel charged to Revenue | 6,45,000 | 7,20,748 | 75,748 |
| 6 | 76C.—Transfer to Fund for reconstruction of Earthquake damages | 1,28,89,000 | 2,71,66,180 | 1,42,77,180 |
| 7 | 95A.—Civil Works not charged to Revenue | | 1,76,613 | 1,76,613 |
| 8 | 96A.—Expenditure on Retrenched personnel charged to Capital | 3,02,000 | 3,26,288 | 24,288 |
| 9 | 4.—Revenue—Working Expenses—Administration | 10,30,00,000 | 10,34,63,107 | 4,63,107 |
| 10 | 6.—Revenue—Companies and Indian States share of surplus profits and net earnings | 56,50,000 | 56,65,149 | 15,149 |
| 11 | 10.—Appropriation from Depreciation Fund | 7,87,11,000 | 8,05,33,325 | 18,22,325 |

STATEMENT C (Paragraph 3).

(1933-34.)

Statement showing excesses over Non-voted Appropriations which require the sanction of the Government of India, Finance Department.

| Item No. | Name of Appropriation. | Final | Actual | Excess |
|----------|--|----------------|--------------|--|
| | | Appropriation. | Expenditure. | requiring the Sanction of the Government of India. |
| | | Rs. | Rs. | Rs. |
| 1 | 19.—Opium | 1,49,800 | 1,52,914 | 3,114 |
| 2 | 27.—Staff, Household and Allowances of the Governor General . | 9,26,731 | 9,35,730 | 8,999 |
| 3 | 30.—Legislative Assembly and Legislative Assembly Department . | 89,320 | 92,627 | 3,307 |
| 4 | 33.—Public Service Commission . | 1,89,600 | 1,89,868 | 268 |
| 5 | 40.—Department of Industries and Labour : | 1,31,596 | 1,31,634 | 38 |
| 6 | 54.—Mines | 1,14,440 | 1,16,065 | 1,625 |
| 7 | 58.—Public Health | 1,47,353 | 1,51,495 | 4,142 |
| 8 | 59.—Agriculture | 1,13,040 | 1,15,713 | 2,673 |
| 9 | 61.—Civil Veterinary Services . . | 68,200 | 68,555 | 355 |
| 10 | 72.—Mint | 78,490 | 87,710 | 220 |
| 11 | 76A.—Expenditure on Retrenched personnel charged to Revenue . | 2,34,700 | 2,85,849 | 51,149 |
| 12 | 83.—Rajputana | 7,33,117 | 7,38,022 | 4,905 |
| 13 | 84.—Central India | 6,11,761 | 6,16,766 | 5,005 |
| 14 | Ecclesiastical | 27,90,076 | 27,91,878 | 1,802 |
| 15 | 95A.—Civil Works not charged to Revenue | .. | 699 | 699 |
| 16 | 96.—Commuted Value of Pensions . | 27,20,674 | 27,66,981 | 46,307 |
| 17 | 23.—Indian Posts and Telegraphs Department | 97,14,009 | 98,20,241 | 1,06,241 |
| 18 | 1.—Revenue—Railway Board . . | 4,00,000 | 4,00,161 | 161 |
| 19 | 3.—Revenue—Audit | 4,23,000 | 4,23,451 | 451 |
| 20 | 7.—Capital—New Constructions . | 57,000 | 64,517 | 7,517 |
| 21 | Discharge of Debentures | 20,23,000 | 20,23,155 | 155 |
| 22 | 14.—Interest charges | 32,37,15,000 | 32,55,16,230 | 18,01,230 |

STATEMENT D (paragraph 5).

'Key' statement to the Government of India Appropriation Accounts (Civil) 1933-34 and the Audit Report 1935, Commercial Appendix, Home Auditor's Reports (Section I) on the Accounts of the Secretary of State and the High Commissioner for India for 1933-34 and the latest Quarterly Statement (Part I) of outstanding recommendations of the Public Accounts Committee showing in conjunction particulars of Appropriation Accounts of grants and appropriations for which each of the several departments of the Government of India is responsible and all matters and comments of importance connected with these accounts.

R. = Government of India Appropriation Accounts (Civil) and Audit Report.

C. A. = Commercial Appendix to the above.

S. S. = Home Auditor's Report on the Accounts of the Secretary of State in Council of India (Section I—Civil portion).

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- (14) *Grant No. 77.—Refunds—H.-18.—Industries; H.-19. Miscellaneous Departments (partly); H.-19 (1)—Civil Aviation; H.-20—Indian Stores Department; H.-21—Civil Works; H.-22.—Stationery and Printing—*
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- (15) *Non-Voted Appropriation—Frontier Watch and Ward—*
C.—Buildings and Communications—
Appropriation Account Pages 328-329 R.
Note I on Appropriation Account Page 331 R.
Statement of expenditure on Important New Works Pages 332-333 R.
Important Comment. Paragraph 86 and page 333 R.
- (16) *Grant No. 90.—Irrigation Works—not charged to Revenue—*
Appropriation Account Page 350 R.
- (17) *Grant No. 95-A.—Civil Works—not charged to Revenue—*
Appropriation Account Page 357 R.
Note on Appropriation Account Page 357 R.
Voted excess Paragraphs 42, item (7) and 45 R.
Non-voted excess Paragraph 43, item (15) R.
Reconstruction of Government buildings damaged by earthquake Paragraph 57 R.
- (18) *Grant No. 97.—Delhi Capital Outlay—*
Appropriation Account Pages 361-362 R.
Important comment Paragraph 91 and pages 362-363 R.
Supplementary grant Paragraph 36, item (16) R.

DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

- (1) *Grant No. 24.—Forest—*
Appropriation Account Pages 72-73 R.
Note on Appropriation Account Page 73 R.
- (2) *Grant No. 35.—Department of Education, Health and Lands—*
Appropriation Account Page 94 R.
- (3) *Grant No. 48.—Survey of India—*
Appropriation Account Pages 117—119 R.
Notes on Appropriation Account Page 119 R.
Supplementary grant Paragraph 36, item (4) R.
Stores accounts, reviews, etc., of the Map Record and Issue Office and the Photo Litho Office Paragraphs 3, 77 and 92 and pages 120—122 R. and paragraph 18 C. A.

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

| | |
|---|---|
| Commercial Accounts and reviews, etc., of the Mathematical Instrument Office | Paragraphs 134—145 C.A. |
| Comparative statement of profits and losses and turnover | Paragraphs 21 (vi) and 23 C. A. |
| Stores transactions | Paragraph 27 (vi) C. A. |
| General review and important comments | Paragraph 25 (v) C. A. |
| Saving of provision voted to cover stores purchased by the High Commissioner under the grant | Paragraph 8 H. C. |
| (4) <i>Grant No. 51.—Botanical Survey—</i> | |
| Appropriation Account | Page 128 R. |
| Note on Appropriation Account | Page 128 R. |
| Statement showing the stock of Government of India Quinine Sulphate | Page 129 R. |
| Other Stores and Stock Accounts with review and audit comments | Paragraphs 77 and 93 and pages 130—132 R. |
| (5) <i>Grant No. 52.—Zoological Survey—</i> | |
| Appropriation Account | Page 133 R. |
| Note on Appropriation Account | Page 133 R. |
| (6) <i>Grant No. 53.—Archæology—</i> | |
| Appropriation Account | Pages 134—135 R. |
| Notes on Appropriation Account | Page 135 R. |
| Important comment | Paragraph 94 and pages 135—136 R. |
| (7) <i>Grant No. 55.—Other Scientific Departments—</i> | |
| Appropriation Account | Page 138 R. |
| Central Museum, Calcutta | Paragraph 95 and page 139 R. and Serial No. 1 Q. S. |
| (8) <i>Grant No. 56.—Education (partly)—</i> | |
| Appropriation Account | Page 140 R. |
| (9) <i>Grant No. 57.—Medical Services—</i> | |
| Appropriation Account | Pages 141—143 R. |
| (10) <i>Grant No. 58.—Public Health—</i> | |
| Appropriation Account | Pages 144—147 R. |
| Notes on Appropriation Account | Page 147 R. |
| Financial results of the manufacture of vaccines, etc., at Kasauli, with the Director's comments and audit observations | Paragraph 96 and Pages 148 and 150 R. |
| Stores Accounts | Paragraph 77 and page 149 R. |
| Voted saving | Paragraph 38 R. |
| Non-voted excess | Paragraph 43, item (7) R. |
| (11) <i>Grant No. 59.—Agriculture—</i> | |
| Appropriation Account | Pages 151—155 R. |
| Notes on Appropriation Accounts | Page 155 R. |
| Stores Accounts | Paragraph 77 and pages 156—157 R. |
| Important comment | Page 158 R. |
| Non-voted Excess | Paragraph 43, item (8) R. |
| Commercial Accounts and review, etc., of Imperial Institute of Animal Husbandry and Dairying, Wellington | Paragraphs 146—161 C. A. |

DEPARTMENT OF EDUCATION, HEALTH AND LANDS—*concl'd.*

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| Comparative statement of profits and losses and turnover | Paragraphs 21 (vii) and 22 C. A. |
| Stores transactions | Paragraph 27 (vii) C. A. |
| General review and important comments | Paragraph 25 (vi) C. A. |
- (12) *Grant No. 61.—Civil Veterinary Services—*
- | | |
|--|-----------------------------------|
| Appropriation Account | Pages 160-161 R. |
| Note about Income and expenditure account of the Dairy attached to the Institute | Page 161 R. |
| Non-voted Excess | Paragraph 43, item (9) R. |
| Commercial Accounts and review of Imperial Veterinary Serum Institute, Izatnagar | Paragraphs 162—177 C. A. |
| Comparative statement of profits and losses and turnover | Paragraphs 21 (viii) and 23 C. A. |
| Stores transactions | Paragraph 27 (viii) C. A. |
| General review and important comments | Paragraph 25 (vii) C. A. |
- (13) *Grant No. 67.—Emigration—External—*
- | | |
|--|-------------|
| Appropriation Account | Page 170 R. |
| Notes on Appropriation Account | Page 170 R. |
| Note 3 about receipts realised | Page 170 R. |
- (14) *Grant No. 69.—Miscellaneous (partly)—*
- | | |
|---------------------------------|-------------|
| Appropriation Account | Page 172 R. |
|---------------------------------|-------------|
- (15) *Grant No. 76.—Miscellaneous—B. 2.—Other Charges ; C.—Donations for charitable purposes (partly) ; J. 7.—Delegation to South Africa—*
- | | |
|---------------------------------|----------------------|
| Appropriation Account | Pages 232 and 235 R. |
|---------------------------------|----------------------|
- (16) *Grant No. 77.—Refunds ; H. 4.—Forest ; H. 14.—Education ; H.-15.—Medical ; H.-16.—Public Health ; H.-17.—Agriculture ; H.-19.—Miscellaneous Departments (partly)—*
- | | |
|---|----------------------------|
| Appropriation Account | Pages 241—243 R. |
| Note 2 on Appropriation Account | Page 243 R. |
| Supplementary grant | Paragraph 36, item (12) R. |
- (17) *Grant No. 82.—Andaman and Nicobar Islands—Account II—Forests—*
- | | |
|--|---------------------------------|
| Appropriation Account | Pages 282—284 R. |
| Note 2 on Appropriation Account | Page 285 R. |
| Commercial Accounts and review, etc., of Forest Department, Andamans | Paragraphs 178—198 C. A. |
| Comparative statement of profits and losses and turnover | Paragraphs 21 (ix) and 23 C. A. |
| Stores transactions | Paragraph 27 (ix) C. A. |
| General review and important comments | Paragraph 25 (viii) C. A. |
- (18) *Grant No. 89.—Forest Capital Outlay—*
- | | |
|---------------------------------|-------------|
| Appropriation Account | Page 349 R. |
|---------------------------------|-------------|

COMMERCE DEPARTMENT.

(1) *Grant No. 38.—Commerce Department—*

| | |
|---------------------------------|------------|
| Appropriation Account | Page 97 R. |
|---------------------------------|------------|

(2) *Grant No. 46.—Ports and Pilotage—*

| | |
|--|--------------------------------|
| Appropriation Account | Pages 107—112 R. |
| Note on Appropriation Account | Page 112 R. |
| Unnecessary supplementary grant | Paragraph 52 R. |
| Commercial Account and review, etc., of Bengal Pilot Service | Paragraphs 199—204 C.A. |
| Comparative statement of profits and losses and turnover | Paragraphs 21 (x) and 23 C. A. |
| Stores transactions | Paragraph 27 (x) C. A. |
| General review and important comments | Paragraph 25 (ix) C. A. |

(3) *Grant No. 47.—Lighthouses and Lightships—*

| | |
|---|---------------------------------|
| Appropriation Account | Pages 113—116 R. |
| Note on Appropriation Account | Page 116 R. |
| Commercial Account and review, etc., of Indian Light-house Department | Paragraphs 205—217 C. A. |
| Comparative statement of profits and losses and turnover | Paragraphs 21 (xi) and 23 C. A. |
| Stores transactions | Paragraph 27 (xi) C. A. |
| General review and important comments | Paragraph 25 (x) C. A. |

(4) *Grant No. 64.—Commercial Intelligence and Statistics—*

| | |
|--|------------------|
| Appropriation Account | Pages 166—167 R. |
| Voted saving | Paragraph 38 R. |
| Notes on Appropriation Account | Page 167 R. |

(5) *Grant No. 68.—Joint Stock Companies—*

| | |
|------------------------------------|-------------|
| Appropriation Account | Page 171 R. |
| Note about fees realised | Page 171-R. |

(6) *Grant No. 69.—Miscellaneous Departments—E.—Actuary to the Government of India; J.—Registration of Accountants—*

| | |
|---|----------------------------------|
| Appropriation Account | Pages 173-174 R. |
| Receipts and Payments accounts of the scheme for the registration of accountants and audit comments on them | Paragraph 3 and pages 175-176 R. |

(7) *Grant No. 76.—Miscellaneous.—C.—Donations for charitable purposes (partly); D. I.—Tariff Board; J.—10.—Indian delegation to the Imperial Economic Conference at Ottawa; L.—Other Charges (partly)—*

| | |
|---------------------------------|-----------------------|
| Appropriation Account | Pages 232, 235-236 R. |
|---------------------------------|-----------------------|

(8) *Grant No. 77.—Refunds.—H. 12.—Ports and Pilotage; H. 13.—Lighthouses and Lightships—*

| | |
|---------------------------------|-------------|
| Appropriation Account | Page 242 R. |
|---------------------------------|-------------|

COMMERCE DEPARTMENT—*concl'd.*

- (9) *Non-voted Appropriation—Ecclesiastical—*
 Appropriation Account Pages 313—315 R.
 Non-voted excess Paragraph 34, Item (14) R.
 Public Accounts Committee's recommendation regard-
 ing allocation of Ecclesiastical expenditure between
 the Civil and the Army Department Serial No. 6 Q. S.
- (10) *Grant No. 95.—Capital Outlay on Lighthouses and Light-
 ships not charged to Revenue—*
 Appropriation Account Page 355 R.
 Note on Appropriation Account Page 356 R.
 Commercial Account and review, etc., of Indian Light-
 house Department Paragraphs 205—217 C. A.
 Comparative statement of profits and losses and turn-
 over Paragraphs 21 (xi) and 23
 C. A.
 Stores transactions Paragraph 27 (xi) C. A.
 General reviews and important comments Paragraph 25 (x) C. A.

LEGISLATIVE DEPARTMENT.

- (1) *Grant No. 29.—Council of State—*
 Appropriation Account Page 87 R.
 Note in Appropriation Account Page 87 R.
- (2) *Grant No. 34.—Legislative Department—*
 Appropriation Account Page 93 R.
- (3) *Grant No. 76.—Miscellaneous.—H.—Local Clearing
 Office ; J. I.—Indian delegation to the League of Nations—*
 Appropriation Account Page 234 R.

LEGISLATIVE ASSEMBLY DEPARTMENT.

- (1) *Grant No. 30.—Legislative Assembly and Legislative
 Assembly Department—*
 Appropriation Account Page 88 R.
 Note on Appropriation Account Page 88 R.
 Supplementary grant Paragraph 36, item (3) R.
 Non-voted excess Paragraph 43, item (3) R.
- (2) *Grant No. 76.—Miscellaneous ; G.—Grants-in-aid—
 Voted (partly)—*
 Appropriation Account Page 234 R.

RAILWAY DEPARTMENT.

- (1) *Grant No. 94.—Capital Outlay on Vizagapatam Harbour—*
 Appropriation Account Pages 352-353 R.
 Notes on Appropriation Accounts Page 353 R.
 Stores Account Paragraph 77 and page
 354 R.
 Statement of Expenditure on important New Works Page 354 R.
 Supplementary grant Paragraph 36, item (13) R.
 Commercial Accounts and review, etc., of the Vizaga-
 patam Harbour Paragraphs 299—327 C. A.
 Comparative statement of profits and losses and turn-
 over Paragraph 21 (xvi) C. A.
 Stores transactions Paragraphs 27 (xvii) and
 28 C. A.
 General review and important comments Paragraph 25 (xv) C. A.

ARMY DEPARTMENT.

- (1) *Grant No. 39.—Army Department—*
Appropriation Account Page 9 .
Reduction made by the Legislature Paragraph 34 R.
- (2) *Grant No. 76.—Miscellaneous.—D. 4.—Other Com-*
missions and Committees—Capitation Rate Tribunal and
I.—Indian Soldiers Board—
Appropriation Account Pages 233 and 234 R.

FINANCIAL ADVISER, MILITARY FINANCE.

- (1) *Grant No. 36.—Finance Department.—B.—Military*
Finance—
Appropriation Account Pages 95-96 R.

IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH DEPARTMENT.

- (1) *Grant No. 60.—Imperial Council of Agricultural Research*
Department—
Appropriation Account Page 159 R.
Supplementary Grant Paragraph 36, item (6) R.
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STATEMENT E. (Paragraph 6.)

Statement showing the monthly balances of the various Provincial Governments.

(In thousands of rupees. Figures with a minus sign before them represent overdraft.)

| | Madras. | Bombay. | Bengal. | United Provinces. | Punjab. | Burma. | Bihar and Orissa. | Central Provinces. | North- West Frontier Province. | Assam. | Total. |
|--------------|---------|---------|----------|----------------------|----------|----------|-------------------------|-----------------------|---|--------|----------|
| — | | | | | | | | | | | |
| 1933-34. | | | | | | | | | | | |
| 1. April | • | • | • | • | • | • | • | • | • | • | • |
| | 3,98,47 | 19,63 | 5,42 | -19,96 | 37,00 | 42,22 | 34,94 | -2,60 | 33,81 | 2,18 | 5,51,11 |
| 2. May | • | • | • | • | • | • | • | • | • | • | • |
| | 4,07,41 | 46,22 | -7,55 | 9,15 | 1,70,00 | 57,75 | 30,09 | -2,22 | 22,31 | 5,20 | 5,67,06 |
| 3. June | • | • | • | • | • | • | • | • | • | • | • |
| | 3,87,77 | 72,59 | -13,07 | 91,80 | 64,00 | 49,41 | 22,79 | 1,76 | 15,75 | 1,74 | 6,94,54 |
| 4. July | • | • | • | • | • | • | • | • | • | • | • |
| | 3,45,16 | 93,25 | -43,13 | 1,43,31 | 2,27,00 | 9,08 | -2,49 | -3,60 | 38,53 | -1,26 | 8,05,86 |
| 5. August | • | • | • | • | • | • | • | • | • | • | • |
| | 2,93,14 | 72,93 | -75,40 | 1,40,91 | 3,16,00 | 5,13 | -17,22 | -14,66 | 33,63 | -6,06 | 7,48,40 |
| 6. September | • | • | • | • | • | • | • | • | • | • | • |
| | 2,47,47 | 51,73 | -1,23,77 | 1,19,04 | 2,49,00 | -85,95 | -25,88 | -30,92 | 26,50 | -15,76 | 4,06,46 |
| 7. October | • | • | • | • | • | • | • | • | • | • | • |
| | 1,74,83 | 34,15 | -1,24,06 | 78,50 | 1,61,00 | -1,01,04 | -23,95 | -52,73 | 43,82 | -15,58 | 1,74,94 |
| 8. November | • | • | • | • | • | • | • | • | • | • | • |
| | 1,05,49 | 22,69 | -1,40,55 | 35,01 | 1,07,00 | -1,35,52 | -25,94 | -71,70 | 35,80 | -21,04 | -88,16 |
| 9. December | • | • | • | • | • | • | • | • | • | • | • |
| | 68,85 | 10,68 | -1,69,24 | 51,16 | 70,00 | -1,51,73 | -36,94 | -84,35 | 26,03 | -28,52 | -2,44,06 |
| 10. January | • | • | • | • | • | • | • | • | • | • | • |
| | 1,50,40 | 58,83 | -1,29,01 | 1,24,73 | 1,14,00 | -1,45,27 | -9,96 | -85,29 | 47,06 | -29,79 | 96,70 |
| 11. February | • | • | • | • | • | • | • | • | • | • | • |
| | 2,80,24 | 1,52,31 | -1,61,46 | 1,62,44 | -2,49,00 | -1,33,39 | -16,78 | -14,55 | 41,86 | -30,07 | 5,29,60 |
| 12. March | • | • | • | • | • | • | • | • | • | • | • |
| | 3,08,30 | 38,75 | 1 | 12,05 | 92,32 | 5 | 13,19 | 1 | 16,32 | 1 | 4,81,01 |

APPENDIX IV.

**LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT,
GOVERNMENT OF INDIA, No. 99-REP. 6-35, DATED THE 27TH MARCH
1935.**

**SUBJECT :—*Appropriation Accounts (Posts and Telegraphs Department)
1933-34 and the Audit Report 1935.***

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96D (1) of the Government of India Act, I have the honour to transmit herewith, for submission to the Committee on Public Accounts, and for necessary action by the Government of India, two copies of the Appropriation Accounts of the Posts and Telegraphs Department for the year 1933-34 and the Audit Report, 1935, issued by the Accountant General, Posts and Telegraphs.

2. The Accounts and the Report have, as usual, been subjected to a detailed examination in my office. I have satisfied myself that the Accounts are in order and that the Report contains all the information necessary for the purposes of the Public Accounts Committee.

It will be seen that the report, while it is brief, is at the same time comprehensive ; and there is nothing of substance which I can add to it. For the convenience of the Public Accounts Committee, however, I invite particular attention to the Accountant General's discussion of the following topics :—

- (a) The financial position of the Department—paragraphs 55 to 56.
- (b) The standard of financial administration—paragraphs 80 to 88.
- (c) The balance of stores in stock—paragraphs 60 to 62.
- (d) The percentage cost of establishment employed on works—
paragraph 89.

3. The financial position of the Posts and Telegraphs Department is not yet satisfactory ; but for the first time in recent years the accounts show some signs of improvement and of an approach to a more stable and certain position. It will be seen also that the year was marked by active effort to improve the financial administration of the Department in system and in practice. I am sure that the effort has been well directed ; and I trust that the results disclosed by the accounts of the current and subsequent years will show that it has been successful.

APPENDIX V-A.

**LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT,
GOVERNMENT OF INDIA, No. T-336-REP. 5-35, DATED THE 5TH JUNE
1935.**

**SUBJECT :—*Appropriation Accounts (Defence Services) 1933-34 and the
Audit Report 1935.***

I have the honour to forward herewith for necessary action two copies of the Appropriation Accounts of the Defence Services for the year 1933-34 prepared by the Financial Adviser, Military Finance, together

with two copies of the Audit Report, 1935, prepared by the Director of Army Audit.

I also transmit herewith two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Central Government in respect of Defence Services for the year 1933-34, together with two copies of the relevant Appropriation Accounts, and the Reports thereon prepared by the Auditor of Indian Home Accounts.

It is understood that these documents will, as usual, be subjected to a preliminary examination by the Military Accounts Committee before being presented to the Public Accounts Committee.

2. *Outstanding questions.*—I presume that the Military Accounts Committee will, as usual, first go through the list of questions outstanding from previous discussions (Appropriation Accounts—Appendix A). Some of the questions included in this appendix are of considerable importance.

3. *Appropriation audit.*—I invite attention to the Financial Adviser's review of the financial administration of the year and of the results of his appropriation audit which is given in paragraphs 1 to 25 of the text preceding the Appropriation Accounts. As in previous years, the analysis thus given is full and accurate, and I consider that, so far as control of expenditure in bulk is concerned, the financial administration of the year has been shown to be careful, efficient and, in the abnormal circumstances mentioned by the Financial Adviser, successful.

4. *Review of Military Engineer Services expenditure.*—I next invite attention to the special review of the Military Engineer Services expenditure of the year given in paragraphs 147 to 162 of the Financial Adviser's presentation of the Appropriation Accounts. From paragraph 159 it will be seen that the Financial Adviser has carried out a detailed examination of variations which have occurred between the estimates of cost of individual works and the actual expenditure incurred. This is in pursuance of a view expressed in recent years (*cf.* item 1, Appendix A—outstanding questions) that particular attention should be given to this aspect of the financial control of Military Engineer Services expenditure. The Director of Army Audit has not found it necessary to express any comment of his own as regards such variations, and I understand that actually control in this respect has shown improvement. At the same time, I wish to make the two following suggestions for the future, namely—

- (1) that variations from (a) original estimates and (b) the year's appropriation, in the case of works of major importance or higher value, should be exhibited in the Appropriation Accounts ;
- (2) that a detailed account of the utilisation of the Military Engineer Services Reserve might also be given in the Appropriation Accounts.

The latter of these suggestions is prompted, *inter alia*, by the decision so far reached on item 4 of Appendix A—outstanding questions.

There are other passages of interest which bear upon the question of improving the whole system of administration of Military Engineer

Services expenditure. Paragraph 56 of the Audit Report refers to certain new arrangements and new machinery which are being introduced for the purpose of strengthening financial control. Item 13 in Appendix A—outstanding questions—reproduces the proposal made by the Public Accounts Committee last year, namely, that the Military Accountant General and Auditor General should examine the desirability of having trained Works Accountants for Military Engineer Services audit and that they should make joint recommendations. Owing to delay for which I am afraid my own Department is responsible this question has not yet been pressed to a final conclusion. I note, however, that in the course of the year further evidence has been forthcoming which strengthens my belief that the existing system under which the Military Accounts Department does not undertake to produce trained Works Accountants, like the Divisional Accountants in the offices of Civil Accountants General and in the Civil Public Works Department Divisions, is definitely unsatisfactory. In departmental discussions of the year the question was also raised whether it is right that the system of accounts, adult and disbursement prevailing in the Military Engineer Services *cum* the Military Accounts Department should be so widely divergent from that which long experience has shown to be desirable in the Civil Public Works Department : and actually in the course of last month a Committee was appointed which has already reported and has dealt with this matter in a very satisfactory way. On all matters of important principle the Engineer-in-Chief, the Financial Adviser, Military Finance, and my department are now definitely agreed, and I trust that the recommendations of the Committee which include a measure of specialisation in the training of subordinate accounts staff will soon be adopted.

5. *Appendix E—Stores Transactions.*—Attention is invited to paragraphs 68 to 70 of the Audit Report. There are two questions outstanding in regard to the adequacy of the information furnished in this appendix, the presentation of which has been instituted as a result of discussion in the Military Accounts Committee on the Accounts of 1929-30. These questions are—

(a) The possibility of amplifying the first part of Appendix E so as to give information regarding a larger number of categories of stores. At present, there are certain important omissions, for example Mechanical Transport stores.

(b) The exhibition in a valued statement of surplus and obsolete stores which have been disposed of during the year. At present no information in regard to these is furnished, but the Financial Adviser, at my request, has undertaken to maintain figures of losses (which may of course be inevitable losses) on disposal of obsolete and surplus stores. A beginning has already been made with this, and here also as in (a) above there is a question of the possibility of exhibiting losses under all important categories of stores, and also the question of how far the information so tabulated can be used as an instrument of control and of detecting cases of overstocking. The matter will be pursued by me in consultation with the Financial Adviser but the Military Accounts Committee might, I think, usefully give their consideration also to this matter and form an opinion whether what is being done is likely to be advantageous.

The question of the adequacy of the present arrangements for the control of expenditure on stores also arises out of the qualification in the audit certificate of the Military Accountant-General given in paragraph 38 of the Financial Adviser's Appropriation Accounts. The question is not a new one, *vide* item 6 of Appendix A—outstanding questions. As regards Royal Air Force Stores in particular, the question of improving the present "provisioning" arrangements and of authoritatively prescribing suitable limitations on store holding has received special, though only preliminary attention, during the past year, and the Military Accounts Committee when they meet will, I have no doubt, wish to have any further information then available on this important subject.

6. *Appendix L—Special expenditure on Territorial Force.*—The Director of Army Audit expects to have final figures available by the time the Military Accounts Committee meet. The point of concrete financial importance will be whether the amount refundable to general revenues has been agreed upon and refunded.

7. *Financial irregularities—Report of the Director of Army Audit, paragraphs 6 to 51.*—The question of the number and the significance of financial irregularities occurring in the administration of the Defence Services received special attention in last year's report when I was constrained to observe that the cases brought to notice taken as a whole seemed to afford evidence that there was considerable laxity of view and an insufficient sense of responsibility in financial matters, not in the administration as viewed in the abstract, but amongst individuals. It is regrettable that this year's report should again include an undesirably large number of cases pointing to the same conclusion. The following appear to be the most important types of irregularity reported on this occasion—

- (1) Cases of serious fraud attributable to lax supervision and also in some instances to ineffectual audit by the Local Audit Branch of the Military Accounts Department—*vide* paragraphs 24, 25, 31, 32, 35 and 46. The case reported in paragraph 29 also merits attention.
- (2) Cases of inadmissible money claims supported by incorrect certificates—*vide* paragraphs 22, 23, 33, 37, 38, 39 and 45. In connection with these and the remarks in paragraph 8-C of the Audit Report it is relevant to quote the observation made last year by the Military Accounts Committee.

"They also desired to record their opinion that the punishment awarded in some cases was entirely inadequate and that the administrative authorities appeared to take a far too lenient view of cases where the furnishing of false certificates was deliberate."

I hope that the instructions which last year His Excellency the Commander-in-Chief undertook, to issue, to ensure more stringent observance of financial principles, will be reflected in the results of future years.

APPENDIX V-B.

LETTER FROM THE AUDITOR-GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, No. T.-604-REP.]5-35, DATED THE 28TH JUNE 1935.

SUBJECT :—*Appropriation Accounts (Defence Services) 1933-34 and the Audit Report 1935.*

In continuation of my letter No. T.-336-Rep.]5-35, dated the 5th June 1935, forwarding copies of the Accounts and Report mentioned above, I have the honour to forward herewith for necessary action two copies of the Commercial Appendix to the Appropriation Accounts of the Defence Services for the year 1933-34 and the Report of the Director or Army Audit thereon.

2. I also forward herewith two copies of the General Review of the Financial Adviser, Military Finance, on the accounts of the manufacturing concerns of the Army for 1933-34. The asterisks and their explanatory remarks appearing on pages 8 and 9 of this Review may be treated as cancelled as the figures in question have since been finally accepted by the Director of Army Audit.

3. This is the first occasion on which a general review on the accounts of the manufacturing concerns of the Army has been prepared by the Financial Adviser, Military Finance. In my opinion this review is excellent, and, in point of substance, this year's presentation of these commercial accounts is quite the best that has so far been made. It is hoped that there will be a further improvement next year when the Financial Adviser's review, the commercial accounts themselves and the report of the Director of Army Audit are brought together in one volume.

4. There is nothing in the Financial Adviser's General Review or in the report of the Director of Army Audit which I desire to qualify. There are however certain individual matters which have attracted my attention and to which I wish to draw the attention of the Public Accounts Committee. These are :—

(1) *Okara Farm*.—Utilisation of profits (paragraph 8 of Financial Adviser's General Review).

(2) *Medical Store Depots and Workshops*.—The loss on working, the method of costing and the allocation of the cost of the Stores Section of the Director-General, Indian Medical Service (paragraphs 10 to 12 of Financial Adviser's General Review).

(3) *Ordnance and Clothing Factories*.—

(a) Issue rates, etc., (paragraph 10 of Director's report and paragraphs 23 to 25 of Financial Adviser's General Review).

(b) Comparative cost of manufacture in England and in India (paragraph 28 of Financial Adviser's General Review).

(c) Stock balances, etc., (paragraphs 12 to 14 of Director's report and paragraphs 17 to 19 of Financial Adviser's General Review).

(d) Irregularities in Building Block Register (paragraph 20 of Director's report).

APPENDIX VI.

Memorandum furnished by the Central Board of Revenue regarding the fixation of a monetary limit below which extra statutory remissions of revenue in the Northern India Salt Revenue Department need not be included in the statements to be submitted annually to the Principal Auditor.

In August 1932, the Government of India, with the concurrence of the Auditor General, issued certain rules for the exhibition of losses in Government Accounts and Appropriation Accounts. Under Note 1 below Rule III, Section I (Annexure), Heads of Departments are required to submit annually to the Principal Auditors concerned statements showing the extra-statutory remissions of revenue and abandonments of claims to revenue sanctioned during the preceding year, unless the Local Governments concerned have fixed monetary limits below which individual remissions need not be included in the statements.

2. In the Kohat Division of the Northern India Salt Revenue Department salt is supplied free of duty and price to the workers in the quarries, the weighment coolies at the Depot and the preventive staff. This concession has been enjoyed by these people for many years. The Government of India have reconsidered the question of the continuance or otherwise of this concession and have, after careful consideration, decided that it should continue and have regularised the existing practice by formal orders. The concession involves the extra-statutory remission of revenue on account of duty. As the duty and price on salt are realised in accordance with an Act of the Legislature and the rules made thereunder by the Governor General in Council, their remission is to be reported to the Principal Auditor unless a limit below which they need not be included in the statements is fixed in consultation with the Public Accounts Committee. The remission of duty granted on this account during 1932-33 amounted to Rs. 281-10-3. No remission of revenue is involved on account of price as the salt at Kohat is the property of the quarry owners and no price is paid to them for the salt supplied free to the staff.

The Government of India propose that the limit below which the remission of duty at Kohat should not be included in the statement should be fixed at Rs. 500.

ANNEXURE TO APPENDIX VI.

EXTRACT FROM RULES FOR THE EXHIBITION OF LOSSES IN THE GOVERNMENT ACCOUNTS AND IN THE APPROPRIATION ACCOUNTS.

SECTION I.—*Rules for the guidance of the Executive Officers.*

* * * * *

III. Heads of Departments should submit annually to the Principal Auditors concerned statements showing the remissions of revenue and abandonments of claims to revenue sanctioned during the preceding year by the local authorities in exercise of the discretionary powers vested in them and which are not mandatory under a specific provision in a statute or statutory rule. For inclusion in these statements, remissions and abandonments should be classified broadly with reference to the grounds on

which they were sanctioned, and a total figure should be given for each class. A brief explanation of the circumstances leading to the remission should be added in the case of each class.

NOTE 1.—A Local Government may make rules defining remissions and abandonments of revenue for the purpose of this rule, and may, after consultation with its Public Accounts Committee, fix monetary limits below which individual remissions need not be included in the statements.

APPENDIX VII.

Memorandum on the simplification of the procedure of apportionment of receipts and expenditure in the Posts and Telegraphs Department furnished by the Financial Adviser, Posts and Telegraphs (*vide* paragraph 23 of the proceedings of the third meeting of the Public Accounts Committee at page 32 of Volume I of the Report of the Public Accounts Committee on the accounts for 1932-33).

In the memorandum presented to the Public Accounts Committee last year which is printed as Appendix XI at pages 96—119 of Volume I of the Report of the Public Accounts Committee on the accounts for 1932-33, the system of apportionment obtaining at present, between the constituent branches of the Posts and Telegraphs Department, of receipts and expenditure which relate to more than one branch has been described. A suitable allocation of the receipts and expenditure is necessary in order to know the financial result of the working of the several branches and it has been generally accepted that the distribution made is fair to the branches concerned. The question was, however, raised in the third meeting of the Public Accounts Committee held on 30th June 1934 whether the existing method of apportionment was not very elaborate and meticulous and whether it was not possible to devise a simpler method of apportioning the cost which might be revised periodically.

2. The matter has been carefully examined in consultation with the Auditor General and the Accountant General, Posts and Telegraphs. Broadly, the allocation is made on the basis—

- (1) of *ad hoc* enumeration or calculations ; or
- (2) of booked accounts figures, the actual distribution being made according to fixed percentage or by the application of simple arithmetic or in some cases a lump sum being fixed for a period of years.

3. The existing method of arriving at the adjustments referred to in the second category mentioned above are simple enough and no change is considered necessary.

4. In regard to the first category, however, it has been found feasible to simplify the procedure. The more important cases are briefly mentioned below :—

- (i) *Telegraph share of the cost of combined offices.*—As explained in paragraph 14 of the memorandum cited in paragraph 1 above the distribution was hitherto made with reference to an elaborate calculation, every year, of the work done by combined offices in respect of telegraph traffic. It has been decided to discontinue this and to determine the telegraph

share by multiplying the number of transactions during the year by the average cost per transaction during the last 3 years. The position will be reviewed after 2 years and the rate per transaction will, if necessary, be revised in the light of further experience.

- (ii) *Telegraph share of revenue derived from the sale of stamps.*—As an experimental measure, the departmental telegraph offices have recently been intimated to keep an account of the value of postage stamps affixed to inland telegrams so that the telegraph share of revenue might be computed directly and the question of modifying (or dispensing with) the special annual enumeration and compilation which also serves other purposes will be considered after some experience is gained of the new arrangement.
- (iii) In the following cases of interbranch adjustments also, special compilations of statistics will be discontinued as it has been decided for purposes of adjustment to fix a lump sum figure for a period of 3 years :—
- (a) Cost of conveyance by post offices of mail matter of other branches ;
 - (b) Issue of service telegrams by other branches ; and
 - (c) Despatch of postal service telegrams to Ceylon.

APPENDIX VIII.

Memorandum on the percentage of the cost of establishment to expenditure on works in the Posts and Telegraphs Department, furnished by the Financial Adviser, Posts and Telegraphs, with reference to paragraph 66 of the Proceedings of the Public Accounts Committee relating to the accounts of 1931-32, Part I.

A reference is invited to item 19 of the Statement of recommendations made by the Public Accounts Committee which are outstanding (*Appendix I*).

The question of compiling cost statistics showing the percentage of the cost of establishment to works expenditure in the Posts and Telegraphs Department has been the subject of examination for some years. Various methods of compilation were attempted, but it was eventually found that the results so obtained were not of much practical value and were not susceptible of comparison between one Circle or Division and another. The principal difficulties in the way of compiling suitable cost statistics are briefly as follows :—

- (1) The bulk of the staff engaged on the work relating to the telegraph and telephone lines and apparatus and plant is there chiefly to ensure the maintenance of telegraph and telephone communications. The work that they do does not bear a definite relation to the works expenditure involved. In other words, the staff is regarded as a sort of insurance against interruptions and will largely have to be retained even if their work measured in terms of 'works' expenditure shows a variation.

- (2) Although the subordinate staff is largely determined with reference to the line mileage (or number of telephone connections, etc.), yet the formula is not uniform as varying standards have had to be fixed in order to make allowance for the difficulty of the country in which the work has to be done (according as the line is along Railway or otherwise) and the nature of the line (Telegraph, Telephone, control wires, etc.), required to be attended to.
- (3) Again, the maintenance expenditure generally allowed per mile of line is also not uniform and varies with the nature of the country and the importance of the line to be attended to.
- (4) Further, the inclusion of expenditure on capital works vitiates the percentages. As such works are undertaken on commercial considerations and are not executed uniformly in all divisions and circles the variations caused by this factor alone are obvious. The establishment employed on capital works consists partly of the regular staff (especially the superior supervisory staff) and partly of special staff.

2. The matter has been examined with a view to isolate as far as possible the disturbing factors mentioned above and cost statistics have now been prepared for two Circles. In compiling them, all expenditure on capital works (including revenue portion) costing above Rs. 5,000 together with the additional staff specially sanctioned therefor has been excluded for the reasons mentioned in the preceding paragraph. Further, only the staff below the rank of Divisional Engineer is taken into account, as it is chiefly the cost of the lower supervisory and subordinate staff which has an intimate relation to the volume of work executed, and for the same reason all overhead charges relating to Direction and Control, Accounts and Audit, etc. have also been excluded. Before, however, these statistics can be properly interpreted it will still be necessary to apply certain corrections. In actual practice, this will largely mean verifying the basic data with reference to which the staff has been regulated. The problem, therefore, resolves itself into one of satisfying ourselves as to the adequacy of the basis of calculations of staff. As stated already, the bulk of the staff is determined with reference to formulae which have been reached after a careful and detailed examination of the requirements of the Department over a long period of years, and whenever any large increase in staff is demanded the position is reviewed exhaustively with reference to all the relevant factors such as the statistics of line and wire mileage, the number of telephone connections and the special features of the localities concerned. The cost statistics may, however, be expected to provide, subject to the corrections envisaged in the preceding paragraph, an independent background and to ensure a periodical review of the standards adopted in determining staff. It is proposed therefore to compile these statistics in future as a temporary measure purely for departmental use. The position will be reviewed after two or three years, and if experience shows that the statistics are not of much practical value for purposes of control they might have to be given up.

3. The statistics have been prepared departmentally from the figures communicated by Divisional Officers supplemented by the information available in the audit office and have not yet been checked in audit. The

remarks of the Accountant General are being invited on the adequacy of these statements and also whether the figures of each division are easily susceptible of verification with the figures in the audit office.

Both the Auditor General and Accountant General have, however, seen them informally and they are inclined to think that they will probably meet the requirements. After they have scrutinised the proposal in detail, instructions will be issued to Heads of Circles for the submission of such statements in future commencing with the year 1934-35.

APPENDIX IX.

Memorandum furnished by the Department of Education, Health and Lands regarding the Mathematical Instrument Office—(Commercial Accounts).

The Mathematical Instrument Office is divided into the following sections of each of which accounts are, or conveniently can be, separately kept :

- (1) Workshops including material Store.
- (2) Serviceable Store.
- (3) Dump and Repairable Store.
- (4) Office.

2. Of these No. (3) is by a decision of 1924 already treated as not expected to show a profit ; dump, mobilization, and repairable stores do not bear their share of interest on capital and the cost of management is excluded from the Profit and Loss account. No. (4) is part of the overhead charges allocated to the other sections.

3. Of the remaining two sections :—

(1) The Workshop section should be so constituted that over a period of some years there should be no loss to Government, provided it is not called upon to bear more than its fair share of general and other overhead charges.

With this proviso, if there is a continual loss then either labour or supervision charges or both should be reduced or prices for work should be increased. Alternatively if manufacture of certain instruments cannot be made to pay, it might be abandoned. The section therefore can fairly be regarded as commercial.

(2) The Serviceable Store section is however on quite a different footing. It provides a service of great importance to such technical departments as the Survey of India, Railways and Public Works Department. It must carry a large stock of instruments if it is to satisfy its customers. Designs are constantly changing but while some indentors will insist on the latest model, say of a theodolite, others will prefer an older model which they have been accustomed to use. Many different patterns must therefore be stocked and as the price of a theodolite may be as much as Rs. 2,000, it can easily be seen that the value of stock, on which interest has to be debited, must reach a high figure. Moreover the greater the stock the greater the cost of supervision and stock taking. Further since the demand for many classes of instruments is

irregular, it must often happen that they remain in stock for over 2 years by which time the whole of the 10 per cent. profit on a subsequent sale has been swallowed up by the interest on capital only and nothing is left to meet supervision, rent, pensionary contribution and other overhead charges.

The section's sole source of profit however is the surcharge above the book values that is recovered from purchasers. This surcharge is now 10 per cent. for imported, manufactured and repaired stores and 5 per cent. for locally purchased stores. These percentages were very carefully worked out to balance expenditure in 1923 at a time when issues from the section amounted to between 4 and 5 lakhs, when interest on capital (a heavy charge on this section) was about $3\frac{1}{2}$ per cent. and before several items of the present overhead charges, e.g., audit fee, had been levied. With the reduction in issues to about 2 lakhs and an increase in the rate of interest to over 5 per cent. it is obvious that this section must run at a loss. Practically speaking no economies in running the section can be made, for the direct charges are negligible and consequently the loss on the section can be reduced only by increasing the receipts, i.e., the rate of surcharge, or by reducing the overhead charges the section has to bear.

4. The Government of India after careful consideration have come to the conclusion that neither of these alternatives is satisfactory. The first would merely transfer the expense to other departments of Government while the second would mean either imposing an undue proportion of overhead charges on the Workshop section or masking the full amount of overheads that falls on the office as a whole. There is however a third possible course, i.e., to debit this Section with its fair share of overhead charges but to disregard any resulting loss and it is this course that has commended itself to the Government of India. Essentially this section is much more of the nature of a Service Department than of a Commercial Department. The conditions under which it works, that it has to maintain stocks of new or repaired instruments for departments which are bound to deal with it, and that it cannot adopt ordinary commercial methods of running, make the section much more like, say, the Stationery and Printing Department or the Indian Store Department.

5. The Government of India have therefore, in consultation with the Auditor General in India, sanctioned the separation of the commercial accounts of the Mathematical Instrument Office, Calcutta, into two portions, serviceable stores and workshops, each with its own Profit and Loss account, in order to secure a more reliable basis for determining the commercial success or failure of the office.

APPENDIX X.

Memorandum on overhead costs of Salt at Sambhar and Khewra furnished by the Central Board of Revenue on the 27th August 1935.

The Central Board of Revenue was asked to prepare a note for the Public Accounts Committee on the wide disparity between the overhead cost per maund of salt at Sambhar and at Khewra as displayed in the table contained in paragraph 91 of the Commercial Appendix to the Appropriation Accounts (Civil), 1933-34.

2. The attached table analyses in a convenient form the figures for these sources contained in the cost sheet which appears in paragraph 101 of that Appendix. It will be seen that the overhead cost per maund for 1933-34 was made up as follows :—

| | Sambhar. | | | Khewra. | | |
|------------------------------|--------------|----|----|--------------|----|----|
| | Annas. Pies. | | | Annas. Pies. | | |
| (1) Royalties | 1 | 11 | 12 | .. | .. | .. |
| (2) Service of Capital | 0 | 7 | 09 | 0 | 11 | 21 |
| (3) Other overheads | 0 | 2 | 39 | 0 | 3 | 07 |
| | 2 | 8 | 60 | 1 | 2 | 28 |

It will be seen that the difference is more than covered by the royalties payable to the Jaipur and Jodhpur Durbars at Sambhar. There are no royalties payable at Khewra.

3. At Sambhar (a salt lake) salt is made by solar evaporation ; at Khewra it is extracted in the form of rock salt by mining. Not only are the overhead charges less at the former place, but so also is the prime cost (manufacturing or excavation, respectively). The result is that despite the heavy incidence of royalties, the combined cost of Sambhar salt is less than that of Khewra salt (3 as. 8.27 p. against 4 as. 4.93 p.). Physical differences account for the greater cheapness of Sambhar salt, both in prime cost and in general overheads ; this advantage is largely, but not wholly, removed by the royalties factor.

TABLE.

Analysis of Overhead Costs, 1933-34.

| | Sambhar. | | | Khewra. | | |
|---|-----------|------------|-------|----------|------------|-------|
| | Total. | Per maund. | | Total. | Per maund. | |
| | Rs. | As. | P. | Rs. | As. | P. |
| (1) Royalties and Compensations | 8,63,866 | 1 | 11-12 | .. | .. | .. |
| (2) Interest on capital and depreciation charges (less recoveries and interest on balances of depreciation funds) | 2,64,725 | 0 | 7-09 | 1,67,864 | 0 | 11-21 |
| (3) Other overheads .. | 89,381 | 0 | 2-39 | 46,088 | 0 | 3-07 |
| | 12,17,972 | 2 | 8-60 | 2,13,952 | 1 | 2-28 |

Quantity produced .. 71,73,280 maunds 28,75,661 maunds.

APPENDIX XI.

Memorandum furnished by the Chief Controller, Indian Stores Department, showing some instances in which the operations of the Indian Stores Department have resulted in savings to the using departments.

It will be appreciated that no reliable comparison of the operations of different purchasing agencies can be made unless it can be shown that tenders were called for at the same time for precisely the same goods,

and that packing, terms of delivery, method of payment and conditions of testing and inspection were identical. Such coincidences rarely occur, but generally it may be stated that the three chief factors which operate, either in combination or severally, to secure very low prices against Indian Stores Department tenders are—

- (1) The co-ordinating and bulking of demands.
- (2) The application of expert technical knowledge which leaves the purchasing agency free to depart with confidence from expensive proprietary types and qualities or special selections or preferences put forward by indenting officers.
- (3) The elimination of numerous varying designs and qualities and the adoption of a few standards for general use.

The following examples, typical of many, have been selected to show how in different circumstances and in different ways economies have been effected :—

- (1) An indent for an oil engine driven electric generating set was received, and as this set was required to be installed in a power station where a certain make of plant was already installed, the indenter preferred that the order should be placed for the same make of plant. Such preferences usually spell inflation of price by the particular manufacturer. The estimated cost given in the indent for the make of plant required was Rs. 47,387. Competitive tenders were called for by public advertisement, and tenders were received from the makers of the plant already installed and for other makes of plant. After consulting the indenter the order was placed for a different make of plant at a total cost of Rs. 37,872.
- (2) Electric lamps to the total value of approximately Rs. 7 lacs are purchased by hundreds of indentors throughout India against the Department's annual lamp contract. Under this contract the Indian Stores Department is able to obtain the best makes of lamps conforming to the standard specification at lower prices than any other purchaser in India. If each individual indenter out of the hundreds who require lamps, were to make his own purchases, he would have to pay at least $7\frac{1}{2}$ per cent. more than the price which he is required to pay when purchasing against the Indian Stores Department's contract. In this way a total annual saving of at least Rs. 50,000 is effected.
- (3) An indent was received for the supply of 5 electrically driven bore hole pumps. This indenter had already made enquiries for these pumps, and in his indent specified that the Indian Stores Department should place the order with a certain maker at a total cost of Rs. 45,000. The indenter was addressed and was told that it was proposed to invite tenders, and certain essential information was called for to enable a specification to be drawn up. The indenter replied that the maker he had mentioned in his indent knew all about the requirements and asked that an order be

placed forthwith. The Indian Stores Department replied that it could not agree to this procedure and insisted on getting full information of the requirements. On receipt of this the Department called for public tenders, and with the indenter's approval an order was placed for another make of pump at a total cost of Rs. 25,837. This resulted in a saving of Rs. 19,163 or approximately 42 per cent. It is also of interest to note that following the experience with the make of pumps which was ordered at this lower price, the indenter afterwards asked the Indian Stores Department to place repeat orders for this cheaper make which had proved most satisfactory.

- (4) An indent was received from a large Government Department for electric cable. A proprietary brand was specified. The Indian Stores Department insisted on calling for public tenders, and placed the order for exactly similar cable at a price which showed a saving of Rs. 4,663 over the price quoted for the brand specified by the indenter.
- (5) Orders to the value of approximately Rs. 2 lacs are placed by the Indian Stores Department for train lighting batteries annually. Before the Indian Stores Department took over the purchase of these for certain large Government buyers, orders were confined to one or two well-known and well-tried proprietary brands. When the Indian Stores Department commenced to purchase, the indentors were pressed to try other reputable makes, and as a result of introducing this competition savings of at least 10 per cent. have been effected.
- (6) An indent was received for 30 electric sterilisers required for a certain hospital. The indenter specified a certain make and specially asked that the order should be placed for this make at a cost of Rs. 150 each. The Indian Stores Department invited competitive tenders and received a tender from another firm offering exactly the same make of sterilisers at Rs. 107-8-0 each. The order was placed at the cheaper price. In this way the Department obtained for the indenter exactly what he wanted at a saving of 29 per cent.
- (7) Large quantities of Electrodes are required by different Government Departments. The total purchases amount to approximately Rs. 1½ lacs. Before the Indian Stores Department purchased this material, each of the numerous indentors purchased his own individual requirements. The Indian Stores Department collects the requirements of each indenter and combines them. An annual contract is then made for the combined requirements. As a result of the Indian Stores Department's activities, the requirements of large and small users are arranged at a very low price. The saving effected to the larger buyers is in the neighbourhood of 10 per cent. and to the smaller users 30 per cent., as a result of the Indian Stores Department arranging an annual contract.

- (8) The Inspector General of a certain province had in former years placed his contracts for boots and leather equipment with a particular firm in Cawnpore. When this business was entrusted to the Indian Stores Department competitive tenders were invited with the ultimate result that a saving in expenditure amounting to 14 per cent. was effected, although the Indian Stores Department contract was placed with the same firm. Since that time still further reductions in prices have been made, and other sources of supply have been utilised.
- (9) The purchase of khaki pugree cloth for the Police force of another province was made at a price which was 30 per cent. lower than that previously paid by the Police when purchasing direct from an importing firm. The material purchased by the Indian Stores Department was of Indian manufacture and of a quality equal to the imported material. This reduction in cost was achieved by bulking the Police demand with that of the Army which amount to 16 lacs of yards annually.
- (10) Khaki drill is purchased by the various Departments of Government, and the aggregate quantity is very large. Formerly Departments, such as the Police, made their own purchases, and various imported cloths were bought. The very large annual requirements of the Army are purchased by the Indian Stores Department from an Indian mill, and for the past few years the practice has been to collect the requirements of indenting authorities all over India and to combine them with the Army demand. The total amounts to about $1\frac{1}{2}$ million yards, and the smaller indenting authorities are now supplied with an Indian made cloth fully up to the imported standard of quality in prices ranging from 10 to 15 per cent. lower.
- (11) The Superintendent of a Jail placed an indent on the Indian Stores Department for a quantity of khaki twill cloth. This had formerly been purchased direct in an imported quality. The Indian Stores Department purchased an Indian made cloth of equal quality at a reduction in price of 9 per cent.
- (12) Khaki great coat cloth required by certain Police officers is now purchased from mills in India, whereas formerly imported material was used. The difference in price in favour of the Indian cloth is approximately 10 per cent. Another Police officer informed the Department that he was purchasing greatcoat cloth at Rs. 5-10-0 per yard. He was informed that the Indian Stores Department could purchase as good a quality from another Indian mill at Rs. 3-14-0 per yard. He wrote in reply that as a result of the information given to him his supplying mill had reduced the price to Rs. 4 per yard.
- (13) The Police Department of a certain province issues cotton banians to the Police, which they had been purchasing

direct at Rs. 1-4-8 each. The Inspector-General was dissatisfied with the quality he was receiving, and hence the matter was referred to the Indian Stores Department who made arrangements for supplies of an improved quality of Indian make at Re. 0-12-0 each. This accounts for a saving of Rs. 6,000 annually.

- (14) A certain Department of Government had been in the habit of making purchases of tents from a particular Jail. When this business was handled by the Indian Stores Department competitive tenders were called for, and contracts were made at prices 40 per cent. lower than those previously paid.
- (15) A certain State Railway had for some years entrusted its clothing contract to a particular firm of suppliers. When this business was undertaken by the Indian Stores Department proper specifications and drawings of all the items were framed and the business was given out to open competition, with the result that very substantial savings in expenditure have been made which are estimated to amount to Rs. 1,50,000 annually.
- (16) In purchasing carpets for certain State Railways the Indian Stores Department has been able to supplant imported carpets and to supply indigenous ones at a saving of about 20 per cent. in price.
- (17) The Indian Stores Department enters annually into a contract for supply of Indian made cement to indentors all over India. The approximate total value of cement delivered annually against this contract amounts to Rs. 16,00,000. A special discount of Rs. 3 per ton or roughly 6 per cent. is given to the Indian Stores Department.
- (18) A certain indenting authority had commenced negotiations for the supply of a very large quantity of insulating boards. A certain price had been mentioned, but when the matter was subsequently handled by the Indian Stores Department a reduction in price amounting to 8½ per cent. was obtained.
- (19) Every year the Indian Stores Department enters into a contract for the supply of lubricating and fuel oils for the State Railways and other indentors. In the past when these numerous indenting authorities had been making their own purchases there had been a tendency to confine the selections to certain tried proprietary brands. The contracting firms being aware of these preferences have been able to inflate prices. When the Indian Stores Department took over this business this situation was appreciated, and from that time on it has been the established practice to call a conference in the Indian Stores Department Head Office of the larger indenting authorities. In this way it has been possible to demonstrate to users the financial

effect of a persistent adherence to a particular brand, and the interchange of the results of practical experience of other types and brands of oil, coupled with test results obtained from the Government Test House, have been instrumental in breaking down these prejudices and in obtaining a very much lower general level of prices. It has been possible to compare the prices of the brands indented for with the prices of those actually purchased with the consent of the indenting authorities as a result of the Conference. The figures given below furnish this comparison :

| Year. | Total purchases if brands asked for were given. | Total purchases of brands purchased. | Saving. | Saving per cent. |
|-------------------|---|--------------------------------------|----------|------------------|
| | Rs. | Rs. | Rs. | |
| 1929-30 | 1,06,999 | 70,590 | 36,409 | 34.0 |
| 1930-31 | 6,40,086 | 6,18,316 | 21,770 | 3.4 |
| 1931-32 | 31,269 | 27,394 | 3,875 | 12.4 |
| 1932-33 | 9,22,178 | 7,99,782 | 1,22,396 | 13.3 |
| 1933-34 | 12,31,164 | 11,01,345 | 1,29,819 | 10.5 |
| 1934-35 | 3,818 | 2,656 | 1,162 | 30.4 |

A contract is arranged annually for the supply of an indigenous oil to Railways on a sliding scale of rates varying on quantities drawn during the year. The following statement shows the savings effected by the bulking of demands for various Railways :

| Year. | Total cost if Railways purchased direct individually. | Total cost by purchasing through the Indian Stores Department. | Saving. | Saving per cent. |
|-------------------|---|--|----------|------------------|
| | Rs. | Rs. | Rs. | |
| 1929-30 | 11,10,821 | 8,68,460 | 2,42,361 | 21.8 |
| 1930-31 | 5,48,550 | 4,26,650 | 1,21,900 | 22.2 |
| 1931-32 | 7,48,125 | 5,81,375 | 1,66,750 | 22.3 |
| 1932-33 | 4,99,533 | 4,25,135 | 74,398 | 14.9 |
| 1933-34 | 6,16,823 | 5,50,396 | 66,427 | 10.7 |
| 1934-35 | 8,56,107 | 7,63,911 | 92,196 | 10.8 |

The services of the Stores Department are utilised by officers of all the Provincial Governments in India more or less for the purchase of their requirements. Though the Local Governments are entirely autonomous in this respect, the Bombay Government have laid down that all purchases in India above Rs. 500 each in value shall be made through the agency of the Indian Stores Department subject to executive orders regarding purchase of stores from Jails or Government Workshops or the Stationery Department not being affected. As regards the purchase of certain classes of stores through the Local Government's Stationery Department, the question was recently examined in a conference of Divisional Commis-

sioners in the Presidency. The finding of this conference, an extract of which follows, is illuminating :—

“ We have the honour to report that we have discussed in conference the question referred to us under Government Memorandum, Finance Department No. 393-B., dated the 22nd December 1934. The heads of departments, the Collectors of Districts and in some cases the District Judges have been consulted. As to the first point referred to us whether supply be centralised or decentralised, the consensus of opinion appears to be that the cloth supplied by the Superintendent of Stationery is not satisfactory. It does not wear well and the coloured cloth is reported to fade in a short time. The Inspector-General of Police reports that if the supply of cloth is entrusted to the Indian Stores Department, he would agree to centralisation of supply, but not otherwise. The Inspector-General of Police's opinion is supported by the Manager, Photo Zinco Press, who indents on the Indian Stores Department Circle, Bombay, for large quantities of cotton cloth. *He states that a special textile section under a textile expert for the purchase of textile goods is attached to the Indian Stores Department and that he has been satisfied with the quality of the material and with the very reasonable price quoted. We are of opinion that in future all supplies should be obtained from the Indian Stores Department Circle, Bombay.*”

The Central Provinces Government have also ordered that “ in the case of purchases in India above Rs. 500 in value indenting officers must use the agency of the Stores Department unless they can show that they can themselves purchase the materials more cheaply or, in a case of urgency, more expeditiously.”

The Accountant-General, Madras, drew the attention of his Government to the advantages which might be gained by the Jails in that Presidency by utilising the Indian Stores Department annual contracts. The Madras Government issued orders to the Inspector-General of Prisons to utilise the contracts of this Department. The Accountant-General also reported in the Appropriation Report for 1931-32 a few instances of losses sustained by the direct purchase of stores by certain officers of the Madras Government instead of obtaining their requirements against the contracts arranged by this Department. Extracts from a letter from the Accountant-General, Madras, to the Inspector-General of Prisons and from the Report of the Public Accounts Committee on the accounts of 1931-32 are attached.

The Indian Stores Department has for some years past been receiving an increasing number of demands from Indian States, Municipalities and District Boards for such materials as fuel oil, lubricating oil, petrol, cement road dressing materials, etc. Details of purchases made for these authorities will be found in the Annual Reports of the Department.

Requests are also occasionally received from the authorities of Colonial Governments and the Crown Agents for the Colonies for the purchase and inspection of their requirements. Several private firms and public utility companies have also expressed a desire to be permitted to utilise the contracts arranged by this Department, which, however, cannot be permitted under the rules. These demands for our assistance are conclusive evidence

that these authorities find it to be ~~more~~ economical to make their purchases through this Department than to purchase direct.

A detailed examination of our past records would furnish material for many more instances of savings which have been effected in the expenditure of using Departments through the operations of the Indian Stores Department, but as this examination would take considerable time it is thought that the instances herein quoted will suffice for the purpose the Public Accounts Committee have in view. It will also be remembered that the working of the Indian Stores Department was the subject of a critical and searching examination by the Retrenchment Committee in 1931, and the findings of that Committee which are fully recorded in their report were entirely favourable to this Department.

EXTRACT FROM THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (GOVERNMENT OF MADRAS) ON THE ACCOUNTS OF 1931-32.

Section III—Comments on general matters arising out of the present report.

20. PURCHASE OF STORES.

(Page 204—Paragraph 6 of the Accountant-General's Report.)

The instructions issued by the Government in regard to the purchase of stores require *inter alia* that indenting officers, when calling for tenders, should also consult the Indian Stores Department, Delhi, so that ~~indents~~ may be placed through that department.

The Accountant-General has reported that in the following three cases loss to the extent of Rs. 2,595 was sustained by Government due to the non-observance of these instructions :—

- (i) In one division, 110 tons of Charminar brand of cement were purchased during 1930-31 and 1931-32 from a firm at Rs. 48 and Rs. 49|4|0 per ton, respectively, though the Indian Stores Department had entered into a contract with the same firm for the purchase of cement during the above period at Rs. 36|12|0 and Rs. 40 per ton, respectively. As the purchase in question was not effected through the agency of the Indian Stores Department, the firm declined to receive payments at lower rates. The head of the department has impressed on the divisional officers the need to utilize the agency of the Indian Stores Department, if the rates notified by it are found advantageous.
- (ii) In another division, the tender for the supply and delivery of 62 tons of Lakshmi brand cement at Rs. 64|8|0 per ton in preference to the Charminar cement at Rs. 54|8|0 per ton was accepted on the ground that a consignment of the latter brand received on a previous occasion was found "to be setting within 10 to 15 days". The head of the department, however, agreed with the Superintending Engineer, that to declare Charminar cement unsatisfactory because a supply of four bags received in October 1930 was found to be

setting within 10 to 15 days was a hasty decision and observed that orders regarding the general purchase of Charminar cement had already been issued in 1926 and that necessary precaution to receive the supplies in water-proof bags during the monsoon season so as to prevent setting should have been taken by the Divisional Officer.

- (iii) In a third division, 88 tons of Lakshmi brand cement were purchased at Rs. 67|3|0 per ton, while the rate notified by the Indian Stores Department for the supply and delivery of Charminar cement was only Rs. 58 per ton.

The following note was placed before us by Government :—

“ In December 1929 the Government observed that indenting officers did not make sufficient use of the agency of the Indian Stores Department, Delhi, for the purchase of articles manufactured in India and drew their attention to the system of “ rate ” and “ running ” contracts which had been entered into by the Indian Stores Department for a large variety of stores and desired that indenting officers when calling for tenders should also consult the Indian Stores Department, Delhi, so that contracts might be placed with them if the rates quoted by them were found to be economical. These instructions are generally followed by the officers of the Department.

“ As regards the three cases mentioned by the Accountant-General, further detailed enquiries go to show that in the first case, cement for works in the division was required in small quantities and at different times of the year and it was therefore not possible to forecast the annual requirements in advance for arrangements being made through the Indian Stores Department.

In the second case the works for which the cement was required were very urgent—they were in connection with the repair of cyclone damages. The Divisional Officer did not, therefore, consult the Indian Stores Department, but obtained the approval of the Superintending Engineer for the purchase of Lakshmi brand cement.

In the third case, the cement was required for a large number of closure and repair works which were extremely urgent, as they had to be carried out before the advent of the South-West monsoon, and it was not therefore possible to indent and wait for a particular brand of cement.

In the circumstances, the Government have considered it unnecessary to enforce pecuniary liability on the officers concerned.”

We concur in the views of the Chief Engineer in regard to the purchase of Lakshmi brand cement in preference to the Charminar cement [item (ii) above] that the Superintending Engineer's order displayed an error of judgment.

We consider that the proposal that the Indian Stores Department should be addressed in order to ascertain whether, when small indents are placed with the local stockists, the benefit of “ running ” contract rates could not be obtained should be further examined and that in the meanwhile, all quantities of cement should be sought to be obtained through the Indian Stores Department, before orders are actually placed with the local stockists.

EXTRACT FROM LETTER No. T-12-JAILS-1-22-392, DATED THE 17TH JULY 1931, FROM THE ACCOUNTANT-GENERAL, MADRAS (T. 12 SECTION), TO THE INSPECTOR-GENERAL OF PRISONS, OOTACAMUND.

SUBJECT :—Purchase of stores for Jails through the agency of the Indian Stores Department.

With reference to the correspondence ending with your letter No. 11534, dated 7th July 1931 on the above subject, I have the honour to observe that, though the distinct advantages of purchase of stores through the agency of the Indian Stores Department were realised by the Jail Department when arrangements with the Indian Stores Department for the supply of crude oil to the Alipuram Jail from 1st April 1930 were approved by the Inspector-General of Prisons, no action was taken to obtain similar supplies to the Central Jail, Coimbatore through Indian Stores Department. The result is that the Alipuram Jail was obtaining its supplies of the oil from 1st April 1930 to 14th September 1930 at Rs. 53|6|0 per ton, and from 15th September 1930 to date at Rs. 60 per ton, while the Central Jail, Coimbatore, was getting its supplies at Rs. 70 per ton direct from the Madras Branch of the Burmah Shell Oil Storage and Distributing Co. of India Ltd.

2. As a result of enquiry made in audit, steps have since been taken to obtain the requirements of diesel-oil to the Central Jail, Coimbatore, through Indian Stores Department, only from the second week of February 1931.

Report of the Public Accounts Committee on the accounts of 1933-34.

PART II—RAILWAY ACCOUNTS.

Position as regards estimating and control of expenditure.

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end and the actual results :—

| | | | | (In lakhs of Rs.) | | |
|--|----|----|----|-------------------|----------|----------|
| | | | | Budget. | Revised. | Actuals. |
| (1) Traffic Receipts (less refunds) | .. | .. | .. | 87.00 | 86.50 | 86.63 |
| (2) Miscellaneous Receipts | .. | .. | .. | 2.26 | 2.19 | 2.07 |
| (3) Working Expenses | .. | .. | .. | 63.10 | 63.04 | 63.06 |
| (4) Miscellaneous Expenditure | .. | .. | .. | 1.00 | 1.03 | 1.02 |
| (5) Interest charges | .. | .. | .. | 32.93 | 32.40 | 32.58 |
| (6) Surplus (+), Deficit (—) | .. | .. | .. | —7.77 | —7.78 | —7.96 |
| (7) Contribution to general revenues | .. | .. | .. | .. | .. | .. |
| (8) Payments to (+), withdrawal from (—) Reserve | .. | .. | .. | .. | .. | .. |
| (9) Loans from the Depreciation Fund | .. | .. | .. | 7.77 | 7.78 | 7.96 |

2. The budget estimates for 1933-34 anticipated a net deficit of Rs. 7.77 lakhs which was increased to 7.78 lakhs in the revised estimate. The actuals proved to be slightly worse resulting in a deficit of Rs. 7.96 lakhs which was met by a loan from the Depreciation Fund. As in the past two years, the prescribed contribution to general revenues could not be paid during the year under review. The figures in the above table show

that the variations between the actuals and the Budget and Revised estimates are very small. The deterioration of 18 lakhs as compared with the revised estimate was principally due to increased interest charges on account of actual rate of interest on capital expenditure being more than the rate adopted in the estimates.

3. The following table compares the final voted grants with the expenditure against those grants :—

| | | | | (Lakhs of rupees). | |
|--|-----------------|----------------------|--------------|---------------------|--------------------|
| Voted. | Original grant. | Supplementary grant. | Final grant. | Actual Expenditure. | Excess + Savings—. |
| <i>Expenditure charged to Revenue.</i> | | | | | |
| 1. Railway Board .. | 8.31 | .. | 8.31 | 8.02 | — 29 |
| 2. Inspection .. | .82 | .. | .82 | .70 | — 12 |
| 3. Audit .. | 12.30 | .60 | 12.90 | 12.77 | — 13 |
| 4. Working Expenses—Administration .. | 10,30.00 | | 10,30.00 | 10,34.63 | +4.63 |
| 5. Working Expenses—Repairs, Maintenance and Operation .. | 38,12.50 | 4.75 | 38,17.25 | 38,11.38 | —5.87 |
| 6. Working Expenses—Payment of Surplus Profits .. | 54.00 | 2.50 | 56.50 | 56.65 | + 15 |
| 9. Appropriation to Depreciation Fund .. | 13,75.00 | .. | 13,75.00 | 13,56.48 | —18.52 |
| 11. Miscellaneous Expenditure .. | 5.00 | 1.20 | 6.20 | 4.59 | —1.61 |
| 14. Interest Charges .. | 2.83 | .. | 2.83 | 2.81 | — 02 |
| <i>Expenditure charged to Capital and Depreciation Fund.</i> | | | | | |
| 7. New Construction .. | 31.25 | .. | 31.25 | 21.72 | —9.53 |
| 8. Open line works .. | 8,92.00 | 1 | 8,92.01 | 5,80.99 | —3,11.02 |
| 10. Appropriation from Depreciation Fund .. | 7,77.12 | 9.99 | 7,87.11 | 8,05.33 | +18.22 |

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below :—

| Non-Voted. | | | Original Appropriation. | Supple- mentary Appropriation. | Final Appropriation. | (Lakhs of rupees). | |
|--|----|----|----------------------------|--------------------------------------|-------------------------|-----------------------------|----------------------------|
| | | | | | | Actual Expendi- ture. | Excess(+) Sav- ings(—). |
| <i>Expenditure charged to Revenue.</i> | | | | | | | |
| 1. Railway Board | .. | .. | 4.19 | — 19 | 4.00 | 4.00 | .. |
| 2. Inspection | .. | .. | 2.28 | — 24 | 2.04 | 2.03 | — 01 |
| 3. Audit | .. | .. | 4.25 | — 02 | 4.23 | 4.23 | .. |
| 4. Working Expenses—Administra- tion | | | 1,05.50 | 7.51 | 1,13.01 | 1,12.99 | — 02 |
| 5. Working Expenses—Repairs, Maintenance and Operation .. | | | 1.00 | .27 | 1.27 | 1.25 | — 02 |
| 11. Miscellaneous Expenditure | | | 9.10 | .51 | 9.61 | 9.56 | — 05 |
| 14. Interest Charges | .. | .. | 32,90.37 | —53.22 | 32,37.15 | 32,55.16 | +18.01 |
| <i>Expenditure charged to Capital.</i> | | | | | | | |
| 7. New Construction | .. | .. | .75 | — 18 | .57 | .65 | + .08 |
| 8. Open line works | .. | .. | 1.00 | 2.20 | 3.20 | 2.46 | — .74 |
| Discharge of Debentures | .. | .. | .. | 20.23 | 20.23 | 20.23 | .. |

5. *Excesses over voted grants.*—The excesses over voted grants which require to be regularised by excess votes of the Legislative Assembly are shown below :—

| Demand No. | Final grant. | Actual expenditure. | Excess. |
|---|--------------|---------------------|-----------|
| 4. Administration | 10,30,00,000 | 10,34,63,107 | 4,63,107 |
| 6. Companies' and Indian States' share of surplus profits and net earnings .. | 56,50,000 | 56,65,149 | 15,149 |
| 10. Temporary withdrawals from Depreciation Fund | 7,87,11,000 | 8,05,33,325 | 18,22,325 |

The excess under Demand No. 4 was mainly due to an unexpected payment of Municipal rates and taxes on the Eastern Bengal and Great Indian Peninsula Railways, to larger contributions for hospitals and medicines and to the charges in respect of special class apprentices having been debited to this Demand instead of to Demand No. 11. A larger increase in the earnings of certain branch line companies than anticipated caused the excess under Demand No. 6. The excess under Demand No. 10 represents the increase in the deficit of the Railways. The percentages of the excesses in the three cases are .4, .3 and 2.3 respectively. There were excesses during the year under three Demands against four in the preceding year. We recommend that the Assembly should assent to the excess demands which will be placed before them by Government in due course.

6. The excesses over non-voted appropriations were only two during 1933-34 as against six in 1932-33.

7. Taking the total railway expenditure both voted and non-voted, there was a saving of 4 lakhs or .04 per cent. under expenditure charged to revenue and a saving of 3.03 lakhs or 17.42 per cent. under capital expenditure. The position in this respect compares as follows with the last three years :—

Expenditure charged to revenue (excluding appropriations to and from the Reserve Fund).

| | | | | (Lakhs of rupees). | | |
|---------|----|----|----|--------------------------------|----------|---|
| Year. | | | | Final grant and appropriation. | Savings. | Percentage of column (3) to column (2). |
| 1930-31 | .. | .. | .. | 1,05,11 | —2,98 | 2.83 |
| 1931-32 | .. | .. | .. | 1,01,38 | —4,24 | 4.18 |
| 1932-33 | .. | .. | .. | 97,36 | —37 | .38 |
| 1933-34 | .. | .. | .. | 96,81 | —4 | .04 |

Expenditure charged to Capital and Depreciation Fund.

| | | | | | | |
|---------|----|----|----|-------|-------|-------|
| 1930-31 | .. | .. | .. | 25,74 | —1,14 | 4.39 |
| 1931-32 | .. | .. | .. | 29,18 | —4,95 | 16.96 |
| 1932-33 | .. | .. | .. | 19,55 | —2,66 | 13.60 |
| 1933-34 | .. | .. | .. | 17,34 | —3,03 | 17.42 |

Under expenditure charged to revenue the variation in the total as compared with the final allotment amounted to .04 per cent. only and

the variations in the totals of the individual demands also were not large. This result was, however, achieved in many cases by large excesses counterbalancing large savings within the Demands. We also noticed several cases where either no funds were allotted for expenditure which could reasonably have been foreseen and provided for or insufficient or excessive provision of funds was made. We realise that, in a large concern like the Railways, the Railway Board has to work on the totals of each demand rather than on individual subheads. We also realize that original estimates may be subject to alteration on account of unforeseen items, such as, larger or smaller volume of traffic than originally estimated, accidents, floods, etc. Even after making allowance for all these, we are of opinion that there is considerable room for improvement. The Railway Administrations should see that the totals allotted by the Railway Board are distributed among the individual subheads with greater accuracy.

Under Demands for capital expenditure on the other hand even the total expenditure diverged very far indeed from expectations. For example, under Demand No. 8, the total expenditure amounted only to 5.81 lakhs against an allotment of 8.92 lakhs. We were told by the Financial Commissioner that the capital programme was settled several months in advance, that it was very difficult for Railway Administrations to make accurate estimates so much in advance and that many factors entered into the picture over which Railways had little control. The Financial Commissioner has informed us that he is drawing the attention of all Railway Administrations to the large difference between the amounts they have been demanding and the amounts they have been actually able to spend and that he will endeavour to correct the tendency to overestimating in preparing the programmes for 1936-37. We consider that the Railway Board should take all possible steps to secure greater accuracy in estimating.

While examining the question of the control of the Railway Board over Railway Administrations we have considered whether a more effective control could not be exercised if the Board were enabled, by a further delegation in minor matters, to relieve themselves of any necessity for interfering in questions of detail and so to leave themselves free to concentrate on securing effective control in matters of first class financial importance.

8. *Irregular reappropriations.*—Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another and every reappropriation within a grant which is not in accordance with the prescribed rules. During the year under review the following reappropriations were sanctioned by Railway Administrations which were not strictly within the powers delegated to them :—

- (1) *Grant No. 4.*—The Bengal and North-Western Railway reappropriated Rs. 16,000 from the sub-head "Worked Lines" to the sub-heads "Establishment" and "Miscellaneous".
- (2) *Grant No. 5.*—The Bengal and North-Western Railway transferred Rs. 69,000 from the sub-head "Worked Lines" to the sub-heads "Repairs and Maintenance" and "Operation other than fuel".

- (3) *Grant No. 6.*—In allotting the sum of Rs. 13,48,000 to the Bombay, Baroda and Central India Railway under this head the Railway Board omitted by oversight to distribute it under the two sub-heads of the grant. The Railway Administration made good this omission and distributed the total between the two sub-heads. Though this was the right thing to do, it was technically incorrect.
- (4) *Grant No. 8.*—The North-Western Railway made a reappropriation of Rs. 2,48,000 between works costing over one lakh each and other works. Two other Railways made reappropriations between track renewals and other sub-heads, namely, the Assam-Bengal Railway to the extent of Rs. 56,000 and Bengal-Nagpur Railway to the extent of Rs. 29,000.

Financial position of the Railways.

9. The total deficit during the years 1931-32 to 1934-35 amounted to about Rs. 32 crores. In 1935-36 the budget anticipated a deficit of only Rs. 2 crores, but judging from the actuals of the first few months it appears that the deficit will be much greater unless there is considerable improvement in earnings during the remaining months of the year. The position is actually more disquieting than these figures indicate, because under the present accounting system certain expenditure which according to sound financial principles should be charged to revenue is being charged to capital. The Auditor General in his letter forwarding the Appropriation Accounts to the Government of India says as follows :—

“ In paragraph 42 of his Review the Financial Commissioner expresses regret that it has not been possible to proceed much further with the examination of various important questions essential to a proper financial settlement for Railways, such as the correct amount to be set aside for depreciation, the principles of allocation of expenditure between capital and revenue, and the amortisation of railway capital at charge. In paragraph 9 (b) of my letter submitting the Railway Appropriation Accounts for the year 1930-31 I drew attention to certain paragraphs (paragraphs 208—213) of the Audit Report which discussed disquieting tendencies towards over-capitalisation, and I emphasised the necessity of immediate examination of the problem so that Government should be prepared with a well-considered scheme in connection with the setting up of a Railway authority under the new constitution. In paragraph 28 of their Report on the Appropriation Accounts of 1930-31 the Public Accounts Committee stressed the necessity of early decision on the various problems thus indicated. The tendencies towards over-capitalisation that were brought to notice three years ago are still in operation, and during these three years net Railway earnings have failed to meet interest charges by 27.39 crores. Evidences of improvement are unhappily still uncertain. In the meantime, the preparation of the scheme for Railways under the new constitution must be in an advanced stage, while, according to the admission of the Financial Commissioner, Railways, the complicated financial problems connected with this scheme are still far from settlement. This is a position which seems to me to be exceedingly unsatisfactory.”

We were informed that the whole question of Railway finance was engaging the serious attention of the Government of India. There was no difficulty in arriving at a theoretical solution of the problems of allocation between capital and revenue. Ideally, the depreciation fund ought to be turned into a reserve for renewals and minor improvements and a definite provision for amortisation should be made out of revenue. The former would involve an increased allocation of something like 2 crores a year to cover expenditure which is at present being wrongly charged to capital while the latter ought to be something like 5 crores a year. The trouble was however that the Railways were failing to meet from Revenue their ordinary interest charges even on the present basis of charge. The deficit on this account was nearly 8 crores in 1933-34, about 5 crores in 1934-35 and in February 1935 it was estimated at 2 crores for 1935-36. But it is now clear that what appeared to be a process of continuous improvement has suffered an interruption and that unless the remaining months of this year show a great change, the deficit for 1935-36 may not be materially less than that for the preceding year. Even so, as has already been pointed out, this understates the real position by something like 2 crores. The question thus becomes not so much one of a slow tendency to over-capitalisation because of a somewhat lax accounting system but of the inability of the railways as a whole to show a profit even on the present system. To this matter we devoted a great deal of attention. We were informed that interest charges would show a gradually declining tendency and might in 5 years time fall by about 2 crores. We understand moreover that the new scales of pay for new entrants will ultimately produce a saving of about 3 crores a year but this will of course take a whole generation to mature fully. Apart from these, the Railway Board think that no more than economies of a minor administrative order are now obtainable. There is obviously not in these any assurance of a return to solvency in a measurable time, much less of any surplus for amortisation of debt or contribution to general revenues and, if the position is as stated by the Railway Board, solvency can only be restored by increasing traffic receipts. We are well aware that a restoration of economic prosperity is the most satisfactory means of effecting this but we do not see in the present condition of world affairs any certitude that this will be at all rapid. We think therefore that it is vitally necessary that the Railway Board should conduct an exhaustive review of their freight and fares policy and should consider every possible means of increasing their revenue. Apart from what is normally understood by reviewing freight policy, we urge that they should press on with their consideration of the steps required to meet road competition. We do not at all intend to imply that the expenditure side should be neglected. We are most reluctant to accept the Railway Board's estimate of the possible further economies and we think that the search for them must be relentlessly pursued. But we are prepared to believe that an increase of receipts is, in present circumstances, likely to be the more important factor in the restoration of financial stability.

Incidentally some of us would like to call attention to the fact that Railway Finances are being made the instrument of Government policy towards particular industries with the result that burdens are thrown on the Railways which ought to fall on the general taxpayer. An instance of this is the reduction of the output of Railway collieries to help the Indian coal industry. We were informed that, if Railway collieries are worked to their full capacity, the Railways will be able to produce coal at least as

cheaply as the market rate and thus avoid a loss in the working of the collieries amounting approximately to 12 lakhs. On the assumption that this statement is correct, a considerable proportion of us feel that it is not right that a commercial concern like the Railways should be made to subsidise the coal industry.

We hope we have made clear that we regard immediate and continuous attention to the solution of these problems as of vital importance to Indian interests. Some of the non-official Members wish to place on record their views in regard to the failure to press to an earlier conclusion an examination of the working of the separation convention. Under the Resolution passed by the Assembly regarding the separation of railway from general finance, the convention should have been revised periodically after being tried provisionally for at least 3 years. The explanation given by the Financial Commissioner for not revising the convention is recorded in paragraph 3 of the proceedings. If however the convention had been revised earlier, the question of the proper allocation of expenditure between capital and revenue would have come up for consideration earlier and an examination of the question of allocation between capital and revenue could not have failed to disclose that the surplus was really less than it appeared to be under the old allocation. In the face of this, it is doubtful whether Government would have felt justified in embarking on the very large capital expenditure of the "prosperity" years. In that case the unremunerative capital at charge would clearly have been reduced and the present financial problems would have assumed a less intractable aspect.

Miscellaneous.

13. The Director of Railway Audit has brought to our notice a case in which the North-Western Railway were unable to recover from the auctioneers about Rs. 44,000, being the sale proceeds of scrap metal auctioned. The decree obtained by the Railway Company could not be enforced as the debtors were paupers. The Director of Railway Audit reports that in this case (1) the agreement was not signed by each member of the firm of auctioneers as required by the rules, and (2) the Railway Administration did not exercise its right of not allowing the removal of the auctioned material until the full amount due had been received from the auctioneers. We recommend that the Railway Board should issue necessary instructions with a view to avoid such omissions in future and they should also impress upon the Railway Administrations that proper care should be taken in selecting auctioneers.

14. We understand from the Auditor General that the Railway Codes are generally out of date. We agree with him that the Railway Board should immediately take up their revision and complete it before the new Statutory Railway Authority comes into existence.

15. While going through the Quarterly Statement of outstanding items, we found that the departments generally took a considerable time in taking action on the recommendations of the Committee. The departments should try to avoid such delays in future. In this connection, we recommend that a special meeting of the Committee should be held some time during the Delhi session, if so desired by the members, to examine the action taken by the departments on the various recommendations and suggestions of the Committee.

16. We append to our report minutes of the proceedings which we consider should be treated as part of the report. We assume, that in accordance with the established practice, action will be taken by the department on the observations and recommendations contained in these proceedings.

P. J. GRIGG.

B. DAS.

S. SATYAMURTI.

N. G. RANGA.

THEIN MAUNG.

MD. YAKUB.

J. RAMSAY SCOTT.

SHER MD. KHAN.

BHAI PARMA NAND.

R. D. DALAL.

S. C. MUKHERJEE.

FAZL-I-HAQ PIRACHA.

K. SANJIVA ROW,

14th September 1935.

Proceedings of the 12th and 13th meetings of the Public Accounts Committee held on Thursday, the 22nd August, 1935, at 11 A.M. and 2-30 P.M., respectively.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

} *Members.*

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

Mr. B. NEHRU, Director of Railway Audit.

Were also present.

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

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

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

Witnesses.

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

1. The Committee took up the examination of the appropriation accounts and connected documents relating to the Railway Department.

2. The Committee discussed at some length, the present and prospective financial position of the railways and found it disquieting. The total deficit during the years 1931-32 to 1934-35 amounted to about 32 crores. In 1935-36, the budget estimate anticipated a deficit of only 2 crores, but judging from the first few months' actuals the deficit is likely to be much more. The position is actually much more disquieting than these figures indicate because under the present accounting system certain expenditure which according to sound financial principles should have been charged to revenue, is being charged to capital. The Auditor-General in paragraph 5 of his letter has drawn pointed attention to this tendency towards over-capitalisation. He had brought this to notice three years ago in his letter on the Appropriation Accounts for 1930-31 and the Public Accounts Committee in their report on those accounts had stressed the necessity of an early decision on the problem. The Auditor General in his present letter says that "evidences of improvement are unhappily still uncertain" and that the position appears to him to be "exceedingly unsatisfactory". The Committee was informed that this matter had been engaging the serious attention of Government and that there was no difficulty in finding out an ideal solution to the problem, but the result of applying it would be to increase the revenue deficit still further. The Committee was assured that the matter was under the active consideration of Government.

3. The Committee then considered why the convention for the separation of Railway from General Finances had not been revised till now, though under the resolution passed by the Assembly it should have been revised periodically after being tried provisionally for at least three years. The Financial Commissioner explained that a committee of the Assembly was set up for the purpose in September 1928. It met in February and March 1929 and appointed a sub-committee which held one meeting in June 1929. It then became *functus officio* owing to the dissolution of the Assembly. The question was not again taken up as the revised arrangements for administering Railways under the new constitution were under active consideration, and it was felt that the whole position would be reviewed in that connection. Some of the non-official members of the Committee felt strongly that, if the convention had been revised earlier, the position of the Railways would not have deteriorated to the extent that it has done.

Their point was that the question of the proper allocation of expenditure between capital and revenue would have come up at the time of the revision of the convention. The Auditor General said that the convention was based on a certain method of allocation of expenditure between capital and revenue and that the revision of the convention and the revision of the method of allocation should have gone together. If, after proper allocation, the surplus of Railways was really less than what it appeared to be under the old allocation, Government would have been forced to consider seriously whether the Railways would be able to bear the large capital expenditure which was being incurred at the time. The over-capitalisation could thus have been avoided to a certain extent.

4. The Committee desired to draw the special attention of Government to paragraph 5 of the Auditor General's letter and to impress upon Government the necessity of settling immediately the question of the proper allocation between capital and revenue and the amount of the contribution to the depreciation fund or to a Renewals and Replacements Fund.

5. The Committee also desired that Government should seriously consider the question of increasing receipts, especially in view of the road-rail competition, and of reduction in working expenses.

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

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

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

} *Members.*

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

Mr. B. NEHRU, Director of Railway Audit.

} Were also
present.

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

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

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

} Witnesses.

6. The Committee continued the general discussion on the financial position of the Railways and then took up the various points mentioned in the Auditor General's letter.

7. *Paragraph 3 of the Auditor General's letter.*—The Committee agreed with the Auditor General that certain comments on defects in budgeting and in current control of expenditure, which are included in this year's report of the Director of Railway Audit, should in future be included in the Financial Commissioner's review. The Committee also desired that the Financial Commissioner should take steps to see that the appropriation accounts reached the Auditor General on the due date.

8. *Paragraph 6 of the Auditor General's letter—Financial irregularities.*—(i) *Paragraph 58 of the Audit Report.*—The Auditor General stated that the Agent of the particular Railway admitted the mistake and assured him that he had taken steps to secure that it would not occur again.

(ii) *Paragraph 59 of the Audit Report Allocation of expenditure on rolling stock.*—The Financial Commissioner explained that most of the Railways had accepted the revised classification, and that he thought the new formula proposed by them would probably be accepted by all without much difficulty.

(iii) *Paragraph 138 of the Audit Report.*—Some of the members of the Committee felt that the loss to Railways in this case was due to proper care not having been exercised in selecting auctioneers. The Committee desired that instructions should be issued by the Railway Board—

- (a) that proper care should be exercised to select auctioneers of certain financial standing ;
- (b) that the auctioned material should not be allowed to be removed until the full amount had been received from the auctioneers ; and
- (c) that the agreements with the auctioneers should be signed by duly authorised persons.

9. The Committee then went into the other paragraphs of the Audit Report mentioned in paragraph 6 of the Auditor General's letter.

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

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

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. B. NEHRU, Director of Railway Audit.

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

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

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

Members

Were also present.

Witnesses.

10. The Chairman brought to the notice of the Committee certain unauthorised and improper press reports of the proceedings of the Committee. The Committee desired that the Secretary should issue a statement to the effect that the reports were not only unauthorised and improper, as the proceedings were private, but also completely inaccurate.

11. The question of the codification of the Railway rules and regulations was then taken up. The Auditor General informed the Committee that the Railway codes were generally out of date and expressed the opinion that, in fairness to the new Railway Authority, they should be revised and brought up to date before that authority came into existence. The Committee agreed with the Auditor General and desired that this matter should be taken up immediately by the Railway Board.

12. *Accuracy of budgeting and control of expenditure.*—Though the total actual expenditure in the majority of the grants (with the exception of the grant relating to works not charged to revenue) was very close to the original estimates, there were many large divergencies in the various sub-heads of individual grants, in many cases large excesses counterbalancing large savings. Several cases were noticed where either no funds were allotted for certain expenditure which could reasonably have been foreseen and provided for or insufficient or excessive provision of funds was made. The Committee realised that, in a large concern like the Railways, the Railway Board has to work on the totals of each grant rather than on individual sub-heads, but it is certainly the business of the Railway Administrations to see that the totals allotted by the Railway Board are distributed among the individual sub-heads with a fair amount of accuracy. The Committee also realised that the original estimates may be subject to alteration on account of unforeseen items, such as, a larger or smaller volume of traffic than originally estimated, repair of a bridge damaged by accident, flood or earthquake, etc. Even after making allowance for all these contingencies, the Committee was of opinion that there was considerable room for improvement in budgeting and control over expenditure.

Under grants for works expenditure, even the total expenditure diverged very far indeed from expectations. For example, under Grant No. 8-Open Line Works, the total expenditure amounted only to 5.81 lakhs against a grant of Rs. 8.92 lakhs. The Financial Commissioner has, in his review, given the following explanation for the large variations in the works grants :—

“ The works programme is, for one thing, prepared very much earlier. Taking the 1933-34 budget as an example, the rolling stock portion of the programme was submitted to the Railway Board in February and considered and practically settled by them in March 1932. The rest of the programme was submitted in July and scrutinised and decided by the Railway Board in August or September 1932. The estimates of working expenses on the other hand were submitted in November and December 1932, and considered only in January 1933. Secondly, in preparing the works programme, the control exercised by the Railway Board is mainly as regards the works to be included in the programme. As regards the actual amount required for any particular work in any particular year, the estimates made by railways are generally accepted. It is very difficult for railway administrations to make very accurate estimates of the funds they are likely to require so much in advance of the time at which they are required. There are so many factors over which railways have little control that enter into the picture. Further consideration may result in some of the projects being dropped, or materially altered ; the preparation of detailed estimates might make the cost of the work vary appreciably from the original rough estimate ; unavoidable delays in acquiring land, where necessary, collecting material, letting out contracts, and so

on might throw forward expenditure to another year, or result in expenditure provided for in an earlier year being met from the grant for the year in question ”.

The Financial Commissioner also stated that he is drawing the attention of all Railway Administrations to the large difference between the amounts they have been demanding and the amounts they have been actually able to spend during the last few years, and that he would endeavour to correct the tendency to over-estimating in preparing the programmes for 1936-37. The Committee considered that this was a very important point and the Railway Board should take steps to see what they can do to secure greater accuracy in estimating.

13. *Statement of un-sanctioned expenditure.*—The Committee noticed that this statement contained several items which had been outstanding for years. On going through the various items their general conclusion was that these items took a very long time to clear up, and they desired that the possibility of speeding them up should be examined. The Financial Commissioner promised to do this and also to give an explanation for the delay in each case in future appropriation accounts.

The Committee then adjourned till 10-30 A.M. on Monday, the 26th August 1935.

Proceedings of the 16th meeting of the Public Accounts Committee held on Monday, the 26th August, 1935, at 10-30 A.M.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

Members.

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

Mr. B. NEHRU, Director of Railway Audit.

} Were also
present.

| | |
|--|--------------|
| Sir MAURICE BRAYSHAY, Kt., Chief Commissioner of Railways. | } Witnesses. |
| Mr. P. R. RAU, Financial Commissioner, Railways. | |
| Mr. T. S. SANKARA AIYAR, Director of Finance. | |
| Mr. V. S. SUNDARAM, Controller of the Railway Accounts. | |

14. *Unanticipated credits*.—Under grant No. 5 there were unanticipated credits to the extent of about 29 lakhs which were utilised for expenditure, and but for the utilisation of these credits a supplementary grant of about 23 lakhs from the legislature would have been necessary. The Committee was informed that, according to the previous recommendation of the Public Accounts Committee, where substantial unanticipated credits are to be utilised to incur fresh expenditure, which would not have been incurred but for such credits, the approval of the Standing Finance Committee has to be obtained ; as grants were voted net, however, it was not constitutionally unlawful to appropriate unanticipated credits to increased expenditure. Under this grant it was not a case of incurring fresh expenditure which would not have been incurred but for the credits, but an excess over ordinary expenditure in the closing months of the year which in the ordinary course would have led to an excess grant. The excess would have been 23 lakhs in an estimate of over 30 crores.

15. The Committee discussed with the Chief Commissioner the general administration of the Railways and their financial position, especially the steps that might be taken to improve revenue, reduce working expenses, increase the facilities for third-class passengers and to meet the rail-road competition.

16. While examining the financial position of some of the railways, the Committee was informed that the railways were at present granting certain special concessions as a result of the general policy of the Government of India. The Committee desired to have a note from the Railway Department showing to what extent these concessions reduced the Railway earnings. One instance of this is reducing the output of railway collieries to subsidise the Indian coal industry. The Committee was informed that, if railway collieries were worked to their full extent, the railways would be able to produce coal at least as cheaply as the market rate, and thus avoid a loss on working of Railway collieries amounting roughly to about twelve lakhs. On the assumption that this statement was correct, a considerable proportion of the members of the Committee expressed the opinion that railway collieries should not be so worked as to subsidise the coal industry.

17. The Committee then went through the balance-sheets and profit and loss accounts of railway collieries. They desired that the Auditor General should consider whether the form in which these are at present prepared could not be improved.

18. The Committee desired that the Railway Department should examine and send a note to the Committee to show whether there is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries.

The Committee then adjourned till Tuesday, the 27th August 1935.

Proceedings of the 17th meeting of the Public Accounts Committee held on Tuesday, the 27th August 1935, at 12 noon.

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

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

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

Members.

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

Mr. B. NEHRU, Director of Railway Audit.

Were also present.

Sir MAURICE BRAYSHAY, Kt., Chief Commissioner of
Railways.

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

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

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

Witnesses.

19. The Committee considered the Memorandum furnished by the Railway Board on the financial results of the electrification of the B. B. & C. I. and G. I. P. Railways, and generally accepted the views of the Board about the financial effect of these schemes. They desired to have next year a similar report on the electrification of the South Indian Railway. They then took up the quarterly statement of outstanding items. The Committee expressed the opinion that there was considerable delay in taking action on their recommendations and desired that every effort should be made to expedite their disposal. Special reference was made to item (1), namely, concessions for military traffic, which has been outstanding from 1928-29.

20. The Committee then adjourned and agreed to meet some day during the session of the Assembly to consider the draft report.

APPEL

*Statement showing action taken or proposed to be taken on recommendations, etc
disposed*

PART II.-

| Serial No. | Year of Report. | Paragraph of Report or Proceedings. | Recommendations or suggestions. |
|------------|--|--|---|
| 1 | 1928-29 1929-30 1930-31 1931-32 | 5 P. .. 53 P. 3 P (Item No. 80). 8 R. | That the question of the continuance of special rates and concessions for military traffic obtained by the Military Department from the Railways should be pressed to a conclusion as soon as possible. |
| 2 | 1930-31 1931-32 | 28 R. .. 10 R. | That the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue should be taken up immediately. |
| 3 | 1930-31 1931-32 | 46 P. .. 11 R. | That some definite procedure calculated to obviate the present delays in the apportionment of Joint Station expenses between railways should be laid down as soon as possible and that a memorandum explaining the action taken should be placed before the Committee next year. |
| 4 | 1930-31 1931-32 | 63 P. .. 3 P. (Item No. 10). | That a report on the extent to which it is found feasible to adopt various suggestions of the Director of Railway Audit made in paragraph 28 of his Appropriation Report for 1930-31 with a view to expediting the submission of monthly accounts should be furnished to the Committee. |
| 5 | 1931-32 | 18 R. .. | That the Railway Board should consider whether they could not obtain an annual report from all the railways showing agreements the conclusion of which was outstanding. |
| 6 | 1931-32 | 10 P. .. | That a report regarding the Railway Schools should be furnished to the Committee. |
| 7 | 1932-33 | 9 R. .. | That the proposal regarding the method of calculating the contribution to the Depreciation Fund should be formally put to the Auditor General, and if he is satisfied, effect should be given to it but a report should be made to the Committee. |

DIX I.

so far made by the Central Public Accounts Committee which have not been finally of.

RAILWAYS.

Action taken or proposed to be taken.

The matter is still under consideration.

The matter is under the consideration of the Government of India.

Necessary action has already been taken in the matter as explained in paragraph 255 of the Director of Railway Audit's Appropriation Report for 1932-33.

The Director of Railway Audit has since agreed that the present arrangements regarding the submission of monthly accounts are quite satisfactory, *vide* paragraph 270 of his Appropriation Report for 1932-33.

The Railway Administrations concerned have been instructed to submit annual reports of agreements not finally concluded at the end of each financial year. The first series of such reports for the year ending 31st March 1934 was received by the Railway Board and action, wherever necessary, was taken by them on these reports.

Necessary instructions on the lines of the Director, Railway Audit's suggestions, referred to in paragraph 44 of his Appropriation Report for 1931-32, have since been issued to Railway Administrations, *vide* Railway Board's letter No. 1867-B., dated 30th November 1934 (Annexure).

The Assembly approved of the calculation of contribution to the Depreciation fund at the rate of 1/60th of Capital, in considering the Budget for 1935-36.

ANNEXURE.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS OF CLASS I RAILWAYS, No. 1867-B., DATED THE 30TH NOVEMBER 1934.

SUBJECT.—*Treatment of Grants made by Local Governments to Railway schools in the Railway accounts.*

It has been brought to the notice of the Railway Board that the procedure obtaining on railways in accounting for grants made by Local Governments to Railway schools is not uniform. In some cases these grants are treated as reductions of expenditure, while in others, the accounts of these schools are kept outside the Railway accounts, only the amount of net grant paid by the Railway being shown as an item of expenditure in the Railway accounts. In the latter case, expenditure which ought to have been included in the accounts and the appropriation accounts of the Railway is kept outside Railway accounts and accounted for as the expenditure of a private body.

2. The correct procedure that should be followed in such cases is as follows :—

The expenditure on Railway schools proper should be provided in gross in the Demands for grants, the amount received from the Local Governments being deducted therefrom, provided the amount is received in the same financial year. Grants received after the close of the financial year should be treated as receipts and the same treatment should be accorded to fees recovered from the pupils.

In the case of other schools run by Local Governments or private bodies to which grants in aid are given by the Railway (Railway aided schools) the grant given from the Railway funds should be treated as expenditure.

3. I am directed to request that the correct procedure as outlined above be followed with effect from the accounts of the year 1935-36, and this should be taken into account when the budget estimates for the next year are prepared.

APPENDIX II.

LETTER FROM SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S. AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. 193-REP./7—35, DATED THE 22ND JUNE 1935.

SUBJECT :—*Appropriation Accounts (Railways) 1933-34 and the Audit Report 1935.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Railways in India for the year 1933-34 together with two copies of the Audit Report prepared by the Director of Railway Audit, for submission to the Committee on Public Accounts and for necessary action by the Government of India.

2. I have the honour also to transmit herewith two copies of the Review of the above Appropriation Accounts prepared by the Financial Commissioner, Railways, together with two copies each of the Capital Statement, Balance Sheet and Profit and Loss Accounts of Railways in India and of Balance Sheets and Profit and Loss Accounts of Railway Collieries for 1933-34.

3. *Financial Commissioner's Review.*—The Financial Commissioner's present Review approaches much more nearly than his last to the model which has been generally agreed upon in discussions which have taken place in the Public Accounts Committee in recent years ; and I wish to express my appreciation of the trouble which the Financial Commissioner has taken to adapt the Review both in form and in substance to the requirements of my Department and of the Public Accounts Committee, and also to produce it at an earlier date. At the same time I think it is possible for the Review to be still further improved, and in this connection I wish to refer to what is said in paragraphs 3 and 4 of the Audit Report. As the Director of Railway Audit has indicated, Chapter I of his report contains a number of comments on defects in budgeting, and on various defects also in current control of expenditure, as revealed by appropriation audit, which to the extent that they are of importance would have proceeded more suitably from the Financial Commissioner himself as the controlling officer, and might properly have found a place amongst other comments of a similar character which he has actually included in his Review. I presume the Financial Commissioner will now consider these comments, particularly those in paragraphs 11 to 22 of the Report, and will be prepared to furnish further explanation if this should be desired by the Public Accounts Committee.

Again, while the Financial Commissioner's Review was received by me on the 29th of April, the Appropriation Accounts themselves were not received by me until the 3rd of May 1935 as against the prescribed date, the 15th of April 1935. I trust that it will be possible to avoid in future similar delay in the submission of the Appropriation Accounts, as such delay is liable to react unfavourably on the preparation of his Review by the Financial Commissioner and on the preparation of his Audit Report by the Director of Railway Audit.

4. *Excesses and Irregular Reappropriations.*—The excesses which occurred over the final appropriations and which require to be regularised by the vote of the legislature in the case of voted expenditure, and by formal sanction by the Governor General in Council in the case of non-voted expenditure, are set forth in Section III of the Financial Commissioner's Review.

The irregular reappropriations which require to be brought to the notice of the legislature are stated in paragraph 82 of the Review, the Director of Railway Audit's comments being in paragraphs 33 and 34 of his report.

5. *Railway Finance.*—*The general position.*—In paragraph 42 of his Review the Financial Commissioner expresses regret that it has not been possible to proceed much further with the examination of various important questions essential to a proper financial settlement for Railways, such as the correct amount to be set aside for depreciation, the principles of allocation of expenditure between capital and

revenue, and the amortisation of railway capital at charge. In paragraph 9 (b) of my letter submitting the Railway Appropriation Accounts for the year 1930-31 I drew attention to certain paragraphs (paragraphs 208—213) of the Audit Report which discussed disquieting tendencies towards over-capitalisation, and I emphasised the necessity of immediate examination of the problem so that Government should be prepared with a well-considered scheme in connection with the setting up of a Railway authority under the new constitution. In paragraph 28 of their report on the Appropriation Accounts of 1930-31 the Public Accounts Committee stressed the necessity of early decision on the various problems thus indicated. The tendencies towards over-capitalisation that were brought to notice three years ago are still in operation, and during these three years net Railway earnings have failed to meet interest charges by 27.39 crores. Evidences of improvement are unhappily still uncertain. In the meantime, the preparation of the scheme for Railways under the new constitution must be in an advanced stage, while, according to the admission of the Financial Commissioner, Railways, the complicated financial problems connected with this scheme are still far from settlement. This is a position which seems to me to be exceedingly unsatisfactory.

6. *Financial Administration.*—The following are individual matters relating mainly to the subject of Railway financial administration which appear to me to be of more than ordinary interest and to which the attention of the Public Accounts Committee may be specially directed :—

- (i) *Paragraph 58 of the Audit Report.*—An irregularity in accounting.
- (ii) *Paragraphs 59 and 60 of the Audit Report.*—Two important cases relating to the allocation of expenditure on rolling stock which I brought specially to notice last year, and which have not yet been finally settled.
- (iii) *Paragraph 62 of the Audit Report.*—Loss on the abandonment of the Dacca-Aricha Railway project.
- (iv) *Paragraph 81 of the Audit Report.*—Payment of interest by one Railway to another on the cost of wagons which are either no longer in existence or no longer in use.
- (v) *Paragraph 88 of the Audit Report.*—Breach of orders in relation to an important contract.
- (vi) *Paragraph 111 of the Audit Report.*—Loss on purchase of iron obtained from England.
- (vii) *Paragraphs 112 to 114 of the Audit Report.*—Irregularities and errors in the East Indian Railway Stores Accounts.
- (viii) *Paragraph 132 of the Audit Report.*—Shortage in stock of scrap material.
- (ix) *Paragraph 133 of the Audit Report.*—Shortage in stock of teak wood logs.
- (x) *Paragraphs 135 to 138 of the Audit Report.*—Defects in or non-enforcement of agreements.
- (xi) *Paragraph 148 of the Audit Report.*—Loss due to failure of an accounts office to recover charges due.
- (xii) *Paragraph 170 of the Audit Report.*—Fraud in an accounts office.

(xiii) *Paragraph 177 of the Audit Report.*—Loss due to an accounts office omitting to submit bills.

(xiv) *Paragraph 193 of the Audit Report.*—Consequences of postponement of expenditure.

7. The general conclusion which may be drawn from the Audit Report taken as a whole is that, due regard being paid to the magnitude and variety of the financial transactions which are involved, the standard of financial control attained by the Railway Administrations and the Railway Board may be said to be adequate.

APPENDIX III.

Memorandum by the Railway Board on paragraph 109 of the Director of Railway Audit's Audit Report on the Accounts for 1933-34 regarding Irregular Balances under the Workshop Manufacture Suspense Account on the North Western Railway.

Expenditure incurred in railway workshops is ordinarily debited to a 'suspense' head in the first instance, this head being cleared gradually by the transfer of the relative debits to the departments for which the work is done. One of the important items of work done by the railway workshops is the manufacture of duplicates and other materials for the Stores and other departments of the railway. As supplies were made of the manufactured articles from time to time to the departments concerned, the suspense head is cleared by the transfer of a corresponding debit at an estimated rate called the 'issue rate'.

2. Under an ideal system of costing, the balance at a given moment under the head 'Workshop suspense' should represent the value of the articles in the course of manufacture in the workshop, at that point of time, the value including not only the cost of the materials but the labour already spent on them up to the given point of time. This, however, is only a theoretical ideal; and even with an elaborate system of costing, 'inefficient' balances under the head 'Workshop suspense' are inevitable, that is to say, the book balances under 'Workshop suspense' would differ to some extent—though only slightly—from the actual value of the materials in the course of manufacture.

3. If issue rates are revised at sufficiently frequent intervals in accordance with the varying costs of production, the 'inefficient' balance will naturally not be very large. A suitable workshop accounts procedure ought to provide for the periodical examination of costs and the consequent revision of rates and the adjustment of already accumulated—estimated—'inefficient' balances. But where costs are not so reviewed or revised for a fairly long time and periodical adjustments of costs not made, the 'inefficient' balances accumulate to large figure. When the figures so accumulate, the exact ascertainment of these 'inefficient' balances, is, a matter of difficulty, since it necessitates a careful stock-taking of the articles in the course of manufacture in the workshops and the appraisalment of the value of the materials and the labour already consumed in those articles. Apart from the large staff required for the purpose, such verification would seriously interfere with the normal working of the shops.

4. On the North Western Railway owing to failure to analyse and adjust 'inefficient' balances for several years, the balances under 'Workshop suspense' rose to an unusually large figure which clearly indicated, even without a stock-taking, that a large part of it was 'inefficient'. A survey of the workshop undertaken during the Christmas holidays of 1932 revealed that the inefficient balances were of the order of Rs. 5 lakhs ; and as a result of further investigation the figure was estimated at Rs. 4,75,747 as detailed below :—

| | Rs. | A. | P. |
|--|----------|----|----|
| (a) Manufacture of material for Stores Department on account of duplicates required for locos. and carriages | 4,83,556 | 14 | 0 |
| (b) Manufacture of material for other branches as per stores work orders | 36,476 | 0 | 0 |
| (c) Repairs to Springs received from the divisions | - 9,350 | 2 | 0 |
| (d) Difference between actual freight and that debited to works at fixed rates | - 34,935 | 8 | 0 |
| <hr/> | | | |
| Total | 4,75,747 | 4 | 0 |

5. The most important cause which led to the accumulation of such a large inefficient balance was the failure to revise issue rates for a long period but there were other contributory causes also, such as failure to 'reconcile' different sets of figures, incorrect adjustments (including omissions to make adjustments), the retention of materials in the shops both manufactured and un-manufactured, both serviceable and unserviceable and also, to a small extent, which can be traced, embezzlement of wages and theft of materials. An elaborate analysis was made by the Chief Accounts Officer in the course of 1933, as a result of which several irregularities of procedure came to light, all of which had contributed to the large figure. Adequate steps have since been taken to set right the various defects in procedure that came to light and instructions have been issued to the Accounts Officer in charge of the workshop to submit a detailed report to the Chief Accounts Officer annually as the result of the review of the balance on 31st December each year. Necessary action has also been taken duly on the cases relating to embezzlement of wages and theft of materials.

6. The Railway Board have examined the whole position in consultation with the Controller of Railway Accounts and have brought to the notice of the Agent the various directions in which, in their view, there has been lack of check and supervision. They asked the Agent to examine the matter further in consultation with the Chief Accounts Officer and submit a report on the subject, indicating therein what disciplinary action has been or is proposed to be taken to bring home to the employees concerned the serious failures in essential and fundamental checks. The reply has been received and is under consideration.

APPENDIX IV.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM BENGAL, BENGAL AND NORTH WESTERN, BENGAL-NAGPUR, BOMBAY, BARODA AND CENTRAL INDIA, BURMA, EASTERN BENGAL, EAST INDIAN, GREAT INDIAN PENINSULA, MADRAS AND SOUTHERN MAHRATTA, NORTH WESTERN, ROHILKUND AND KUMAON AND SOUTH INDIAN RAILWAYS; THE MANAGER, JODIPIUR RAILWAY; THE AGENT, H. E. H. THE NIZAM'S STATE RAILWAYS; THE CHIEF MINING ENGINEER, RAILWAY BOARD; AND THE CENTRAL PUBLICITY OFFICER, INDIAN STATE RAILWAYS, No. 1728-B., DATED SIMLA, THE 21ST AUGUST 1935.

Railway Appropriation Accounts for 1933-34 and the Director of Railway Audit's report thereon.

I am directed to draw your attention to the Auditor General's remarks on the report of the Director of Railway Audit on the appropriation accounts of Railways for 1933-34 (Appendix II). The Railway Board are glad to note, and they have no doubt your administration will appreciate the general conclusion drawn by him in the last paragraph of his letter which runs as follows :—

“ The general conclusion which may be drawn from the Audit Report taken as a whole is that, due regard being paid to the magnitude and variety of the financial transactions which are involved, the standard of financial control attained by the Railway Administrations and the Railway Board may be said to be adequate.”

2. While the Board have no doubt that you have already carefully studied the report of the Director of Railway Audit and taken all steps necessary to apply to your railway the lessons to be learnt from the various cases of irregularities mentioned therein, they desire to draw special attention to a few points which they consider important :

Paragraphs 11 to 22 ; 29 to 32 ; 34 to 37 ; 39 to 45 and 46 to 54. Budgetting and control of expenditure.—The Board trust that steps will be taken to eliminate, as far as possible, the defects brought to notice, such as the omission to provide in the budget for certain fixed and recurring charges, failure to distribute final allotments over sub-heads of grants, irregular reappropriations, changes in classification and wrong booking of expenditure.

Paragraphs 71 to 76. Expenditure on new equipment.—Attention is drawn to the instructions issued on the subject in Railway Board's letter No. 33/256-S., dated 8th July 1933. The Board trust that these instructions are now being carefully followed and that new equipment and appliances are not obtained in large numbers or quantities without the administration completely satisfying itself as to their suitability for the purpose for which they are intended.

Paragraphs 82 and 83. Incurring of expenditure on behalf of other Departments.—The Board consider it important to ensure that, before any work which involves a recovery of a portion or the whole of it from another department of Government is undertaken the approval of that department should be obtained to the full extent of their liability in the matter, just as in the case of private bodies the amount involved is recovered in advance.

Paragraphs 85 and 88. Contracts.—The Railway Board consider that the fundamental precaution to be taken in arranging for the execution of works on contracts cannot be too strongly and too frequently impressed on all the officers concerned, namely, that no contractor or contractor should, except in a case of extreme urgency, be allowed to commence the work to be entrusted to them without a definite understanding in writing as to the terms (including the description of the work to be done, the rates at which they are to be paid, etc.), on which they are to execute the work.

Paragraphs 90 to 97. Employment of staff on works other than those to which their pay is charged.—The Railway Board regret to notice from the report of the Director of Railway Audit that this irregularity has not disappeared entirely.

Paragraphs 108 and 109. Inefficient balances in workshop accounts.—The Railway Board regret to note that large inefficient balances were allowed to accumulate in the workshops of certain railways without special steps being taken by the executive and accounts departments to analyse them, to ascertain the causes which led to them and to devise methods of avoiding a recurrence. The main causes for such accumulation were, it is observed,

- (a) want of proper care and watchfulness in the fixing and revision of rates for outturn from workshops, waste, scrap, etc., from time to time,
- (b) initiating a vital change in the accounts procedure without the necessary accounts, assistance and supervision,
- (c) the undesirable practice of manufacturing articles in excess of requirements, and
- (d) the absence of the fundamental check of issues from one department with the receipts in the department to which the issues were made.

The Railway Board desire to impress on Railway Administrations the necessity of having a frequent examination made of the state of the suspense balances in their workshops.

Paragraphs 112 to 114. Stores accounts.—The serious irregularities disclosed in these paragraphs were apparently part of the general and prolonged disorganisation of stores accounts on the East Indian Railway, and can, the Board trust, be taken to be far from typical of the state of affairs on railways generally. Nevertheless they desire to draw the attention of all railways to the serious consequences that may ensue by initial neglect of prescribed procedure and the failure to take timely action. It will be observed that the serious differences that were allowed to accumulate between the balances of stores on the general books of the accounts office and the balances on the books of the executive officers were due to the failure for a considerable period to reconcile these balances and to maintain correct price ledgers and check them properly at periodical intervals with the results of stock-taking.

Paragraphs 115 to 120. Purchase of stores.—Some of these cases show a regrettable want of co-ordination in the preparation of indents between the department requiring the stores and the department responsible for their purchase. Others show an equally regrettable failure to make a careful estimate of requirements before making a purchase. The

Railway Board trust that as a result of the instructions contained in their letter of 10th November 1934 there will be few or no such cases in future.

Paragraphs 137 and 138. Auction sales of scrap through auctioneers.—The Railway Board trust that adequate steps are now being taken to safeguard the interests of the railway and to ensure that money due to the railway is paid promptly and that the scrap sold is not ordinarily handed over before the price is received by the railway.

Paragraphs 172 and 173.—The Railway Board trust that railway administrations are taking steps to settle outstanding questions as speedily as possible.

No. 1728-B., DATED THE 21ST AUGUST 1935.

Copy forwarded for information to the Chief Accounts Officers, East Indian, Eastern Bengal, Great Indian Peninsula, North Western and Burma Railways, Director, Railway Clearing Accounts Office, Controller of Railway Accounts, Director of Railway Audit, the Auditor General in India and the Finance Department.

APPENDIX V.

Report by the Railway Board on the financial results of the electrifications of the Bombay Railways.

The attached statements which have been prepared in consultation between the Railway Administration and the statutory auditor concerned show the financial results of the electrification schemes on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1934-35. These have been prepared on the same basis as those which were prepared by Mr. Nixon as Director of Railway Audit in October 1933, and were placed before the Public Accounts Committee last year. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are interdependent.

2. The figures for the two railways are summarised below :—

| | | | Great Indian Peninsula. | | Bombay, Baroda and Central India. | |
|----------|----|----|-------------------------|--|-----------------------------------|--|
| | | | Traffic in train miles. | Percentage of net savings on net outlay. | Traffic in train miles. | Percentage of net savings on net outlay. |
| | | | Lakhs. | | Lakhs. | |
| Estimate | .. | .. | 55.40 | 10.51 | 16.60 | 16.93 |
| 1930-31 | .. | .. | 42.50 | 4.80 | 14.28 | 10.35 |
| 1931-32 | .. | .. | 41.87 | 5.37 | 13.43 | 10.96 |
| 1932-33 | .. | .. | 41.21 | 5.23 | 12.56 | 11.62 |
| 1933-34 | .. | .. | 41.85 | 4.90 | 14.00 | 13.43 |
| 1934-35 | .. | .. | 41.80 | 4.42 | 14.07 | 15.54 |

3. On the Great Indian Peninsula Railway the decrease in the percentage in 1933-34 is due to certain adjustments between capital and revenue, and expenditure incurred for the first time on the normal periodical overhaul to electric locomotives. In 1934-35 the expenditure on overhauls and repairs increased.

4. The more favourable results obtained on the Bombay, Baroda and Central India Railway as compared with the results on the Great Indian Peninsula Railway are due to the fact that the gross capital expenditure in the former case was reduced to a much larger extent proportionately by the credit for the steam stock released. The actual value of this has proved to be even larger than was originally estimated.

5. The percentages given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in last year's memorandum problematical. Increased traffic has not materialised to the extent anticipated and it is possible that *some part* of the estimated saving should be neglected. If *the whole* of it is neglected, the percentages will be as follows :—

| | | | | | Great Indian Peninsula. Per cent. | Bombay, Baroda and Central India. Per cent. |
|---------|----|----|----|----|---|---|
| 1930-31 | .. | .. | .. | .. | 3.12 | 3.18 |
| 1931-32 | .. | .. | .. | .. | 3.58 | 3.46 |
| 1932-33 | .. | .. | .. | .. | 3.49 | 3.77 |
| 1933-34 | .. | .. | .. | .. | 3.24 | 4.61 |
| 1934-35 | .. | .. | .. | .. | 2.87 | 5.58 |

6. As was pointed out last year, the real percentage of net savings for each railway probably lies between the figures in paragraphs 2 and 6 and, in all probability, more near the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case, even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that, though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

STATEMENT ' A '.

Financial results of the Great Indian Peninsula Railway Electrification Schemes.

| Particulars. 1 | Estimate all Sections elec- trified Total Estimates. 2 | Actuals including percentage out. | | | | |
|---|---|-----------------------------------|------------------------------|---------------|---------------|---------------|
| | | 1930-31 3 | 1931-32. 4 | 1932-33. 5 | 1933-34. 6 | 1934-35. 7 |
| 1. Traffic in lakhs of train miles (Steam) | 55.40 | 42.50 | 41.87 In lakhs of Rupees. | 41.21 | 41.85 | 41.80 |
| 2. Gross outlay on electrification | 950.90 | 942.65 | 953.93 | 959.72 | 959.78 | 959.20 |
| 3. If no electrification estimated extra steam outlay for increased traffic | 175.93 | 175.93 | 175.93 | 175.93 | 175.93 | 175.93 |
| 4. Cost of steam stock released because of electrification .. | 254.71 | 172.98 | 172.98 | 172.98 | 172.98 | 172.98 |
| 5. Net outlay on electrification (item 2—item 3—item 4). | 520.26 | 593.74 | 605.20 | 610.81 | 610.87 | 610.29 |
| 6. Cost of Steam Working, i. e., working expenses exclud- ing depreciation | 158.54 | 116.38 | 114.65 | 112.85 | 114.60 | 114.46 |
| 7. Cost of Electrical Working, i.e., working expenses exclud- ing depreciation | 87.52 | 72.85 | 66.83 | 65.06 | 68.81 | 71.76 |
| 8. Gross savings in Working Expenses due to electrifica- tion (item 6—item 7) .. | 71.02 | 43.53 | 47.82 | 47.77 | 45.79 | 42.79 |
| 9. Depreciation on gross outlay on Electrification | 27.20 | 23.82 | 24.12 | 24.66 | 24.67 | 24.65 |
| 10. Depreciation on Steam Outlay avoided | 10.88 | 8.81 | 8.81 | 8.81 | 8.81 | 8.81 |
| 11. Increase in annual deprecia- tion due to Electrification (item 9—item 10) | 16.32 | 15.01 | 15.31 | 18.85 | 15.86 | 15.84 |
| 12. Net savings on working ex- penses due to Electrifica- tion (item 8—item 11) .. | 54.70 | 28.52 | 32.51 | 31.92 | 29.93 | 26.95 |
| 13. Percentage of gross savings on gross outlay (Item 8 × 100). (item 2) | 7.47 | 4.62 | 5.01 | 4.98 | 4.77 | 4.40 |
| 14. Percentage of gross savings including depreciation on electrical assets only— (Item 8.9 × 100) | 4.61 | 2.09 | 2.48 | 2.41 | 2.20 | 1.89 |
| 15. Percentage of gross savings on net outlay— (Item 3 × 100) | 13.65 | 7.33 | 7.90 | 7.82 | 7.50 | 7.01 |
| 16. Percentage of net savings on gross outlay (Item 12 × 100) Item 2 | 5.75 | 3.03 | 3.41 | 3.33 | 3.12 | 2.81 |
| 17. Percentage of net savings on net outlay— (Item 12 × 100) Item 5 | 10.51 | 4.80 | 5.37 | 5.23 | 4.90 | 4.4 |

Financial results of Suburban Electrification of the Bombay, Baroda and Central India Railway.

| No. | Particulars. | Estimates 1931-32. | Actuals 1932-33. | Actuals 1933-34. | Actuals 1934-35. |
|-----|---|-----------------------|---------------------|---------------------|---------------------|
| 1 | Traffic in lakhs of train miles (Steam) | 16.60 | 12.56 | 14.00 | 14.07 |
| | | | (Lakhs of Rupees.) | | |
| 2 | Gross outlay on Electrification .. | 204.28 | 202.90 | 202.90 | 202.90 |
| 3 | If no electrification, estimated extra steam outlay for increased traffic .. | 72.00 | 72.00 | 72.00 | 72.00 |
| 4 | Cost of steam stock released because of electrification .. | 50.00 | 68.79 | 68.79 | 68.79 |
| 5 | Net outlay on Electrification (Item 2—Item 3—Item 4) .. | 82.28 | 62.11 | 62.11 | 62.11 |
| 6 | Cost of steam working—working expenses excluding depreciation .. | 37.55 | 25.82 | 28.78 | 28.92 |
| 7 | Cost of Electrical working—working expenses excluding depreciation .. | 21.16 | 16.73 | 18.57 | 17.40 |
| 8 | Gross savings in working expenses due to Electrification (Item 6—Item 7) .. | 16.39 | 9.09 | 10.21 | 11.52 |
| 9 | Depreciation on gross outlay on Electrification at 3 per cent. (Item 2) .. | 6.12 | 6.09 | 6.09 | 6.09 |
| 10 | Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4 .. | 3.66 | 4.22 | 4.22 | 4.22 |
| 11 | Increase in annual depreciation charges due to Electrification (Item 9—Item 10) .. | 2.46 | 1.87 | 1.87 | 1.87 |
| 12 | Net savings in working expenses due to Electrification (Item 8—Item 11) .. | 13.93 | 7.22 | 8.34 | 9.65 |
| | | | Percentages. | | |
| 13 | Percentage of gross savings without allowing for depreciation on gross outlay $\frac{\text{Item 8} \times 100}{\text{Item 2}}$.. | 8.02 | 4.48 | 5.03 | 5.68 |
| 13A | Percentage of gross savings (after allowing for depreciation on electrical outlay) on gross outlay $\frac{\text{Items 8-9} \times 100}{\text{Item 2}}$.. | 5.03 | 1.48 | 2.03 | 2.68 |
| 14 | Percentage of gross savings on net outlay $\frac{\text{Item 8} \times 100}{\text{Item 5}}$.. | 19.92 | 14.63 | 16.44 | 18.55 |
| 15 | Percentage of net savings (after allowing for depreciation) on gross outlay $\frac{\text{Item 12} \times 100}{\text{Item 2}}$.. | 6.82 | 3.56 | 4.11 | 4.76 |
| 16 | Percentage of net savings (after allowing for depreciation) on net outlay $\frac{\text{Item 12} \times 100}{\text{Item 5}}$.. | 16.93 | 11.82 | 13.43 | 15.54 |
| 17 | Percentage of net savings (after allowing for depreciation on actual gross outlay of 202.90) with traffic of 16.60 lakhs train miles .. | 6.86 | 4.79 | 4.87 | 5.62 |

APPENDIX VI.

Memorandum by the Railway Board on the enquiry conducted by Mr. F. A. Pope.

To ascertain whether further economies were possible on Indian Railways, the Government of India obtained, by the kindness of the London Midland and Scottish Railways, the services of Mr. Pope, General Executive Assistant to the President of that railway. Mr. Pope who had been closely in touch with the various processes of rationalization put into practice in recent years on the London Midland and Scottish Railway was in India from December 1932 to February 1933.

2. In view of the shortness of Mr. Pope's visit, it was decided that he should concentrate his attention on the Great Indian Peninsula Railway and inaugurate a detailed analysis of important activities of railway operation—"job analysis"—on that line. It was arranged to associate with him certain officers of other railways who could observe his methods and, if necessary, continue the investigations after his departure from the country. The following were the officers selected for the purposes :—

Mr. J. A. Bell, Divisional Superintendent, East Indian Railway.

Lt.-Col. C. F. Carson, R.E., Divisional Superintendent, North Western Railway.

Mr. R. C. Case, Deputy Transportation Superintendent, Great Indian Peninsula Railway.

Mr. G. S. G. Higginson, District Transportation Officer, Bengal Nagpur Railway.

Mr. G. A. R. Trimming, Deputy Chief Mechanical Engineer, East Indian Railway.

3. Mr. Pope and these officers worked on the Great Indian Peninsula Railway during the months of January and part of February 1933. By the end of February, Mr. Pope presented a report to the Railway Board, copies of which are in the Library of the Legislature. In his covering letter, which is printed at pages vii and viii of the Report, Mr. Pope pointed out that already a large number of economies had been effected on Indian railways and there were no big individual economies left except the better use of locomotive power, and possible further amalgamation of railways, both of which are now under separate consideration. He, however, was emphatically of opinion that considerable savings would be found possible if a detailed analysis of every operation conducted on a railway "job analysis" were undertaken. For this purpose, he pointed out that it was necessary to have a continual organised research and investigation.

4. In accordance with this recommendation, which is further elaborated on page iv of the Report under the "Summary of conclusions and recommendations", it was decided to start job-analysis on all State-managed Railways, and the State Railway officers who were originally

associated with Mr. Pope were selected to carry on the various investigations. Later similar organisations were started on most Company-managed railways as well and at the present moment such organisations exist on ten railways, as shown below :—

| Railway. | Officer appointed. | Substantive position. | Date of appointment. |
|------------------------|---------------------------|---|----------------------|
| E. I. Railway .. | Mr. J. A. Bell .. | Divisional Superintendent | 1-3-1933 |
| N. W. Railway .. | Lt.-Col. F. C. Carson .. | Ditto .. | 1-3-1933 |
| G. I. P. Railway .. | Mr. R. C. Case .. | Deputy Transportation Superintendent .. | 1-3-1933 |
| E. B. Railway .. | Mr. G. A. R. Trimming .. | Dy. C. M. E., E. I. R. .. | 1-3-1933 |
| B. N. Railway .. | Mr. G. S. G. Higginson .. | Dist. Transportation Officer | 1-4-1933 |
| Burma Railways .. | Mr. W. J. Air .. | Asstt. Engineer .. | 15-5-1933 |
| A. B. Railway .. | Mr. Prendergast .. | Personnel Officer .. | 3-7-1933 |
| B., B. & C. I. Railway | Mr. B. C. Covell .. | Dy. Agent (Senior) .. | 2-10-1933 |
| M. & S. M. Railway .. | Mr. C. H. C. Bowen .. | Dist. Engineer .. | 28-10-1933 |
| S. I. Railway .. | Mr. C. Middleton .. | Dist. Engineer .. | 1-5-1933 |

5. These officers continue to draw, while engaged on this work, the pay which they otherwise would have received. They have, since their appointment, organised a small staff to assist them in their operations. On some railways it has been found necessary to have an additional officer to assist in the investigation. The total cost involved during 1933-34 is estimated at Rs. 3 lakhs.

6. When this research work was initiated, the Railway Board asked Railway Administrations to report progress every six months to indicate what economies had been recommended by these officers. The first six monthly progress reports from the important State Railways have now been received and show that, while the research work is only in its initial stages, the analyses already undertaken cover a large variety of railway operations ; including, indeed, such widely diverse matters are administrative organisation, intensive use of locomotives, reduction of shunting charges, savings in shed maintenance, painting of structures, reduction in the use of stationery, bigger loads of trains, improved routing of traffic, better utilisation of scrap, and many others. Moreover, on the principle of no saving being too small to be ignored, small economies have been suggested in such items as the process of copying correspondence, the clearing of points, the use of lights and fans, and even in the curtailment of number of newspapers taken. So far as can be gauged at present, it is apparent that substantial savings in working expenses may be anticipated from the work now being carried on by these officers, justifying the small special research organisations which have been set up on each railway. Brief particulars of the savings anticipated on the four State-

managed railways shown in their first six monthly progress reports are given below :—

- (a) On the *East Indian Railway* it is anticipated that, in connection with only 9 items of railway operation, savings amounting to Rs. 1½ lakhs have been effected during 1933-34 and it is hoped that this may increase to two lakhs in 1934-35. In addition, 26 other items are still under investigation and if the savings anticipated on these materialize they will amount to about 3½ lakhs.
- (b) On the *Great Indian Peninsula Railway* altogether 64 different items of operation have been analysed, and the possible savings up to September 1933 are placed at 2½ lakhs, which it is anticipated may increase to 6½ lakhs during the whole year. It would, however, be optimistic to assume that the administration will benefit to this extent immediately as the powers of retrenchment must, to some extent, be gradual.
- (c) On the *North Western Railway* some 11 different items of operations have been analysed but as these have been conducted at many different stations (as for instance shunting costs, shed maintenance, etc.), the aggregate number of analyses undertaken up to the submission of the progress report amounts to no less than 78. If all the recommendations are finally accepted the savings estimated on an annual basis would amount to 12 lakhs ; of this amount already 5½ lakhs have been accepted as attainable by the departments concerned. It is estimated that during the year 1933-34 1½ lakhs may be saved.
- (d) During the first six months of " job analysis " on the *Eastern Bengal Railway* a large number of detailed analyses have been carried out covering operations in the Mechanical Traffic, Engineering, and Stores Departments. During the present year the savings resulting from these are estimated at over 2 lakhs, a figure that, it is hoped, will increase considerably in future years.

7. The results to date after six months careful detailed analysis of such operations as have already been examined on four railways may be classified as below :—

| Savings in 1933-34. | | | Future Savings. | | |
|----------------------------|-------------|---------------------------|---------------------------------|-------------|--|
| (a) claimed as made. | | | (a) estimated as attainable, or | | |
| (b) estimated as possible. | | | (b) accepted, or | | |
| | | | (c) under consideration. | | |
| | (In lakhs). | | | (In lakhs.) | |
| | Rs. | | | Rs. | |
| 1. E. I. Railway | 1·50(a) | 1. E. I. Railway | | 3·51(c) | |
| 2. G. I. P. Railway | 2·50(b) | 2. G. I. P. Railway | | 6·50(a) | |
| 3. N. W. Railway | 1·50(b) | 3. N. W. Railway | | 5·75(b) | |
| 4. E. B. Railway | 2·00(b) | 4. E. B. Railway | | 4·00(a) | |

It should be realized that all these figures, including even that of the *East Indian Railway* in the first column, should be accepted with reserve,

for retrenchment must be a slow and deliberate process. It is felt, however, that the results, so far, are sufficiently encouraging ; more especially as " job analysis " has been in force for a comparatively short time. It should, moreover, be borne in mind that this process of research has only so far been applied to a certain number of operations and there are still large numbers waiting to be examined. On the London Midland and Scottish Railway the process of ' job analysis ' was started some years back, and is still being carried on, as there is much ground remaining to be explored.

8. In addition to the ' job analysis ' organizations working on each railway, the Railway Board themselves are examining certain other subjects recommended in Mr. Pope's report, among them being :—

- (a) the better use of locomotives ;
- (b) the better use of railway land ;
- (c) the more careful listing of surplus track, equipment, and accommodation ;
- (d) additional research and experiments ;
- (e) improved workshop practice, especially in regard to standardization of pattern design, the use of scrap, and the compilation of ' cost ' data ;
- (f) possibility of reducing hot axles.

As regards item (e) a small Committee is now engaged in investigating the compilation of " cost " data.

9. In recommending the initiation of ' job analysis ' on each Railway Mr. Pope emphasized that no individual or railway has a monopoly of ideas or efficiency, and to ensure the proper pooling and wide application of all available economies he suggested that officers engaged on this research should hold periodical meetings to exchange ideas. This suggestion is being followed.

10. As the Committee are aware, Mr. Pope's services have again, through the kindness of the London Midland and Scottish Railway, been secured for Indian Railways during this winter ; and he has been employed in making a more detailed investigation into the other State-managed Railways and examining the work done during the year by Railway Administrations themselves.

APPENDIX VII.

Memorandum by the Railway Board on the progress of ' job analysis ' on Indian Railways up to 31st March 1934.

In February last, the Railway Board placed before the Standing Finance Committee for Railways a memorandum describing briefly the results of Mr. Pope's first visit to India, and explaining that small organisations for conducting a detailed examination of all railway activities—called by Mr. Pope ' Job Analysis '—had been set up on principal railways. A summary of the results of this work, as claimed and estimated then, was given, and these were shown to be sufficiently encouraging to justify a continuation of the organisations.

2. Further reports on 'job analysis' from certain railways are now to hand, giving the progress up to the end of the official year 1933-34. These show that the work is being continued with vigour and with an encouraging degree of success. The more interesting features of these reports are summarised in the following paragraphs :—

3. (a) On the *East Indian Railway* considerable savings have been effected during the official year 1933-34, generally under three headings :—

- (i) Economies in expenditure on fuel by substituting cheaper for more expensive coal and obtaining coal from nearer collieries ;
- (ii) Better utilisation of scrap metal ; and
- (iii) Reduction of staff.

The total savings, effected during the year, amounted to Rs. 7,01,083, which has been checked and certified as correct by the Chief Accounts Officer, while the total cost of the 'job analysis' organisation during the year amounted only to Rs. 77,691.

It is reported that investigations under 20 separate heads are also in progress, covering such extensive ground as the organisation of the Stores Department, running sheds, sick line work, station work and marshalling yards ; and including such varied items as the increased loads of goods trains, the intensive use of coaching stock, reduction in the use of stationery, reclamation of oil from used waste from axle boxes, the use of pulverised coal in stationary boilers, and the compilation of fuel and commercial statistics on Hollerith machines.

(b) On the *Great Indian Peninsula Railway*, the cost of 'job analysis' during the year 1933-34 amounted to Rs. 56,680 and the savings effected to Rs. 4,29,482, chiefly under wages. Since the initiation of the work on this railway, no less than 136 separate investigations have been started, covering many widely divergent activities. The cost of staff in many of the departments has been, and is still being, scrutinised, and considerable reductions have been found possible. The Nagpur Division has been merged in the Bhusaval Division and further important developments are foreseen in the intensive use of locomotives, regarding which a separate report will shortly be available.

(c) On the *North Western Railway* the cost of 'job analysis' for the year 1933-34 amounted to Rs. 32,000 and the savings effected during the same period to Rs. 12,66,749. One of the most important investigations undertaken on the North Western Railway dealt with the maintenance of track, and resulted in savings amounting to Rs. 5,23,629. This saving has been effected under "Maintenance of Way and Works", the bill for which generally accounts for about 15 per cent. of the working expenses of railways. Another Rs. 2½ lakhs has been saved by careful analysis of shunting and other activities at stations, and a further sum of over a lakh by improved methods of utilising scrap. Analysis is still being continued in connection with track and other maintenance, the operation of running sheds, and the working of marshalling yards and goods sheds. Considerable work still remains to be done in the analysis of the work of clerical staff, and further reports are shortly promised in connection with the work done in certain Stores depots. It is also hoped to initiate

shortly an important investigation, aiming at further co-ordination of all mechanical workshops.

(d) On the *Eastern Bengal Railway* the cost of 'job analysis' for the year ended 1933-34 amounted to Rs. 63,000 per annum, whereas the annual saving effected on one item alone, viz., reduction of station staff, amounted to more than this sum. Actually a conservative estimate places the economies effected during the year at Rs. 2,14,864. This figure is chiefly made up of wages.

One interesting detailed investigation conducted on the *Eastern Bengal Railway* dealt with the maintenance of Block Instruments and Fixed Signals. Every operation, however small, in connection with this work was scrutinised and tested, and it was found that, if conducted to a reasonable time table, the work could be carried out with considerably less staff. The savings effected during 1933-34 amounted to Rs. 38,000.

Investigations into the better use of locomotives and coaching stock have already produced substantial results. On two districts the daily mileage of locomotives has been appreciably raised, and on the *Calcutta suburban services*, it has been found possible to provide increased trains with fewer coaching rakes. These analyses are still proceeding.

Further savings are forecasted in purchases of less quantity of high grade coal, and the abandonment of certain telegraph lines, with a consequent saving of rent.

(e) On the *Bombay, Baroda and Central India Railway* 'job analysis' started later at the beginning of October 1933. The economies actually effected have not been reported, but the annual savings which have been recommended and accepted are estimated to be Rs. 3,52,862 whereas the annual cost of the job-analysing organisation is anticipated to be Rs. 58,769. The principal saving anticipated is under the heading 'intensive use of engines', accounting for nearly Rs. 1½ lakhs. Analysis of the work in certain workshops and traffic stations is expected to result in a further saving of about Rs. 1½ lakhs.

4. The table below shows the savings effected on the five railways mentioned above, together with the cost of the job-analysing organisation on each railway for the year 1933-34 :—

| Railway. | Cost of 'job analysis' organisation. | | Savings effected. |
|--|--------------------------------------|-----------|-------------------|
| | Rs. | Rs. | |
| East Indian Railway | 77,691 | 7,01,083 | |
| Great Indian Peninsula Railway | 56,680 | 4,15,000 | |
| North Western Railway | 32,000 | 12,66,749 | |
| Eastern Bengal Railway | 63,000 | 2,14,864 | |
| Bombay, Baroda and Central India Railway | 58,789* | 3,52,862* | |
| Total | 2,88,160 | 29,50,558 | |

* Only estimated annual figure.

APPENDIX VIII.

COPY OF LETTER No. 8593-F., DATED THE 21ST AUGUST, FROM THE RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENT, NORTH WESTERN RAILWAY, REGARDING IRREGULAR BALANCES UNDER WORKSHOP MANUFACTURING SUSPENSE ACCOUNT OF THE LOCOMOTIVE WORKSHOPS, MCGHALPURA, FURNISHED TO THE PUBLIC ACCOUNTS COMMITTEE IN SEPTEMBER 1935 IN ACCORDANCE WITH AN UNDERTAKING GIVEN BY THE FINANCIAL COMMISSIONER OF RAILWAYS BEFORE THE COMMITTEE.

With reference to the correspondence resting with your letter No. 256-S./21/3/1933, dated the 22nd July 1935, I am directed to state that the Railway Board, after a very careful perusal of the explanations given, consider that the explanations are far from satisfactory.

2. To begin with, the Railway Board observe that the main cause for the accumulation of the inefficient balances in the workshop manufacturing suspense account was the radical change made in April 1928 in the procedure of booking expenditure, and that this radical change, which, in the opinion of the administration, required really an expert accountant to initiate and supervise, was left to be inaugurated by the Production Engineer without any assistance from the Accounts Department. They also observe that this change was made in consultation with the then Chief Auditor of the railway and, so far as can be ascertained, without the written approval of any authority higher than the heads of departments concerned. The Board do not think that such vital changes in accounts procedure should have been initiated without the consultation of higher accounts or administrative authorities, and are of the opinion that the then Chief Auditor should have paid more attention to evolving a suitable accounts procedure to fit in with the reorganisation and to placing at the disposal of the Production Engineer a person with the necessary experience of workshop accounts to assist him in details.

3. Another cause for the growth of the inefficient balance in this case was, it is noticed, the irregular system, which was then in force in the workshops, of manufacturing material in excess of requirements. It is stated that this was probably a legacy from the past when all expenditure in the workshops was charged to revenue repairs. That such a state of affairs should have been allowed to continue reflects, in the opinion of the Railway Board, seriously on the efficiency of the supervision exercised over the working and management of the workshops.

4. The Railway Board further observe that no explanation has been offered on the first point raised in their letter No. 8593-F., dated the 12th June 1935, namely, the failure to exercise the fundamental and obvious check of the quantities of articles manufactured in the shops with the quantities issued and of the quantities issued by the shops with the quantities acknowledged by stores. For this also the Railway Board must hold the Audit and Accounts Department, and in a lesser degree, the workshop management, responsible.

5. In conclusion, I am to state that the Board feel greatly disturbed by the state of affairs revealed by this case, and trust that you are taking steps to impress on all the workshop staff, both accounts and executive, the lessons to be learnt from this case and that you are taking adequate measures to prevent the recurrence of such cases.

REPORT OF THE TRIBUNAL ON FINANCIAL SETTLEMENT BETWEEN INDIA AND BURMA AFTER THE SEPARATION.

The Honourable Sir James Grigg (Finance Member) : Sir, I beg to move :

“ That the Report of the Tribunal appointed to advise on the formulation of a financial settlement between India and Burma in the event of separation be taken into consideration.”

Sir, I do not propose to make any remarks on this motion at the moment except one, and that is that I think it would be to the convenience and advantage of the House if Mr. Nixon, who has taken part in these negotiations from the beginning, were to make a preliminary statement and if I were to reserve any remarks that I may find it necessary to make till a subsequent stage in the debate. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Motion moved :

“ That the Report of the Tribunal appointed to advise on the formulation of a financial settlement between India and Burma in the event of separation be taken into consideration.”

Mr. J. C. Nixon (Government of India : Nominated Official) : Mr. President, I am called upon to take part in these proceedings for the purpose of attempting to lay before the House what in the official mind have appeared to be the specific issues in this matter of adjustments between Burma and India, and to attempt, at the same time, to give the House some of the considerations which were in the minds of those responsible for advising the Government of India as to the course they should adopt in regard to these issues.

The phrase, “ neutral and impartial tribunal ”, first occurred in a letter from the Government of Burma, and I take it that their intention in proposing this form of procedure was to eliminate what would have been the alternative manner of dealing with this problem ; which would have been that the Burma Government would have made out a case and submitted it to the Government of India ; the Government of India would have considered the Burma Government's case, made out its own case, offered its comments on the Government of Burma's case and submitted the whole matter to the Secretary of State for his decision. By that process the Government of India would have been in the advantage of having the last word on the subject before the matter came up for judgment. I conceive that the purpose of the Government of Burma in suggesting this alternative procedure was to attempt to put the Government of India and the Government of Burma into a position of equality with respect to one another. I also conceive that the intention behind the use of the phrase ‘ neutral or impartial ’ was to eliminate from the deciding authority any representation of either the Government of India or the Government of Burma.

Certainly, in many of the earlier documents on the subject, and particularly the documents which emanated from the Round Table Conference, it was contemplated that Members of the Standing Finance Committee of the two Legislatures would be associated in some form or other with

the proceedings of the Tribunal. However, in the latest authoritative pronouncement on the subject, the report of the Joint Parliamentary Committee, although there is a reference to the impartial tribunal, there is no reference at all to the association with the proceedings of the tribunal of members of the Standing Finance Committees. It may be that that omission was not intentional; it may be that it would not be fair to draw an inference from that omission. But it does occur to me that it is possible that the Members of the Joint Parliamentary Committee had before them the reports of the two Standing Finance Committees and read into those reports, what I think I myself read into them, a certain diffidence expressed by the members of the committees as to their capabilities and qualifications for dealing with this somewhat intricate subject.

The decision of the Joint Parliamentary Committee that they were recommending to Parliament the separation of Burma must have come to the notice of the India Office some time in September, 1934, and was communicated to the Government of India. At that time had the Government of India been looking round for non-officials to associate with the tribunal's proceedings, they would naturally have chosen members of the Standing Finance Committee who had spent a considerable time in soaking themselves in the subject. But I need hardly remind the House that the Assembly which was in existence at that time was shortly coming to an end, and I hardly think that the present House would have felt that their interests and their responsibilities would have been properly represented had the members of the Standing Finance Committee of the dying Legislature been appointed to represent the non-official interests of India. It could not have been until February of this year that the new Standing Finance Committee could have been brought into existence and certainly some time must have elapsed before those Members could have got themselves acquainted with the subject. This would have meant a very considerable delay in bringing into operation the Tribunal and that was a delay which His Majesty's Government, at that time apparently, felt it was unwise to face.

I was not present at the debate on the adjournment motion last Session, but I have read through the proceedings and I gather that certain Honourable Members there had a complaint in regard to the lateness of the announcement of the composition of the Tribunal and of its terms of reference. I think, Sir, I can throw a certain amount of light on that matter and I can assure the House that the delay in making the announcement was neither deliberate nor inadvertent. Certain terms of reference for the committee had been drafted in the India Office and had been sent out to India and Burma for scrutiny. I do not remember now whether these terms were altered when they came out to this country. However, it was quite evident to everybody that the terms of reference eventually decided upon did clearly enough indicate the scope of the Tribunal's work, and I have every reason to believe that that draft of the terms of reference was actually made over to the members of the Tribunal when the Tribunal was first called together. But it must have been about Christmas that somebody, I do not know who, discovered that the terms of reference, as drafted, did not accord with the relevant sections of the Bill. The matter was made over to the legal officers of the India office. It is possible that they took somewhat longer over the matter than was necessary. But I might remind the House that the Bill itself was only published in the latter part of January, 1935, and, I believe, that after

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the terms of reference had been got into proper shape, there was no very considerable delay before the announcement was made to the public. Incidentally, at that time, it was also discovered that the term 'tribunal' was, in the terms of the wording of the relevant sections of the Bill, an inappropriate term to apply to this committee. I suppose it was considered too late then or unnecessary to change its title. But official minds were aware that the word 'tribunal' was not the proper one to apply to this body. I have thought it advisable to put these considerations, which came to my personal knowledge, before the House in the hope that they might clear up some misapprehensions which seem to have existed in the minds of Members of this House at the last adjournment debate.

Sir Henry Howard and I were appointed in December, 1930, to survey the ground which we thought should be covered in this matter of the financial adjustments between India and Burma. We signed our report in April, 1931, and it was formally published in September of that same year. And, when I say formally published, I mean that it was formally laid on the table of this House, it was delivered to the Press and copies were placed on sale at the Government depots. Perhaps, as one of the joint authors of this report, I may be permitted to express a certain amount of disappointment that there was not a bigger run on it, because, I think, only two copies have been sold since it was open to be purchased. And yet, Sir, that memorandum was sufficient to inform non-official opinion in India, if non-official opinion in India had been interested in this subject, that this was a matter which involved at any rate 50 or 60 crores of capital money and which had repercussions on the budgetary position of the Government of India to the extent of some three crores or so. Sir, as a mere financial official of Government it does seem to me that non-official opinion has at times made itself very much more voluble in matters which concern the taxpayers of India less. For, within the next three years or so, let me say up to the end of 1934, non-official opinion in India gave expression to views on this not unimportant matter on only three occasions. And of those three occasions, two were at the instance of the Government itself.

The first occasion was when the Howard-Nixon memorandum was presented to the Standing Finance Committee. I was asked to attend all the meetings of that Committee and several Members of the Committee consulted me out of office hours to ask for explanations of the various statements in the memorandum. During the course, both within and without the Committee, of my giving what help I could to its members, I undoubtedly offered for their consideration various alternative renderings that had passed through my mind and which at various stages I had discarded in favour of the final recommendations which I made in the Howard-Nixon report. And I think, I may say without injustice to the members of the Standing Finance Committee, that where in a few cases they did offer alternative renderings to those put into the Howard-Nixon report, in every instance, except one, those alternatives originated from me and had, therefore, been considered by me at an earlier stage of the proceedings.

The Standing Finance Committee completed its labours in March, 1932, and its report was formally presented to the predecessors of this House in the early days of April, 1932. There was a debate which occupied two

days. In this House at the moment I believe there are not many Members who took part in that debate. However, I do not think I am doing them an injustice if I say that they never seriously got down to the financial issues. And I think that that statement is best confirmed by the fact that the House on that occasion came to the conclusion that they would wish to postpone consideration of this subject,—a mode of dealing with a difficult matter which some of my friends opposite will probably say is not confined merely to Legislatures.

The third occasion on which non-official opinion expressed itself at all on this subject during these three years was in a document which is called "Report on the financial obligations between Great Britain and India" and is headed "The Congress Select Committee". I propose at a later stage of my speech to return to some of the statements made in the report, and I will content myself at this stage by making only two observations about it. The first observation is that if, what to me appears to be the intricate matter of dividing up the assets and liabilities of the Government of India between India and Burma can be disposed of, as apparently in this report it is intended to be disposed of, in 16 lines of print, then Sir Henry Howard and I made very unnecessarily heavy weather of the matter. And secondly, if my information is correct, this report seems to have suffered very much the same fate as the report of the Standing Finance Committee of the old Legislature, inasmuch as, it has been left in a state of suspended animation in the absence of its formal adoption by its parent body.

Perhaps, Sir, it was not an unfair inference to make from the paucity of the expression of non-official opinion for a space of three to 3½ years when Government concluded that non-official opinion in India had nothing more to say on the subject. And, Sir, if I may go a little ahead of the time-table to which I have got at the moment, I would refer to a letter addressed to the Government of India by the Federation of Indian Chambers of Commerce and Industry, dated the 13th August, 1935, a copy of which was published in the papers. This letter set out,—and if I may say so, set out very ably,—some of the issues which were concerned in this problem. But, Sir, I think I am being fair to the letter in stating that it did not purport to offer any views as to how these various issues should be treated. So that for the last three or four years there has been no idea put forward by non-official India of any financial consequence which had not already passed through the minds of those who, from time to time, have been responsible for advising the Government of India in the matter.

Sir, when Sir Henry Howard and I were put on to tackle this problem we were given no voluminous back papers to read because there were none. So far as I am able to gather, except possibly in regard to the case of Northern Ireland, previous to this, no systematic attempt had ever been made in such circumstances as these scientifically to distribute the assets and liabilities between two partners. The whole field of principle was open to Sir Henry Howard and me to explore. And in due course we came to the conclusion that there were, even on theoretical grounds, only three possible manners of approaching this problem. Two of those possible methods of approach I would describe as historical, and I would

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like to give some slight, but I am afraid inadequate, account of what those two methods of approach would mean.

The first method I would call the analysis of debt method. It would assume that in general the revenue transactions of the past had been conducted for the mutual benefit of the two countries and that on the whole should be regarded as closed and done with, except in so far as those transactions had in any respect affected the debt position. For it was the opinion of all of us that it was in the matter of the distribution of the debt that the main problem arose. The process would mean that we should go back to 1826 when Burma first appeared on the scene and trace out the rise and fall of the public debt of India and attempt to ascribe specific causes to each rise and to each fall. And if that cause was a cause which could be attributed to Burma that item would be made over to Burma's account, and if that cause could be attributed to Continental India then India would assume the corresponding responsibility. That method of approach has a certain plausibility about it and yet there are some theoretical objections that one can urge against it, apart from practical ones. There does seem to me to be something wrong about a process which means that a debt, incurred perhaps 100 years ago on some specific object, but which, in the meantime, in some manner or other, has been paid off, should be resuscitated and charged to one or other of the parties. Also, as a practical difficulty in this method of approach, I would refer to the very large number of items which would be found in such an analysis as this, where the debt would have been caused on joint account, neither specifically for the purpose of one party nor for the purpose of the other. I refer to such items as debt liabilities incurred in the unfortunate days when the Government's yearly finances result in a revenue deficit. There have been occasions where debt has been incurred by Government in maintaining the currency, and I think I may include in this group the cost of military operations on the frontier. In regard to each of these, it would be necessary to assign a fractional share of responsibility to Burma, and it would also be necessary to decide whether each of these events should be shared between Burma and India specifically having regard to the circumstances attending it, or whether one fraction should be applied to all liabilities of this nature.

Then, again, there is another difficulty. It is not the practice of the Government of India, nor, I believe, of many Governments, to go out into the open market and borrow for specific purposes. At the beginning of the year, the Government of India in the Finance Department takes a survey of the likely receipts during the next year; the receipts, let me say, from the deposits of Provident Fund contributors, receipts accruing from the Post Office Savings Bank, and in other ways; and, finding a gap between the disbursements which they want to make and the receipts which they seem likely to get, they go into the market and raise the amount of money necessary to fill that gap. So that when Government engages on some capital undertaking, such as the building of New Delhi, it cannot ordinarily say whether for that purpose it is using interestfree money deposited for instance by local bodies or cheap Savings Bank money or part of the dearer ordinary Borrowings of the Government.

But certain persons who have most strongly advocated this analysis of debt method of approach have in their minds particularly debts which have been incurred through military operations. There are difficulties particularly in regard to such items. It is not the usual practice of Governments to keep a commercial balance sheet when they are running a war. At a time of war, the expenditure of civil departments usually goes up, and in any properly arranged balance sheet that would have to be a factor to be taken into account. One would also have to take into account what would have been the normal cost of military defence of the country, and also the fact that the normal cost may have moved upwards or downwards as a result of the military operations.

But some of the gentlemen whom I have heard refer to this method of approach, especially when they are considering this problem of India and Burma, have had in their minds more particularly the three so-called Burmese wars. The first Burma war took place in 1820 something. Its cost has been variously placed by authorities at anything between £3 millions and £15 millions. How much it did cost I am not able to say. But in any consideration of how that particular liability should be apportioned, it would almost certainly be necessary to take into account the fact that as a result of that war an indemnity of one crore was paid. And I suppose it would also be necessary to take into account the fact that that one crore of rupees was paid not into the coffers merely of continental India but into what then became the joint coffers of India and Burma. Further still, in dealing with the first Burma war, it would be necessary, I think, to take into account that as a result of the war, part of what is now the British province of Assam was annexed. The second Burmese war was a little war. The third Burmese war was not really a war at all. It was a military occupation which extended over several years, and again various figures have been given by various authorities as to the cost of that military occupation. But it has been very pertinently pointed out that the military occupation of Upper Burma as a consequence of the third Burmese War involved the administration of Upper Burma and, at that time what in ordinary circumstances would have been called the civil administration of Upper Burma was conducted by the military. Certainly, the Burma people, if they had to take over the cost of the third Burmese War, would ask that the cost of the civil administration should be deducted from it.

But there are other people who have been interested in this particular method of approach who have had in their minds a rather wider point of view and that is that there should come into account some third party. Honourable Members will have read the newspapers as I have, and will have noticed that in the Burma Legislature a resolution was passed suggesting, that instead of the Burma people taking upon themselves the liability for the amount of debt assigned to them in the tribunal's report, it would be a very good thing for Burma if His Majesty's Government would take it on. (*Opposition cries of "Hear, hear."*) I have no doubt the people of Burma would have been equally satisfied if the Government of India had agreed to take it on. (*Honourable Members: "No, no."*) I do not doubt that they would have made no complaint if the Government of Abyssinia had offered to take it on. Sir, this problem, as it was set out in all the earlier documents on the subject emanating from the Round Table Conference, has been spoken

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of as an apportionment of the assets and liabilities between Burma and India....

Mr. President (The Honourable Sir Abdur Rahim) : Today being Friday, the House has to be adjourned earlier than usual. The House now stands adjourned till a quarter past two of the clock.

The Assembly then adjourned for Lunch till a Quarter Past Two of the Clock.

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President (The Honourable Sir Abdur Rahim) in the Chair.

Mr. J. C. Nixon : Mr. President, I just want to make two further observations on the subject which I was dealing with before lunch. I was remarking on the fact, that so far as the question before the House is concerned, the earlier documents in the matter had referred to dividing assets and liabilities between two parties, India and Burma, and the terms of appointment of the Amery tribunal were framed in the same manner. So that, whatever Honourable Members opposite may have to say in regard to this subject, they can hardly throw blame on to the Members of the Amery Tribunal for refusing to go outside the terms of their reference.

I would like now to say a few words on the second possible historical method of approach to this subject which I would describe as the debtor and creditor method. This method would suppose that year by year, since Burma first came into the picture in 1826, it would be possible to compile an account showing the various monies which had been raised on behalf of Burma and spent on behalf of Burma and a yearly balancing figures set down. And at the time of separation those balancing figures should be added up and would represent either what Burma should pay India or on the other hand what India might have to pay Burma. The question of compound interest, as the authors of the Congress Report have remarked, might have to come into consideration in a method of this nature. Just to illustrate some of the practical difficulties of that method of approach, I would refer to some of the differences which occurred between Sir Henry Howard and myself in dealing with the accounts of even so recent a year as 1929-30. For one purpose it would have been convenient for us if we could have distinguished between the receipts which were referable to Burma and those which were referable to continental India in the method of Income-tax. As Honourable Members of this House know, the place of assessment, under the Indian Income-tax Act, is a matter largely of the convenience of the income-tax authorities or of the convenience of the assessee. For instance, the Imperial Bank is, I understand, assessed in Calcutta, although its operations of course cover Burma. On the other hand, the Burma Oil Company, which must make a very large proportion of its profits in India, is assessed for income-tax purposes in Rangoon, and in the published accounts, its payments are shown as a receipt under Burma. Sir Henry Howard and I had a certain amount of talk as to how we could adjust these facts, and at the end we had to confess that the only way to do so was to guess. The difference

between our guesses for the accounts of the year 1929-30 amounted to 20 lakhs. Sir Henry Howard suspected that my guess was in favour of India and I thought, that Sir Henry Howard's guess was in favour of Burma. I have no doubt that if any attempt were made to go over the accounts of each year since the time that Income-tax was instituted, the person who made the guess,—I call it a guess because it is nothing more than a guess,—on behalf of India would always guess in favour of India and *vice versa*, so that, in regard to this matter alone,—we are taking only the last 45 years into account,—there is room for a difference of opinion of, at any rate, five to ten crores. Again, Sir Henry Howard and I came up against the problem of the Posts and Telegraph Department. It is only in recent years that Government have attempted to set out the working of the Posts and Telegraph Department on commercial lines so as to be able to say whether any particular section of it is run at a profit or loss. And even so, they have not attempted to make separate profit and loss statements for individual geographical parts of the Indian Empire. I did, as a matter of fact, get the Posts and Telegraph Department for the year 1929-30 to make a special compilation for Burma in order to arrive at some rough conclusion as to how that section of the department was working. They did not purport to put any great reliance in the figures which they produced for me, and, I am sure, that that department would be the first, if I gave them the problem of doing that process year by year back to when the Posts and Telegraph Department first started, to declare the matter to be impossible. Then again, if one were tackling the question in this manner, one would have to take into account the cost of the army. About a crore and half rupees are spent in Burma on the Indian Army, and the rest in India. But no one would pretend, at least nobody representing India would pretend, that that $1\frac{1}{2}$ crores of expenditure in Burma represents the proper contribution which Burma should be making to the cost of the Indian Army. On the question of how exactly the contribution of Burma to the cost of the Indian Army ought to be computed, I am not ready with an answer, but I am pretty certain that any suggestions I might make would be very strongly opposed by anybody representing Burma.

I refer to this method, what I have called the debtor and creditor method, particularly because, so far as I have been able to understand the Report of the Congress Select Committee, this is the manner of approaching the problem which that Committee has selected to follow. I am not quite sure whether I understand what this Report purports to do in regard to Burma, or whether it really purports to indicate the financial adjustment which should take place between the two countries in the event of separation. (*Some Congress Members* : "No.") I can only say that some of my Congress friends have certainly quoted at me the figure which is given here, 102 crores, and in their minds this is the answer to that problem. Also I notice on one page of this Report a footnote which rather indicates to me, although it does not prove it, that at any rate one of the authors of this Report looked on it in this way. However taking the Report for what it is, I would like to refer to one or two figures in it. Before I do so, I would draw the attention of the House to a small asterisk which appears on page 60, against which a footnote indicates that that figure is subject to re-computation. I can, therefore, assume, I think, that the other figures against which there are no asterisks

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are not subject to re-computation, but are final figures. And I want to refer to two items which appear among these final figures. There is a sum not exactly specified but forming a part of 22 crores which, according to this Report, Burma is liable to repay to India on account of losses incurred in running the Burma Railways in the way of revenue deficits and interest. I do not know whether the authors of this report had access to the same papers from which I studied the position of the Burma Railways, but there is no reason why they had not because all the papers I consulted were documents readily available to them. It is true, that at one time, the Burma Railways had cost Government Rs. 30 lakhs, but, in my mind, it is equally true that since that date they have repaid to the exchequer that Rs. 30 lakhs and a very handsome sum in addition. I am quite sure that my Honourable friends from Burma would say that in any approach to the problem along these lines there would be no question of Burma paying India for deficits on the running of the Burma Railways, but, on the contrary, a very serious question would arise as to the amount which India has received on account of the profits that have accrued, at any rate, in recent years from the running of the Burma Railways. I would also just like to note here that in this account there is no mention of a small sum of Rs. 30 crores or so which the Burma Railways cost, capitally, and which, according to my conception, Burma would certainly have to pay to India. I do not know whether that omission from this Report is deliberate or inadvertent, but it seems to me to be rather serious. The second small item in this Report which I would like to refer to is one of a crore a year—and, by the way, this is again not one of the figures subject to re-computation—a crore a year for the last 45 years to represent what Burma should reimburse to India on account of the services of the Indian Army. So far as the Howard-Nixon memorandum throws light on the problem, it indicates that at any rate, in about the year 1929-30 Burma was contributing a sum of the order of Rs. five crores a year towards the upkeep of the Indian Army, of which Rs. 1½ crores were spent in Burma and the other Rs. 3½ crores in India. I believe Burma thinks that this contribution of Rs. five crores was rather larger than the amount which Burma ought to have contributed for that purpose. On that point I am not in agreement with them, but I am satisfied that at that stage they were making a contribution towards the cost of the Indian Army of that order of figure. I am also as certain that if one were to approach the problem in the manner which I have described—the debtor-creditor method—no question would arise of Burma paying one crore a year for the last 45 years extra to what she has already subscribed for the purpose. My Burma friends are much more likely to suggest that, of the sum of money which Burma has already subscribed to the upkeep of the Army, some portion should be reimbursed to them.

This method indeed would lead to an analysis year by year, as I said, of the sums of money received and spent or obligations undertaken on behalf of the two countries. It would mean an analysis of figures and an analysis of facts; and, so far as my opinion is worth any thing, I would say that neither the figures nor the facts any longer exist from which this method could be pursued. Further than that I will say that this method assumes a relationship between the two parties which, in fact, did not exist, at any rate, up to the year 1921, and, even since the year 1921, has existed only in a very partial form.

For these reasons and for others, Sir Henry Howard and myself discarded the historical approach to the solution of this problem. The conclusion we came to was that we would have to take the assets and liabilities as they happened to exist on the date of separation and not go into the past to see who had been to blame or who should receive credit for the past. And our object was to try and formulate an equitable plan of dividing that body of assets and liabilities in terms of the circumstances at the date of separation. As it happened, the Amery Tribunal concluded that that, or at any rate something similar to that, was the proper principle to apply to this problem. I get from some of the things which the Tribunal said during its deliberations the phrase which should perhaps be applied to this method—and I would call it the dissolution of partnership method. No one would pretend that the relationship in the past between India and Burma was that of partners; but as lawyers know, in Courts every day there is a variety of case which comes up for decision in which certain assets and liabilities have to be apportioned, and, in general, the Courts apply a common principle to that type of case even though the case could not be described as a dissolution of partnership.

I would now, Sir, like, in the time that remains to me, to show the application of this principle, which I have described as the dissolution of partnership principle, affects some of the more specific elements of the problem. I do not propose to dwell very long on the currency matter. Burma does and did require to know what would happen in regard to that large body of assets behind the currency in the event of Burma, at some future date, deciding to have its own currency. But it was apparent to Sir Henry Howard and to me, and it has become more apparent since, that the two Governments, and indeed I believe everybody interested in the problem would at any rate for some time after separation desire that there should not be added to the complexities of the situation a change in the currency, and an agreement between the two Governments to that effect has been embodied in a memorandum which was circulated to Honourable Members at the same time as the report of the Indo-Burma Tribunal. As a consequence of that agreement, in due course, an amending Bill to the Reserve Bank of India Act will be presented to this House. The Tribunal, having been told that it was not intended to divide the currency assets at the time of political separation, concluded, therefore, that the matter did not come within their terms of reference, but they did cast a glance at this subject for the following reason. During the negotiations between the two Governments the Burma Government pointed out to the Government of India that there were certain recent elements in the Government of India debt which could be clearly traced to currency operations. They suggested that the proper manner of sharing those liabilities was one based on currency factors. The Government of India did not agree, but they were not prepared to make an issue of the matter with the Burma Government; in fact, they were prepared to make, if this amounted to a concession, a concession of it. However, the Tribunal, being more prompted, if I may say so, by the logic of the situation, refused to isolate these particular elements of the public debt of India. They considered that these should be treated the same as any other part of the public debt of India and divided in the ratio to which I shall presently refer.

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In the matter of debt, it is the practice of Government, in its accounts, to divide it up into two portions. Against one portion are specified certain assets, and it is understood in our accounts that specific amounts of the debt can be associated with those assets. It was the opinion of Sir Henry Howard and myself—agreed to by the two Governments, and eventually accepted by the Tribunal—that the proper manner of partitioning that portion of the debt was that the party which came into possession of the asset should take the corresponding amount of debt shown against that asset in the public accounts. The Tribunal somewhat departed from that general rule in the case of the Railways where they made an adjustment on account of certain repayment of railway capital which occurs year by year. I must confess that in that respect the Government accounts are not altogether consistent with themselves. There is avowedly an anomaly in the Government accounts on that point and Sir Henry Howard and the Tribunal were too shrewd to miss it. As regards the balance of the debt which is not represented by assets of any sort, the problem arises as to how it should be shared between Burma and India. Sir Henry Howard and I concluded that the proper manner of dividing it up was in accordance with factors dependent upon the respective revenues raised in the two countries, but there remained between us a fairly large gap as to what should be taken into account in defining those revenues. The Government of India supported my view of the case. The Government of Burma made certain modifications in Sir Henry Howard's original views when they argued their case before the Tribunal. But this was an issue where the Tribunal insisted on taking its own lead. It was not prepared to accept an unqualified principle that the proper manner of dividing this balance of debt was in strict accordance with the respective revenues raised in the two countries. It would be a little difficult for me,—in fact I think I should regard it as impossible,—to summarise the arguments of the Tribunal when dealing with this question of the ratio, and I shall have to direct the attention of Honourable Members to paragraphs 52 to 64 of their report. There is one feature, however, in their argument which I would like to refer to and that is that the Tribunal considered it was relevant to take into account the differential effect of the protective policy of the Government of India on the customs revenue paid by the inhabitants of Burma as compared with the customs revenue paid by the inhabitants of continental India. I would, Sir, with your permission, read out their final conclusion on this subject. It is in paragraph 64 of their report :

“ We do not propose to assign any precise weight to these different alternative arguments for a ratio of contribution below that of the actual revenue contribution of recent years. But our study of all the various aspects of the question and of the arguments and figures presented to us has led us to the conclusion that, for our particular purpose of arriving at a just financial settlement, the proper ratio in which Burma should contribute in respect of the liabilities outstanding at the date of separation (subject to certain qualifications in connection with currency) should be 7.5 per cent.”

Up to this point, Sir Henry Howard and I had been dealing on comparatively amicable terms. The differences between us were differences of detail rather than of principle. But, when we came to the question of pension, we found we were miles apart and the gap never seemed to close. Briefly put, the view which I held of pensions, both military and civil,

was, that they were a liability which, looked at in a capitalised form, was no different in nature from the balance of generalised debt and that, therefore, they should be shared between the two countries in the same ratio as was applicable to the balance of debt.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions : Muhammadan Rural) : May I ask one question ? Will you please explain this point. The ratio that was determined previously was $10\frac{1}{2}$ per cent. and now they have reduced it to $7\frac{1}{2}$ per cent. What is the data for this change ?

Mr. J. C. Nixon : It is true that the Howard-Nixon report, so far as it represented the views of myself, calculated the proper ratio at ten per cent. or thereabouts, taking only the revenues into account. It is also true that the Tribunal have chosen the figure of $7\frac{1}{2}$ per cent. I expressed my inability to summarise the arguments by means of which the Tribunal had arrived at that $7\frac{1}{2}$ per cent. figure and I do not think that I can do any more than direct Honourable Members to the relevant part of the Tribunal's report.

I was talking on the matter of pensions. I had said that I had viewed the pensionary liability as being very much in the same class as the balance of debt not represented by assets. On the other hand, Sir Henry Howard considered that the liability of Burma in the matter of pensionary obligations should be measured by the proportion of the departments which Burma proposed to take over after separation. For instance, Burma proposes after separation, as I understand them, to employ troops which will cost it about a crore and a half and it considered that its proper share of the military pensionary liabilities should be measured by the figure of a crore and a half as against the whole cost of the Indian Army, which, at the time we were dealing with this, was about 50 crores. So that they considered that their proper share of military pensions was about three or $3\frac{1}{2}$ per cent. On the other hand I said that it should be ten per cent., and, as I have just said, the Tribunal considered that it should be $7\frac{1}{2}$ per cent. The Tribunal accepted the principle advocated by the Government of India although the actual financial advantage of their decision is certainly reduced by the fact that they have pitched on $7\frac{1}{2}$ per cent. as the sharing ratio. In order to indicate to Honourable Members the magnitude of this liability, I would remind them that the net pensionary bill of the Government of India at the present time, including civil and military pensions, is of the order of eight crores of rupees a year and if one wants to think of that liability in capital terms one would have to multiply by some such figure as eight (and, I may say, not by 15, as has been suggested by a recent contributor to the *Hindustan Times*). The application of this principle to pensions goes further than in regard to the active pension list of which I have just given you the figures. It was acknowledged by all the parties concerned that a liability will also lie on Burma in regard to what has been called part-earned pensions which are the pensions which will arise in the future of which a portion can be attributed to pre-separation service. And the same principle—that India is due to receive from Burma $7\frac{1}{2}$ per cent. of the total of that liability—applies to this factor. It is a little difficult for me to indicate to Honourable Members the magnitude of that liability but, according to certain calculations which I have made, I put

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the total of that liability down at a figure of between 80 and 90 crores capitally. I said it would be very difficult to work out the amount. In order to arrive at an irreproachably accurate figure, I think I might very well describe the problem as impossible, and it was because of that in the Howard-Nixon Report I proposed a composition. On a rough calculation I considered that Burma would owe India something of the order of five crores on account of part-earned pensions. I am not prepared to say that the figure should not be four crores or six crores. I think I am prepared to say that it is not ten crores. It is round about the neighbourhood of five crores. On the other hand, as I conceived the problem, owing to the fact that a disproportionate amount of the buildings and land used for departmental purposes is found in continental India and not in Burma I could see that India would be due to pay to Burma some compensation on that account. Again the figures are very vague. I collected some and guessed at others, and I came to the conclusion, without cooking the result, that the amount which India might be held to owe to Burma on that account was, by accident, also a figure of the order of five crores. And my suggestion was that these two vague and difficult-to-calculate elements should be considered as cancelling one another out. The Tribunal were not able to accept this suggestion of mine. They thought that my calculations were not as accurate as might be arrived at in the matter and they left the more accurate determination of the figures to the application committee.

I promised in an earlier part of my speech to refer again to the report of the Standing Finance Committee and particularly to those points where they offered alternative renderings to the recommendations which I originally made in the Howard-Nixon Report. I may say that in the Howard-Nixon Report Sir Henry and I had assumed rather implicitly that the eventual liability of Burma to India should be expressed in the form of a rupee obligation. The Standing Finance Committee had recommended that part of that liability should be expressed in sterling and the rest in rupees. That notion had occurred to me while I was writing the Howard-Nixon Report but I rather came to the conclusion that it did not automatically cut out the risk which I have no doubt was in the minds of the members of the Standing Finance Committee. However, I must say that I could see no harm in the suggestion. My instructions were to press that request before the Tribunal, which I did, and I pressed it in the belief that it would be readily acceded. The Tribunal asked on what grounds I would attempt to assess how much of the liability should be expressed in sterling, and I gave them three or four possible alternatives. I must say I was rather surprised to see that they did not concede that point. Another of the points on which the Standing Finance Committee view was somewhat different from the suggestion made by me originally was in the matter of the asset which is described as the "military land scheme, Bombay" and against which an amount of debt of about two crores is exhibited in the accounts. In regard to that asset the Standing Finance Committee suggested that instead of using the figures of the published accounts, we should ask that that particular property should be valued and adjusted at its valuation. There is no doubt that what was in their minds was that the present value of that property was undoubtedly well below what it originally cost. The Government of India, on con-

sidering that suggestion of the Standing Finance Committee, thought that it would be inconsistent to have a valuation in regard to this one asset while they were not asking for a valuation in regard to the other assets. In the case of some of the other assets the case might go in the opposite direction because we have assets worth more than they originally cost. On this point, therefore, I received no instructions from the Government of India. Then, the Standing Finance Committee suggested that India should press a claim against Burma on account of the accumulated leave which will be to the credit of officers at the time of the separation. It is known to Honourable Members that Government servants accumulate a certain amount of leave and take it in blocks from time to time. They do not necessarily take a fixed amount of leave every year. I had referred to this point in the Howard-Nixon memorandum. My solution of it was to throw it in with the composition as the amount is comparatively small. But I must say that at the same time I had some doubts as to whether it was a properly adjustable item, or whether it was not more correct to view it as rather a current day to day item with which we were not concerned. I, however, pressed this claim before the Tribunal under the instructions of the Government of India, but, as can be seen from the report, the Tribunal has negatived it.

But a more important aspect of the subject with which the Standing Finance Committee dealt was the matter of what I have called "dead assets", or the buildings and land in the use of the Departments of the Government of India, which, generally speaking, have been bought out of revenue and against which generally no debt liabilities stand. The Standing Finance Committee expressed in their report a point of view which, as a matter of fact, I had originally given them,—that it was a conceivable attitude to take up that the destination of any assets which had been acquired in the past out of revenue resources should be considered as automatic, and that the luck of the party which got possession should stand. They did not suggest in their report that this should be actually pressed as a claim, but they did suggest that it was a point of view which the Government of India should bear in mind. The instructions which I received from the Government of India were very prominently to bring this point of view to the notice of the Tribunal. I did that, and I argued it, if I may say so in all modesty, rather well (Laughter)—so well, indeed, that at one time I nearly believed in the theory myself. But, as a matter of fact, I was not able to convince the Tribunal that an asset was any the less an asset because it had no debt attached to it. It is acknowledged that an asset with debt liabilities is an asset, but the suggestion I had to make to the Tribunal was that it ceased to be an asset after the debt was paid off. I think all Honourable lawyer Members of this House will in their heart of hearts believe that the Tribunal, at any rate on that point, was correct.

Sir, the last proposition which I want to refer to in the report of the Standing Finance Committee is the one in which they recommended that the Government of India ought to obtain from the Burma Government, after separation, a separate contribution on account of the Indian Army, on the ground I think that even though the two countries were separated, Burma must, by reason of its geographical position, get a certain amount of protection from that army. I am not prepared to combat that argument at all, but the Government of India in fact gave me no instructions on the point because on the advice I gave them that this consideration was

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really outside the terms of reference of the Committee. It concerned continuing arrangements between the two countries after separation and was not one of the assets and liabilities to be divided at the time of political separation.

Sir, I may now sum up in a few words the proposals of the Tribunal so far as they affect the Indian case, and I will do so by saying that on principle the Government of India have won their case, but the amount of damages awarded to them is less than they claimed. On the other hand, Burma finds itself in the position that it will have to pay up more than it bargained for.

But Honourable Members will also be interested to hear what, if the recommendations of this Tribunal are brought into effect, will be the effect on the budgetary position of the Government of India. On this matter I must speak with caution. The necessary figures for a calculation appear many months after the event; but I have attempted to make as close an estimate as I can and I say that if Burma had been separated from India on the first of April of the current year on the terms of this report, the effect on the budgetary position of the Government of India would have been a deterioration of something of the order of two crores. (Applause.)

Mr. President (The Honourable Sir Abdur Rahim) : The Chair has received notice of three amendments, one is from Mr. Gauba, the other is from Mr. Das and the third is from Mr. Mathuradas Vissanji. All the three amendments are almost identical in terms. The Chair is feeling some doubt as to whether the first amendments are in order and whether their effect is not that of a direct negative. The Chair would like to hear Mr. Gauba and Mr. Das on that point.

Mr. K. L. Gauba (East Central Punjab : Muhammadan) : Sir, the motion before the House is that the report of the Tribunal be taken into consideration and the negative of that would be that it should not be considered. My amendment is that the report be rejected by the Government of India. Therefore, I submit that that is an entirely different matter and the amendment is admissible.

Mr. President (The Honourable Sir Abdur Rahim) : Does it not amount to the same thing ?

Mr. K. L. Gauba : No, Sir. I submit it is different.

Mr. President (The Honourable Sir Abdur Rahim) : All right. The Honourable Member had better simply move the motion. All the three motions may be moved and then there will be discussion on all of them.

Mr. K. L. Gauba : Sir, I formally move the motion that stands in my name, namely :

“ That the Report of the Tribunal appointed to advise on the formulation of a financial settlement between India and Burma in the event of separation be rejected by the Government of India as unjust and inequitable to India.”

Mr. B. Das (Orissa Division : Non-Muhammadan) : Sir, I move :

“ That the Report be rejected as being unfair to both India and Burma.”

Mr. Mathuradas Vissanji (Indian Merchants' Chamber and Bureau : Indian Commerce) : Sir, I move :

"That the Report be rejected as being inequitable to both India and Burma, and that, in consequence, the Government of India be requested to move the Secretary of State for India, that, in accordance with promises made in this Assembly, the assurances given at the Round Table Conference and in the Report of the Joint Select Committee of the British Parliament, the problem of Financial Adjustment between India and Burma be investigated into afresh by another Tribunal, with representatives of both India and Burma thereon to make recommendations on the question of distributing the Assets and apportioning the Liabilities between the countries affected and concerned, after proper hearing of the case from all the parties concerned, and before final steps are taken in the matter."

Mr. President (The Honourable Sir Abdur Rahim) : Amendments moved :

"That the Report of the Tribunal appointed to advise on the formulation of a financial settlement between India and Burma in the event of separation be rejected by the Government of India as unjust and inequitable to India."

"That the Report be rejected as being unfair to both India and Burma."

"That the Report be rejected as being inequitable to both India and Burma, and that, in consequence, the Government of India be requested to move the Secretary of State for India, that, in accordance with promises made in this Assembly, the assurances given at the Round Table Conference and in the Report of the Joint Select Committee of the British Parliament, the problem of Financial Adjustment between India and Burma be investigated into afresh by another Tribunal, with representatives of both India and Burma thereon, to make recommendations on the question of distributing the Assets and apportioning the Liabilities between the countries affected and concerned after proper hearing of the case from all the parties concerned, and before final steps are taken in the matter."

There will now be discussion on the amendments and the original motion.

Mr. K. L. Gauba : Sir, I hope Mr. Nixon will not think me uncharitable when I refer to the very excellent and lucid address, which he has just concluded, as having missed the main question before the House. He seemed to labour under the misapprehension that this House was considering the Howard-Nixon report, the Congress report and the report of the Standing Finance Committee. Looking at the clock, Sir, one noticed that during 60 out of the 70 minutes in which the Honourable Member very ably occupied the floor of the House, he dilated upon the three matters, which are really not before us at all. The matter before the House today is the report of the so-called Tribunal appointed by the Secretary of State.

Here, Sir, I would like to state definitely that we do not criticise Mr. Nixon's advocacy of India's case before the Tribunal, nor do we criticise the very excellent report which he published in conjunction with Sir Henry Howard. What we are out to discuss today is the extent to which the report published by the so-called Tribunal (on the 15th of March, 1935), can be accepted by this Assembly or by either of the two countries interested. I would also like, at the outset, to make it absolutely plain that in moving the rejection of the Amery Report, we, on this side of the House, do not want any kind of unfairness to Burma. We stand for fairness to Burma, just as we stand for fairness to India. The question whether Burma can pay a particular sum which India ought to get is really beside the point. What we have to see is this : What is due to India and how can India get it ?

[Mr. K. L. Gauba.]

Sir, I propose briefly to touch on the so-called arbitral character of the Amery Committee, which has been euphemistically referred to an arbitral Tribunal. You know, Sir, that none of the parties to the case were before that Tribunal, except in the person of the officials nominated by the respective Governments. The people of Burma and the Legislative Council of Burma, the people of India and the Legislative Assembly of India, knew absolutely nothing of these proceedings until the proceedings were well advanced and the report had practically been signed. The intimation pertaining to the appointment of this so-called arbitral Tribunal was not made till the 16th February this year. It was only later stated that the Tribunal had actually started work on the 21st December, 1934. On the floor of this House the Honourable the Finance Member made a statement on the 26th of March, which he had to retract on the 28th of March. He did not know on the 26th March that the report had been actually signed in London.

The question of the personnel of the Tribunal has already been debated in the Assembly ; and it is not necessary to go over the ground again. I think there are no two opinions in this country or in Burma as regards the personnel of the Tribunal. Neither the people of India, nor the people of Burma, had any confidence in this Tribunal, nor, was it a Tribunal in the terms in which it was promised to both these two countries. The whole business has been a piece of sharp practice,—if I may say so,—about this Tribunal. The Tribunal—I will refer to the pledges presently—was appointed behind the back of the people of Burma and the people of India. This Tribunal was not a Tribunal of financial experts, it was not a Tribunal of judicial experts. This Tribunal consisted of a Colonel Amery, an *ex-Secretary* of State for the Colonies, Sir Sydney Rowlett, who holds a K.C.S.I., for various services rendered to India—we know what those services were—and Sir Walter Nicholson, a civil servant in the Aviation Department. (Laughter.) This, Sir, is the personnel of the Tribunal which has to decide the question, where crores of rupees of the two countries are involved ! If the Secretary of State had himself done the job, it would have been much more honest than the appointment of this utterly worthless Tribunal.

These proceedings, we have seen, are referred to as arbitration proceedings. Well, Sir, an arbitrator might arrive at an erroneous decision ; he might make a mistake. In such circumstances one does not question the findings, which are presumed to be *bona fide*. But where fraud intervenes—I see the Honourable the Finance Member looking at me.—I repeat it again,—where fraud intervenes.

The Honourable Sir James Grigg : Fraud on whose part ?

Mr. K. L. Gauba : Where fraud intervenes, it vitiates the arbitration. Fraud may be in the reference ; fraud may be in the arbitral proceedings ; and finally fraud may be in the conclusions to which the arbitrators subscribe. I submit, Sir, that on all three grounds,—it is a **very** bold statement to make. I know—but on all the three grounds, this report is vitiated by fraud on both countries.

Let us take the first question—the terms of reference. Over and over again, the proceedings of the Round Table Conference and the Burma sub-committee of the Round Table Conference refer to a just settlement

between the two countries. Over and over again, if you see the various reports of the proceedings, the term used is 'a just settlement'. The terms of reference to the Amery Committee are "to determine as equitable apportionment between the two countries of assets and liabilities". I submit that the term "assets and liabilities" is quite a different matter to "a just financial settlement". In the case of "a just financial settlement", so many other questions can rightly and legitimately come in; so many other questions would be within the Tribunal's purview, questions which cannot be relevant in a mere mechanical distribution of assets and liabilities. Thus the liability for wars or post-separation pensions under heads of military charges. The Honourable Member, who has just spoken, referred to the historical approach and he spent a lot of time in ridiculing or in indicating that the historical approach was really not the proper approach to the subject. But in any question concerning India and Burma, the historical approach is a vital approach. After all, India has spent, according to his own estimates, between 10 and 21 crores on Burma wars. We do not say that these 10 to 21 crores are to be paid by Burma. We say that these 10 to 21 crores ought to be paid by the people in whose interests those wars were waged. (Applause.)

Next, Sir, I turn to the fraud apparent in the proceedings. Here I would refer Honourable Members to the debate which was held in this House on 5th April, 1932. Sir George Schuster referring to this Tribunal, in the course of the debate, in which you, Sir, took so conspicuous a part, said, "the sub-committee of the Burma Round Table Conference practically accepted the recommendations of the Government of India". He read and quoted the report of the sub-committee, and went on to say, "this is a point on which I would call the special attention of the House, that is, the Burma sub-committee recommended, not only that the expert's statement of the case should be considered by the Standing Finance Committee, but that the two Standing Finance Committees should be actually associated with the proceedings before the Tribunal". You would note, Sir, that we have had this debate on the 5th and it was continued on the 6th April, 1932. The urgency for the debate was stated by Sir George Schuster to be that the Burma elections were about to be held in the autumn of that year and also a likely hurry in the appointment of the Tribunal. The Honourable Members of this House wanted a postponement of the discussion to the Simla Session, but the Finance Member, of that time, opposed it on the ground that as both those matters were urgent, it should be discussed then and there. That was in April, 1932. The year 1932 passed, the year 1933 went by, the year 1934 had also practically elapsed when, at the end of December (1934), this committee was appointed. Now, to come forward with the specious excuse that the Finance Committee of this House could not be associated with the enquiry on account of the elections,—all one can say is that it works like a very shady business indeed. The Government had two and a half years at their disposal to appoint this committee, but they did not appoint one. The Government waited and waited and at last appointed a committee when the old House had been dissolved and when fresh elections had taken place and when it was impossible to associate a Standing Finance Committee with that enquiry. But, that is not the only point. After all, if the Government could not get a committee of this House to be associated with the enquiry, was India absolutely bankrupt of any financial expert who could be associated with this enquiry? Was Burma devoid of any Burman financial expert who could be associated with this

[Mr. K. L. Gauba.]

enquiry? Mark You! And this is worth noting that you have had till now three financial enquiries beginning from the Meston enquiry, and every time you have kept out Indians from association with these enquiries. What is the reason? (*Honourable Members*: "Shame.") I leave it to the House to judge.

Now, let us come to the findings of the Tribunal. In the terms of reference, we have seen how there was back-sliding.

Mr. President (The Honourable Sir Abdur Rahim): The Chair has not fixed any time limit for this debate. But it is usual for the Chair, with the consent of the House, to allow 15 to 20 minutes for every speaker in such cases. Having regard to the number of Members who desire to speak on this subject, it seems to the Chair that it would be best for it to fix a time limit and the Chair suggests to the House that the time limit in this case be 20 minutes with discretion to the Chair to give any Honourable Member more time if the Chair considers it necessary.

Dr. Ziauddin Ahmad: May I just say that this is not a Resolution on which there may be fixed a time limit. But still it is open to the Chair to fix a time limit on any debate. But this is a very important question about financial adjustments and I request you to give us the full time and allow us to discuss it fully even if the debate is not finished today.

Mr. President (The Honourable Sir Abdur Rahim): The Chair has taken that fact into consideration. The debate is not likely to be finished today, and the Chair believes Government are prepared to give some time next Monday. Even then, it is necessary to put some time limit, subject to discretion being left to the Chair to extend it in particular cases. The Chair does not want to be too rigid, but it suggests to Honourable Members, who are going to speak, that they must have regard to other Honourable Members who desire to speak on this important subject, and the Chair suggests that 20 minutes should ordinarily be the time limit.

Mr. K. L. Gauba: Sir, I will try to conclude as briefly as I can, but the question is really so important and so complicated that I would request your indulgence for a few minutes, if I happen to exceed the time limit.

I was referring to the question of the third line of attack on this report, namely, the findings. As I said, Mr. Nixon, very cleverly and very brilliantly avoided the Report in 60 out of the 70 minutes for which he occupied the attention of this House. Let us refer to the question of the ratio, which was mentioned by Mr. Nixon. The Honourable Member read out the findings of the Committee, namely, paragraph 64 at page 15. He stated that Honourable Members would find out for themselves the reasons upon which the Commission had arrived at the ratio of 7.5. Well, Sir, I have read this report from beginning to end and fairly carefully, and I think other Members also have read it. I do not think those reasons are in this report at all. And for very good reasons. — Mr. Nixon had made a careful calculation of a ratio at ten per cent. The Committee or the Tribunal wanted to find a lower ratio. So the best way to do it was to fix the ratio without assigning reasons. They have thus given absolutely no reasons at all on so vital a question, namely, the ratio upon which the liability of Burma is being assessed.

Sir, on the question of the quantum of debt the procedure adopted by the Committee is also open to the gravest objection. Mr. Nixon and Sir Henry Howard in their report estimated the rupee and the sterling liabilities on the 31st March, 1930, at 1,100 crores. The Committee has estimated it variously on a variable basis of interest,—and one does not know where they got that line of procedure from,—between 924 crores and 999 crores on the variable basis of interest being charged at $3\frac{1}{2}$ per cent. and $3\frac{3}{4}$ per cent. The difference in these figures alone is the very trivial sum of 200 crores. Another instance is the 39 millions which have been taken off the liabilities standing against Railways. The Railways, as we know, have charged no depreciation on their account until after 1924. Well, the Committee wants to have it both ways. They want 39 millions or the 40 crores and they also want the assessment of the assets of the Railways as they stand at present, namely, depreciation only having been charged from 1924. Personally I have no objection, and I do not think anybody would have any objection, if the assets of the Railways are valued on the basis of a commercial valuation and the depreciation is reckoned accordingly, or else the system adopted prior to 1924 of the 40 crores which have been taken off the liabilities should be conceded.

Coming to the question of payment, here too, Sir, we find most interesting propositions. The Standing Finance Committee of this House, as also the Howard-Nixon Report, clearly stated that any amount found against Burma should be a first charge on the revenues of Burma. Now, Sir, what has happened is really another interesting piece of trickery. Certain loans have been raised in the past by the Government of India or the Secretary of State on the revenues of India. Those revenues included, not only the revenues of India, as we understand it under the Government of India Act, but also on the central revenues from Burma. Now what has been done under the Government of India Act, in a most amazing piece of draftsmanship, is that in the separation all the loans which were raised on the joint security of the revenues of Burma and India have been transferred to the security of the revenues of India and the revenues of Burma have been freed from that liability. Sir, I do not think there is any parallel to this. I will explain it by one example. You have a partnership or a company. The company or the partnership raises loans on its assets. Then a division or dissolution comes about and they split up into two companies or concerns. Well, those assets, even after division, are bound by the charges that have already been created upon them. Now, Sir, certain monies and loans have been raised on the revenues of India,—the revenues of India meaning the revenues of geographical India as also the revenues of geographical Burma. Now that separation comes about how can you take off the charge on the revenues of Burma and saddle the revenues of India with the entire responsibility? Under what law or code can you do this? The provisions I would refer you to, are sections 177 and 178 of the Government of India Act. I will read out section 178 :

“ All liabilities in respect of such loans, guarantees and other financial obligations of the Secretary of State in Council as are outstanding immediately before the commencement of part III of this Act and were so secured on the revenues of India shall as from that date be liabilities of the Federation and shall be secured upon the revenues of the Federation and of the provinces.”

I submit that this is a provision—whether it is legal or illegal remains to be seen hereafter—for which no parallel exists in constitutional history.

[Mr. K. L. Gauba.]

I submit that this provision is contrary to morality as also to decency. You have raised monies on the security of the revenues of Burma : how can you remove the security from those revenues ?

As I have submitted, the whole case boils down to this,—whether this report can be said to be based on equity, justice and good conscience. It cannot. I would submit here in conclusion that the separation is not of India's seeking : it is not very much of Burma's seeking. It is the seeking of a certain set in England and a certain set in Burma. It is the result of a very definite course of Imperialism. What the exact motive is one does not know : all we know is this : ever since this question of separation was sprung upon the Round Table Conference—it came as a surprise as Sir H. P. Mody will probably tell the House—ever since that time, the question of separation has been absolutely driven, and the financial settlement also has been driven in the same manner, irrespective of the promises to the people, and irrespective of the promises to this Legislature. We know that a large part of the unproductive debt—Mr. Nixon has referred to it in his report—is largely due not to the needs of India but on account of the war that India had to engage in. Now, the assessment of these liabilities must be made on basis of an historical approach, which Mr. Nixon so lightly repudiated. If Burma cannot pay all these liabilities, which India has incurred, well, those who had these obligations incurred must pay up to India.

An Honourable Member : They will never pay !

Mr. K. L. Gauba : A period of 45 years is made out for the repayment of this loan. Who knows what will happen in 45 years ? Our point is this : if you want separation of Burma, for whatever purposes you may want it, it is for you to pay the bill of separation. (*Opposition cries of "Hear, hear."*) We are not concerned with instalments from Burma—whether it is two crores, or three crores or one crore.—You wanted the separation of Burma and you should pay the price for the separation of Burma.

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has now spoken for thirty minutes.

Mr. K. L. Gauba : With these words, I move my motion.

Mr. B. Das : Sir, at the outset, I wish to make it clear that we, congressmen, stand by the resolution of the Karachi Congress over cessation of Burma and if my Burmese friends or a majority of them want separation, we wish them good luck. At the same time we would like them not to throw more on our liabilities than they can help. The motion which I have tabled is not so much to condemn the recommendations of this Tribunal—because this House by a majority condemned this Tribunal in that adjournment motion which was moved in the last Session—we have no confidence in this Tribunal as it did not represent the spirit in which it was promised to be appointed by the Round Table Conference : I do not find the two gallant Knights from Bombay here who were so vehement in their speeches yesterday—and both of them were members of the Round Table Conference and, if I am right, Sir H. P. Mody was a party to the promise which he exacted at the Round Table Conference that the Standing Finance Committee of this House

would be associated with the Tribunal. What happened? I listened to the very pleasant speech of my honourable friend, Mr. Nixon, whom I welcome to this House once again, but he went over grounds that do not hold. The Tribunal met some time in February: but no members of the Standing Finance Committee were sent out. The real truth is that the present Finance Member was new at the time; he did not know the fair promises that were given by his predecessor on the floor of this House in 1932 and to which my Honourable friend, Mr. Nixon, was a party,—he was a Member of this House and a Joint Secretary to the Government of India in the Finance Department at the time. The then Finance Member gave an assurance, but the Government was afraid of the Congress. The Government knew, by the result of the elections, that the Congress has come by a majority and if the assurance of Sir George Schuster was to be carried out, some Congress Members, at least, would find themselves represented either as associates or members of the Tribunal. Sir, Mr. Nixon has asked us to be generous or rather to be fair to this Amery Tribunal. I do not wish to take any notice of this Amery Tribunal; but I blame the British Government and the Secretary of State for appointing a tribunal to which the whole issue of the financial questions which would arise out of the separation of Burma was not referred to. I do not know who else I shall blame, but I blame the Government of India partly because they did not insist on their commitments to this House. Sir, my Honourable friend, Mr. Nixon, dilated on the work of an impartial Tribunal. How could he say that the Tribunal was neutral and impartial? Britain is a party to the separation of Burma.....

Mr. S. Satyamurti (Madras City: Non-Muhammadan Urban): Britain is the author.

Mr. B. Das: As my friend, Mr. Satyamurti points out, Britain is the author. Now, if Britain is the author, Britishers cannot be fair arbitrators and cannot arbitrate impartially. Sir George Schuster deliberately asked this House four points, and one point he mentioned in the debate of 1932, was, that we should express an opinion as to the personnel of the Tribunal. I did suggest that the Chairman should be a member from the League of Nations, and another Honourable Member of the House suggested that members could be found from the British Empire. If the Capitation Tribunal could find a Chairman in Sir Robert Garran from Australia and two Members from India and two Members from Britain.....

The Honourable Sir James Grigg: What was the result of that Tribunal? The result was three different Reports.

Mr. S. Satyamurti: Because they were honest.

Mr. B. Das: Sir, I do not condemn that Capitation Tribunal. The personnel of this Tribunal should have been constituted of members from the Dominions, from Australia or South Africa, no Britisher ought to have found a place there. The fact is that the British Government wanted the separation of Burma from India, and, therefore, any decision of this Tribunal is to be regarded with great suspicion and it has naturally gone so much against us. I must recognise the good work done by my honourable friend, Mr. Nixon, in connection with the

[Mr. B. Das.]

Howard-Nixon Report and also subsequently. If one reads through this Amery Tribunal's Report, it would be seen that my honourable friend, Mr. Nixon, tried to represent our case very ably ; he stuck to his guns ; he demanded that India should demand a ratio of ten per cent. in the matter of the settlement of the liabilities and assets. Although he found himself in difficulty to express definite views in regard to the military burden of Burma, it is an issue which should not be deferred but settled simultaneously along with the general issue of ratio of liabilities and assets. He did not express his own views over the ratio, but he simply asked us to read through the paragraphs 59 and 60 of the Tribunal's Report. It is surprising to see the non-financial outlook of this Tribunal ! They talk of the protective tariffs which India enjoys. My honourable friend, Sir Homi Mody, is not here to tell us his views or to tell us what benefits India enjoys through protection. It says that because India is deriving a certain amount of benefit in protective tariff, so the share of the Burmese receipts which are calculated at $9\frac{1}{2}$ per cent. should be reduced to eight per cent. One cannot understand how this could happen, and, after Burma is separated, all the customs revenue will go to the Government of Burma and will not remain with the Government of India. How can the Tribunal agree to this silly idea and suggest the reduction of the Burmese contribution and arrive at the figure of eight per cent., unless it has some sinister motive to reduce the $10\frac{1}{2}$ per cent. which Mr. Nixon demanded should be 7 per cent. I do not want to take even one pie more from Burma than is India's due, but, I believe I have read the Howard-Nixon Report and also this Tribunal's Report, and I maintain that India's demand should not be less than 10 per cent., and, therefore, this Report is unacceptable.

With regard to the military burden of Burma, the Tribunal did not consider it at all. Why did they feel diffident : In one place they say :

" The problem of the defence of Burma as a separate State in the British Empire will no doubt involve consideration of the share she should properly take in the common defence."

Sir, we have been accustomed to the Simon Commission Report, the Joint Parliamentary Committee Report and the Government of India Act. We find India is saddled with the octopus of military burden to the tune of 45 crores. If Burma is to separate, Burma should take her proportionate share of the military burden, and if Burma could claim ten per cent. of the share of the assets and liabilities or even $7\frac{1}{2}$ per cent. of the share as this Tribunal has suggested, then Burma must bear 7.5 per cent. of the Defence cost in the least. I ask the Honourable the Finance Member who will no doubt reply later,—I ask him to tell us whether the Government of India asked the Secretary of State to tell the Tribunal to examine this question, or if, as the Howard-Nixon Report at one place pointed out,—they were afraid of the Army Council in London—that it would be referred to a Committee subject to the sanction of the higher authority, meaning the Army Council in London. Has the Government of India in contemplation such a Committee to allocate the fair share of the military burden of Burma ?

Sir, I do not like to go into the historical analysis of things or into the historical issues of the debt position. Thinking in my mercantile

way, I would like to come to a fair settlement in regard to the ratio which, as I have said, is ten per cent., and, as I said in the last Session, while I condemned the Government in that adjournment motion, I again say that Burma should contribute ten per cent. of the military burden to India, and that will come to 4½ crores, which will give the Finance Member Rs. three crores more for nation-building work in the provinces. This morning when we were interjecting that England should pay, the Finance Member said : " the cat is out of the bag." I do not say that England should pay the share of the loan incurred by India in the matter of conquest of Burma. I do not wish to go into the past history, but if England wants the separation of Burma, let an impartial Committee allocate the share of the military burden, and it will never be less than ten per cent. There cannot be one set of laws for one party and another set of laws for another party, and the futile argument of the Burmese Government,—I hope the representative of the Burma Government will speak later,—the futile argument of the Burma Government that Burma has got only one division of the Army and 1½ crores is enough for Burma's military burden, is a silly argument, and no fair-minded Britisher or Indian will agree to it, unless he wants to dance to the tune of his master's voice.

At this stage, I wish to protest against the slur which Mr. Nixon cast on the previous Assembly of which, Sir, you and I were Members. My honourable friend, Mr. Nixon, said that the Members in the previous Assembly did not face the situation boldly and frankly. I must point out to Mr. Nixon that if this Assembly is stronger, the previous Assembly was no less strong in the expression of its views. Of course, the present Finance Member does not possess the persuasive voice of Sir George Schuster who in his own persuasive ways wanted to shelve the whole discussion on Burma finance and refer the whole thing back to England. But then we all protested, and, as my honourable friend, Mr. Nixon, pointed out, we had a two days debate. We did not go into the technical details, although some of us pointed out that 10½ per cent. should be the minimum figure in the matter of Burma's contribution towards the military burden or even towards India's debts, over pensionary charges and other liabilities. Sir, it was very unkind of my honourable friend, Mr. Nixon, to say that we did not examine the issues then. If anybody has failed, it is the Government. Let me hope my honourable friend, Mr. Nixon, did not express similar sentiments before the Tribunal that the Legislative Assembly did not express any view. He was supposed to represent the views expressed in the Assembly debates before the Tribunal as well. I am sorry my Honourable friend, Mr. Nixon, misunderstood the whole situation and misinterpreted the views of the Assembly. Mr. Nixon is to share the blame, as much, because he occupies a position in the Government of India ; he cannot lay it at the door of the Government of India during the transition stage. The promise was blithely given by Sir George Schuster and, Sir, the Congressmen coming in large numbers into the Assembly has evidently upset the mental equilibrium of the Government of India. Sir, I am not going into details of the financial issues. I have said that I will be satisfied and India will be satisfied if the ratio is fixed by an impartial tribunal—not a tribunal of Britishers, but anybody that may belong to the British Empire, and not to the British Parliament or the British Government. Burma's

[Mr. B. Das.]

military burden should be settled. If that is done, I think a satisfactory basis for a solution of the financial questions between India and Burma could be arrived at.

My Honourable friend, Mr. Nixon, alluded to the currency agreement. I have gone over it and I think it represents a fair sense of the situation, and in fact, the Standing Finance Committee recommended similar steps in 1932. I was not a member of that Committee, but one thing that I should like to know is, if Burma desires to separate her currency assets from India whether it will be entitled to ten per cent. of assets as I demand it, or $7\frac{1}{2}$ per cent. of the assets as this Tribunal has fixed it. I would like to know whether there is any other idea in the mind of the Government and if they wish to give more. In fact, the Howard-Nixon Report itself said that Burma should get 21 per cent. of gold and 35 per cent. of the silver reserve. Why should there be different theories, different principles in the matter of sharing the currency reserve? If the Finance Member or the Government of India are determined, through their master Lord Zetland's orders, that $7\frac{1}{2}$ per cent. should be the percentage in the settlement of financial dues let India and Burma, I want to know why it should not be provided in the Act of separation that after separation, Burma should be entitled to $7\frac{1}{2}$ per cent. of the currency reserve that we have got in India?

My Honourable friend, Mr. Nixon, did not like to repeat Sir George Schuster's analysis of the position of debt. Sir George Schuster, while he made his speech in 1932, said that Burma's debt at the time of separation, if it separated in 1932, would be Rs. 66½ crores, while the Howard-Nixon report said it should be Rs. 62 crores. I would like to know whether the Honourable Mr. Nixon argued India's case on the basis of Rs. 66½ crores, or even he increased the demand on the head of Debt. My Honourable friend, Mr. Gauba, has pointed out, and my Honourable friend, Mr. Nixon, did the same, about the jugglery in figures after taking into account the railway capital account, which the Tribunal indulged in. These are little things which do not appeal to me. These are minor issues, but I do complain that Mr. Nixon should have yielded in the end that India should bear the burden of the Bombay Military Lands which have gone down very much in price, and in fact, when those lands are sold, the proceeds will go to the army department and will not be returned to the taxpayer in any shape or form. To sum up, what I do demand of this Government to do is to represent to the British Government that this Assembly has no confidence in the Amery Tribunal's Report, as it was not asked to review the whole financial position and financial relationship between India and Burma, and, therefore, this Assembly asks the British Government to appoint an independent and neutral tribunal to go into the whole question and fix the military burden of Burma and thereby give relief to India's finance to the extent to which Burma will share the burden of Defence, and to fix a ratio over liabilities and assets equitable and fair both to Burma and India and not to fix it simply because Burma will be separated very soon and find itself in the clutches of Britain and that Britain wants to spare herself a share of the luxury of that separation.

U. Thein Maung (Burma : Non-European) : Mr. President, we wish to place before this House the views of the Burmese people on the Report of the Tribunal in order to remove the impressions that may still be there that Burma has done unduly well or well at all, and that the Burmese people are or should be quite satisfied. As my Honourable friend, Mr. Nixon, has very rightly pointed out, we lost on principle and we shall have to pay much more than we bargained for, and I must say that we are thoroughly dissatisfied with the Report of the Tribunal.

We claim that Burma should be completely free from any liability in regard to the unallocated debt of India ; and we are fortified in this claim by Mr. Nixon's own note, dated the 27th May, 1931, which is at pages 97—102 of the Proceedings of the Standing Finance Committee, Volume XI. From the figures in paragraph 11 of that Note, it will be seen that for the ten years preceding 1914-15, India received Rs. 34½ crores approximately by way of surplus out of the central revenues from Burma. From 1914-15 up till 1920-21—a period of seven years—the surplus revenues amounted to Rs. 30½ crores. Assuming, as stated in paragraph 12 of the same note, that the result of the Howard-Nixon investigation of figures for 1929-30 is to suggest that Burma's contribution to central revenue, after meeting its own local charges, is of the order of Rs. three crores annually, the amount of the surplus revenues paid to India from 1914-15 to 1929-30 would be about Rs. 57½ crores. Even making every allowance for overhead charges and other charges met in India, which should not exceed Rs. 1½ crores annually, there should be a balance of something like Rs. 30 crores in favour of Burma ; and, as the Finance Committee of the Burma Legislative Council has rightly pointed out, this should completely free Burma from any liability in regard to the unallocated debt. I may add that the actual central gain from Burma, that is, the excess of central revenue collected in Burma over central expenditure on Burma, from 1904-05 to 1933-34, is nearly Rs. 177 crores.

In the alternative and without prejudice to the above claim, we urge that deductions should be made from the present debts of the Government of India for the purpose of determining Burma's share of the liability :

- (a) for debts which were incurred before the annexation of Burma and paid up thereafter, and
- (b) for debts which represented the costs of the Burmese wars or the costs of any other war or military operation outside India.

Burma never had a share in the benefits of the former and the latter were really incurred—not for the benefit of India or Burma—but in the interests of Great Britain and they should, in fairness to India and Burma, be paid by Great Britain as has already been pointed out by the Honourable Members of this House.

As regards the ratio of Burma's liability, if any, for the debts of India, it should have been fixed on the basis of benefits received—i.e., on the basis of the geographical distribution of the benefits conferred by the policy and expenditure of Central Government, inasmuch as Burma can, in fairness, be asked only to pay for such benefits.

Commercialized debts allocable to Burma and her share of the dead assets are the fairest indices of the extent to which Burma has benefited by the said policy and expenditure and neither of them exceeds four

[U Thein Maung.]

per cent. of the respective totals. We claim that Burma's share of the commercialized debts and dead assets is the fairest basis and that four per cent. is the fairest ratio.

Failing that and without prejudice thereto, the Tribunal should have fixed the ratio on the basis of population and on that basis the liability of Burma would be about five per cent. only. In this connection we need hardly remind the House that we have recently been given our share in the rural development fund on the population basis without any special weightage or allowance whatsoever as in the case of Assam, the N. W. Frontier Province, Bombay and Punjab, although admittedly Burma is the least developed part of British India in spite of its being the most heavily taxed province. This, by the way, is quite in keeping with the general treatment we have received at the hands of the Government of India ever since we came under it—the general treatment which compelled us to seek and obtain separation.

Failing to accept the population basis, there might have been some justification for fixing the ratio on the basis of relative national wealth or income and according to paras. 61 and 62 of the report the ratio on this basis would have been in the neighbourhood of $6\frac{1}{2}$ per cent. only. In this connection it may be noted that the Meston Committee also held, after due consideration of her relative capacity to pay, that Burma's contribution to any all-India deficit should be $6\frac{1}{2}$ per cent. thereof.

We submit that the Tribunal acted most arbitrarily in adopting the $7\frac{1}{2}$ per cent. ratio. They obviously allowed their judgment to be influenced by the amount of central revenue collected in Burma, subject to certain allowances and adjustments which were obviously necessary.

The ratio on the basis of central revenue is most unfair to Burma. Mr. Nixon himself has admitted in para. 27 of the aforesaid note 'Taxation in Burma is higher per head than anywhere in India'. The incidence of taxation is heavier in Burma, as Burma has been taxed in the interests of India and Indian industries; and to fix the ratio on the basis of central revenue is to perpetuate the admitted grievance of Burma and to compensate India for lost opportunities of exploiting her and making her pay out of all proportion to the central expenditure on her.

Now, Sir, I come to the pensionary charges. The fairest basis for division of liability for pensionary charges is the proportion which the pay and allowances of the pensionable establishments employed in the administration of central subjects in Burma bear to the pay and allowances of the Central pensionable establishments in United India subject to an adjustment as regards Burma's share of liabilities arising out of the supervisory functions of the Government of India.

On that basis, Burma's share of the central civil pension is only 6.1 per cent. and her share of the military pensionary charges is only 3 to $3\frac{1}{2}$ per cent. and yet the Tribunal has recommended that the absurdly high ratio of $7\frac{1}{2}$ per cent. should apply not only to debts but also to the capital value of pensions.

We claim that, after application of a proper ratio, Burma's share of the liabilities should be reduced by a rebate on account of her payments to the central revenue far in excess of central expenditure on her as set out above.

We also claim that Burma's share of the liabilities should be distributed between Burma proper and areas which are excluded or partially excluded as set out in the Eleventh Schedule to the Government of India Act, 1935, since at least the Federated Shan States, among the excluded areas, would have a Federal fund and would be able to pay their share thereof.

I turn now to the method of payment. We are dissatisfied with the recommendations that the first instalment should be payable six months after separation and that the entire debt should be repaid within 45 years.

The Tribunal has ignored the request that there should be a moratorium—a short respite of five years after separation—

4 P.M.

during which Burma should not be required to make any payment on account of the principal debt, although such a period is absolutely necessary to enable Burma to secure a cash balance and to provide funds for the capital works which may be necessary as the result of separation. The request is a very reasonable one and it should have been granted, inasmuch as Burma is to remain within the Indian currency system for at least five years after separation and the Reserve Bank for India is to manage and control her coinage, currency and monetary policy during that period.

The recommended period of redemption is far too short. In framing the scheme for debt redemption in 1924, Sir Basil Blackett based his proposals on a redemption period of 80 years for productive debts and fifty years for unproductive debts. The redemption period of the British debt to the United States of America has been fixed at 62 years. Following these precedents, the equated payments should have been calculated on a period of not less than 60 years. Surely, Sir, neither the British Government nor the Government of India can grant us a period shorter than the one for the payment of their own debts.

We hope that the Government of India and the Secretary of State for India would give due consideration to our claims and grievances, as set out above and as embodied in the recent Resolutions of the Legislative Council of Burma, and that the recommendations of the Tribunal would be accepted with modifications and adjustments in the light of our further representations and that non-official representatives of both India and Burma would be appointed to the Application Committee to avoid further mistakes and, what is more important, to avoid further discontents.

Sir, we do not ask for any favour or concession. We do not want to do India out of what is justly due to her. We only want the voice of the two countries to be heard, and justice to be done as between them (Hear, hear) with the help of their accredited non-official representatives. (Loud Applause.)

Mr. Mathuradas Vissanji : Sir, I must congratulate the Honourable Mr. Nixon on the way that he placed his case before us and on the part that he played in bringing about the memorandum and placing the views of the Government of India before the Tribunal. (Hear, hear.) It was very clever of him indeed, but I must point out that he stated in the morning that the people of India apparently were not taking that much interest in these affairs judging from the trend of the sale of two copies of his memorandum. But I may mention to him that those copies, when

[Mr. Mathuradas Vissanji.]

asked for, were never available to us anywhere ; and only last January, when I applied to the Librarian here, I came to know that copies were marked " confidential " and they could not be available to the public.

Mr. J. C. Nixon : Sir, on a point of personal explanation, that is not correct.

Mr. Mathuradas Vissanji : I have got a copy here marked " confidential ".

Mr. J. C. Nixon : It should not then be in your possession, Sir.

Mr. Mathuradas Vissanji : Whatever it is, we asked for it in Bombay and we could not get it. That being the case, we were not in a position to prepare our case in the absence of that memorandum, really speaking, in the absence of an invitation from the Government of India to us and in the absence of any expression or desire on their part to consult us on the subject before they laid their views before the Tribunal. So the indifference that is attributed to us does not hold any water. Sir, in moving the amendment that stands in my name, I need not repeat what is so well-known as to the history of this matter. Sir, I ask in the amendment I have moved that the Report be rejected because it is inequitable both to India and Burma. It is not my intention to show in what particular details the Report is inequitable ; but I would like to show how the very constitution of the Tribunal which has prepared it, and the procedure under which it has been prepared, tend inevitably to make the Report unfair and unacceptable to the two countries directly affected by it. The Tribunal, Sir, was constituted, in direct opposition to the promises given on the floor of this House, that when the matter came to be finally adjudged, the Tribunal adjudging it would have upon it representatives of this country and of Burma. These assurances were repeated at the Round Table Conference ; and if one reads correctly the meaning of *para. 482* of the Report of the Joint Committee on Indian Constitutional Reforms, it reiterates the same assurance.

Sir, the Amery Tribunal had not only no representatives upon it of either India or Burma, it did not even hear any representation from these two countries.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) vacated the Chair which was then occupied by Mr. Abdul Matin Chaudhury, one of the Panel of Chairmen.]

I am aware, Sir, that officials of both these countries' Governments were heard by that Tribunal ; but, as I shall show later on, official representation is not enough in such cases to represent fully the countries' point of view. A Tribunal, Sir, which consists only of the representatives of one of the parties to a case, and would not even hear representatives of the other parties concerned, cannot make a fair and equitable award ; and, ~~there~~ ^{there} ~~is~~ ^{there} no other reason to reject this Report, I submit, Sir, the personnel and procedure of the Amery Tribunal would alone suffice to entitle both India and Burma summarily to reject its Report.

We were told, Sir, the last time this matter came up for discussion in this House, on an adjournment motion, that if the House wanted to make any representation, the Government of India would forward its proceedings to the Tribunal. *This assurance* was given to us by the Honour-

able the Finance Member himself. But, Sir, even while the Honourable Member was offering this bait, the Tribunal had already signed its Report !!! Sir, had the House been so minded as to take the Honourable the Finance Member at his word, and devise some method of preparing such a representation, there was no means of placing it before the Tribunal in time to make it consider it before coming to its decision. I remember, Sir, the Honourable Member described this unhappy episode, a day or two later, as a case of unintentional misleading. Take it as you like, the fact remains that, Sir, even this House had no opportunity, even if it could and would make any representation. A Report, Sir, which had been arrived at without any hearing of the parties primarily concerned, cannot but be condemned by every one with the most rudimentary sense of justice. Sir, even if we had sufficient time to prepare such a representation, this Assembly is, I submit, in all deference, not a suitable body to prepare and submit a case on this country's side on a matter of such importance and complexity. The problem before the Tribunal is admittedly so intricate, so many detailed calculations are involved in it, so many considerations of principles have to be taken into account, that such a large body as this Assembly cannot, even if it were so minded, prepare any satisfactory representation on such manifold and complicated issues. The problem must, if it is at all to be satisfactorily solved, be investigated into, no doubt, by a truly impartial Tribunal, with adequate representation of all the three countries concerned, and after proper hearing being given to the representatives of such non-official public opinion as is to be found in each country. I have, therefore, demanded, Sir, the operative part of my amendment, that a fresh Tribunal be appointed, and the matter be re-investigated into by that body, giving proper hearing to all the parties concerned, before the Secretary of State finally decides on it.

I shall indicate hereafter, Sir, what I think ought to be an unexceptional composition for such a Tribunal. But here let me observe that Government had before them, even while this matter was being investigated, the precedent of the Capitation Tribunal, which was appointed to advise on only one specific issue. It was an issue as between parties whose association still continues, and is presumed to continue as long as God wills it. On that Tribunal, Sir, there were Indian jurists of the eminence of Sir Shadi Lal and Sir Shah Suleman. Before that Tribunal, likewise, appeared representatives of India and of the War Office, to argue their respective points of view. But, Sir, despite this analogy, and in spite of the far more complicated nature of the problem before the Amery Tribunal, there was no Indian or Burman appointed on that body, nor was any representative of this country or of Burma invited to give evidence before it. Sir, with these fundamental defects, how can we accept the Report of such a Tribunal ?

Sir, I have already admitted that the official representatives of the Government of India and of Burma did appear before that Tribunal, and aided it in arriving at its conclusions. But, Sir, recognising fully the ability and impartiality of such officers, does that necessarily preclude us from demanding that non-official viewpoint needs to be also represented before such a Tribunal ? Sir, the Government in this country seems to think that knowledge and experience and wisdom in such matters is the sole monopoly of their officers. I humbly submit, Sir, that I do not share that view and that there are, in this very matter, sufficient indications to

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show that my belief about some modicum of knowledge being found outside even the sacred ranks of the Indian Civil Service could be held by many besides myself. But even assuming, Sir, for the sake of argument, that the knowledge, experience and ability of these officers of Government are beyond cavil, may I give the illustration, once again, of the practice before Courts of Law in many parts of the British Empire? Not the most distinguished and experienced advocate, appearing before a judicial Tribunal, would shun the aid and briefing by a solicitor. Sir, because a solicitor briefs or coaches a counsel, does the latter become the less an efficient advocate? Even if the case for this country and for Burma must be represented only by officers of Government, could they not have associated with them, as advisers, assessors, or *aids* representatives of non-official opinion on the matter? They have not done so; and to the extent that these official representatives have, for want of such aid and briefing, failed to take into account some of the most important points affecting the judgment, we are entitled to say, Sir, that our case has not been properly pleaded; and that, accordingly, for the sake of mere justice, it needs to be re-investigated into.

Sir, official representatives of the type of Mr. Nixon or Sir Henry Howard, are unable, by their very position, to take into account certain obvious considerations that materially affect issues like those before the Amery Tribunal. Without doubting their honesty and loyalty in the least, one may point out for instance, that they have allowed the Tribunal to assume,—and they have made their own representation on the assumption—that there were only two parties to this case: India and Burma. Non-official opinion, however, is convinced, Sir, that there are three parties: India, Burma, and Britain,—the last not the least important nor the least concerned. Sir, I cannot go into the reasons which lead us to entertain such a view without exceeding unduly the time limit for my observations. But, the House will, I hope, agree, Sir, that, at least this is a viewpoint which needs to be submitted to a Tribunal appointed to adjudicate on such problem.

Similarly, Sir, there is the question of the viewpoint from which the problem has to be approached. The official representatives have, apparently, allowed the Tribunal to hold that the only correct viewpoint for approaching this question is to regard that the existing Government of United India is not a partnership between two existing entities; but that it is a single Government, which at the date of separation, will go out of existence, leaving behind it certain assets and liabilities, which the Tribunal regard it as their task equitably to distribute and apportion between two wholly new creations. Sir, this view is not only historically false, it is morally unjust, and necessarily leads to an indefensible judgment. Sir, the Tribunal offer no reason for their view that this is not a case of dissolution of partnership. They do not even seem to have given a thought to yet another alternative viewpoint, *viz.*, that of a Joint Family, one member of which seeks a partition of the family property. Sir, non-official opinion in India and Burma holds that those two countries are joined not only by the material bonds of common economic interests, but that they have still stronger bonds of common culture and common ideals, which will hold us together even if for purely material concerns we seem to be temporarily separated. Sir, I mention this matter

only to show, that the judgment of the Tribunal would be materially different, according as it approaches the question from the viewpoint of simply distributing the assets and apportioning the liabilities of a defunct entity between two brand new creations ; or, secondly, of taking the accounts of a partnership concern on the dissolution of the firm, or, thirdly, the partition of a Joint Family, members whereof are tied together by bonds of blood and culture, ideals and worship, and may, for all the appearances to the contrary today, find it to their mutual advantage once more to reunite when their present causes of friction or dissatisfaction, if any, are ended. Sir, the Tribunal not having even considered such alternative viewpoints, and official representatives of the two Governments apparently not having drawn the attention to these possible alternative viewpoints, this Assembly cannot, I submit, Sir, in justice or decency, accept this Report without causing irreparable damage to the lasting interests of both India and Burma.

There is, again, the matter of the actual issues considered by the Tribunal, on the number and nature of which, also, non-official opinion may quite conceivably take a different view from that of the official representatives. Sir, may I mention, only for the sake of illustration in support of my argument, the case of the public debt of India ? The Tribunal has taken without scrutiny the aggregate of the Debt. If properly analysed that debt would, I venture to submit, be apportionable radically differently from the apportionment advised by the present Tribunal. The cost of the Burmese Wars and annexation ; the deficits in the Burman local administration ever since Burma became part of the Government of India ; the share of Burma in the so-called War Gift,—these are instances which spring to one's mind at the first glance at paragraphs 9 and 10 of the Report. We, on this side of the House, think, Sir, that the cost of the Burmese Wars and annexation ought not to be charged either to India or to Burma ; and, so far as those amounts add to the total of the Indian Public Debt, the same should be reduced and the amount debited to Britain, who has received the whole of the benefit from such wars and conquests. Similarly, Sir, we are also persuaded that the so-called War Gift of over 189 crores of rupees being initially invalid, ought not to be charged against this country or Burma ; the more so as for the present all war debts are in suspension. The Tribunal, in paragraphs 16 and 21 of their Report regard this item as an exception in the total of the Public Debt. Burma is, I am aware, made directly responsible for her share of the principal and interest, if and when such payments are resumed. But the amount of real liability on this account is unjustly over-stated ; and, inasmuch as the entire gift is, in non-official opinion, of doubtful validity both India and Burma ought to be exempted from it.

I could, perhaps, Sir, multiply such instances indefinitely. I mention them simply as illustrations to give point to my argument that the Report of the Tribunal is necessarily inequitable to both India and Burma, and ought, therefore, to be rejected. Let me mention, Sir, the case of the Ratio of division recommended by the Committee, as itself needing further scrutiny. I will not prejudge the issue by stating why I consider the Ratio recommended to be inequitable and much less would I state what Ratio I would consider to be just and proper. But, Sir, while such cardinal points are open to serious difference of opinion, grave dissatisfaction is bound to arise with the Report of the Tribunal. How then can

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we accept its recommendations, without permanently injuring our mutual interests ?

I doubt, Sir, if even in the actual calculations and the principles of apportionment, the Tribunal have advised, there cannot, also, be genuine difference of viewpoint and opinion. The treatment of assets like buildings, Roads or Railways ; or of their Reserve and Depreciation Funds ; or of Currency and Gold Standard Reserves ; or of accruing liabilities on account of Pensions, Provident and Family Pensions Funds ; might quite naturally, and in perfect good faith, lead to difference of opinion, even amongst the most experienced experts. Without asserting that the actual recommendations of the Amery Tribunal in respect of all these items are necessarily unjust, I cannot conceal it from this House that such a suspicion is bound to attach to their recommendations, so long as no Indian or Burman representatives, equally versed in such matters, were allowed even a hearing before the adjudication was made.

In uttering these sentiments, Sir, I am actuated by yet another sacred consideration, which I will briefly place before this House. Sir, it may be that the result of a proper investigation may reveal factors and considerations which are today naturally not emphasised by those who are determined upon separating India from Burma ; but which, when revealed, might quite possibly induce these two sister countries in the future to annul the proposed separation. Sir, I know those considerations would not be for the impartial Tribunal to pronounce upon. But the very investigation may make revelations which might induce these countries to reorient their whole national course. Sir, with such hopes in our hearts, how can we help demanding, while it is still time, that the matter be reinvestigated into *de novo*, and according to the procedure I have suggested ?

Sir, let me add one word, at this stage, explaining, beyond the possibility of misunderstanding, our fundamental attitude in this matter. By objecting to this Report, we Indians are not to be understood as desiring to add to the liability of Burma towards India. Far from it. All that desire is that the matter be properly investigated into by an impartial Tribunal such as was promised ; and with adequate safeguards that all relevant facts, materials and considerations should be submitted to that Tribunal before it makes its recommendation. And may I add, Sir, that if, as a result of such a proper and exhaustive investigation, the eventual liability of Burma is found to be much less than what the present Tribunal has recommended, India would not only freely accept such a decision, she would be really glad that a younger and less advanced sister starts upon her new life with a lesser burden than was at first proposed. We would not only be just towards Burma but even be generous, if only in memory of the long years of our association and affection, if only in the hope and wish that the door for future reunion should not be barred for her between India and Burma. Sir, I realise that any such hopes would be doomed to disappointment, if, in our settlement, we adopt the Shylockian attitude. But, Sir, while we would contribute to Burma's progress all that we can in justice and even in generosity, we must at least know that we are being just as well as generous. I am sure Burman brothers reciprocate this sentiment entirely, in this House and in Burma.

Sir, let me now make a suggestion as to the kind of a Tribunal, which would not only be truly impartial but whose experience, fitness and authority no one would dispute for a moment. Sir, I think if a Tribunal is constituted, having the Presidents of the Indian and Burman Legislative Assemblies upon it, and presided over by the Speaker of the British House of Commons, no one will question in the least degree the Tribunal's authority, impartiality, or competence to adjudicate upon such issues. Sir, lest it may be regarded as an impossible or fantastic suggestion, permit me to mention the precedent of the Irish Home Rule Conference in 1914, and which was presided over by the Speaker. Sir, the end of that Conference is, I know, ominous in history; but that does not prevent me from quoting its analogy, if only as a precedent to save me from a charge of making an absurd suggestion.

Sir, my task is done. I have, I trust, laid out sufficient considerations to make the House realise that the present Report is inequitable, and must consequently be rejected; and that a fresh Tribunal be constituted to reinvestigate into the matter, and make fresh recommendations, which may be then acted upon by the powers that be. Sir, I hope the House will accept my amendment. (Applause.)

Dr. Ziauddin Ahmad : Sir, before I develop my arguments in connection with the question at issue, I should like to ask one or two questions. Is it or is it not a fact that the Right Honourable Colonel Amery had been the Colonial Secretary under the British Government? The answer is, yes. The next question is, is it or is not a fact that Burma after separation will come under the Colonial Secretary?

The Honourable Sir James Grigg : No, Sir.

Dr. Ziauddin Ahmad : Then, under whom will it be? Will it be under the Secretary of State for India? Or will there be a special Secretary of State for Burma?

Mr. A. H. Lloyd (Government of India : Nominated Official) : Under the Secretary of State for India and Burma. There will be one Secretary of State for both.

Dr. Ziauddin Ahmad : This subject was first laid before the Standing Finance Committee in 1931-32. Several Members including myself very strongly pressed at that time that the whole question should be approached on historical basis, and that we must look into the whole question systematically. At that time, we could not calculate the figures because we were not in possession of the materials. At the same time, we had a strong feeling that with the historical approach, our dues will be much greater than those calculated either by Mr. Nixon or by any other authority. The Honourable the Finance Member, Sir George Schuster, on 5th April, 1932, supported the same view. He attempted in the course of the debate that if you calculated on the historical approach, then our Indian dues will be greater than what was calculated in the Nixon-Howard Memorandum which was placed before the Standing Finance Committee at that time. This is the real question on which I stand even today, namely, that we should make this calculation on the basis of historical approach. It is not correct that we should take our assets and liabilities and divide them in some particular manner. This is not a question of a firm going to the Insolvency Court. This is not a question of insolvency that we should take the assets and liabilities and divide

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them between the various partners. It is a question of the separation of the two partners in a business concern. We should consider the whole question from the historical point of view, that is, the amount of money that has been spent by the Indian revenues on the development of Burma year after year. Now, if Government do not agree to our reasonable request to approach the question from the historical point of view, and they look at it from the point of view of the Insolvency Court and then to divide between the two, then the question of ratio, that is in what proportion they should be divided, is a question of vital importance. Now, Mr. Nixon put a certain figure, and it was based on entirely scientific grounds. He took the revenue of Burma and divided the revenue of Burma by the revenues of the provinces and the Central Government, and came to the approximate figure of 10 or 10½ per cent. So we can support this on account of its scientific basis of calculation. But the other figures which are given are purely hypothetical. The population basis is suggested. I say, why do you take the population basis? Why not the area basis? Why not take the area of Burma and the area of British India and divide it? Why not count the lakes and rivers and the cattle, etc., of the two countries? These are exceedingly unscientific, but the most unscientific method is the one adopted by the Tribunal. That is to say, Burma wants five per cent. and India wants ten per cent., therefore, let us have 7½ per cent. This method of division is followed by old women. One man wants one thing and the other man demands one thing, and let us take arithmetical mean. Why not Geometric, or Harmonic or any other mean. My friend, Mr. Nixon, is a mathematician, and he knows that if one man demands X and the other demands y, the proper share is $\frac{mx + ny}{m + n}$: m and n should be determined by large number

of data. Old women always suppose m and n to be one. This reminds me of one of the mathematical retorts which Alberuni used in his book "Qánoon Masudi" in connection with the measurement of one degree of the earth. He described the method used by Ptolemy who calculated the side of a rectilinear figure of 360 sides described outside a circle and he calculated also the side of the rectilinear figure of 360 sides inscribed in a circle and took the mean of the two. Yakoob El Kandi, on the other hand, found the value of 15|16 degree, which he could obtain by addition formula without trisecting an angle, and then he added 1|15 to it in order to get the value of one degree. Alberuni was roused to anger, and he said that both calculations give correct figures to two places of decimals, but Ptolemy knew what he was doing and Yakoob El Kandi did not know what he did. I may use Alberuni's enthusiastic language and say that Mr. Nixon knew what he was doing and this Tribunal did not know what they were doing. It is impossible to arrive at any ratio which may satisfy both Indians and Burmans and if such figure is impossible, if the values of m and n, as I have said, cannot be calculated, then the only other alternative is to have a historical approach. And this is really the way which can displease neither the one nor the other party. The representative of the Burmans has suggested the ratio 4 on the basis of the national debt, 5 on the basis of population. Both are entirely arbitrary, and it cannot give any correct ratio. Therefore, to my

mind, this idea to have a fixed ratio in proportion to which the whole of the debt ought to be distributed is a thing which will never be arrived at, and it is useless to make any attempt to do it. It will never please Indians and it will never please Burmans. Therefore, I say that the only way which will satisfy both India and Burma is to have a historic approach. We carry on calculations year by year and arrive at the required figure.

There is one other point to which I should like to draw the attention of the House and which I maintained on the last occasion when the thing came up for discussion before the Assembly, and that is about the period of payment and the method of payment. Of course, somebody suggested 30 years and the Burmans demanded 60 years; and, like the old women's method, the Tribunal suggested 45 years. But what is the guarantee that during this period the payment will be made? We have just heard that they want a moratorium for five years; where is the guarantee that after these five years there will not be another moratorium for ten years, and so on?

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

It is an important question, and we cannot possibly fix the period of payment in this particular manner. To my mind, there are three alternatives which are essential. I said in my speech on the 6th April, 1932:

“I maintain, and I am strongly in favour of the arrangement that the Government of India should continue to be the currency authority both for India and for Burma until such time as our dues are paid up.”

This is an important point, that is, till such time as our dues are not paid up, India should remain the currency authority, and the Reserve Bank of India should be also the Reserve Bank of Burma. This is one kind of security by means of which we can see that all the debts are paid up. There are two other securities, and I give the other two alternatives. The second security is that Burma should pay up the debt by issuing a loan on the security of her revenues and let the creditors of Indian loan be paid out of the new loan which Burma may float on the security of her revenues. In that case, the payment to the Indian creditors will be made by the Burmese Government, and not by us, and it will then be a question between the Burman Government and her creditors to decide in what period they should pay up. Let her float a loan for herself on the security of her own revenue, and, from that loan, they can pay up the loan of the Government of India. The third alternative that I suggest is that the British Government should stand security for the payment of the Burman Loan. We cannot have the security of the Burmese Government, we must have the security of the British Government if debt is to be paid by instalments. Therefore, simply to say that the debt should be paid up by instalments in so many years is no satisfaction to us. We want a solvent security.

So much about the amount and the manner of payment of debt. Now, I come to the Railway problem. This problem, to my mind, is exceedingly simple. One thing I should like to mention about the Railway, which is important, though somewhat irrelevant. I have great

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apprehension about our Railway debts by the proposed Railway Authority. They are required to pay 32 crores a year in interest charges. The authority may say : " We do not consider the railways are worth 800 crores now : evaluate them and find out their present value—it may be only 400 crores and we will pay only 16 crores." We will thus suffer an enormous loss of 16 crores every year. It will be very unfair. Burmans will also demand immediately that their railway debts should also be reduced to half. Then the question of railway depreciation fund, which the Tribunal has discussed, does not arise at all ; because, I am sure, by the time the separation is made, there will not be a single penny left either in the depreciation or in the reserve fund of the railways. The reserve fund has been eaten up entirely. The report has entirely overlooked this fact that for the last three years the one per cent. of the capital at charge has not been paid to the Indian Revenue at all and we must take our loans before the Railway accounts are settled. This is an exceedingly important point which the Tribunal has entirely ignored. After the payment of this debt and the current year's deficit, nothing will be left in the depreciation fund.

Mr. Nixon complained that the Assembly did not take sufficient interest in the financial adjustment, and he gave certain examples. I have already said that I was not in favour of the separation of Burma ; but I also said that I am not concerned in this question. The Assembly was indifferent to discuss the details of an incidence with which it was not in agreement. He then mentioned something about a profit and loss account of the Posts and Telegraphs Department. I do not want to go into details in this matter : but this Department is losing greatly on the new experiments it is carrying out, and the cost of these experiments must be borne equally by Burma and India and not exclusively by India.

Now, I come to one of the most important issues to which I specially draw the attention of the Member in charge of Finance and my friends on this side, and that is the question of the distribution of the army. The Indian army can be divided into two classes, one required for the internal peace and internal protection, and the other for Imperial defence. As regards the first, I suppose a portion of the present army will go to Burma and we will be relieved of its expenditure. In addition, there is the army maintained for Imperial defence : that is no concern of India alone, and there is no reason why we should maintain the whole of it. I say a portion of this also should be transferred to Burma—they can post it on their north eastern frontier or anywhere they like : but if we keep the whole of the defence army, then Burma should pay some portion of the cost of the maintenance of this army. It is entirely unjust that we should be made to pay the whole cost. Burma should not say : " We will not pay for its maintenance ; but when we have occasion to use it, we will pay the cost of the operations then." That is not sufficient. It is the maintenance of the army during peace time—its training, etc., which is really important, and towards which Burma should contribute. This aspect has been entirely ignored by the Tribunal. They have paid no attention whatever to this. I strongly urge that as soon as this separation is effected, then the army bill should be substantially reduced by assigning to Burma a portion of the army we now maintain for internal

peace and for Imperial defence. The cost of the maintenance of the army is approximately the income we derive from the customs : and, as we will lose the customs, we now realise from the port of Rangoon we must not go on maintaining the same army we are now doing and bear the entire cost, but we must reduce our expenditure by the amount of loss of customs. It is quite unfair to Indian revenue by transferring a portion of our present army to Burma.

The question of pensions is a difficult one : but there is not a single difficult problem which cannot be solved unless it is proved that it is impossible to solve it.....

The Honourable Sir James Grigg : Squaring the circle !

Dr. Ziauddin Ahmad : Yes : It is impossible to solve and it has been proved that it is impossible.

Mr. S. Satyamurti : Why do you separate Burma then ? Stop it.

Dr. Ziauddin Ahmad : One point has not been clearly brought out in this matter. The general secretariat of India is as much a part of India as it is of Burma : it is, after all, the centre, not a provincial affair. Therefore, the pensions of all officers who serve in the Central Government, including military officers, and the cost of maintenance of the India Office and all the overhead charges ought to be included, and divided between two countries. In that manner, a fair and equitable division can be obtained. I am not in favour of capitalising the pension charges, because, in that case, the whole burden will fall on India, and our debt may or may not be paid, and it may come under a moratorium, and we may receive nothing. Let the Burmese Government take the direct responsibility and pay their share direct to the Secretary of State for India and Burma, so that we may be relieved of the burden. The payment of our debts is very doubtful. We cannot go to war with Burma to realise our debts. We can only go to the Secretary of State and ask him to do justice to us, and we will be entirely at the tender mercies of the Secretary of State.....

Mr. President (The Honourable Sir Abdur Rahim) : The Honourable Member has only five minutes more.

Dr. Ziauddin Ahmad : May I just point out, Sir, that there are not many speakers who wish to speak on this.....

Some Honourable Members : There are many.

Mr. President (The Honourable Sir Abdur Rahim) : Five minutes more, and the Chair will adjourn.

Dr. Ziauddin Ahmad : Then, I shall finish my observations today.

Sir, there is one point which was raised by my friend, U Thein Maung, to which I should like to make a brief reference. He referred to the loans taken by the British Government from America and by other Governments, but the case is entirely different here. Burma has taken no loans from us, and, therefore, the example cited by my friend is not applicable. As was pointed out by my friend, Mr. Gauba, we have been co-partners, and, as such, it is really a question of fair distribution and not a question of the payment of debts.

There is one more small point to which I should like to advert for a moment, and that is our unprofitable debts. They have put down the

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military ground in Bombay and the expenditure on New Delhi as a burden on India. This is also not very fair. Take the case of New Delhi ; it is not a thing to be sold, and it is hardly fair that we should treat these things as cost incurred by India alone ; the cost incurred on these should be reckoned as general expenditure of the Government of India, and we need not evaluate the values which are not yielding any profit to any country. With these words, Sir, I would very strongly recommend that we do request the Secretary of State for India to consider these points very carefully before coming to any decision. My four main points are : (1) the allocation of military expenditure between the two countries on a fair and equitable basis which should be the proportion of customs revenues. This is really an important thing. If military expenditure remains as it is, and our income from which we pay the military expenditure is diminished, then India will be very much handicapped. My second point is that the $7\frac{1}{2}$ per cent. ratio which has been fixed is very arbitrary. There ought to be some scientific basis by means of which this figure should be fixed, and if no scientific basis could be arrived at, then historical approach is the only right course to follow. My third point is that there should be some kind of guarantee for the payment of debts. Burma should float a fresh loan. It should be definitely decided that the Reserve Bank of India should continue to function for both the Governments, and it should remain the currency authority till all these debts are repaid by Burma. My fourth point is that certain items which are included as unprofitable debts are not correctly entered. In the end, I would again urge very strongly that we should approach the problem from a historical point of view. The problem is difficult, but it is not impossible to solve.

The Assembly then adjourned till Eleven of the Clock on Monday, the 23rd September, 1935.