ABSTRACT OF THE PROCEEDINGS

# COUNCIL OF THE GOVERNOR GENERAL OF INDIA

# LAWS AND REGULATIONS.

VOL 16

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ABSTRACT OF THE PROCEEDINGS

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OF THE

# Council of the Governor General of India,

ASSEMBLED FOR THE PURPOSE OF MAKING

# LAWS AND REGULATIONS.

1877.

WITH INDEX.

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

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The Council met at Government House on Wednesday, the 21st March 1877

PRESENT:

His Excellency the Viceroy and Governor General of India, G.M.S.I., *presiding.*
His Honour the Lieutenant Governor of Bengal.
The Hon'ble Sir A. Hobhouse, Q.C., K.C.S.I.
The Hon'ble Sir E. C. Bayley, K.C.S.I.
The Hon'ble Sir, A. J. Arbuthnot, K.C.S.I.
Colonel the Hon'ble Sir Andrew Clarke, R.E., K.C.M.G., C.B.
The Hon'ble Sir J. Strachey, K.C.S.I.
Major-General the Hon'ble Sir E. B. Johnson, K.C.B.
The Hon'ble T. C. Hope, C.S.I.
The Hon'ble D. Cowie.
The Hon'ble Mahárájá Narendra Krishna.
The Hon'ble J. R. Bullen Smith. C.S.I.
The Hon'ble F. R. Cockerell.
The Hon'ble B. W. Colvin.
The Hon'ble R. E. Egerton, C.S.I.
The Hon'ble Mahárájá Jotíndra Mohan Tagore.

## MILITARY LUNATICS BILL.

Major-General the Hon'ble SIR E. B. JOHNSON introduced the Bill to facilitate the admission of Military Lunatics into Asylums.

## ACT XXIII OF 1867 CONTINUANCE BILL.

The Hon'ble SIR EDWARD BAYLEY introduced the Bill to prolong and amend Act No. XXIII of 1867. He said that he had nothing to add to what he had said on the last occasion, except as regards the statistics of crime, of which he then promised to give a more accurate account. Since the last meeting he had received a telegram from the Lieutenant-Governor of the Panjáb, from which it appeared that whereas, before the passing of the Act, twenty-four officers were either killed or seriously wounded on the frontier within about twenty years, since the passing of the Act there had been only four such cases, and there was besides another attempted outrage within the last few days.

The Bill itself providing merely for a continuation of the existing law, and the amendment of it proposed being purely technical, to meet an executive arrangement which had been made since the passing of the Act, he did not propose to ask the Council to refer the Bill to a Select Committee, but, with His Excellency's permission, he would at the next meeting request the Council to take it into consideration, and if they agreed to do so, would ask them also to pass it.

The Hon'ble MR. COCKERELL desired, with His Excellency's permission, to say a few words in regard to this Bill, as owing to the absence of any proposal for its reference to a Select Committee, there was no distinct motion before the Council, and consequently any remarks on the subject of it would, without such permission, be out of order. The hon'ble mover appeared to think that the acceptance of this Bill by the Council was such a purely formal matter that it need not be referred to a Select Committee, and in fact required little or no consideration. He (MR. COCKERELL), however, took a very diffierent view of the question, and his object in desiring to draw attention to the circumstances of the case at the present stage of the Bill was to obtain further information, if any could be supplied, as to the need for the retention, or rather re-enactment—for Act XXIII of 1867 had already become extinct—of a law of such an exceptional character. He hoped that, unless what he had now to say elicited the communication of more substantial grounds than had yet been put forward for the proposed enactment, the Council would hesitate before according its sanction to the measure. He thought that very possibly some members of the Council at least were not aware of the nature of Act XXIII of 1867, and if he were asked briefly to say what that Act was, he should say it was an Act to enable certain authorities in the Panjáb to hang a man first and to try him afterwards! But he submitted that an exceptional procedure, such as was provided by this Act, should only be adopted under very exceptional circumstances; and the question before the Council was whether at the present time the circumstances of the Panjáb were such as to call for exceptional legislation of this sort.

The special jurisdiction to be conferred by the Bill was of a kind that even the Hon'ble Member (Mr. Hope) who had charge of a Bill for extending certain portions of the Criminal Procedure Code to the Presidency-towns, had never, even at the period of his most uncompromising proposals for increasing the jurisdiction of the Presidency Magistrates, desired to confer upon those gentlemen! Now he would ask, what were the circumstances under which the Council was asked to sanction the re-application of this time-expired enactment to the whole of the Panjáb province ? The hon'ble member had told the Council that during the ten years during which Act XXIII of 1867 had been in operation, there had been something less than six trials under special procedure, and as far as he (MR. COCKERELL) knew, the only grounds for immediately proceeding with the measure were contained in a paper which he would read to the Council. It was an extract of a letter from the Officiating Secretary to the Government of the Panjáb, dated the 24th July 1876.

"The Lieutenant-Governor is glad to be able to observe that the provisions of this Act have been found rarely necessary to enforce, and at the present time in the Panjáb it might be argued with much force that it was undesirable to maintain this special legislation; but after full consideration, His Honour is of opinion that it may be wise to retain the power which Act XXIII of 1867 grants, as no harm is done should the provisions remain dormant, while an epidemic of fanaticism in some of the border-districts of the province might make it very desirable that the powers conferred by the Act should be in possession of the Local Government."

That was all that could be said apparently by the head of the province in favour of the hon'ble member's proposal, and it was particularly stated that it was only required for the frontier or border-districts. Now, as the Council was aware, since the passing of Act XXIII of 1867, Parliament had enacted, under 33 Vic., certain provisions by which His Excellency the Viceroy was enabled to put a special legal procedure of the kind contemplated by the Bill in force in the frontier-districts of the Panjáb province without coming to this Council for a formal enactment. He thought that laws of such an exceptional character as Act XXIII of 1867, should be brought upon the Statute-book with extreme reluctance, and only when the necessity for their being so placed was undeniable.

Such, he submitted, could not be correctly asserted as regards the present case; for the Act, 33 Vic., had been enacted, as he had always believed, for the express purpose of meeting emergent cases of this kind; his contention was therefore, that (1) it was doubtful whether there was any longer occasion for maintaining or reinstituting this special procedure in regard to certain criminal offences; (2) that in any case the need for the exercise of such special jurisdiction was confined to the Pesháwar and possibly other frontier-districts, and this could never justify the enactment of a special law for application to the whole of the Panjáb; and (3) that the proper remedy consisted in the exercise of the powers conferred on the Governor General by English Statute, as preferable to the interposition of this Council.

The Hon'ble MR. EGERTON said it appeared to him that his hon'ble friend, Mr. Cockerell, had divided his remarks into two heads. One was the procedure of Act XXIII of 1867, which he briefly described as a law which permitted certain petty officers to hang a man first and try him afterwards. MR. EGERTON submitted that that was not a correct description of the Act. It was an Act which was passed after full deliberation by this Council under the presidency of a Governor General who was particularly acquainted with the condition and circumstances of the districts to which the Act applied; and so far from the procedure being lax, it was in his opinion as strict as the ordinary criminal procedure, and provided for assessors sitting with the Judge who presided over the Court which tried the criminals, and it differed from the ordinary criminal procedure in little else than providing that the sentences which were passed would not be subject to the sanction of the Chief Court of the Panjáb. He should not argue regarding the correctness of the procedure which the law provided any further than to say that it seemed unnecessary to do so, inasmuch as it was passed before in this Council, and had been in force for the last ten years without producing any of the evils which a law such as his hon'ble friend had described would be likely to produce.

The second point in his hon'ble friend's remarks related to the necessity for continuing the enactment. MR. EGERTON submitted that this was a point on which the opinion of the Local Government should be allowed the greatest weight. Although it had so happened, happily, that during the time the law had been in force a very small number of cases had been tried under its provisions, yet he thought the argument to be derived from that fact was one which might fairly be interpreted in favour of the continuance of the law and not for its abolition. It was probable that the short and speedy procedure which the law supplied had been effectual in preventing the outrages against which it was directed. And it was very possible that if this law were allowed to expire, it might be considered by the frontier-tribes that the opportunity had been given them of perpetrating outrages from which they had for some time abstained. Encouragement might be given to evilly disposed fanatics and might cost the lives of many European officers. And he thought it was desirable, as the Local Government had requested, that the Act should be continued in force. If it were not required frequently to be put in operation, the special procedure which was considered objectionable would be of course little used and the continuance of the Act would be unobjectionable.

THE HON'BLE SIR EDWARD BAYLEY said, although there was no motion before the Council and this discussion was somewhat irregular, as it would naturally arise rather on the proposal to introduce the Bill, when it was the custom to discuss the policy of intended measures, nevertheless, as His Excellency the President had permitted the hon'ble member to make some observations upon the Bill, he thought it might be well that he should continue the discussion, and offer some explanation as to the remarks which had been made, in the degree which they seemed to require explanation.

He thought his hon'ble friend's remarks might be divided into three heads:—first, that the law was a bad law; secondly, that it was unnecessary; and thirdly, that if it were necessary, the better way to provide for it would be by a Regulation under the Statute 33 Victoria.

As regards the badness of the Bill, he had said before all that need be said, and he might say that, with the exception of the remarks under the last head, he had already by anticipation answered most of the arguments which the Hon'ble Member had brought forward. The original Bill, he would again remind the Hon'ble Member, was introduced at the request of the Panjáb Government, in a Council which was presided over by *the* man of all others who knew most of the circumstances of the Panjáb. It was approved by some of the ablest members and best jurists who ever sat in this Council. Therefore as far as the necessity for the provisions of the Bill at the time was concerned, and the fitness of those provisions to meet that necessity, he thought the Bill required no advocacy from him. As regards the assertion that it was a Bill to hang a man first and try him afterwards, if the Hon'ble Member had read the discussions which passed on the former Bill, he would find that that question was distinctly answered by Sir Henry Maine, who said that it was not a Bill to hang a man first and try him afterwards, for in all these cases the perpetrator of the outrage invariably not only confessed but boasted of what he had done: there was no question of evidence, no question of fact whatever; the man was only too glad to declare his act and to bear his guilt.

In respect of the present necessity for the Bill, he thought what had fallen from his hon'ble friend Mr. Egerton, who himself had been well acquainted with the operation of the Bill for the last ten years, and who would be responsible for its operation hereafter, might be accepted as sufficient authority. But he thought that the extract itself which the hon'ble member read from the letter of the Government of the Panjáb was pretty good evidence of the correctness of the assertion that this Bill was required. It was true that the number of these outrages was not very large, and that they had decreased since the passing of the law in 1867. As he had said before, in the twenty years which preceded the passing of the Act, there were twenty-four officers either killed or seriously wounded by assassins on the frontier. Besides these, there were many attempts which were not recorded. He himself was acquainted with two such cases in which murderous attacks had been made on two most eminent men, General Nicholson and Sir Herbert Edwardes, who were repeatedly attacked and had to defend themselves by their own weapons. In the early days there was scarcely a civil officer whose life was not attempted by fanatics. Since the passing of the Act, as was stated in the letter to which reference had been made, there had been only four such cases, but since the writing of that letter there had been an attempt at another, the report of which was only received by him the day before yesterday.

Then came the question, what were the causes of these outrages? If the Act had removed the causes of them, there might have been some reason to say that the Act was no longer necessary. But the causes remained in exactly the same force, or nearly the same force, as before. It was possible—and in that respect his statements on the last occasion were perhaps not perfectly clear—that within our frontier there was now maintained a better degree of order. Still these outrages were not committed by men from within our borders, but by members of the wild and lawless tribes who were outside the border, and who were in much the same condition—just as fanatic, just as blood-thirsty, just as hostile—as before 1867. The causes therefore remained, and the only reason that could be given for the diminution of these outrages was that the sharp, short, and certain method of punishment which the Act had provided deterred these people from committing outrages. The Panjáb Government therefore naturally objected to its repeal or extinction, and they wished that they should be empowered to continue to give their officers the same protection in the future as they had enjoyed in the past.

One other observation it was necessary for him to make on the Hon'ble Member's suggestion that it would have been better to pass this Bill under the special Act of Parliament which enabled the Executive Government to make Regulations for special districts. It was quite true that this Bill did apply nominally to the whole of the Panjáb, but as a fact it only came into operation in certain districts which were proclaimed by the Government of the Panjáb with the sanction of the Governor General in Council, and those were no doubt the very districts to which the Act of Parliament would apply. In that respect therefore, the one remedy was certainly as good as the other. But he had all along fully admitted that the procedure of the proposed law was extremely exceptional and peculiar. It was in fact a kind of coercion Bill. He thought therefore that, as being an exceptional measure, he would not say it was more prudent, but more courteous to the public, to give an opportunity of discussing the principle and operation of the measure in Council, than to bring it into force at once by proclamation in the *Gazette*; and as the law was one which had been adopted and fully approved by this Council before, it seemed to him the natural, almost the inevitable, course to re-introduce it in this Council.

The Hon'ble Sir ARTHUR HOBHOUSE said :—" As I have been personally appealed to by my hon'ble friend Mr. Cockerell to say if I think this kind of jurisdiction is a proper jurisdiction to give to Magistrates in the Presidency-towns, I have no hesitation in answering frankly that I do not. But the fact is that the circumstances of the Presidency-towns are very different from the circumstances of the frontier-districts in the Panjáb. The good order which is established in the one is not established in the other. The alterations which were desirable and which we have made in the Presidency-towns, were some moderate, cautious, well-guarded extensions of jurisdiction for the convenience of the public. If we had murderous outrages to deal with, no doubt we should have given much more arbitrary and extensive powers, and we should have placed them in more responsible hands : namely, as regards Calcutta, in the hands of my hon'ble friend the Lieutenant-Governor himself. The fact is that all coercion Acts appear upon their face to be tyrannical or arbitrary; by the very nature of the case they must be arbitrary if they are to work at all, and we must look to their working to see whether they are good laws or bad laws. The first question then is, does this Act answer its purpose? It is clear on the evidence before us that it does. The next question is, does it oppress the people and do they complain ? We have not a scrap of evidence to show that during the ten years the Act has been in force any person has come forward to complain of its operation. Therefore I think the case is one in which we should do well to continue that state of things which is working well, and wait to hear complaints before we condemn the law for harshness."

His Excellency THE PRESIDENT said :—" I did not feel justified in interrupting my hon'ble friend, Mr. Cockerell, just now, because I was under the impression that, if he was not going to ask for information, it was perhaps his intention to furnish us with some special information, not in possession of the Government, having regard to this Bill. But I think we are labouring, at present, under this disadvantage, that the discussion raised by my hon'ble friend's remarks is somewhat irregular. Those remarks might, more appropriately, have been made on the occasion of our next meeting, when my hon'ble friend, Sir Edward Bayley, proposes to ask the Council to pass this Bill for renewing the operation of Act XXIII of 1867.

"I may say, however, that one reason why I myself hope the Council will then assent to the request of my hon'ble friend Sir Edward Bayley, is that as far as my own information goes, there are, in my opinion, many exceptional symptoms in the present social condition of our northern frontier which render the abrogation of this Act peculiarly inexpedient just now, notwithstanding the existence of Act 33 of Victoria.

"I therefore trust that at our next meeting we may be able to obtain the assent of the Council to the renewal of this Act."

## BRITISH BURMA EMBANKMENT BILL.

Colonel the Hon'ble Sir Andrew Clarke moved for leave to introduce a Bill to provide for the execution of emergent works in connection with embankments in British Burma. He said that he found himself also in the position of having to introduce a coercion Bill, but it was somewhat of a different nature from that last under discussion, as it was a Bill to induce those interested in the soil in the Province of British Burma to look after their own property. Since the acquisition of Burma by the British, very large sums of money had been expended under the auspices of the several Chief Commissioners, and especially of his hon'ble friend Mr. Eden, and great improvements in the embankments of the country had been carried out, and the cultivated lands were now comparatively safe from those dangerous floods which so frequently occurred. But at times the floods were more than normal and rose excessively high, and many of these embankments were subject to being breached. And it required immediately a large mass of labour and material to be at the disposal of the Canal officers to check the ravages of the water if allowed to flow uncontrolled and unchecked. But the people of Burma, who had so immensely benefited from these embankments, at a time when their material and labour were necessary, would not give their labour and would not allow their material to be taken for this purpose. Therefore he came to ask the Council to allow him to take special powers to force the people to labour on these embankments, and at the same time to take their material. It was at the same time proposed to give them high wages. The Bill provided for fifteen per cent. being given above the market-rate of the day, and also a percentage above the value of the material. He himself would wish to see that in a case of this sort there should be no excess-payment either for labour or material, because the work was for their own benefit. But he found that there were precedents for such excess-payments in the case of the embankments in Northern India and Madras, and also he believed in Bengal. He would conclude by a quotation to show that he was not asking for an unreasonable power, and also to show what had been the influence of embankment-works in British Burma. He would quote a paragraph from a recent report by Mr. Rivers Thompson after a severe flood.

The Motion was put and agreed to.

## N. W. P. LOCAL RATES ACT, 1871, AMENDMENT BILL AND LICENSE BILL.

The Hon'ble Mr. Colvin moved that the Bill to amend the law relating to assignments from the General Provincial Fund established under the North-Western Provinces Local Rates Act, 1871, be referred to a Select Committee.

He said that, although the question thus brought before the Council related to only one of the two Bills which had been introduced by his hon'ble friend, the Member in charge of the Financial Department on Thursday last, it would perhaps be more convenient, and would also save the time of the Council, if he dealt with them both together in the remarks he was about to make. The two measures which had been thus proposed were both in furtherance of the scheme for throwing on the Local Governments the responsibility of undertaking their own local works,—and for that purpose only. He should not have thought it necessary to say this, but that from certain comments which he had seen and heard, he was under the impression that some people imagined that these Bills were in some way connected with other schemes, such as alterations of the customs-tariff, and with further financial changes which had been mentioned by his hon'ble friend on that occasion, and not solely with a view to the extension of provincial responsibility for public works. He wished to remove this misapprehension as far as he could. These Bills, with which he had been connected from the commencement, related solely and entirely to the extension of the provincial system to the management of public works. The first of the two measures introduced for this object was one which would enable the Lieutenant-Governor of the North-Western Provinces to appropriate a certain portion of the funds under the Local Rates Act towards works of general provincial utility. The principle of applying these funds in such a way was already recognized in the Act, as any part of the assignment made to these districts, which might remain unexpended, might be appropriated to the benefit of the North-Western Provinces generally. The proceeds of all rates levied under it were also thrown into a general provincial fund. Besides this, the

Lieutenant-Governor had power, under a certain section of the Act, to apportion the cost of any work which might benefit one or more districts among the districts which were thus benefitted. All that the Bill now before the Council proposed to do, was to extend these powers expressly to the case of such canals and railways as had been declared, with the sanction of His Excellency in Council, to be works of general provincial utility—that was to say, works which came within the spirit and intention, if not within the actual letter, of the existing law. The powers conferred by the Bill would be purely optional. It was hoped by the enhancement of the profits from those works which were reproductive, by further taxation (to which he would allude presently), and by other modes of improving its income which were open to it, that the Local Government would perhaps be able to undertake the charges which had been laid upon it, without having recourse to this measure at all. In any case, and supposing that the Local Government required this assistance, the amount which it was empowered to take was limited to ten per cent. upon the total sum levied. The remaining ninety per cent. would leave an ample margin to meet all charges on account of the grants which had at present to be made by the Local Government. The changes made by this Bill were so trifling that they did not appear to him to require any further remark.

He would proceed now to the License-tax, which it was in contemplation to impose in the North-Western Provinces. When first the scheme for placing local works under the control of the Local Government was suggested, and it became evident that further funds would be necessary, a number of the most experienced officers in the North-Western Provinces had been consulted as to the best way of raising that money. There was a general unanimity in the opinions given by all the officers who were consulted. In the first place there was a strong and general disinclination to add any thing to the burdens already borne by the agricultural classes. There was also a universal conviction that it was both just and expedient to tax the non-agricultural community. As was well known, that community contributed at present remarkably little to the public revenue, except in such towns as paid an octroi-duty. At the same time the non-agricultural classes were amongst those who benefitted especially from the class of works which it was now proposed to transfer to the Local Government. In the case of any famine or scarcity, the first and greatest pressure of the calamity almost always fell on the poorer classes living in towns. It seemed only reasonable then that, when canals and railways were provided, which by ensuring the supply of food, and providing the means of transport for it, and thereby greatly diminishing, if not wholly averting, the danger of famine, those particular classes that most especially benefitted from these works should at least contribute something towards their cost. As to the mode of levying contributions from them, there was a general consensus of opinion that the best form would be that of a License-tax. It was accordingly in this shape that it was now proposed to levy the tax. The Bill now before the Council borrowed all its principal features from one which had formerly been introduced by Mr. Inglis. That Bill, though it had passed through Committee, never took the shape of law, solely for this reason, that the Local Government of that time discovered that it would be able to meet its financial requirements without having recourse to extra taxation. The present Bill also bore a strong resemblance to one which had been introduced so far back as 1862, when Mr. Laing was in charge of the Financial Department. That Bill, like Mr. Inglis's, was intended to impose a low and fixed rate of fees upon all traders. These two Bills however, namely, the one introduced by Mr. Inglis and that introduced by Mr. Laing, were supplementary to an Income-tax, that is, they were both intended to be in operation simultaneously with an Income-tax. The present Bill differed from them in this respect, that it was the only tax which was to be imposed at present. It resembled them however in the essential point that the necessary addition to the revenue was to be levied by a scale of fixed fees, which it was hoped would do away with the necessity for any minute inquisition into incomes, against which very strong objections had been felt and expressed.

For the purpose of determining the rates at which the fees were to be charged, the whole body of traders had been divided into three broad classes. In this respect the measure followed Mr. Inglis's Bill, as it did also in the grouping of trades under the respective classes. Great pains were said to have been taken at the time to make this classification as complete as it could be, and it seemed the safest course to adopt it as it stood. It was possible of course that in Committee some amendments and improvements might be suggested, but generally the Bill followed the classification of Mr. Inglis's Bill. In one point however, it had been determined in some degree to alter the arrangement of classes which was then made. It had been thought desirable to introduce grades, and to make the scale of fees range over a wider extent than that of the former Bill. The reasons for doing this were, in the first place, that it was necessary to improve the receipts. It was thought that the amount which could be levied by a uniform scale of fees so low as they were originally pitched would be quite insufficient to meet the requirements of the Government, for it was admitted on all hands now that the estimate then made of the probable yield of that tax was greatly overrated. A further reason for introducing grades was this, that with fixed rates of fees each class must be so determined that it should not bear hardly upon the poorest men who came within it. A necessary consequence of this was that the richer men who came within any class would not pay their due proportionate amount unless more than three classes were introduced and grades recognized, which corresponded in some measure with the variations which actually existed in the amount of business and prosperity of different traders. This had accordingly been done, and it was hoped that it would have the effect of making the tax both more equitable and also of producing a larger revenue.

In order to prevent the tax from pressing unduly on any individual, a limit of two per cent. on the net annual earnings had been fixed. But it must be understood distinctly that the limit so fixed was a maximum rate, beyond which the incidence of the tax was not to go. It was not to be a standard for determining the rate at which each person was to be charged. In the case of wealthy traders it certainly would not be an excessive rate, and he for one would be very glad to see a fee imposed upon them which, so far as the law permitted, reached the full maximum of two per cent. But it was beyond dispute that an uniform percentage fell heaviest upon people with low means; that it was easier for a wealthy man to pay two per cent. upon his earnings than it was for a man whose income did not exceed Rs. 200 or Rs. 300; and he had reason to believe that, as a matter of fact, the Local Government had no intention of allowing these fees to reach so high a rate as two per cent. on the poorer classes of traders.

A minor change which had been introduced in the present Bill was that an appeal was allowed to the Commissioner. In Mr. Inglis's Bill no appeal had been allowed. But it had been thought desirable, as the amount with which any man could be charged was considerably higher than it was then proposed, to allow of one appeal in case of any person being dissatisfied, so that a petitioner might carry his objections before two separate officers.

Sections 17 and 18 of the Bill had been adopted as they stood from Mr. Inglis's Bill. They were inserted there with the intention of utilizing Municipalities in the collection of taxes, and it had been thought that they might be found useful for this purpose now. They had accordingly been retained, and it would be a matter for the discretion of the Local Government to avail itself of them, or not, as might be found convenient.

He had now noticed the only points in the two Bills which were introduced on Thursday last that seemed to him to require any comment at present. He had only this much further to add, that all that had been done in connection with them had been carried out in communication with the Government of the North-Western Provinces, and that the Lieutenant-Governor had expressed his entire concurrence in the measures they were intended to further, and his cordial approval of the principles contained in the Bills.

The Hon'ble SIR JOHN STRACHEY said:—" My Lord: But for one reason I should have reserved for the close of this debate any observations which it seemed necessary for me to make; but some remarks have fallen from my hon'ble friend, Mr. Colvin, which remind me that it is desirable that I should say a few words to the Council before the debate proceeds. My hon'ble friend appeared to think that there may have been some misunderstanding in regard to the objects with which these Bills have been introduced, and that there has been a feeling in some people's minds that these Bills are connected with measures affecting the customs-tariff which I said the other day that I hoped might be carried out hereafter. I had myself become aware that such an opinion had been expressed, and I wish to take the earliest opportunity which offers itself for removing any misunderstanding which may have arisen. I must say, in the first place, that when I spoke about the possible future abolition of all customs-duties in India, I perhaps did not state in a sufficiently unmistakeable way that I was giving my own personal opinion only. When I dipped into the future and saw the untaxed wares of the world pouring into the free ports of India, I was indulging in the pleasures of my own imagination, and by no means proclaiming the intention of the Government to adopt hereafter the policy which I foreshadowed. The truth is that the subject has never been considered by the Government at all, nor has it been officially before the Government, so far as I know, in any shape whatever.

" I hope that no one will fancy that it has ever entered into my head that all customs-duties can be got rid of within any specific time, or, indeed, within any time to which I can practically look forward, or that the Government is in any way committed to anything by the aspirations which I have expressed. The customs-duties yield about $2\frac{1}{2}$ millions a year, and it is clear that under present circumstances we could not abolish them without imposing heavy fresh taxation in their place, a course which would be, in my opinion, totally unjustifiable, and indeed preposterous. Even for the much smaller object of abolishing the cotton-duties, there has never been any idea of imposing fresh taxation. The Secretary of State, in the last orders which he gave on the subject, distinctly said that, highly as he estimated the importance of removing these duties, he quite agreed with the Government of India in the opinion that it would be inexpedient to impose any new tax for such a purpose. Your

Excellency, almost immediately after your arrival in India, spoke in public to the same effect.

"There is only one rule in regard to such matters as this, which, consistently with prudence and good financial administration, can be followed, and I hope that the Government will be guided by it in future. This rule was laid down by the Secretary of State in the despatch to which I have just referred in a passage which I will read to the Council: 'All important remisssions of taxation,' he wrote, 'especially in India, in which country the revenue is liable to sudden fluctuations, and the margin between revenue and expenditure is usually small, should proceed upon the most careful estimates, and be undertaken with caution and deliberation; but for this very reason it appears to me that where the revenue is so considerable as in the present case, gradual reduction, which can in a serious and unforeseen emergency be suspended, is a safer and more prudent policy than total and final remission.'

"The policy thus laid down by Her Majesty's Government is the policy which I hope to see carried out.

"I said the other day that, in this matter of the cotton-duties, I believed the interests of England and India to be identical, and I am confident that if we act cautiously and gradually in the manner which the Secretary of State desired, no Indian interest can possibly be injured, but on the other hand that Indian interests must be greatly benefited. But I certainly could not say this, if the abolition of these duties involved the imposition of fresh and unwelcome taxation. The Government would, in my opinion, obviously neglect the paramount duty which, as their natural guardian, it owes to the people of India, if it consented to any such transaction.

"I endeavoured in my Financial Statement to show that while the total expenditure of the Empire showed no tendency to increase, every great source of income had been steadily advancing; that the total nett revenue in 1875-76, the last year for which we have complete accounts, was more than two millions sterling in excess of what it had been seven years before, and that it had increased at an average rate of about £300,000 a year. Considering that the total amount of the cotton-duties is only £850,000, and that only gradual remission is aimed at, there is nothing sanguine in the anticipation that we shall soon be able to take a first step in dealing with them.

"The object with which the Bills now before the Council have been introduced is that, and that only, which has been stated by my hon'ble friend, Mr. Colvin: we require these measures to enable us to carry out in the North-

Western Provinces a great financial reform,—that of enforcing local and provincial responsibility for meeting the cost of works undertaken for the benefit of local and provincial interests: this is the practical question now before the Council.

"I wish now, my Lord, to take this opportunity of making a little personal confession. I am afraid that I am one of those people who are inclined to express their opinions in somewhat strong and plain language, and who do not always show sufficient consideration for the opinions of others. When I read over in cold blood the remarks which I made the other day about the cotton-duties, I found in them an illustration of what I have now said. Considering that only a year ago Lord Northbrook, for whom, both on personal and public grounds, I have the highest regard and respect, and many of the Members of this Council towards whom I hold the same feelings, stated on behalf of the Government of India opinions on this subject very different from my own, it would have been wiser and in better taste if my remarks had been couched in less aggressive language. I hope that if any member of the Council has felt this too, he will accept my present confession and apology."

The Hon'ble MAHÁRÁJÁ JOTÍNDRA MOHAN TAGORE said that he did not wish to enter into the details, nor to discuss the various principles, raised in the Budget-Statement; but he would beg leave simply to invite attention to one or two points connected with the decentralization scheme, which he thought formed one of the main features of the Financial Statement. The theory of decentralization was certainly sound in principle; but the present scheme, in his humble judgment, did not go sufficiently far. While certain sources of revenue were made over to the Local Government, certain liabilities were thrown upon them, which would necessitate the imposition of fresh local taxation. Now taxes, whether called local or imperial, as the hon'ble member in charge of the Finances had himself admitted, would press upon the people all the same. If he might be so permitted, he would remark that the proposed system of Local Finance was like the *Thíkadári* system known in Bengal Zamíndárís, only the arrangement seemed to be based upon less favourable terms; for the *Thíkadár* generally paid to the Zamíndár less than the gross assets he derived from the land, and was allowed to enjoy all prospective profits during his incumbency, whereas the Local Government, under the decentralization scheme, was required not only to make good to the Imperial Government the full amount of the receipts from the different sources of revenue assigned, but also to make over a moiety of the increase during the period of the contract. If justice was to be done to the Local Governments under the decentralization scheme, he thought the only way to do it would be to adopt the course indicated by Lord Canning in his Resolution of the 11th November 1861. Speaking of Bengal, in which he naturally felt the greatest interest, he begged to observe that it yielded the largest amount of revenue, while its provincial expenditure came up to about one-third of the gross income. Making proportionate deductions from certain revenues, such as opium and customs, to which other provinces had a legitimate claim, there was still left a large surplus, which went to make up for the deficiencies of the less-paying provinces; and yet it was proposed to levy fresh taxes. This, he submitted, was not fair or just to Bengal. It had often been urged that, as Bengal was blessed with a permanent settlement, and as her land-revenue could not be increased, it ought to be made to pay in other ways. Those who averred this forgot that in no other part of India was indirect taxation more productive than in Bengal, and that, to use the words of His Grace the Duke of Argyll, Her Majesty's Secretary of State in 1870, "in the greater fruitfulness of indirect taxation and some direct taxes in Bengal, as compared with other provinces, the Government recovers some portion of the revenue which it has sacrificed in the form of land-assessment." And this was exactly the result which was expected by that far-seeing statesman who introduced the permanent settlement. He wished to add one word with regard to compulsory rates for irrigation. No doubt the principle was sound, that those who benefited by the work ought to pay for it; but it so happened that in Bengal the canals did not supply the water when it was most needed; for the rivers being dry during a season of drought the canals which were fed by the rivers became necessarily dry also, and during the rains, when the canals were full, there was rarely any necessity of supply from them for irrigation. It would be very hard to impose a permanent tax on the people for works of which the benefit was so very uncertain. He believed it was for this, among other reasons, that the Secretary of State once disallowed a law imposing a tax of this nature; and if the Government should revert to the same policy within so short a time, he respectfully submitted that the effect upon the people would be anything but assuring.

The Hon'ble Mr. Bullen-Smith said that in supporting the Bills just laid before the Council by the hon'ble member on his right, it would be readily supposed that, from his constant residence in Lower Bengal, he could not bring any special information to their consideration; and he might well give a silent vote in their favour, but for two reasons: *1st*, having had the honour of a seat in this Council when the decentralization-scheme had first been launched under the presidency of His Excellency's lamented predecessor, Lord Mayo, and having given his cordial adherence to that measure as one which in his judgment formed a turning point in modern finance, he was the more pleased to give his support to a Bill which, like the first of the two introduced, was in further development of that system; and he was also glad of the opportunity to express the pleasure with which he had heard the hon'ble gentleman now at the head of the Financial Department, who had himself so largely shared in the initiation of the policy of decentralization, declare that, after a thorough examination of the working of that measure during the seven years in which it had been in operation, he was able to announce to the Council and to the public that its results were entirely satisfactory. His second reason for abstaining from a mere silent vote on the present occasion was that he desired to avail himself of the opportunity, which he understood it to be His Excellency's wish this day's discussion should afford, of making a few comments on the Financial Statement that had been delivered before this Council on Thursday last.

He had listened to this statement with the utmost pleasure, satisfaction and interest; more so, he thought he might safely say, than to any previous Financial Statement which he had heard delivered in this place. He thanked the hon'ble gentleman for his frankness; he admired the statement for its boldness, and he particularly rejoiced to find in it not mere clerkly manipulation of figures, but a strong and well-defined grasp of what he considered sound financial principles, which he could not doubt would ultimately secure to His Excellency's financial policy that success which it deserved. The field over which the Statement travelled was large and varied; but he did not purpose troubling the Council with any lengthy remarks, but merely noticing a few of the points which were of most interest to those who, like himself, were engaged in mercantile pursuits, and whom he might perhaps in some degree be held to represent in this Council. Regarding opium, he accepted with thankfulness the hon'ble member's declaration that he would, on the earliest possible day after the termination of certain enquiries now going on, announce the exact quantity which would be offered next year; and he believed that in so doing he would at once serve the interests of the trade and of the Government. For some years past it had been the custom to give such information to a certain extent, although not for such a forward period as was now pointed at; and, he believed, with the happiest results. If during these years the fluctuations in the price of opium had been less frequent and severe than formerly, he considered it to be very much owing to the knowledge possessed of the quantity to be brought forward. So long as Bengal opium was the subject of occasional heavy gambling operations, which were generally initiated from the Bombay side, considerable fluctuations in price must be expected; but apart from such interruptions, the information promised should have a very steadying effect on the market. He wished much that the hon'ble member could have been more reassuring on ways and means. He not only concurred with him in thinking it unsatisfactory, but he considered it also most unfortunate and injurious, that Government had not been able to give more definite information regarding its loans and bill-operations for the coming year. True the present views and estimates of these are mentioned in the Financial Statement; but the note attached, and to which the hon'ble member had most properly drawn prominent attention, took away any value from this declaration, and left all in doubt and uncertainty—conditions which always pressed hardly on business. The limited extent of the markets of India for Government securities, and the fact that there existed here, unlike the great financial centres of Europe, almost no other forms of investment in which bankers and merchants could place their reserves and floating funds, were two circumstances which tended greatly to aggravate the evil of uncertainty in such matters. It was obvious that in view of the announcement made in this Statement, operations in Government securities must for the present be somewhat of a leap in the dark, while the uncertainty about the issue of the Council Bills must tend still more to perplex all concerned as to the future course of exchange, and reduce this all-important class of business to something not unlike gambling. In making these observations, he did not forget that the exchange-difficulties last year had pressed very hardly upon the Government of India in common with other people; and he was also free to admit that undue panic had something to do with the excessive decline which had taken place in the value of the rupee. Nor was he disposed to insist much upon that wisdom which is wise after the event, but he thought it was now generally admitted—and here he desired to speak with all moderation and respect—that a firmer and more consistent handling of the Council Bills last year would have greatly checked and mitigated the evil which the course adopted tended rather to intensify. This being so, he thought he was not asking too much when he expressed the earnest hope that, as Parliament was now in session, the Secretary of State might be at once moved to obtain the statutory borrowing powers, which he required with the least possible delay, and forthwith put the Indian Government in a position to give, as regards the loans and Council Bills for the coming financial year, that definite information which circumstances demanded, and which he believed there was no desire on the part of Government to withhold.

The Financial Statement delivered to the Council last Thursday closed with some interesting remarks on certain fiscal matters, and a vehement denunciation of the existing cotton-duties. He was no lover of trumpets which gave an uncertain sound, and even if he had any such predilection, he knew that he must look elsewhere than to the Hon'ble the Financial Member for such an instrument; but believing that in his remarks on the cotton-duties the hon'ble gentleman had not spoken in his individual capacity, he confessed that he had heard them with surprise and regret, and would have desired more measured utterances. The remarks as made seemed likely to kindle hopes which had no early prospect of accomplishment, and further appeared to indicate that the Government of India was prepared to go to extremes in carrying out the instructions of the Secretary of State on this subject. From what had fallen from the hon'ble member this morning, he was glad to infer that his fears had been groundless, and that on the previous occasion he had been giving utterance rather to the intensity of his own convictions, than speaking in that other and wider sense to which he had alluded. As these cotton-duties were not today before the Council in any practical shape, it was not his intention to enter upon the subject in detail, or to trouble the Council with the reasons which had led him and many others altogether to dissent from the opnion that these duties had a priority of claim over any other form of fiscal relief. He would rather express the hope that, in carrying out the instructions of the Secretary of State, the Government of India would avail itself of the large discretion which these instructions seemed to leave in its hands, and would not, when the opportunity came for making some move towards the removal of these cotton-duties, lose sight of other matters, which although not so much heard of, had even stronger claims to relief. He need not assure the hon'ble member that he would welcome as gladly as himself the free ports to which he looked forward; that he was no lover of these cotton-duties *per se;* he would even go further, and admit for the sake of argument that they were blots on the Indian fiscal system. But they all knew that there were blots and blots: some so large as to deface and disfigure the parchment; others so small as to be scarcely discernible. It was a question of degree; and so also with these fiscal items. What he asked was, that each should be considered on its merits; and in the meantime he might express his own strong opinion that some of the other items to which he had alluded not only offended more against the theory of fiscal economy than did these cotton-duties, but were also productive of much more evil and mischief in their practical working. As to the proper mode of dealing with this subject, he was not ashamed to say that, both as a member of this Council and as a member of the Tariff Committee, his endeavour had been to look at it mainly from an Indian point of view; and for this reason among others, that he had always felt sure that the English side of the question would be fully put forward by others, and would meet with every consideration from the controlling authority at home before any decision was come to. In saying this, he hoped he need not assure the hon'ble member that he was not one of the foolish people who sneer at Manchester, and he agreed with him that the man was foolish indeed who would attempt to sneer at that great centre of England's manufacturing industry. But human nature was, he took it, much the same in Lancashire as elsewhere; and it was only natural that the men of Manchester had looked, did look, and would continue to look, at these cotton-duties from their own point of view and in the light of their own interests. He did not blame them for so doing, but he could not admit that their interests and those of India were altogether so identical as his hon'ble friend seemed to consider them. Identical they were of course in so far as the interests of England were closely bound up in those of her greatest dependency; identical they were in that the interests of two countries carrying on such a trade as that existing between England and India could not but be closely connected; identical they were, no doubt, in a sort of general way; but it was an identity which, although accepted when stated in the abstract, became more difficult to receive when one entered on details. He would give an instance, taken from the Statement before the Council, where the interests of which he had been speaking were not identical. The hon'ble member in his Statement had given a graphic sketch of the customs-hedge which ran across a great tract of Northern India, and had unsparingly pointed out its many evils. If that hedge were abolished tomorrow, no man in England would find himself happier or better off in any respect; while in India, from the very day of its abolition, harassment, extortion and petty tyranny would be saved to many. Then again, Lancashire needed no help from here to fight her cause. The men of Manchester were strong and wealthy and united; they wielded powerful political influence, and probably inspired more than any other body, that pressing terror without the salutary influence of which, the Secretary said a few weeks ago, when speaking to the Associated Chambers of Commerce, he did not know what would become of the reform of Indian finance. He had therefore, as he had said before, always felt quite sure that the Manchester view of these cotton-duties would be well pressed, and had deemed it the more incumbent upon himself to view them from the Indian standpoint, to ascertain what was likely to be most equitable and beneficial to the people and trade of this country, and to decide accordingly. With these remarks he begged to tender his support to the two Bills before the Council.

The Hon'ble Maháráj́á Narendra Krishna said that they had heard the able and lucid Financial Statement read at the last meeting of this honourable Council. It would be impracticable to dwell at length on the various items contained in it, and he would therefore confine his remarks to certain very important points. The Government of India wished to raise the amount of six and a half millions by loans, to be contracted here or in England, or partly in both countries. Such a large amount would not have been required if the finances had not been affected by the terrible famines raging in the Presidencies of Bombay and Madras, and by the charges required for extraordinary Public Works. This was certainly a matter of regret; but over the former cause there could be no human control, and as regarded the latter an economical management was promised. The people of India were very much indebted to His Excellency for not recommending the imposition of the obnoxious Income-tax to meet the deficiency. It was stated that certain existing taxes would have been touched, but had not been interfered with on account of the famines. It was contemplated to equalise and reduce the salt-duties, to abolish the inland customs-lines and the sugar-duties, and the import-duties on cotton-goods. In the absence of any data of the amount of the proposed reduction of salt-duties, if they took the amount of revenue derived from the other two sources to be about a million, they would have to lose an income far above one million, to recoup which it was feared some new form of taxation would hereafter be imposed upon the people. It would however be premature to dwell on such subjects, which were not now taken in hand; but he would only point out that, although nothing could be said as to the abolition of all protective duties as a general principle, he might observe that all principles should not necessarily be acted upon simply because they were good and sound, without a due regard to their adaptability to the times and the circumstances of the people. The cotton-industries, through the aid of steam-machineries just born in the different parts of India, required the fostering care of the British Government for their development, and it was on that account a matter of serious consideration whether the abolition of these duties would not stifle them at their birth, not to mention that it was still a doubtful question whether the particular customs-duty was of a protective character. It was declared that an extension of the existing form of provincial taxation was to be made for carrying out local improvements. The people however believed that their able and wise Lieutenant-Governor could devise means to raise the twenty-seven and a half lákh of rupees required for the carrying out of the proposed improvements more by the curtailment of expenditure and the development of the productive resources of the country, than by the extension of the existing taxes.

The Hon'ble Mr. Cowie said:—"My Lord,—As I have no special exceptions to take to the Financial Statement before us, my observations upon it will be very brief, and perhaps therefore the more acceptable.

"I congratulate the Hon'ble Member that he has happily managed to steer clear of the imposition of an Income-tax, in which I think he is the more to be praised, inasmuch as he does not disguise his admiration of that mode of raising Indian revenue.

"If one could eliminate from that statement the cost of that terrible famine, I feel bound to admit that the year's estimate of income and expenditure would have been both satisfactory and encouraging.

"That cost, we are told, is to be met by loans to be raised partly in India and partly in England. When money here is worth 10 per cent. and at home 2¼ per cent., there should *primâ facie* be no doubt as to which is the better country where to borrow; but then comes in that very difficult problem, called the silver-question, which casts grave doubts upon the expediency of India borrowing English gold, when she can pay the interest of it only in a very depreciated silver-currency.

"It is possible that the suggestion of borrowing in each country arises in the desire, if I may use the expression, to hedge this very grave difficulty.

"In the case of borrowing in England, there is this singular anomaly. It is matter of notoriety, that the most impecunious Government in the world may go into the London money-market and borrow to the extent of the credulity of lenders, but the Empire of India cannot do so without a special Act of Parliament, and from what fell from the Hon'ble Member last week, it would seem that even that concession cannot with certainty be calculated upon.

"In connexion with the proposed loans, I think bankers and merchants have cause to complain of the very remarkable vagueness as to time, place and circumstance which accompanied the statement of the Finance Minister, that 3¾ millions would probably be raised at home and 2½ millions in this country. In point of fact it came to this, that notwithstanding those figures were named, the Government of India will borrow when and where they please.

"I congratulate the Hon'ble Member on his broad and liberal utterances in regard to the salt-tax, the Inland Customs-duties and the Import-duties on cotton-manufactures. On this last-named item I will say nothing, as my esteemed friend, the Hon'ble Mr. Bullen Smith, has just now so ably handled the subject. When hearing the Hon'ble Sir John Strachey last week draw a picture, to which distance lent enchantment, of the day when the ports of this vast Empire should be free to the commerce of the world, I thought it was somewhat Utopian, but imagined he was only setting up a high standard of excellence, of which, if not the whole, a part might some day be realized; but in his explanation of to-day, he has removed all the varnish from that picture, by stating that he was merely revelling in imagination. At my time of life I cannot hope to see that consummation, but I very cordially trust the Hon'ble Member may."

The Hon'ble Mr. Hope said that, before noticing the two Bills which were now under the consideration of the Council, he proposed to offer a few remarks on the Budget Statement which had been presented on the last occasion when the Council met, although he was well aware that, but for His Excellency the President's indulgence, he should be out of order in doing so. He would in the first place express the great relief and satisfaction which he felt, and which he believed was shared by all who gave any attention to such matters, at learning from his friend, the Hon'ble Sir J. Strachey, that in respect of Public Works Extraordinary, the cloud which they had seen lowering in the horizon at the time of Sir William Muir's Financial Statement last year, and which had darkened over their heads with momentary threats of bursting in August last, had to all appearance passed away; and that these works were not to be further checked or indefinitely postponed. The importance of these Extraordinary Works, whether railways or canals, or others of a special nature, had not been, Mr. Hope was quite certain, one whit overrated by the hon'ble member; and he was sure that Sir John Strachey must share with him, though he might not feel at liberty to express it, the disappointment he experienced on learning that the condition of the finances did not allow of the assignment of a larger sum than two millions and a half towards these objects. In connection with this subject, he would invite attention to the opposite side of the shield to that which the hon'ble member had presented to them. The hon'ble member had given a very graphic sketch of the enormous increase of wealth and prosperity, and the other incalculable benefits, which canals and railway had conferred upon the country. He would invite them to remember the loss, past and still continuing, to trade, and the more confined increment in the national wealth, which resulted from delay in the prosecution of these undertakings on a larger scale than hitherto. The hon'ble member had also pointed out that, but for railroads, the people now suffering from famine in the Madras and Bombay Presidencies would be dying of starvation by hundreds of thousands. He would recall to their minds the painful memory of the hundreds of thousands who did die in Rájputána in 1869, for want of the railway through that province the construction of which had been so long vainly urged. On the whole, he was inclined to think that, considering the importance of these works and the vast interests involved, it would be justifiable in any case in which the fact that a work would pay was undoubted, to push it on even at a greater rate than financial prudence according to their present principles would permit. He was not at all sure that it would not be right to construct such a work with the utmost rapidity, debiting to capital if need be the interest during construction, and even for two or three years later, in full confidence that the earlier use would in a variety of ways, indirect and direct, square the account, rather than to spread its execution over a series of years, to postpone it indefinitely because there was no surplus-income, or to relegate it to forecasts which, as the hon'ble member had shown, were constantly liable to be falsified by new circumstances, and which only seemed to be brought forward to cause disappointment and tantalization. In connection with this, and with both the doubts which were entertained as to the possibility of raising sufficient capital in India, and the importance, on which the hon'ble member had just dwelt, of raising as much of it as possible in India instead of in England, he would venture to throw out the suggestion whether raising money in India would not sometimes be facilitated if loans were to be recognized as being intended for particular works. As a case in point, he would take this very Rájputána Railway. He thought it highly probable that, if for the construction of this railway there were a separate loan, many merchants in Bombay who had one reason or another for being interested in the line, and expected their trade to benefit by it, would be ready to subscribe with the view of getting it constructed, although they would otherwise never have thought of investing their money in Government paper. The princes, again, through whose territories the railways would pass, might with propriety be invited, and would no doubt accept the invitation, to place at the disposal of Government for investment in it a considerable portion of their balances, instead of leaving them to remain unused by lákhs and lákhs in their several treasuries as at present. He would now pass on to the subject of exchange and the so-called depreciation of silver. He observed that the hon'ble member had stated that their loss by exchange was "one element which may be said to be practically altogether beyond our control." In another place he had said that "we cannot with any confidence expect to avoid serious loss hereafter from disturbances in the relative values of the precious metals." No doubt a question of this magnitude had most fully engaged the mind of the hon'ble gentleman, and Mr. Hope did not question that, in speaking as he had done, the hon'ble member had only exercised the caution which was due and necessary for one in his position, and felt sure that at the proper time the decision of the Government would be formally announced, together with the reasons for it. Mr. Hope had not the slightest desire to precipitate that decision, or to complain of the non-announcement of it on the present occasion; still less was it his object to attempt to extract any declaration on the subject. But he would say that, although there were occasions when the strength of a Government might be to sit still, he did not think that this was one of them. The British Empire was interested in the silver question as much as any nation in the world—in fact more so, in consideration of the special double life which it possessed, a life both European and Indian. The English nation had in England an enormous debt, contracted and payable in gold. It had likewise there a vast manufacturing industry for export, which depended in a great measure on the ability of the silver-using nations with which it dealt to pay for its products. Here in India, on the other hand, it had a heavy debt to defray in gold, while all its assets were raised in silver. Thus if there were any serious rise in the value of gold, such as he for one believed had taken place, rather than a fall in the value of silver, England must suffer both at home in her debt-obligations and her current commerce, and in India by the depreciation of the national—he meant in the sense of Indian national—capital, which was almost entirely in silver, by the increased weight of the obligations which she had to meet in gold, and by the decrease in the value of her means of meeting them. He believed it therefore to be entirely the interest of England, whether in England or in India, to have as large a circulating medium as possible, and one which should embrace both gold and silver as a full legal tender. It would be gathered from what he had said that he was one of that minority—and he must admit with regret that they were at present a rather small minority—who were in favour of bi-metallism. So long ago as August last, after studying everything on the subject which was within his reach, he had written privately to his friend, Mr. Chapman the Financial Secretary, that he could come to no other conclusion than that that system was the right one. He believed it was quite possible for Government to fix a ratio between gold and silver after due enquiry, and that it was just as much the duty of Government to do so as to take any other measures for the protection of the community. No doubt such a step could not be taken without an understanding with other nations. But if they were to wait till all nations agreed on the subject, or till they could get together a sort of universal conference, they might have to wait for ever.

England however had no need to stand by in the hope that other nations would come forward and pull her chestnuts out of the fire, and it was undignified for her to do so. It seemed to him that to come to an understanding with the Latin union—that was to say, principally with France—was all that was required, and that we might then safely leave the rest of the nations to follow—or rather the course of events would oblige them to follow—in the line which we ourselves had adopted. He was very well aware that the subject of which he was treating was an exceedingly difficult one, and there might be a certain savouring of presumption in his speaking on it. This was not the time to argue out the whole matter, and he merely made these remarks in order to give utterance to the anxiety which both he and others felt that the Government should take up the subject, and at the same time to express their confidence that no one could be more competent to do so than the hon'ble member in charge of the finances. It might be that if his own disposition had been more angelic, he might have feared to tread these mazes; but being what he was, he could only say—*Liberavi animam meam.*

He now passed on to another subject—to the decision to treat as ordinary expenditure the cost of both famines and unproductive public works. The reasons for this course had been so clearly and forcibly stated by the hon'ble member, that the only wonder seemed to be that these items had ever been treated in any other manner. It might perhaps be necessary in some cases to borrow money for items which would thus be classed as ordinary; but he presumed that any money borrowed under such circumstances would be all brought directly into the ordinary charges of the year, and accepted if necessary, as *boná fide* deficit. He had only one other remark to make in connection with this subject. The Hon'ble Member had said that "if a work has been classed as extraordinary, and it be ascertained subsequently that the estimates of profit were fallacious, any further expenditure upon it shall not be treated as extraordinary, but entered among the ordinary charges." His hon'ble friend had not however said what he would do in the converse case which would arise if a work like the Northern Panjáb Railway, which was commenced for military purposes and classed as ordinary, after a time paid its expenses. He presumed that in such a case the course which would be followed would be, not to carry the receipts to the ordinary current revenue of the year, but that they would be treated as an addition to the annual amount which it was thought desirable and safe to set aside as interest on loans for reproductive enterprises. At the same time it was not quite clear as to what were the Hon'ble Member's intentions in such a case.

The hon'ble member had, Mr. Hope went on to say, made several remarks and announcements in his Financial Statement with reference to salt, sugar and customs. It was not clear at the time, nor was it perfectly clear now, although the Hon'ble Member had endeavoured to make it so, which of these were his own opinions, and which carried with them the weight of the Government of India. In some of those remarks Mr. Hope most heartily concurred; but with regard to others he could not go further than to admit that, when the orders of Her Majesty's Government had been definitely and clearly given, they were bound to afford to them a loyal and unhesitating obedience. With respect to all those remarks and announcements, both those in which he concurred and those from which he was disposed to differ, he did not feel bound to make any detailed statements or criticisms, because there was no specific measure regarding them before the Council at the present time.

He now came to the very important question of decentralization; and here he would express his unfeigned satisfaction that it had been decided to crown the work which had been commenced during the Viceroyalty of the late Lord Mayo, and that the intention to do so had been set forth in terms which were sufficient to carry conviction to every reasonable mind. The measures which came under this head were, as he understood, three in number. The first consisted in transferring certain heads of revenue to the Local Governments, and increasing the number of heads of expenditure which were under their control. There could be no doubt that the want of revenue out of which to meet the growing necessities of the country in all departments had been most seriously felt by the Local Governments during the period for which the decentralization-system, so far as it had hitherto gone, had been tried; and as one who had been long ago a district officer, MR. HOPE could testify that this was a difficulty which had met him at almost every turn. The difficulty would to a great extent be removed by the present arrangement, under which a portion of the increased revenue was to be retained by the Local Governments, and the question of the proportion of the division of profits had been rightly kept open and made subject to revision at short periods. On this head he had nothing further to say than to express his own private opinion—of course he had no authority to express any on behalf of the Government of Bombay—that arrangements similar to those which were about to be carried out in the North-Western Provinces could be elaborated without any difficulty whatever for the Presidency of Bombay.

With regard to the second head—that was, the transfer to Local Governments of the responsibility for Extraordinary Public Works which were primarily of local and provincial utility—he thought there could be no doubt of the correctness of the principle that they should be so transferred. At the same time he anticipated considerable difficulty in its application, especially in the case of new works in future. They all knew that the distinctions which existed between provincial and local charges were purely artificial. The main idea he presumed was, that all the members of a community should pay alike for the measures which affected their security, and for the development of their common interests; but that special needs and special luxuries which were found to exist, or to be necessary, in any part of a country should be paid for by the persons whom they most concerned. For instance, here in Calcutta—more strictly speaking he should perhaps say at Simla—the Imperial Government found the police for the protection of the station; but if a man wanted a special policeman to watch his house, he would be called upon to pay for it himself. That idea had already been largely applied in the case of municipalities and local funds throughout India with the most satisfactory results. They found these bodies already everywhere providing for peculiar local wants, and also ready to pay for local luxuries, which the State at large was neither bound to furnish nor able to afford. The difficulty however which would arise in the practical application of this principle in the cases now contemplated, was that there were many measures of which it was extremely doubtful whether they could be said to be primarily of local or provincial utility. Taking for instance, as an illustration, some of the canals which had been mentioned the other day, it might be argued, and probably with truth as regards a certain amount of the charge, that their cost was fairly debitable to the Imperial Government, which derived a large revenue from the land, and that the canal was constructed just as much for the security of that revenue as for the human, purpose of preserving the people from famine. Again, there were many more projects of which the benefit was extremely doubtful. There were numerous projects all over India cut and dried in the possession of their worthy friends of the Public Works Department and there was always considerable pressure to carry forward such schemes. He did not say that they were not carefully matured, and that in the honest opinion of their promoters they had not advantages which they would consider of sufficient importance to warrant their being carried out; but he doubted whether many of them would be held by the people at large to be of any benefit at all. He had in his mind at the present moment one scheme which had been on the *tapis* for some fifteen years. It was an irrigation-canal, which was to cost half a million of money, and to go through a country which was already almost a garden in agriculture; and the sole end to be attained was that a large proportion of the land which was now paying a very heavy land revenue might hereafter pay three or four rupees an acre more. He did not think that such a scheme would be approved of by the people or that the cost of it should be put upon them.

As regards how far the Local Governments were to be trusted in these matters, the argument cut both ways. Although it was true that, if they had to find the money, they might be more careful how they spent it, on the other hand it was also true that the facility of starting great projects almost at pleasure might make them forgetful of the serious difficulty of providing funds for them, which would usually have to be borne by their successors in office. The sum and substance of all he had said was this, that although the principle appeared a thoroughly sound and proper one, and one which he hoped would be carried out within all safe limits, it seemed to be one over the practical application of which the Government of India would have to exercise a severe and constant check.

As regarded the imposition of famine-charges on the provinces afflicted with famine, he thought the hon'ble member had wisely deferred announcing any decision on the present occasion. As they had now in the first place a very heavy famine going on in two provinces, and were not in a position to know what the views of the Local Governments were on the subject, any decision would now perhaps have been premature; and there were moreover a number of considerations affecting the famine in those particular provinces which might not apply to future famines.

He would now pass on to notice the two Bills which had been brought forward, and he was afraid that the Council would be apt to consider that his remarks on them bore the same proportion to the rest of his speech which the bread bore to the sack on a certain well-known convivial occasion. It appeared to him that the License Bill would fill in the North-Western Provinces a blank which existed more or less all over India as regards the taxation of the non-agricultural classes.

As to the structure of the Bill, he was glad to see that it was framed on the principle of large and well-defined jumps in the rates which were to be imposed. It was extremely difficult—in fact next to impossible—to judge whether a man's income was £70 or £75; but it was comparatively easy to say whether he should pay a certain sum or twice as much. He had no doubt that the gradation of rates which had been adopted in the Bill would very materially facilitate the just application of the tax, and would aid in commending it to the favourable reception of the community.

As regarded the other Bill, it was, so far as he understood, a transfer of a part of an existing burden from one hand to another; and if the Government of the North-Western Provinces considered it a proper transfer— of which Mr. Hope held them to be the best judges—there need be no further objection in this Council to their views being carried out.

To these remarks he would only add, in conclusion, his hope that both these Bills would be approved by the Council, and passed at an early date.

Colonel the Hon'ble Sir ANDREW CLARKE said: "My Lord,—The Budget of last year with a written statement reviewing it, prepared by the Member of Council in charge of the Finances of India, was followed by the publication of a detailed departmental review of the estimates for Public Works for the same period.

"This year your Lordship has decided to have the announcement of the Budget for the coming year reviewed orally in open Council, and with your Excellency's assent, I will follow the precedent afforded by former proceedings in this Chamber, and will offer some explanations as to the present phase, the progress and the prospects, of the great interest and resources with which I am personally charged.

"Adhering to the form adopted last year, I would first observe that it has not yet been found convenient or practicable to include the grants from Provincial Services and Local Funds for Public Works, nor the estimated receipts and expenses of the Port-trusts at Calcutta and Bombay, nor the Harbour-works at Madras. The expenditure from Municipal funds on Public Works and on loans to Corporations, and the receipts and expenses of the Light Railways under the Government, North-Western Provinces, as also the expenditure on Public Works by Public Works Officers from contributions, cannot be brought under consideration, because the materials for the purpose are still wanting. Consequently these observations do not embrace the whole field of the operations of the Department. Endeavours will be made to obtain the materials required for a comprehensive summary of the entire receipts and expenditure on Public Works, whether controlled directly or supervised indirectly by the State, in time for the next annual review. I will now confine myself to dealing with the facts and estimates relating to the receipts and expenses from Imperial funds and to guaranteed undertakings included in the Imperial accounts.

"The amounts then to be dealt with are:—

| | £ |
|---|---|
| The estimate of receipts for 1877-78, which provides for a sum of ... | 11,697,500 |
| And an expenditure amounting to ... ... ... | 13,485,160 |
| Making a Grand Total of ... ... | 25,182,660 |

| | |
|---|---|
| Of the sum shown under receipts, the amount expected to be received from rents and other miscellaneous receipts from buildings classed as Imperial, from the Warora Collieries, from fees from students of the Civil Engineering Colleges at Cooper's Hill and Roorkee, and from the Press at Roorkee, is ... | 92,100 |

| | £ |
|---|---|
| From water-rates and other miscellaneous receipts of irrigation-works, excluding the share of the land-revenue ascribed to such works, the receipts are likely to be ... ... ... | 551,600 |
| The revenue of the Telegraph Department, both Indian and Indo-European, is expected to amount to ... ... ... | 315,500 |
| And the revenue from State Railways to ... ... ... | 674,800 |
| So that the direct Imperial receipts that will be accounted for in the Public Works Department aggregate ... ... | 1,634,000 |
| The credits to Capital Account of Guaranteed Railways by transfer to revenue are taken at ... ... ... ... | 1,510,200 |
| From the earnings of the several Guaranteed Railways there is expected to be received ... ... ... ... | 8,540,800 |
| And from the Madras Irrigation and Canal Company ... | 12,500 |
| These several items make up the total of ... ... ... | 11,697,500 |

"The average Miscellaneous receipts of the three years ending with 1875-76 have been £80,663, for 1876-77 the receipts are estimated to amount to £84,000, and in 1877-78 to £92,100. The anticipated increase in the revenue of 1877-78, as compared with the average receipts of previous years and with the probable income of 1876-77, is chiefly due to the receipts from the Warora Collieries, being now taken at £18,100, as against £5,700 in 1876-77. This will just pay the cost of working expenses.

"I view the future of these collieries, with iron-ore in their vicinity, as a subject of great importance, and of this the present Chief Commissioner of the Central Provinces is keenly sensible.

"The sums under this head also include the fees from the students of the Royal Civil Engineering College, Cooper's Hill. These receipts are not sufficient to pay the working expenses of the Institution, on which there is a deficit of £4,300. The expenses, not including first cost and additions to buildings, are £24,000; the receipts £19,700; a deficit of but little importance or significance, once admitting that the principle of such an establishment is the right one. The receipts for the Rurkí Press and College are expected to amount to £4,100, of which £600 only is derived from fees of the students; and as the expenses of the College amount to £20,494, the result is a nett deficit of £19,894. But the College is mainly kept up for the training of Upper and Lower Subordinates of the Department, and as these classes of students pay no fee for tuition, the College cannot be expected to pay its expenses. The items of income classed as Miscellaneous necessarily vary from year to year in consequence of the fluctuating nature of the source of the income; the receipts realized are commensurate with cost of buildings rented. I may here notice in the case of the receipts from buildings classed as Provincial, the revenue is credited to Provincial Services. The tolls on lines of roads in cases where such tolls are levied, on the Circular Canals and Nadiya Rivers in Bengal, and on the East Coast Canals in Madras, and generally on such canals as are used for the sole purpose of navigation, are credited to Local Funds, and are at the disposal of the Local Governments concerned for local works.

"The gross direct receipts from Irrigation-works in 1876-77 are expected to amount to £500,700, against an average receipt in the three previous years of £489,850 per annum. In 1877-78 a sum of £551,600 may be realized; so that, as compared with 1876-77, there is likely to be an increase of £50,900. But the receipts in 1876-77 were unduly low in consequence of the favourable rainfall in the Panjáb in the winter of 1876, while in Bengal there was some delay in collecting the full assessments. It may be added that no portion of the expected receipts is to be derived from new canals coming into operation during the year.

"Of the sum of £315,500 set down as the expected receipts from Telegraphs, £241,000 is from the Indian and Ceylon Telegraphs, and the remainder from the Indo-European Telegraph. The average receipts per annum of the three years ending with 1875-76, from the Indian Telegraph Department, have been £204,538, the expected receipts of 1876-77 amount to £236,000, so that the estimate for next year provides for an increase of £5,000.

"In the case of the Indo-European Telegraph no increase can be expected. The average receipts have been £76,668 per annum, the probable receipts of 1876-77, £96,100, while those of 1877-78 are £60,285. The decrease is due to exceptional items of receipt on Capital Account in previous years, and to the opening of the duplicate cable now being laid between Suez and Bombay, which will probably affect the income of the European Telegraph to the extent of £13,900. A further falling-off of £14,215 is due to the payment to the Indo-European Telegraph Company for earnings collected in India on messages home, and anticipated to exceed the sum due by the Company for earnings collected in England on messages out. In other words, the outward messages *viâ* Russia are calculated to be in excess of the inwards due by that route.

"In 1877-78 the gross receipts on State Railways are taken at £674,800, the receipts of 1876-77 being £369,600, and the average actual receipts of the three previous years £153,470 per annum. The increase in receipts of 1877-78, as contrasted with those of 1876-77, will be due to the opening of the Indus

Valley, Northern Bengal, and Rangoon and Irrawaddy Valley State Railways, from which there will probably be received £209,300 in all.

"The balance, £95,900, of the increase occurs in the other Railways, namely £35,000 from the Rájputána, £11,100 from the Panjáb Northern, £18,000 from the Holkar State Railway, and £14,700 from the Tirhut State Railway. The increase in the receipts of the last two Railways is partly owing to a larger extent of line being opened.

"At the rate in which the Government accounts are made up, namely, two shillings per rupee, the gross traffic-receipts from Guaranteed Lines of 1877-78 are expected to amount to £8,540,800, the probable receipts of 1876-77 being £9,492,600, and the average receipts of the three previous years £8,036,172 per annum. The large revenue of the year 1876-77 is due partly to the increase in the traffic caused by the Imperial Assemblage at Delhi, and greatly to the famine in Madras and Bombay. But the growth of the export-trade in seed and grains has also added to the traffic, and this will, I trust, still largely increase, and be a permanent source of income to our railways and of greatly extended prosperity to the whole Empire and its peoples.

"The scarcity in Madras has improved slightly the income of the Madras Irrigation Company. In 1873-74 the receipts were £4,633, in 1874-75 £4,193, and in 1875-76 £6,620. In 1876-77 they are expected to be £7,000, and in 1877-78 £12,500.

"Excluding the items of receipt on Capital Account of Guaranteed Railways, which to a great extent have to be deducted from the expenditure side of the account, the total sum due to the operations of the Department and carried to the credit of the Imperial Revenues is £9,915,000, the expected receipts in 1876-77 being £10,786,000, so that there is a decrease of £871,000. The decrease under Guaranteed Railways, due chiefly to the operation of the famine, is £1,224,100, so that under other heads there is an increase of £353,100. Of this increase, £8,100 falls under Revenue Miscellaneous, and £50,900 under Revenue Irrigation. Under State Railways the increase is £305,200, and in the receipts from the Madras Irrigation and Canal Company £5,500. On the other hand, the receipts from Telegraphs show a decrease of £16,600.

"Turning to expenditure, the aggregate of £13,485,160 is thus made up—

| | £ |
|---|---|
| Grant from Ordinary Imperial funds for expenditure on Public Works (exclusive of the portion given to Provincial Services) ... ... ... | 2,563,950 |
| Provision for expenditure on Telegraphs ... ... ... ... | 495,500 |
| Provision for expenditure on State Railways Ordinary, including working expenses | 501,110 |
| Provision for land and control for State expenditure on Guaranteed Railways ... | 78,000 |

| | £ |
|---|---|
| The total Ordinary grant is thus ... ... ... ... | 3,638,560 |
| Under Extraordinary the provision is ... ... ... ... | 3,628,000 |
| For Capital expenditure of the Guaranteed Railways there is required ... | 1,382,000 |
| And for working expenses of the same Railways there is wanted ... ... | 4,457,800 |
| It is necessary to provide, for payment of surplus-profits to Shareholders of the East Indian, Great Indian Peninsula, Eastern Bengal, and Bombay, Baroda and Central India Railways ... ... ... ... | 367,000 |
| And for working expenses of the Madras Irrigation and Canal Company it is necessary to provide ... ... ... ... ... | 11,800 |
| Making up the total of ... | 13,485,160 |

"The grant for Public Works Ordinary, as contrasted with the Regular Estimate of the current year and the average expenditure of the three previous years, is as follows:—

| | Budget Estimate, 1877-77. | Regular Estimate, 1876-77. | Average actual outlay of previous three years ending with 1875-76. |
|---|---|---|---|
| | £ | £ | £ |
| Military Works ... ... ... | 1,231,985 | 1,246,900 | 1,215,541 |
| Other Services ... ... ... | 431,365 | 392,800 | 406,049 |
| Irrigation ... ... ... | 900,600 | 958,800 | 939,970 |
| Imperial Assemblage at Delhi ... ... | ... | 23,800 | ... |
| | 2,563,950 | 2,626,800 | 2,561,560 |

"On the whole, the grant for expenditure is £62,850 less than of 1876-77, and £2,389 more than the average outlay of the previous three years. Of the decrease in 1877-78, as contrasted with 1876-77, £28,300 is due to the exceptional expenditure on the Imperial Assemblage, and £58,200 to a diminution in the grant for Irrigation Works. Under other Services the increase of £38,565 includes the expenditure necessitated on Government of India buildings and water-supply project at Simla.

"The grant for next year for Telegraph, amounting to £495,500, includes a sum of £14,215 of refunds to the Indo-Europan Telegraph Company, which ought to be really deducted from Revenue, so that virtually the expenditure provided for amounts to only £481,285, the probable expenditure in 1876-77 being £491,800, and the average expenditure of the three previous years

£444,816. The nett charge on the Revenues of the State by the operations of the Telegraph is expected to amount to £180,000 in 1877-78, against an average of £162,632 in the previous four years.

"The provision for State Railways under the head of Ordinary is £501,110, against a probable charge of £303,650 for 1876-77. Of this sum, £18,100 is for outlay on surveys, and the remainder for working expenses of the several State Railways. The increase in the charge on the Ordinary Revenue of £197,460 is more than covered by the increase of £305,200 shown as likely to accrue under receipts.

"Of the increase of £197,460 in 1877-78, £169,300 is accounted for by provision having been made for the working expenses of the Indus Valley, Northern Bengal, and Rangoon and Irrawaddy Valley Railways, the receipts from which are expected to aggregate £209,300. A further increase of £48,270 is expected to be incurred on the expenses of the other State Railways from which an increased income of £95,900 is anticipated. On the other hand the provision for outlay on Capital account of surveys has decreased by £20,110.

"The charge for State outlay on Guaranteed Railways is decreasing. The average charge in the three years ending with 1875-76 was £97,048 per annum, In 1876-77 it is expected to be £91,250, while in 1877-78 the provision made is only £78,000.

"The total outlay on Extraordinary Works, Irrigation and State Railways, to end of 1877-78, is expected to amount to close upon £28,000,000. The figures are as follows:—

| | Irrigation. | State Railways. | Total. |
|---|---|---|---|
| | £ | £ | £ |
| Actual outlay to end of 1875-76 ... | 8,708,195 | 11,785,492 | 20,493,687 |
| Probable outlay ... 1876-77 .. | 1,012,000 | 2,788,100 | 3,800,100 |
| " " ... 1877-78 ... | 900,000 | 2,728,000 | 3,628,000 |
| | 10,620,195 | 17,301,592 | 27,921,787 |

"This is called extraordinary outlay, and is all of it treated as being defrayed from borrowed funds, though much of it has been paid out of current revenue.

"The actual charge on the Ordinary revenues for interest on this outlay is estimated at £1,174,850, against £1,007,718 in 1876-77, so that there is an increase in charge of £167,132. Of this increase, £138,500 is met by an increase in revenue, so that the nett increased charge really incurred on the income of 1877-78 by the construction of Extraordinary Works amounts only to £28,632.

"The revenue expense of the Guaranteed Lines is nearly £460,000 less for 1877-78 than for the current year.

| | £ |
|---|---|
| It is expected that there will have to be paid as surplus-profits over the guaranteed 5 per cent. rate of interest ... ... ... | 367,000 |
| The probable charge in 1876-77 being ... ... | 274,000 |
| And the average charge per annum of the three previous years ... ... ... | 226,638 |

"The increase in the charge for next year is due to the large earnings of 1876-77, whereby the surplus-profits to be paid in 1877-78 have been considerably augmented.

"The provision made for working expenses of the Madras Irrigation Company is £11,800, the probable charge for 1876-77 being £16-400, and the actual charge of the three previous years £16,025.

"Excluding the Capital Account of Guaranteed Railways, the total sum included as grants from Imperial Revenue in 1877-78 is £12,103,160, the probable charge in 1876-77 being £12,524,600, so that there is a decrease of £421,440. The nett decrease in the working expenses of Guaranteed Railways, caused chiefly by the hope of a cessation of traffic for famine-relief, is £462,800, but this may, I am sanguine enough to think, be partially met by the growth of the traffic in wheat for export; especially if our rates of freight can be kept at a minimum, so as to allow of this staple firmly establishing itself in European estimation. The increase under other heads is £41,360. This increase occurs as follows:—

| | | £ |
|---|---|---|
| Increase in Telegraph charge ... | | 3,700 |
| „ in State Railways Ordinary ... | | 197,460 |
| „ in provision for surplus-profits to be paid to shareholders of certain Guaranteed Railways ... ... | | 93,000 |
| | | 294,160 |
| Less decreases under the following heads:— | £ | |
| Public Works Ordinary ... ... | 62,850 | |
| State outlay on Guaranteed Railways ... | 13,250 | |
| Public Works Extraordinary ... | 172,100 | |
| Madras Irrigation and Canal Company | 4,600 | 252,800 |
| | | 41,360 |

| | | |
|---|---|---|
| Excluding Madras, Bombay, Rájputána and Burma, and deducting the construction-outlay on Irrigation-works not yet brought into operation, the total Capital expenditure to end of 1876-77 for works from which revenue is expected to be realised in 1877-78 is ... | £ 10,719,537 | £ |
| The gross direct receipts from these works in 1877-78 is expected to be ... ... ... ... ... | 518,730 | |
| And the working expenses are estimated at ... ... | 333,863 | |
| Leaving the nett revenue at ... ... ... ... | 184,867 | |
| The share of land-revenue ascribed to these works is ... ... | 203,634 | |
| So that the *nett* total revenue is ... ... ... ... ... | | 388,501 |

and the nett return expected to be derived is 3·7 per cent. of the construction-cost.

"It is desirable to further analyse these figures so as to bring out clearly the sources of the revenue according to the character of the works. Thus there are the two great canals constructed entirely by the British Government —the Ganges Canal and the Bárí Doáb. Singling out these two, as having been in operation for a considerable time, and therefore such as may reasonably be expected to give a fair return, the results are as follows :—

| | Ganges Canal. | Baree Doab Canal. | Total. |
|---|---|---|---|
| | £ | £ | £ |
| Probable Capital outlay to end of 1876-77 ... ... | 2,921,381 | 1,545,221 | 4,466,602 |
| Nett direct and indirect return expected in 1877-78 ... | 186,252 | 49,817 | 236,069 |
| Percentage of latter on former... ... ... | 6·4 | 3·2 | 5·2 |

"Thus these two permanent canals are calculated to return over 5 per cent. on their construction-cost.

"The next group of canals, consisting of the Orissa Project, Midnápur Canal, Tidal Canal, Soane Canal, Agra Canal, cannot, according to the experience derived from other canals, be reasonably expected to pay their working expenses in consequence of their having been less than ten years in operation. The construction-outlay on these canals to end of 1876-77 will be £5,139,912, and the loss in their working during 1877-78 is anticipated to amount to £20,653 or about ·40 per cent.

"The third group of canals consists of the Eastern and Western Jamna Canals, the construction-outlay on which, as recorded in the accounts, includes only that portion spent by the British Government, and shows that with a total outlay of £746,129 to end of 1876-77, and an anticipated revenue in 1877-78 of £150,774, the Eastern Jamna Canal will pay 26·3 per cent. and the Western Jamna Canal 20·2. The results for these canals are expected to be as follows:—

| | Eastern Jumna. | Western Jumna. | Total. |
|---|---|---|---|
| | £ | £ | £ |
| Expected construction-outlay by British Government to end of 1876-77 ... ... ... | 242,433 | 503,696 | 746,129 |
| Expected nett direct andin direct revenue in 1877-78 ... | 63,822 | 86,952 | 150,774 |
| Percentage of net revenue on Capital outlay ... | 26·3 | 17·3 | 20·2 |

"Next come the inundation-canals in the Panjáb, the construction-outlay on which to end of 1876-77 is expected to be £124,208, and the nett returns in 1877-78, direct and indirect, will probably amount to £12,961 or 10·4 per cent.

"Finally, there are the minor works of Irrigation constructed entirely by the British Government, such as the Dun and Rohilkhand Canals, the Bijnúr Canals, the Bandelkhand Irrigation Works, the Delhi and Gurgaon Irrigation Works, and the Shahpur and Shahival Canals. The nett return from these works is balanced at £9,350, against a Capital outlay of £242,686, so that the works pay about 3·8 per cent.

"Thus the Ganges and Barí Doab Canals are expected to pay 5·2 per cent., the Eastern and Western Jamna Canals 20·2 per cent., the Inundation Canals 10·4 per cent., and certain minor Irrigation Works 3·8 per cent. On the other hand, the Orissa, Midnapur, and Tidal Canals, the Sone Canal and the Agra Canal, having been less than ten years in operation, are to be worked at a loss of ·40 per cent. on construction-outlay.

"The estimate of the Madras Irrigation and Canal Company provides for a nett receipt of £700 in 1877-78.

"The provision for State outlay on Establishment and land for these works is £1,050, and the charge for interest on Guaranteed Capital close upon £50,000, so that the operations of the Company are expected to involve a charge on the State in 1877-78 of £50,350. The conditions under which the Government bore the deficit in the working expenses of these canals have now ceased, the Secretary of State having decided that the Government is not to advance funds for such expenses.

"The construction-outlay, actual and approximate, Ordinary and Extraordinary, on State Railways, to end of 1876-77, is £14,895,668, of which sum £440,380 will have been expended on lines not in operation during the year 1877-78. The construction cost of the lines, the whole or part of which will earn revenue in 1877-78, is thus £14,455,288.

"The net receipts from such railways during the year 1877-78 are expected to be £191,790, and from 1·3 per cent. of the construction-outlay of £14,455,288, which includes £1,703,995 of stores, &c., in suspense.

"I have thus given a general sketch of our operations, adhering, for the purpose rather of easier comparison than because the form has anything special to recommend it, to the shape the review of these details took last year. I will now allude to our present and proposed expenditure on Military Works, for which in 1877-78 a grant of £1,231,985 is assigned, that for last year being £1,228,400.

"Of this grant, 38 per cent. must be spent on repairs, maintenance of buildings, barracks, and furniture, and the very heavy proportion of 22 per cent. on Establishment, a proportion apparently inseparable from all Public Works in India, and which is surprising to those acquainted with the subject at Home. It is quite true this supervision is costly, due to some extent to the employment of of a highly-paid European staff, but still more due to the fact that the practice in India is to charge salaries and wages of overseers, gangers and leading men—in fact, all who are on permanent employment, or paid by the month—to Establishment, whilst in England and the Colonies this would be charged to the work. I believe our practice in India is better, and really exercises a beneficial influence, and tends to keep down unnecessary establishment; but as it is not understood at home, our supervision has been often commented on as extravagant.

"Since 1873-74 there has been a steady increase for repairs, due for the most part to existing buildings not having been kept in proper repair during several years prior to 1872-73. Repairs were deferred because the efforts of the Department were mainly directed to pushing on new buildings for the additional European force thrown into the country immediately after the mutiny. There is no point on which the Inspector-General is now so particular as that of keeping existing buildings in a sound condition, and we have not withheld the necessary funds for this purpose, even though the result has been to decrease the provision for expenditure on new works.

"I have in the last two years practically not permitted any new barracks, with one exception in Madras, to be commenced, but have concentrated the efforts of the officers to complete those that have been already begun; and when I use the word new works, it only applies to works the construction of which had been approved, or the buildings of which had really been begun, before 1875.

"So that, of the provision for works in progress, it is expected that works, the estimates for which aggregate £467,500, will be completed during the year, the grant being £165,868.

"The remaining works in progress, the completion of which in 1877-78 is not anticipated, are estimated to cost £245,000, of which £77,500 will have been expended to end of 1876-77, leaving £165,000 to complete. The grant allowed for next year is £62,180, so that these works may reasonably be expected to be finished off in three years.

"Of the provision for new works, £49,789 have been allotted for completion by the close of 1877-78. The remaining new works are 27 in number, estimated to cost £167,500, and the grant allowed is £69,630.

"Thus, on the whole, works estimated to cost £930,000 will be in hand during the year, the probable expenditure to end of 1876-77 being £405,000. The grant allowed for the coming year is £347,467, so that a further sum of £175,000 will remain to be provided for their completion. These figures exclude the sum of £45,700 allowed for works, the probable cost of which is not known as yet.

"The grant for Original Works, Military, may be thus further analysed—

| | £ |
|---|---|
| Buildings for accommodation of troops ... ... ... | 215,082 |
| Drainage Works ... ... ... .. | 5,575 |
| Protective „ ... ... ... ... | 6,000 |
| Water-supply ... ... ... ... ... | 74,540 |
| Fortifications ... ... ... ... ... | 12,850 |
| Works for Ordnance Department ... ... ... | 38,400 |
| „ for Commissariat Department ... ... ... | 11,590 |
| „ for Dock-yards ... ... ... ... | 11,200 |
| Military lines of communications ... ... ... | 24,100 |
| Miscellaneous Works ... ... ... ... | 6,120 |
| Minor Works ... ... ... ... ... | 94,793 |
| | 500,550 |

"The amount allowed for buildings has been applied to some extent to the scheme for completing barrack accommodation on a permanent scale. It cannot be told exactly what that scheme will cost, as the wants of the Army vary from time to time. But we have considered every means for reducing the cost; and in this view, amongst other measures, the principle of remodelling old buildings and adapting them to the requirements of the present day has been followed, in some cases with much financial advantage. The buildings so remodelled have been found to answer the purpose.

"Under the Government of Madras the chief work for which provision has been made, is for a new set of buildings for European troops at Punamali estimated to cost £37,037, of which it is computed that £4,001 will have been spent by end of 1876-77: the grant allowed for the work is £10,000. The scheme provides for double-storeyed barracks for 200 men, to cost £16,807, barracks for 30 families to cost £8,015, and a double-storeyed hospital for 90 patients to cost £10,200.

"Another work for which a provision of £5,000 has been made, and to which it is necessary to draw attention, is the scheme for constructing an entire set of new lines for a Regiment of Native Infantry at Pudupetta, near Madras. Rendered necessary in consequence of the existing lines occupied by the Regiment having been condemned by several high authorities as inconvenient and unhealthy, the demand has been considered to be an urgent want, which should be met as soon as possible, and is an excess. The provision made is for purchase of land for the lines. The probable cost of the scheme is not known as yet.

"Of the grant allowed for Bombay, £16,000 is for the project for providing additional barrack accommodation at Ghorepori, estimated to cost £60,680, of which £2,600 will have been spent by end of 1876-77. The scheme provides for 12 single-storeyed barracks and one block of quarters for married men.

"For troops of the Native Army under the Government of Bombay provision of funds has also been made. Thus a sum of £3,000 has been allowed for improvements to lines of the troops at Bori Bunder. The scheme provides for two new rows and for re-erecting 25 rows of sheds, and for providing drainage, the latter to cost £2,943; the total scheme involving an expense of £6,141, of which £3,146 has already been spent.

"At Puna two new buildings for a Regiment of Native Infantry are about to be provided at a cost of £6,035, the grant for the year being £2,600. The buildings consist of a hospital to cost £3,937; a quarter-guard to cost £766; a school-room costing £873; and sundry small buildings, including an armourer's shop, to cost £458.

"For the troops of the Native force located at Jacobábád £2,100 have been given for improving and providing new hospital accommodation.

"Under the orders of Government the troops of the Panjáb Frontier Force are provided with quarters at the expense of the State, and a grant of £7,570 has been provided for the purpose for 1877-78. Among the works to be executed are the re-construction of Native Infantry lines at Kohát to cost £5,300, the grant for 1877-78 being £2,500. A hospital for the Right Native Infantry lines at Dera Ismail Khán is also to be provided at a cost of £1,360. In the Fort at Dhalipghur the quarters for Native officers are to be re-constructed at a cost of £970.

"At Kamthí, in the Central Provinces, the principal of remodelling existing buildings to suit them to present requirements has been carried out with great success. Following out this principle, £7,030 has been provided for remodelling three barracks of European Infantry and one of Artillery. For 24 families of European Infantry at Kamthí accommodation is to be provided at an expense of £6,800, the grant for 1877-78 being £4,000. And at Jabalpore £3,000 has been allotted for re-roofing three of the barracks of European Infantry.

"At Rangoon the scheme of providing new buildings for European Infantry is being gradually carried out. By the end of 1877-78 the first and third sections of the scheme, providing accommodation for three Companies and the Band, will have been carried out at a cost of £25,865, the grant for the year being £7,850. The single-storeyed barracks for 80 men and 4 sergeants, in the redoubt at Thayetmyo, will also have been finished at a cost of £6,855, the grant for 1877-78 being £2,500.

"In Central India the only military works of importance are at Nímuch and Mau, both occupied by troops of the Bombay Army. At Mau a provision of £7,000 has been made for commencing the long desired scheme for providing new accommodation for the Artillery. The estimate of the cost of so doing has still to be prepared. At Nímach auxiliary buildings are still required to complete the new sets of buildings already constructed for the Artillery, and a provision of £8,000 has been made for the purpose.

"At Hyderabad, Deccan, the great project for providing an entire set of new buildings for a Regiment of European Cavalry at Trimulgiri is approaching completion. The proved unhealthiness of the buildings occupied by that Regiment at Secunderabad rendered it necessary to remove their location to the adjoining station of Trimulgiri. The scheme is expected to cost £232,500, of which £165,000 will have been spent by end of 1876-77, leaving £67,500 to complete, the grant for 1877-78 being £20,730. The project provides for the accommodation, in four double-storeyed barracks, of all the single men of a full Regiment of Cavalry, and of 50 married men in four blocks of single-storeyed buildings. A hospital for male patients, to cost £8,500, is also provided. Quarters for Officers have also been constructed, the accommodation being given in single-storeyed buildings constructed on the unit system. The usual auxiliary and subsidiary buildings have also been provided.

"Turning to the works in charge of the Inspector-General of Military Works, the grant allowed for buildings for accommodation for troops, for the force located in Bengal, North-Western Provinces and the Panjáb, is only £59,250. Of this grant, £24,750 has been allowed for buildings in the hills, and £34,500 for buildings in the plains.

"For buildings in the hills £1,400 has been allowed for the completion of quarters for families at Jullapahar, estimated to cost £2,699, and of which £1,259 have already been spent. For providing verandahs to the barracks for single and married men at Cliffden, Marrí, £2,000 has been given, £1,000 having been already spent. For the buildings at Ránikhet £3,450 have been allotted. Of this sum, £3,100 has been devoted to a Regimental Hospital which is estimated to cost £10,789, and of which £7,689 wil have been spent by end of 1876-77. For the building at Chakráta £10,500 has been assigned. Of this sum, £3,000 is for barracks for single men, estimated to cost £5,802, and £300 for barracks for married men, to cost £2,949. Of this £2,649 has already been spent. For quarters for Staff Sergeants £2,200 has been given.

"Of the grant of £34,500 for buildings in the plains, a sum of £10,000 has been devoted to the re-construction of barracks and out-offices at Lucknow, and £10,000 for a similar purpose at Faizábád. The schemes are estimated to cost, the former £65,760, and the latter £27,692, and provide for the renewal of the old barracks constructed immediately after the mutiny. By this means the expense of constructing new barracks is avoided.

"At Nowgong a barrack for the Royal Artillery will be completed at a cost of £5,378, the sum allotted for the purpose for next year being £4,700. Family barracks for Infantry will also be completed for £7,000 at Agra, the grant allowed being £1,500, and the hospital for the left Native Infantry at the same place will be finished at a total cost of £3,838.

"The out-offices for barracks for single men of the Infantry at Mooltan will be completed next year with a grant of £2,000, £4,000 having already been spent.

For drainage works only £5,575, I am sorry to say, has been assigned, for it is a service in which I wish I could spend more, as I firmly believe that good drainage and well selected sites, with good drinking water, will ever ensure the health of troops. Of this sum, £1,000 has been allotted for the drainage of the Fort at Govindghur, and £1,000 for the drainage of the Cantonment at Lucknow, both being very urgent sanitary works. For the drainage of swamps lying to windward of European Infantry barracks at Kamptee £1,000 has been allotted, the expenditure incurred to end of 1876-77 having been £504. For the drainage of the lines of the European troops at Meean Meer £300 has been given.

"The encroachments of the Indus at Dera Ismail Khán were so serious that it was necessary to consider whether the Cantonment should not be removed. But by the skill of the Engineers concerned, protective works have been constructed during the past and present year.

"The serious overflow of the Kanhan River at Kamthí last rains, which led to much property, both public and private, being placed in imminent risk of destruction, has forced us to consider what works should be devised for protection from an inundation which may occur at any time. The result has been a scheme estimated to cost about £6,000, and for which the necessary funds have been allowed. It is expected that the work will be done before the next rains.

"I cannot over-estimate the importance to the health of the troops of providing a pure system of supply of water, and it has led me to increase the grant for the purpose from £45,900 in 1876-77 to £774,540 in 1877-78. The works provided for are as follows:—

"The Ulsoor water-supply project at Bangalore will be completed by the end of 1877-78 at a cost of £14,162, the grant for 1877-78 being £500, in addition to £1,250 for providing a new filter, and making certain alteration to the work. The project is in addition to the scheme for supplying Bangalore with water, which is being carried out at an expense of £55,000 from Mysore funds.

"A small sum of £1,000 has been provided for settling tanks in connection with the water-supply at Puná.

"In the Panjáb £1,410 have been given for Artesian borings and wells at two of the frontier out-posts.

"A sum of £770 has been allowed for sinking wells at Asírgarh.

"For water-supply at Trimulgiri and Sikandarábád a provision of £4,610 has been made. Of this sum £4,000 has been reserved for pipes from England for the project for the North water-supply scheme at Trimulgiri, estimated to cost £25,000. The balance of the grant for 1877-78 has been devoted to an engine and pump for water-supply to the 2nd European Infantry Regiment.

"At Nasírábád, in Rájputána, it is hoped that the scheme for supplying the station with water at a cost of £25,874 will have been completed by end of 1877-78. The expenditure on the work to end of 1876-77 has been £13,807, the grant for next year being £10,900.

"The scheme of water-supply at Mhow, for which a grant of £3,000 has been given, has still to be matured. This is now being done.

"For the scheme of the water-supply at Ambála £10,000 has been given. The complete project has yet to be matured. Meanwhile a project for a temporary supply of water is under execution at a cost of £6,800, of which £5,000 will be made use of in the permanent project.

"Small sums of £500 and £900, respectively, have been allotted for water-supply tanks at Darjeeling, and for a filter and storage reservoir at Chukrata.

"For water-supply at Mían Mír £13,700 has been allotted. It is expected to cost £16,000, of which £2,100 has already been spent. The scheme provides for a supply of 6 gallons per head per diem to British Troops.

"The grant allowed for the water-supply at Peshàwar is £25,000. A sum of £25,400 will have been spent by end of 1876-77 on an estimate of £28,752. But the complete project for the work has still to be prepared.

"For clearing and repairing the tank at Fort Kángra £1,000 has been given.

"The limited amount of the Public Works grant prevents much being done under the head of Fortification. A provision of £6,000 has been made for improving the defences at Aden, and of £2,000 for keeping in repair the large stock of plant collected for the harbour defences at Bombay. For the inner line of defences at Ferozepoor £2,000 has been given. The estimated cost of this work is £4,250, of which £2,220 will have been spent by end of 1876-77, so that the work will be completed next year. The bomb-proof magazine in the redoubt at Thayetmyo will be finished for £2,762, the grant being £1,650. And sufficient funds have been provided for keeping the existing forts in an efficient state of repair.

"The additional buildings for the Small-Arms factory at Kirkí will be completed by the end of 1877-78, the grant for that year being £4,000, and the computed outlay to end of 1876-77 £10,000. For buildings for 6 incorporating mills in the Gunpowder Factory at Kirkee a provision of £5,000 has been made, the estimated cost being £15,190.

"Amongst the measures contemplated for a fortified post and place of refuge at Rawul Pindee, the provision of buildings for magazines and other works of the Ordnance Department found a place. The sum it is expected to spend on the purpose is £83,750, and in furtherance of the scheme a provision of £19,900 has been made in the Budget next year for Store-room, Workshops, Armoury, Offices, Laboratory, and Small Arms Ammunition Magazine. These works are expected to cost £38,041, of which it is expected that £15,800 will have been spent by end of 1876-77.

"The alteration to the Gun-Carriage Factory at Fatehgurh, the construction of the Powder Magazine in the Fort of Allahabad, and the provision of Workshops in the Arsenal at Ferozepoor are all expected to be finished during the coming year, at a cost of £4,488, £9,183 and £7,464, respectively, the grant allowed for next year being £1,900, £1,000, and £1,200. A grant of £2,200 has also been allowed for the Pebble Powder House at Ishapore.

"Some small works for the Commissariat Department will be completed this year at Allahabad.

"A small amount has been reserved for urgent works in hand at the Dockyards, but for Bombay, in view of future contingencies, I wish I could say the sum was larger.

"For Military roads the grant to Chukrata is £19,900. Of this sum £10,000 is to be devoted to the completion of the bridge over the River Jumna, which is expected to cost £30,545, and of which £20,500 will have been spent by end of 1876-77. The balance of the grant has been devoted to completing the earthwork and formation of the road.

"The road to Dalhousie will also, it is hoped, be finished during the year at a cost of £68,000, the grant for the purpose for next year being £4,500, the outlay to end of 1876-77 being expected to be £63,500.

"A provision of £19,500 has been made for improving the roof and making sundry additions to the Lawrence Asylum buildings at Mount Abu.

"Next to nothing has been appropriated for the defences of our ports or arsenals, and literally nothing for strong places; if no change in our policy is made, there is no prospect of anything material being done to remedy these wants which, to repeat former warmings, are becoming more imperative and more essential the more you raise and develope the material wealth and value of this country.

"Let me not here be understood to advocate the costly and ponderous defences which it has been the fashion of recent years to elaborate under the idea of converting defences into success over attack, but rather more simple measures which may protect us from insult on the sea-board, and be sufficient to leave in the interior the sick and the helpless in comparative safety. But I regard this subject as one of much more serious importance than is practically recognised by the part assigned to it in the distribution of the resources of the State.

"The bulk of the outlay on Civil Buildings and Roads is now drawn from grants made over to Provincial Services. The direct expediture from Imperial Funds is for Departmental and Government buildings, church, burial grounds, harbour works, civil works, roads, as well as for the establishments at Cooper's Hill and Roorkee, the colliery charges at Warora, and the furlough allowances in England.

"The grant for 1877-78 is taken at £431,365, or £67,500 in excess of that for the previous year, owing to the provision required for the works at Simla.

"This sum does not fully represent our wants, and I regret there is but little hope of any great or sensible increase to the sum now set apart.

"Under Civil Buildings the grant amounts to £139,069, of which one-third is for repairs. The balance is allowed for Original Works, and distributed among the different departments in the following manner :—

"For the Salt Works, the sum allotted (£5,494) has been fairly divided between Madras and Bombay.

"On Opium, the whole grant (£14,752), with the exception of a small sum reserved for Oudh, has been fairly apportioned between Bengal and the North-Western Provinces.

"The greater part of the sum (£2,700) allowed for the Mints is needed at Calcutta, and it is most probable that the grant under this head will have to be largely increased for next year.

"Of the sum set aside for Postal (£13,099), one-half nearly is for the introduction of several small post offices, and the remainder for additions to existing offices throughout India.

"Under Telegraph (£12,531) allotments have been made for new offices, &c., at Ootacamund, Alipore, Ambála, Gadac, Rajanpore, and Gauháti, and the amount given to Bombay completes the instalments required for the signallers' quarters. Suitable telegraph and post office accommodation has still to be provided for the Presidency Town of Madras.

"The largest sum (£21,390) is required for the Government of India Buildings, and includes the cost of additions to the Peterhoff estate, the purchase of houses at Simla, and improvements to the viceregal buildings generally.

"The designs for the Mayo College Buildings at Ajmer by Major Mant, R. E., have been approved and the grant (£6,560) is provided for the collection of necessary material. The funds (£4,194) required for the boarding houses in connection with this College are being found by Native States.

"Out of a total of £6,784, sums have been reserved for the completion of the Thuggee Jail at Indore, and for the commencement of a new Jail at Mercara. The Civil Jail at Rewah will probably be constructed from funds supplied by the State of Rewah.

"From the amount (£4,066) under Churches, &c., the completions of the Bolarum church and the commencement of a Roman Catholic Chapel at Rawul Pindee have been provided for.

"The restoration of the beautiful temple at Ajmer, referred to in the review of 1876-77, has to be continued at an excess on the original estimate, the peculiar nature of the work and the necessity for its extension during the course of reconstruction having led to this result.

"The great scheme of restoration and preservation of antiquities in the North-Western Provinces is undertaken from Provincial Funds, aided by a grant from Imperial Revenues.

"Under Communications the grants allowed are for provinces to which the Provincial Service arrangements do not apply, namely, Rájputána, Central India and Coorg. The total £64,035, as against £69,270 for last year, is divided into £20,934 for Original Works, and £43,102 for Repairs.

"The outlay from Imperial funds in the construction of new roads in Rájputána has practically ceased.

"The conditions under which these roads were commenced, namely, that $\frac{4}{5}$ths of the outlay on the portions passing through foreign territory would be provided for by Native States, have in some cases been fulfilled, while in others the roads have been made over to the States concerned to complete. The provision £10,552 is for the repair of the roads so constructed, and of this sum nearly $\frac{1}{4}$th is for the portion lying in foreign territory.

"In Central India also a portion of the outlay on roads has been and is still being met partly from funds supplied by Native States; for, in addition to the expenditure (£14,050) on the roads from Mau to Nimuch, Nowgong to Satna, and Dewas to Ashta, the road from Gwalior to Chumbal River receives an allotment of £4,800 from a contribution by His Highness the Mahárájá Scindiah. Of the total for repairs £29,000, more than half is for the Agra and Bombay Road, one-fifth is absorbed between Neemuch and Khandwa, and the balance is distributed over the Gwalior and Jhánsí Roads.

"The comparatively large grant of £5,614 to Coorg is to facilitate trade and encourage the export of coffee by opening out new communications; the maintenance of existing roads also is contemplated to an extent of £3,300 from Imperial funds.

"Under Miscellaneous Public Improvements, £35,320 have been set aside, in which £5,935 are included for repairs. Three-fourths of the grant is absorbed by the Simla water-supply project, for which, exclusive of establishment, £27,435 has been provided until the arrangements with the Municipality for the provision of funds have been settled.

"Under Light-houses £1,500 have been assigned to Karáchi for a new light-house with its revolving light.

"For the harbour works at Karáchi, the sum appropriated for maintenance, conservancy, dredging, &c., exclusive of establishment, is but £5,000. The growing importance of this harbour, with the early completion of the

Indus Valley Line, make it desirable to leave as little as possible undone which may facilitate and increase the rapidity of our communications between the Panjáb and the sea. The construction of jetties has also to be considered with the necessary sheds for the accommodation of trade. These works should receive early consideration, and the grant now fixed at £5,000 will probably have to be doubled before the close of the year.

"The importance of the Warora colliery works to the coal industry of India, and their effect on the reduction of Railway working expenses, is obvious. The pits are now in working order, and it is expected during the year 36,000 tons of coal will be raised, and be sold for a sum closely approaching the expenses of production.

"The exploration for coal in the Central Provinces continues, and the necessary grants have been assigned for the Satpura and Warora Districts.

"The Budget Estimate of the Telegraph Department for 1877-78, as contrasted with the Regular Estimate for 1876-77 and the actual average receipts of the three previous years, shows that—

| | £ |
|---|---|
| The RECEIPTS were in 1876-77... ... ... ... ... | 332,100 |
| The Budget-Estimate of 1877-78 is taken at ... ... ... | 315,500 |
| The average of actuals for the last three years being ... ... ... | 281,200 |
| The Charges were in 1876-77 ... ... ... ... ... | 491,800 |
| The total nett charge thus being ... ... ... ... | 159,700 |
| The Budget-Estimate for 1877-78 is taken at ... ... ... | 495,500 |
| Making a total nett charge of ... ... ... ... | 180,000 |
| The average of actuals for the last three years being ... ... ... | 444,800 |
| Making a total nett charge of ... ... ... ... | 163,600 |
| Thus, on the whole, the expected nett charge in 1877-78, as compared with the Regular Estimate for 1876-77, shows a nett increase of ... ... | 20,300 |
| Of this nett increase the amount due to an anticipated falling off in the revenue of the Indo-European Telegraph Department, caused by the construction of a second line of cable from Bombay to Suez, is ... ... ... | 13,900 |
| While the payment to the Indo-European Company in England in excess of receipts, due to its being anticipated that the messages despatched from Home, *viâ* Russia, will be more than those despatched from India by the same route, is ... ... ... ... ... | 14,215 |
| so that in these two items alone there is a nett increase of | 28,115 |

"Under Receipts the figures for the Budget and Regular Estimate for the Indian and Indo-European Telegraph Departments, as compared with the

Budget-Estimate of the current year and the average actuals of the three previous years, are as follows :—

The Estimate of 1876-77 is—

| | | |
|---|---|---|
| *Indian Telegraph*— | | £ |
| Indian Telegraph | ... ... ... | 206,700 |
| Ceylon „ | ... ... ... | 8,500 |
| | Total ... | 215,200 |
| Whilst the Indo-European Telegraph has a total of | ... ... ... | 74,800 |
| | making a Grand Total ... | 290,000 |

The Regular Estimate for 1876-77 is—

| | | |
|---|---|---|
| *Indian Telegraph*— | | |
| Indian Telegraph | ... ... | 225,700 |
| Ceylon „ | ... ... | 10,300 |
| | Total ... | 236,000 |
| The Indo-European Telegraph has a total of | ... | 96,100 |
| | making a Grand Total ... | 332,100 |

In the Budget-Estimate of 1877-78, the—

| | | |
|---|---|---|
| *Indian Telegraph*— | | |
| Indian Telegraph | ... ... ... ... | 232,000 |
| Ceylon „ | ... ... ... ... | 9,000 |
| | Total | 241,000 |
| The Indo-European Telegraph has a total of | ... ... | 74,500 |
| | making a Grand Total | 315,500 |

Th average of actuals for the last three years being—

| | | |
|---|---|---|
| *Indian Telegraph*— | | |
| Indian Telegraph | ... ... ... | 196,100 |
| Ceylon „ | ... ... ... | 8,400 |
| | Total | 204,500 |
| Indo-European Telegraph | ... ... ... | 76,700 |
| | Grand Total ... | 281,200 |

"Compared with the Budget-Estimate of the current year, the Regular Estimate for the Indian Telegraph Department shows a gratifying increase of £20,800.

"The steady increase in the receipts of the Telegraph Department, as shown by the preceding figures, justifies the expectation that the receipts for next year may be set down somewhat in excess of those for the current year, and the estimate for 1877-78 has therefore been accepted at £241,000, being £5,000 only more than the Regular Estimate for 1876-77.

"In the case of the Indo-European Telegraph Department, the Regular Estimate amounts to £21,300 in excess of the Budget-Estimate for 1876-77, of which £6,400 occurs in England and the balance in India. The increase in England is ascribed to be due to recoveries of revenue earned in the previous year arising from the interruption of the Red Sea route from 15th November 1875 to 3rd February 1876, and to the receipt of £1,986, being an additional instalment of the Persian debt. The increase in India is due to a general increase of receipts on the Government lines due partly to general causes, and partly to the late interruption of the Madras-Penang cable.

| | £ |
|---|---|
| For 1877-78 the Budget-Estimate of receipts in India of the Indo-European Telegraph Department amounts to only ... ... ... | 68,400 |
| The probable receipts of 1876-77 being... ... ... ... | 81,200 |
| And the actual receipts of 1875-76 ... ... ... ... | 76,468 |

The opening of the duplicate cable now being laid between Suez and Bombay is expected to affect the income of the Indo-European Telegraph Department to the extent of £13,900, and the estimate for next year has therefore had to be reduced accordingly—

| | £ |
|---|---|
| In England the expected receipts of 1877-78 are set down at ... ... | 6,100 |
| But in the Budget-Estimate of Expenditure a sum of ... ... | 14,215 |
| Is included for amount due to the Indo-European Telegraph Company for earnings collected in India on messages home being expected to exceed the sum due by the Company for earnings collected in England on messages out, so that, really, the estimate of revenue is for a net charge of ... | 8,115 |
| The expected receipts of 1876-77 being ... ... ... | 14,900 |
| And the actual receipts of 1875-76 ... ... ... ... | 17,122 |

The Budget charges have been accepted for a sum of £411,900 (including £13,050 for Ceylon). Of this amount £123,900 are for capital outlay, £17,350 being for establishment and other charges, £21,560 for additional stores, and £84,990 for actual construction operations on the following lines of telegraph :—

*State Railway Lines.*

| | £ | £ |
|---|---|---|
| Agra to Gwalior ... ... ... ... ... | | 5,440 |
| Re-construction, Lahore to Jhelum ... ... ... ... | | 1,375 |
| Re-construction, and adding wire, Jhelum to Ráwalpindí ... ... | | 2,870 |
| Rutlam to Neemuch ... ... ... ... ... | | 4,680 |
| Works in progress, namely, Northern Bengal State Railway ... | 9,200 | |
| Rangoon to Prome ... ... ... | 300 | |
| Indus Valley ... ... ... ... | 500 | |
| | 24,365 | |

*Guaranteed Railway Lines.*

Due for Stores and Carriage for South Indian Railway—

| | £ |
|---|---|
| Madras to Tanjore ... ... | 3,700 |
| Trichinopoly to Tuticorin ... ... | 3,500 |
| | 7,200 |

*Departmental Lines.*

| | £ |
|---|---|
| Madura to Ramnad ... ... ... | 5,290 |
| Extra Wire, Madras to Trichinopoly .. ... | 4,250 |
| Nynee Tal to Raneekhet ... ... | 875 |
| Extra wire, Chittagong to Elephant Point, Rangoon | 25,710 |
| Works in progress— | |
| Trichinopoly to Tuticorin ... ... | 300 |
| Calcutta to Chittagong ... ... ... | 500 |
| Gauháti to Dibrugurh ... ... ... | 1,000 |
| Lahore to Kotrí ... ... ... | 1,000 |
| Miscellaneous ... ... ... | 620 |
| Special— | |
| Jacobábád to Quetta and Kelát ... | 9,480 |
| | 49,025 |
| Minor Works ... ... ... | 5,400 |

| | |
|---|---|
| Abstract— | |
| State Railway Lines ... | 24,365 |
| Guaranteed ditto ... | 7,200 |
| Departmental ... ... | 49,025 |
| Minor Works ... ... | 5,400 |
| | 85,990 |
| Less recoveries ... | 1,000 |
| | 84,990 |

" Excluding the sum provided for the completion of the special line to Quetta and Kelát, the whole of the provision made for departmental line will practically be absorbed by the cost of an additional wire between Chittagong and Elephant Point, and the line Madura to Ramnad, with an extra wire from Madura to Trichinopoly. The former will materially improve communication with Burma, and is rendered necessary by the increased importance of this route in connection with the cable shortly to be laid between Rangoon and Penang, so that it will be necessary to make the line from Calcutta to Rangoon fit for international traffic. On this point the following extract from a letter No. 58, dated 8th June 1876, will show the necessity for the work, the estimate for which has been sanctioned by the Government of India :—

' The existing line between Calcutta and Rangoon, although gradually improving with every season's work, is still utterly unfit for international traffic, and incomparably inferior to the line across the Dhunds between Deesa and Hyderabad, respecting which the Indo-European Company have made so many complaints. It consists, moreover, of one wire unequal to the existing traffic, and although a second wire has been sanctioned and is in course of erection, as far as Chittagong, it will be fully taken up by its own local traffic. It will therefore be necessary to add an extra wire throughout, for although we may expect no cable messages so long as the Madras-Penang line is in order, when an accident does occur, and they are diverted *viâ* Rangoon, no delays would be tolerated by the Company or by the public.'

" It may be added that this expenditure has been made the basis of a demand for an increase in the Indian Tariff for all Foreign messages, an increase which cannot be refused and which will add more than £10,000 to the annual revenue of the Telegraph Department.

" The latter, that is the line from Madura to Trichinopoly, is needed to strengthen communication between Madras and Ceylon and the South-west coast, by the substitution of an inland line, mainly on a Railway, for the existing precarious sea-coast line between Negapatam and Tuticorin.

" The Budget-Estimate for 1876-77 was passed for—

| | £ |
|---|---|
| Expenditure ... ... ... ... | 383,000 |
| Receipts ... ... ... ... | 215,200 |
| Nett charge ... ... ... ... ... | 167,800 |

" For 1877-78 the figures are—

| | £ |
|---|---|
| Expenditure ... ... ... ... | 411,900 |
| Receipts ... ... ... ... | 241,900 |
| Nett charge ... ... ... ... ... | 170,000 |

an increased charge, therefore, of £2,100, as compared with the Budget for 1876-77. This increase is entirely due to increased capital outlay, and excluding capital outlay from the figures for both years, 1877-78 shows an improvement of £19,749 over 1876-77.

" There has been for several years a progressive reduction in the difference between earnings and revenue charges. This reduction is very marked during 1876-77, and justifies the expectation that but a very short time is needed for the Department to pay, not only its working expenses, but also a small dividend on the capital expended.

"Nett annual loss on revenue account, *i. e.*, the difference between expenditure excluding capital outlay and receipts including *pro formâ* charges:—

| | | | | £ |
|---|---|---|---|---|
| 1872-73 | ... | ... | ... | 73,211 |
| 1873-74 | ... | ... | ... | 56,166 |
| 1874-75 | ... | ... | ... | 44,837 |
| 1875-76 | ... | ... | ... | 42,367 |
| 1876-77 | ... | ... | under | 10,000 (*partly estimated*). |

"The capital expended from the commencement is nominally somewhat over £3,000,000. I say nominally, because this amount includes the value of lines and offices abandoned or destroyed in past years.

"In the earlier days of Indian telegraphy, lines were hastily constructed of perishable material, requiring frequent renewal, and were abandoned or replaced by others mainly on military and political considerations; but for the sums spent year by year the State received a full equivalent in the assistance, direct and indirect, which the Telegraph afforded in the administration of the country.

"Again, contrary to the experience of Europe, in India the Telegraph preceded the Railway, and long before the Railway was more than an idea, the Telegraph had spread over many hundreds of miles. As the Railways extended, it became necessary to re-erect the Telegraph lines within the Railway fences, to secure the advantages of immunity from malicious interference, and the incomparably greater facilities for locomotion, and consequently for inspections and repairs.

"In those earlier days professional knowledge was very imperfect, as, indeed, it was also in Europe, and many mistakes were made, costly it is true, but a cost absolutely inappreciable, when contrasted with the inestimable services rendered by the telegraph during the mutiny alone.

"Increased knowledge obtained by experience of climatic difficulties in this country, and by watching the development of electrical discovery in other countries, has led to the adoption of material which, although in the first case expensive, will last for many years, to come with ordinary care and supervision.

"Practically, then, it may be said that the lines, as they at present stand, have, with few exceptions, been created since 1866, and the amount expended upon them, and the speed and skill with which they have been constructed, compare very favorably, not only with the earlier efforts of the department, but also with the results obtained in other more favoured countries.

"The vastly improved quality of the line material and apparatus, and the many improvements of late years introduced in the organization and technica management, have raised the character of the Indian telegraph system to a deservedly high position. The speed and accuracy with which telegrams are transmitted from end to end of this vast continent appear almost marvellous, when contrasted with the state of things that existed not so very many years back, and these results have been obtained in face of considerable difficulties.

"Besides the greater number of our station buildings and a valuable plant of stores and apparatus, we now possess 18,120 miles of lines and cables and 41,000 miles of wire. Of these, upwards of 8,000 miles were erected and are maintained by the department for Guaranteed and State Railways. In addition, the department maintains lines and wires, the property of Railway Companies, aggregating 3,344 miles, which will, it is expected, be shortly more than trebled by the transfer to the Telegraph Department of the maintenance of all Railway telegraph lines in the country.

"I look forward to the early accomplishment of this arrangement, as the result, judging from the experience already gained, cannot be other than satisfactory to us and to the Railway administrations.

"The direct and indirect value of the telegraph to the administration of the country in the preservation of order and general development of its resources is so considerable, and the operations of the department are necessarily conducted in so great a measure with reference to imperial requirements, that it would be obviously incorrect to judge of them by a purely commercial standard. The only lines that might be expected to pay commercially are those connecting the presidency towns; and hampered, as the department is, by the very great extent of its unproductive lines, and by the necessarily expensive construction of its lines generally, it is gratifying to find that the financial result, bad as it undoubtedly is, is not far worse.

"While, then, it may be admitted that the requirements of the State, in the matter of telegraphs, are in India more onerous then in most European countries, the fact must not be ignored how very large a portion of the total outlay has been, and continues to be, incurred in the interests of the mercantile community. The costly improvements introduced in late years are, indeed, mainly the outcome of the growing demands of commerce, as what is called domestic traffic is here altogether unimportant.

"It is true that the revenue of the Department is largely derived from mercantile telegrams, especially those exchanged between the great centres of commerce; but there can, I think, be no doubt that, considering the enormous distances over which these messages are transmitted, the rates are very inadequate and, considering the gain in time over the Post, proportionately much lower than obtain in any other country.

"The average distance by alternative routes* from Calcutta to Bombay, Madras and Kurrachee is 1,875 miles. Extreme distances in India are far greater.

"The average distance between the following places in Europe is under 1,800 miles, namely:—

Madrid and St. Petersburg.

Paris and Constantinople.

Lisbon and Berlin.

"The average cost of a message of 20 words, *including* address between those places, is 11 francs=9·68*s*.

"The Indian charges is 2*s*. for 6 words, with a free address which may be taken at an average of 6 words.

"We have therefore 12 words for 2*s*. in India, as compared with 20 words for 9·68*s*. for lesser distances in Europe, or, to bring the comparison nearer,—

IN INDIA.

12 words + address averaging 6=18 words for 4*s*.

IN EUROPE.

20 words inclusive ... ... ... 9.68*s*.

For less extreme distances in Europe, namely:—

Madrid to Vienna,

Vienna to St. Petersburg,

Paris to Constantinople,

Madrid to Berlin,

averaging about 1,400 miles, we find the charge to be 8·48*s*. for a 20-word message, against the Indian charge of 4*s*. for a message of 12 words, with free address equal to 6 more, and of 2*s*. for a 6-word message with the same free address.

"It is not uncommonly insisted that a reduction of tariff is the only *panacea* for a Telegraph deficit; but it is now, I believe, very generally admitted by

* By shortest routes the average is about 1,500 miles.

all political economists who have given attention to the subject that, under the most favourable conditions, a reduction of tariff results in a diminution of net proceeds. This has been the experience of many European administrations and also of Great Britain. It is a fallacy to imagine that the measures that have proved in Europe so successful in the case of the Post Office must be equally successful when applied to the Telegraph. Professor Jevons, F. R. S., writing on the subject of the British Postal Telegraphs, says with much force :

'There cannot be a greater contrast than between the rapid progress of the Postal nett revenue and the alarming decrease in the Telegraph nett revenue. This comparison entirely bears out the statement of the Treasury Commissioners, that "the Telegraph Branch is not in the position of the Postal Department after the introduction of the penny postage. * *

'The Post Office stands in an entirely unique position as regards the great increase in traffic, which can be carried on with a small increase of cost.

* * * * * * *

'A postman, to put the principle as briefly as possible, can carry a hundred letters as easily as one, and a ton of mail-bags can be transmitted by railway almost as easily as a single bag. But it is totally the reverse with the Telegraph, in which each message has to be individually received by a clerk, transmitted, re-transmitted, written out, and finally delivered by a special messenger. In this case every increase of traffic involves an increase of expense in nearly the same ratio as regards many items.'

"An eminent Belgian authority writing on the subject sums up as follows :—

'The effects of a reduction of tariff are under the most favourable conditions (in the interior of a country itself) the maintenance of the gross receipts by the stimulant of cheapness, and under ordinary conditions the decrease of the gross receipts, the stimulant being insufficient to compensate for the reduction of the mean product per unit. In either one case or the other, without a single known exception, the nett product is diminished.'

"All experience points to the fact that Telegraph traffic follows, more especially in its augmentations, the fluctuation of trade, and that it is influenced by the tariff only in a very secondary degree.

"If these be sound conclusions for countries of limited extent, very populous and very rich, how much more strongly must they apply to a country like India, where the distances are so enormous and the average poverty of the people so conspicuous ?

"I trust that continued financial improvement in the working of the Telegraph Department may obviate the necessity for any revision of the tariff, but the foregoing observations indicate the direction which such revision must take should it become imperative.

"The result of the changes introduced in the tariff for international messages by the Convention of St. Petersburg has not, so far as the Indian Department is concerned, been altogether successful; for while the number of messages exchanged with foreign countries has materially increased, the increase in their value is only nominal, and there are not wanting indications of even a prospective decrease. To some extent this may be traced to the insufficiency of the Indian share of the total tariff, but it is questionable whether the reduction of the unit charge to one word can prove a financial success, unless the rate per word be proportionately very much higher than the previous rates for the larger units.

"There are two points of detail in connection with the rules for foreign messages which have given rise to complaints from the Chambers of Commerce in this country—one referring to gratuitous repetitions of messages which are supposed to have been incorrectly transmitted; the other to the charge made for figure cipher telegrams. Proposals have been made to other States, parties to the Convention, by this Government and by the Postal Telegraph Department of England, to modify the rules on these points somewhat in accordance with the wishes of the mercantile community, but these proposals have been rejected, and the grounds of their non-acceptance cannot well be contested.

"The real grievance of the Indian public lies in the circumstance that the rules are not strictly enforced in England; but it has been explained that the relaxations have there been carried out by private Telegraph Companies in a spirit of competition and with a view to attract customers (though, possibly, for the present at a loss to the shareholders); that such a proceeding is one which the manager of a private company, dealing with private money subscribed for a special purpose, may perhaps adopt with some sort of justification, though in defiance of rule, but that his example cannot be followed by a public agent dealing with public funds for the benefit of a class interest at a further sacrifice to the general community, who have already to bear the loss on an unremunerative undertaking. An opportunity will shortly be afforded of reconsidering the rules in concert with other Administrations, and I venture to hope that some means may be found of amending those which have given rise to so much discussion.

"The fact not generally known that the telegraphs are worked at a loss in some of the principal countries in Europe, and an examination of the results obtained in Great Britain, enable some conception to be formed of the difficulties with which State, *i.e.*, cheap, telegraphy has to contend under the most favourable conditions; and it is a fair matter for congratulation that India, with all her disadvantages, possesses a highly efficient and extensive telegraph system which at no very distant date promises to be self-supporting.

"I have dwelt at some length on this subject, for I have felt that it is due to the Chambers of Commerce of the three great centres of Indian trade, with whom we have been in communication, to offer to them here a fuller explanation of our motives and position than I could introduce into ordinary official or business correspondence.

"I would add a few words of explanation on the Indo-European Telegraph Department which has charge of the Indian Government lines from Kurrachee to Fao and Teheran. The head-quarters of the Director-in-Chief are in London, where there is an office of account adjustment, with a small branch office at Constantinople.

"The lines of the Department are in two sections: the Persian, which includes the lines in Persia, and the Persian Gulf section, which includes the cables connecting Kurrachee with Bushire and Fao, and the land line along the coast of Beloochistan from Kurrachee to Jask.

"The Gulf section has its head-quarters at Kurrachee, where are the offices of the Deputy Director (who is in charge of the section) and of the Traffic Manager, as well as workshops and a store depôt. A special steamer, the *Amberwitch*, is attached to the service of this section for the repair of cables and conveyance of establishment and stores.

"The land-line consists of 739 miles of line and 1,478 miles of wire. It has, besides the usual maintenance establishments, the aid of a special Political Agency at Gwadur, half the cost of which is borne by the Telegraph Department. Subsidies to the extent of £3,128 a year are also paid to Chiefs in Beloochistan for protection of this line.

"The cables of the Gulf section are 1,738 miles in length, of which 1,235 miles are of gutta-percha, and 503 miles of India-rubber core.

"The Persian section is under a Director, whose head-quarters are at Teheran. This section contains 792 miles of line and 2,406 of wire. The lines of the Department do not extend beyond Teheran.

"The total length of the lines of the Department is 2,754 miles, consisting of 3,884 miles of wire and 1,738 miles of cable.

| | £ |
|---|---|
| Excluding the provision for payment to foreign lines of traffic earnings realized in India, the Budget-Estimate for 1877-78 amounts to ... ... ... ... ... | 95,985 |
| The Regular Estimate of 1876-77 being ... ... | 102,200 |
| So that there is a decrease of ... | 6,215 |

which is due to the work of erection of iron poles to replace existing wooden ones, and for which a provision of £3,980 was made in current year's Budget, not being required next year. There is also a decrease of £850 in the provision for Repairs.

"The estimate has been framed for the authorized scale of expenditure for Establishment and Repairs, and there is nothing in it to call for comment, or which can be reduced.

EXTRAORDINARY IRRIGATION.

"The total grant for the year 1877-78, from extraordinary funds for Irrigation, amounts to £900,000, distributed to the several Provinces as follows. This amount is exclusive of £107,500 to be spent from contribution of the Native States for the Sirhind Canal.

| | £ |
|---|---|
| Madras ... ... ... | 50,000 |
| Bombay ... ... ... | 40,000 |
| Bengal ... ... ... | 275,000 |
| North-Western Provinces ... | 260,000 |
| Panjáb ... ... ... | 275,000 |

"The works for which this sum is provided were all in progress during the current year (1876-77), in which the aggregate outlay under Extraordinary is expected to amount to £1,012,000.

"In Madras the improvements to the Godavery and Kristna systems of canals are still the most important works in progress.

"In the Godavery system several works for the improvement of irrigation and navigation in the Eastern and Western Deltas were carried out. The widening of the main canal in the Eastern Delta has been finished; the banks of the Coconada, Ingeram, and Coringa main canals were raised and improved. The widening of the bank and Coringa Canals was carried on; nine miles of the former were opened out for navigation; one lock was built and four more were completed; and three weirs finished. Ten minor distributaries with an aggregate length of 25 miles were completed, and some improvements made to drainage cuts.

" In the Western Delta, widening and other improvements were carried on on nine canals ; the widening of the main canal above water-line was completed, as also the widening and deepening of the Bank canal for $22\frac{1}{2}$ miles and some masonry-works built; on these works about £20,000 were spent during 1876-77. The sum allotted for the coming year is £28,561.

" In the Kristna Delta the works on Ryves's main canal were much retarded by continued outbreaks of cholera; but they will probably be completed early in the coming year. The new supply head, though incomplete, was opened for the admission of water, the volume supplied by the old heads being insufficient owing to the low state of the river caused by the excessive drought.

"The alterations to these channels will probably be completed as relief works. The widening of the Masulipatam Canal will also be completed early next year. The grant for the coming year is £14,777.

"The Streeviguntum Anicut Project, which will supply irrigation to a portion of the Tinnevelly District, and water to the town of Tuticorin, was practically finished during the year; only a portion of the revetment of the Korsur Pallam Tank, and the raising to full height of the Ooppar Oday dam being incomplete. The grant for the coming year is £3,477.

" On the Pennair Delta some expenditure was incurred from the Ordinary grant. A sum of £3,183 is allotted from the Extraordinary grant for this work during the coming year.

" The Sungum Project for the irrigation of the Northern Delta of the Pennair River from storage reservoirs in the river is still under consideration; no work is contemplated on it in the coming year.

" The Perryaur Project referred to in last year's Resolution is still under consideration; the works which will consist of a tunnel through the Ghauts in the Madura District leading from a large storage reservoir are estimated to cost £602,762; there is no prospect of their being commenced this year.

" In Bombay the only work of any magnitude in progress is the Moota Moola Project consisting of a dam across the River Moota, 99 feet in height and 3,683 feet long, exclusive of the waste weir which is 1,453 feet long, with channels for the water supply of Poona and Kirkee and for the irrigation of about 70,000 acres. The total expenditure to the end of the current year amounted to £423,372. A grant of £31,924 is proposed for the coming year, which will bring the works, so far as sanctioned, very near completion, the estimated cost of the works being £466,448. The right bank canal, which is capable of discharging 414 cubic feet per second, has been extended to a distance of 39 miles from the head, out of a sanctioned length of 71 miles, and this portion is now being carried out as a famine relief work; the left bank canal, discharging 38 cubic feet per second, has been almost completed. A gross revenue of £7,385 is anticipated from these works during the coming year, and the working expenses are estimated at £4,063.

"The remainder of the grant will be divided among five projects of less importance. £2,674 are set apart for the completion of the Ekruk Tank in Sholapur, at a total cost of £97,446; the water is retained in this reservoir by an earthen dam with a maximum height of 78 feet. £3,443 are allotted to a small canal called the Hathmatti in Ahmadábád; the work, which is approaching completion, is estimated to cost £38,470. £1,177 are allotted to the Lakh Canal in Ahmadnagar, which is also very near completion, at an estimated cost of £25,954. £4,800 are allotted to the Mukti Reservoir and £300 to the Palkhed Canal, both of which are nearly complete, at an estimated cost of £26,456 and £14,029, respectively.

"In Bengal the grants for 1877-78, for the works in Orissa and Midnapoor, are £63,425 and £20,503, respectively. These with the Tidal Canal in Hidgellee are separate sections of the Orissa scheme purchased by Government from the East India Irrigation and Canal Company. They were originally intended to form portions of a connected system, but are now worked as separate projects. About £850,000 have been spent on the Tidal and Midnapoor Series of works, out of an estimated total of £945,803; 248 miles of distributaries are completed and in operation out of a total projected of 320 miles; and during the past kharif season 32,160 acres were irrigated from them. The navigation works on the Midnapoor Series are not quite finished, but by the end of the current year the canal will be complete as a navigation line throughout, with the exception of 4 miles in the second range in which the locks are still under construction.

"The Tidal Canal is in full operation.

"The portion of the Orissa section, to which it has been determined to limit expenditure for the present, consists only of the channels in progress and distributaries for the irrigation of 206,172 acres; the total estimated cost is £1,929,568, of which about £1,740,000 have been expended to the end of the current year (1876-77), the grant for next year being £63,425. The principal lines of canals are nearly finished; before the end of the coming year, with the exception of part of the Kendrapára extension, the whole of the navigable canals will be open for traffic throughout their length. Of the distributaries 501¼ miles are completed and in operation out of a total projected length of 547¼ miles.

"For the Sone Project the grant for next year is £191,071. The cost of this scheme, as now limited, is estimated at £2,710,361, of which about £1,770,000 will have been spent up to the close of the current year (1876-77), by which time the Main Western Canal, the Behía and Dumraon Branch Canals, and the Eastern Main Canal will, with their distributaries, be complete. The Arrah Branch, the Buxar Branch Canal, the Chowsa Branch Canal, and the Patna Canal will, with their distributaries, be ready for irrigation, and, with the exception of some locks and waste weir bridges, will be complete throughout. The area irrigable from the completed portions by the end of the year was 443,000 acres. The Arrah Branch has for some months been navigable throughout with exception of the junction with the Ganges at the termination. A cadastral survey of the land commanded by these channels is under execution, and up to the end of the current year about 1,600 square miles, out of a total of 2,900 square miles, will have been surveyed.

"In the North-Western Provinces there are three series of works in execution from the Loan funds.

"The rectification and completion of the Ganges Canal at an estimated cost of £858,843 is the first: up to the end of the current year about £387,400, exclusive of value of materials in hand, will have been expended. The grant for the coming year is £80,000. The works executed during the past year consisted mainly of protective works to the floorings of the falls in the main canal; the re-construction of two locks, and the building of new locks and weirs near Jaoli regulator, Wallipura and Nanun, with the view of reducing the slope of bed and consequent velocity of the water in the main canal. The completion of the upper portion of the Anupshahr Branch with an escape into the Ganges, and the preparation of surveys and detailed plans and estimates for some of the new branches and some other minor works. The construction of the new branches will be undertaken shortly.

"The Agra Canal is virtually complete, and has been already in operation for two years. The navigation arrangements are nearly complete throughout. A sum of £10,000 has been allotted for the current year for expenditure on drainage works and minor distributaries. The total estimated cost, exclusive of plantation, is £772,553, of which £40,000 are still unspent. The revenue from this canal has so far more than justified the expectations formed regarding it.

"The Lower Ganges Canal is the most important work in progress in the North-West Provinces. The supply is drawn from the River Ganges by a masonry weir, the closing of which was successfully accomplished during the past year. The grant for expenditure during the coming year is £170,000; revised estimates for this project have been submitted, and are now under the consideration of the Government of India, meantime permission has been accorded to proceed with the more urgent works: the first 40 miles of the main canal and the supply branch, 22 miles in length, will be finished by the close of next year. The remaining earth-work of the main canal, as far as its junction with the old Kahnpur Branch, is also nearly complete. About £1,083,000 will have been spent on this canal to the end of 1876-77; the ultimate expenditure will probably considerably exceed £2,000,000.

"The project for a canal from the River Betwa, in Bundlekhund, has proved to be too expensive to justify its execution from the Loan funds; further enquiries are being made with a view to substituting, if practicable, a cheaper and less elaborate scheme.

"The execution of the project for the Eastern Ganges Canal to water a portion of Rohilkhund has been postponed indefinitely owing to doubts as to the volume of water available from the Ganges after providing for the Lower Ganges Canal.

"In the Panjáb there are four series of works in progress from Extraordinary funds; two, the Sirhind and Swat River Canal projects, are not yet brought into operation. Indeed, the last has only been just begun, and though it gives fair prospect of paying interest on its outlay, it has been accepted rather on political than on material reasons. With this exception it is the only new Irrigation project which has been sanctioned within the last two years, for in my opinion it is desirable to complete those already commenced, and watch their prospects before we commit ourselves to any further great or doubtful operations; the other two consist of improvements and extensions of existing canals—the Bári Doáb and the Western Jamna.

"The Bári Doáb Canal has been yielding revenue since 1860; the estimated cost of the improvements now in progress is £333,114, of which about £135,000 will have been spent to the end of 1876-77. The grant proposed for the coming year is £24,791. The two new branches have been completed, the grant now to be made will be utilised in constructing distributaries. Two new distributaries have been completed on the old portion of the canal. The escape sluices of the weir across the Ravi, at the head of the canal, suffered severely from the floods again this year, but not to the same extent as in 1875: the protective and training works were also slightly damaged.

"The work on the Western Jumna Canal consists of a masonry-weir across the Jumna River with regulating heads for both Eastern and Western Jumna Canals; and of new channels in substitution for portions of the main canal and branches. The estimate for works is about £730,000; about £262,000 will have been spent up to the end of 1876-77, and the grant for the coming year is £74,900. The head-works are approaching completion, land has been acquired for the portions known as the new Main Line and new Delhi Branch, and a considerable quantity of material has been collected, two of the new distributaries have been completed, and another is in hand.

"The largest work under construction is the Sirhind Canal, drawing its supply from the Sutlej River for the irrigation of the British Districts of Loodiana and Firozpur, and the Native States of Patiala, Jhínd and Nabha; the entire cost of the works is estimated at £3,087,388, of which £1,187,000 will be contributed by the Native States. The outlay to the end of 1876-77 will probably aggregate £1,485,000, and the grant for the coming year is £248,217, of which £107,317 will be contributed by the Native States. The head-works and the excavation of the main canal are well in hand, and seven out of the eight bridges are complete. Convict labor has been tried with success on these works. The Abohur Branch and the first and second feeders are well advanced. The third feeder and the Patiala navigation channel are nearly complete, and the excavation of the Choya Branch is complete to the 20th mile. Work on the navigable junction with the Sutlej at Firozpoor was commenced during the year.

"The fourth and last work is the Swat River canal in the Eusufzaie valley, at an estimated cost of £167,313; a commencement of work has been made, and about £10,000 spent. Its chief object is to induce some of the lawless borderers to settle down in British territory, and betake themselves to peaceful pursuits. It will be desirable to push on the works to completion as rapidly as possible; the grant proposed for the coming year is £30,484.

"Of the Ordinary grant for 1877-78 amounting to £900,600, as against £958,800 for 1876-77, £141,163 will be an addition to the Capital outlay on the works. £544,133 provides for the current expenses of works in operation for which Capital and Revenue accounts are kept, and £245,305 are charges debitable to works for which there are no Capital or Revenue accounts.

"In Madras the principal works for which Capital expenditure is being partially incurred from the Ordinary Revenues are the Godávari Delta, the Kistna Delta system, the Pennair Delta system, and the Chembrambákam Tank. For the Madras water-works a grant of £2,774, exclusive of establishment, is provided in the budget, which will be utilised on embanking the river and left side of supply channel, in extension of weirs in the supply channels and in works of protection from the river floods. The tanks are in good order, and the weir has been raised to full tank level. In the Godavery District a larger extent of the cultivation and of revenue is anticipated. In the Tanjore District the high floods towards the end of July breached in the left bank of the Vennaur Tank, and caused considerable damage to the crops. Owing to the prevailing drought the supply in the river has proved insufficient for the irrigation under the river.

"The total grant amounts to £262,000, the grant for 1876-77 being £272,200, and the average outlay of the three previous years £266,986. The necessity for increasing the normal irrigation grant so often urged by Madras, owing to the vast revenue at stake and the interests to life and agriculture involved by the efficient maintenance of Irrigation Works, has received consideration, and further detailed information has been called for. The large irrigation works already constructed in the Godavery, Kistna, Pennair, Tanjore, &c., have assisted not only in reducing the extent of the districts subject to scarcity at exceptional times, but also in increasing production in ordinary years, and in this double capacity they differ from some of the works in Bengal which are more for the prevention of famine only.

"Of the grant assigned, £35,999 is for works, and £146,759 for repairs, the balance being devoted to establishment and other charges. Of the grant for works, £3,987 is for embankments, £3,091 for the Chembrumbaukum Tank Project, and the remainder for sundry minor works.

"In the Bombay Presidency there are numerous irrigation works under construction from the ordinary revenues. The Desert Canal of Sind, which takes it supply from the River Indus, to irrigate land both in Khelat and British territory, is one of the principal. The estimated cost is £83,481, of which £42,500 have been spent; a grant of £6,100 has been made for expenditure during next year on this canal, from which an ultimate net revenue of £7,737 is expected. A grant of £5,362 has been made for the execution of the important series of embankments known as the Kashmor and Begari bunds, which are designed to shut out the flood-water of the Indus for a distance of 45 miles, and to protect the land on the right bank. The provision now made will, it is expected, suffice to complete the work at a total cost of £72,947. The Begári Canal, 76 miles in length, and yielding a revenue of £17,639, is being enlarged, extended, and improved at an estimated cost of £104,942: these improvements are expected to double the area under irrigation, and raise the profits to 15 per cent. on the outlay: this canal will be protected from injury by the Kashmor Bund; a grant of £6,100 is allotted for the coming year. The Sukkur Canal is approaching completion; its supply is derived from the Indus; the main canal is 75 miles long, and is capable of irrigating 88,250 acres, yielding a revenue of £18,400. The estimated cost of the project is £106,892. The grant for the coming year is £2,440. The Eastern Narra system comprises a series of works extending from the Indus at Rohri to the Rann of Cutch. Provision is made for £6,100 for expenditure during the coming year. The Great Marak Canal in the Hyderabad Collectorate has been enlarged at an estimated cost of £17,008. This work promises to yield a good return for the money spent; the grant for the coming year is £400. A grant of £1,200 is made for works on the Fuleli Canal, chiefly to secure efficient control over the supply of water; the main canal is 95 miles long, and the branches aggregate 986 miles. A small provision of £700 is made for the Krishna Canal which is nearly completed; the estimated cost is £62,341, and it already irrigates 4,000 acres. Progress on all these canals is much restricted by want of funds.

"The total grant assigned is £180,000, of which £47,365 is for works, £79,465 for repairs, and the remainder for establishment and other charges. Of the provision for new works, £2,387 will be spent in the completion of 12 works, estimated to cost £262,068, and on which it is expected that £248,623 will have been spent by end of 1876-77. For other works in progress, the grants for which will not suffice for completion in 1876-77, £27,604 has been given, the estimated cost being £262,068, and the probable outlay to end of 1876-77 £333,392. The balance of the grant for new works has been devoted to sundry small and minor works.

"On irrigation works, commenced in view to give employment to the distressed, £225,000 have been spent from famine relief funds; the total estimated cost of these works being £467,500.

"In Bengal the principal works under investigation, the expenses connected with which are defrayed from the ordinary revenues, are the Tirhut irrigation scheme and the Hooghly irrigation scheme; the expenditure during the current year on the former has been £8,148. A very promising scheme of irrigation from the Gandak River was prepared this year; it consists in diverting a perennial supply from the River Gandak into some natural beds of streams, which in the ordinary course are dry except in the rainy season.

"In the North-West Provinces the expenditure from the ordinary grant consists almost entirely in minor works and repairs connected with the large canal systems. The subject of drainage has occupied the serious attention of Government, and enquiries have shown that a very large expenditure may prove eventually necessary. During the current year about £65,000 were spent on these works, the cost being shared by Extraordinary funds, Imperial revenues, and Provincial funds. A project for navigable communication between the Ganges Canal and the Agra Canal at Delhi is under consideration by the North-Western Provinces Government.

"In the Panjáb the chief items of expenditure from the ordinary grant are on repairs to the Barí Doáb and the Western Jamna Canals; a few minor works are in progress and call for no remark.

"In Mysore the grant for the current year is £96,800. Irrigation in this part of India is carried on chiefly from tanks and reservoirs. The principal works in progress are the extension of the North Channel, and the completion of the Seríramdavur dam, the Chikdáwar Sagar Channel, the Sulikerray Series of tanks, the Hussergutta Series of tanks, and various other minor works. There is also a scheme for water-supply to the town and station of Bangalore, at a cost of £56,925, and for the water-supply of the town of Mysore, at a cost of £41,820.

"In British Burma, the principal works under construction are the Irrawaddy embankments, for the protection of the culturable land along the river; one section, 27 miles long, will protect a hundred and twenty thousand acres; £4,500 are entered for expenditure for next year, which will suffice to complete the work at an estimated cost of £12,353. Three other sections previously completed, with an aggregate length of 154 miles, are to be raised and strengthened at an estimated cost of £30,464, and for these works £40,900 have been allotted for expenditure during the coming year. A grant of £1,000 is also made for the reclamation of the Pegu Plain; this sum will suffice to complete the work at a total cost of £24,954; this work is calculated to reclaim

50,000 acres of good land, and to afford protection to the canal from inundation. The Pegu and Sittang navigable Canal, executed from Provincial funds, at a cost of £118,690, will be completed in the coming year, and will, it is hoped, be open to traffic by April or May 1878.

"In Rájputána, the system of irrigation is from tanks dependent for their supply on local rainfall; the proposed expenditure is on completing and maintaining these tanks, and calls for no special remarks.

"The aggregate construction outlay on irrigation works, ordinary and extraordinary, throughout India, up to the end of the year 1875-76, as booked in the registers of the Public Works Department, amounts to £16,554,690, of which the expenditure shown for Madras and Bombay is open to correction, the accounts not having been completely adjusted.

"The expenditure in Burma has been altogether on flood embankments and protective works; the works in Oudh and the Central Provinces have been abandoned. In the three Provinces, Bengal, the North-West, and Punjab, the aggregate outlay has been £12,348,057, and in these only can a comparison be usefully made of expenditure and returns.

"On the financial results of irrigation works I have already spoken.

"The irrigation from the Orissa, Midnapur, and Tidal Canal is of very slow growth, and it is feared that the income from this source will never, under the present system, yield an adequate return on the Capital that has been invested. The Sone Canal and the Agra Canal have only recently been brought into operation, and there is a fair prospect of their eventually proving profitable undertakings, both directly and indirectly; the condition of the Ganges and Eastern and Western Jumna Canals is very prosperous, and the Bari Doab Canal is now yielding a fair income.

"It will be premature for me here now to do more than to allude to the proposals for a future localization of irrigation works. I have from my arrival in India felt that the success of some, if not of all these works, would be better secured if they were the outcome of local sacrifice and self-denial rather than of Government munificence alone, and that local interests and local duties should call this class of improvement into existence. Indeed, without ignoring altogether the responsibilities of the State towards the land, resting on the assurance of those who know India better than I do, and who understand the relations of the landholders to the cultivator, I would wish to see no work of irrigation commenced till those who expected the benefit had either subscribed the Capital or had given a guarantee for the interest of the work which has to be undertaken from the Loan funds. I am inclined to draw a distinction between lands, such as those in Sind, in Burmah, and in Bengal too to some small extent, which need protection from flood. I will not dwell further on this matter, leaving time to thoroughly work out what is needed to effect a change in policy, from which, if care and caution are exercised to give it effect in its earlier stages, I, for one, believe infinite benefit will ultimately arise, though, for the moment, extreme advocates for irrigation may not acquiesce in the chances of very rapid development.

" Early in last year, with the assent of Lord Northbrook, I suggested such a course in reference to a very extensive scheme put forward for the protection of Behar against the recurrence of the disasters of 1874, and for the mitigation of the normal misery of that overcrowded district. The response I received from the then Government of Bengal gave but little hope that any means could be relied upon beyond the usual one of the work being undertaken by the Indian Treasury. I trust that the present Government of Bengal will be able to show that its predecessor was deceived.

" I am also now in communication with the Government of the Panjáb on a project lately submitted by it, in order to ascertain if the work can be undertaken on the conditions we are now seeking to establish.

" The extension to Local Governments of administrative control, with a simultaneous increase of their responsibilities, cannot fail, if guarantees are taken for the continuity of a fixed and stable policy (the difficulty of all personal government subject to a short tenure), to result in greater local efficiency even if it does not secure greater economy and thrift in outlay.

" Of the application of the same principle of local management to Railways, I confess I do not myself entertain a favourable opinion unless, indeed, full powers on questions of principle are reserved in the hands of a central authority; for the essential feature of Railway success—I mean financial success—is an arrangement for the public service at once simple, rapid, certain, and this can only be secured by unity and harmony in administration. To localize entirely the control of Railways would increase their cost in management, and re-introduce the worst features of the early European system, which all Railway administrators are now hoping to see followed by a more automatic system.

" I hope to see this principal thoroughly recognised in this country at no distant date, and the whole Railway system of India guided by one authority, whilst the improving and increasing revenue is devoted to the further development of the system itself.

"It is possible, perhaps, whilst enlisting the cooperation of the Local Government, in aiding the sources and development of Railway traffic, not to weaken Railway administration; if this can be secured, the experiment is, however, worth a trial.

"I have now, My Lord, to ask the Council's attention for a few minutes to the prospect of our State Railways.

"The length of State Railways open for traffic, under construction, and under survey at the close of 1876 was 2,720 miles, of which 170 miles are either Provincial or the property of foreign States, leaving 2,550 miles chargeable to Imperial Public Works Extraordinary. Of this length about 800 miles are now open for traffic, and 1,100 miles are under construction. On the remainder, construction operations have not yet been commenced.

"During the past year the increase to the open mileage has not been large, the additional length permanently opened being only 128 miles, distributed over the Rajpootana, Punjab, Northern, Tirhoot, Holkar, and Neemuch lines. The Rajpootana line was opened throughout.

"On the Indus Valley Railway 110 miles have been temporarily opened between Multan and Chuni Gote for the goods traffic of the Flotilla.

"During the ensuing year a much greater addition to the open mileage is expected, which will make up the aggregate length to about 1,500 miles, thus maintaining the projected average of 300 miles a year since the date of first opening. The chief additions will be on the Indus Valley, Northern Bengal and Rangoon and Irrawaddy Valley Lines, on which it is expected that 660 miles will be opened for public traffic.

"The total Imperial extraordinary expenditure up to the close of 1875-76 was £11,785,492.

"The estimated expenditure during the current year 1876-77 is £2,788,000, and the estimate for the ensuing year is £2,728,000, which will raise the total expenditure at the close of 1877-78 to about £17,300,000.

"The grant for the coming year provides for steady progress on the lines already under construction and for a commencement of the extension of the Panjáb Northern Railway to Ráwalpindi, and of the Western Rájputána Railway.

"It has been necessary in the present state of the finances to restrict the grant for the latter to only £100,000. And, for the same reason, other lines on which a small commencement should be made, so as to carry forward the extension of our railways with regularity, must I fear be postponed.

"These are the Chattísgarh Line from Nágpur, and the Neemuch-Nasirabad link of the Central Indian system. The extension of the Northern Bengal Railway to the foot of the hills, a distance of about 30 miles, is also a work which, I still trust, may be pushed on if our prospects brighten in the coming autumn.

"In the course of the last month the earthworks of two railways, the claims of which had already been before the Government, have been authorised as famine relief works. These are the Dhond and Munmar, forming a chord above the Ghâts between the north-east and south-east lines of the Great Indian Peninsula Railway, and which, if existing, would be especially valuable in the present crisis; and an extension of the Madras Railway from Bellary to Hubli. This last line when carried out will not be complete without an outlet on the western coast.

"As in the case of the famine of 1874, when the construction of certain lines had to be anticipated, so now these lines must be accepted as divergences from the fixed programme of our railway-scheme.

"With an annual appropriation of three millions approximately for railways, we ought to be prepared to put in hand about 400 miles of line yearly. As respects future extensions therefore, it may be mentioned that we have surveys in progress for lines in Burma towards the frontier;—from Assam on the east to Tirhut on the west;—from Ráwalpindi to Pesháwar; and from Sukkur towards the western frontier.

"The receipts from the open lines are for the current year estimated at about £370,000, with a mean open mileage of 742 distributed over eight different lines.

"The nett receipts are estimated at £105,000.

"The State Railway system is burdened with several small detached lines, such as the Nalhati, Calcutta and South-Eastern and Wardah Valley. The last will, it is hoped, prove particularly valuable as a mineral branch. It also serves the cotton mart of Hingunghât. Of others, such as the Panjáb Northern, Holkar, Neemuch and Tirhoot, small sections only are as yet opened for traffic. The open mileage of these seven lines aggregates only 360 miles. This want of continuity is unavoidable, but so long as it lasts the traffic cannot be large, and the expenses of working must be disproportionately high.

I have already stated that portions of the Northern Panjáb and Indus Valley Railways are now open for traffic, and the rapid development of trade, especially on the former, even with the very limited rolling-stock available, already shows nett receipts in excess of working expenses which justify these works being classed as Extraordinary.

"And this consideration leads me to refer to the change which seems to be proposed in carrying out the policy for 'Extraordinary works, by which no works so classed will be aided by loan money unless they are likely to be *fully* remunerative, and instead of its being required, as formerly laid down by the Secretary of State, that no loan money spent on a work shall be treated as Extraordinary, except where the yield will cover the interest on the *loan*, it will be required that no loan money shall be spent on a work except where the yield will cover the interest on the *whole cost*. Heretofore the policy has really been to combine the employment of Loan Funds with that of surplus ordinary revenue, so as on the one hand to expedite the progress of the works, and on the other to keep down the real interest for borrowed money, in order to avoid burdening the future.

"Thus, when a work has been considered reasonably certain to pay say 3 per cent. on its total cost, or even 2 per cent., it has been thought proper to allow of its inclusion in the category of Extraordinary works in expectation that so much of its cost would be defrayed by ordinary revenue, that the remaining portion defrayed by borrowed money would have *its* interest covered by the yield; and this has prevented the progess of the work being retarded to only such a pace as would have been possible from the exclusive employment of the current revenues.

"Further, it is to be considered that the system of Extraordinary State Railways is mainly a system for constructing railways by the use of funds raised by Government direct, instead of by the use of funds raised by Guaranteed Companies.

"There is no more unsoundness, so far as I can see, in the financial policy that would commit the State to the liability for interest on funds raised by itself, than to the policy that commits it to liability for interest raised by Guaranteed Companies; and I think that no one will venture to deny that the liability so incurred has been fully justified, and that the policy was a sound one.

"Next year the gross receipts from a mean open mileage of 1,230, distributed over 11 different lines, are expected to amount to £675,000, and the nett receipts to a little over £190,000.

"The receipts per mile open per week average about £10 only. This is a small figure compared with the earnings of some of the trunk lines, but its increase depends on the gradual completion of a system.

"For example, the only State line of considerable length as yet open throughout is the Rájputána Railway 400 miles long. The last section of this line was opened in February 1876, and in the same half-year the nett receipts from a gross traffic, £13 per mile per week, returned 5 per cent. per annum on the capital outlay.

"I have seen it stated that the State lines have been constructed at a much greater cost than the Guaranteed lines, and their average mileage cost has been criticised. It is unnecessary to enter into the details of such a question on this occasion, but the fullest information will be published hereafter. For the present I think it sufficient to say that the comparative outlay on particular works, and the several conditions under which they have been undertaken and constructed, can be accounted for, and that their cost compares favourably with the lines of other countries. Whether the sums advanced under the guarantee had been excessive or the reverse, the Companies in India owe their prosperity to the fact that they obtained their capital at a moderate rate of interest in virtue of the Government guarantee.

"It has been more than once asserted that the policy which was inaugurated by Lord Hardinge, and to which Lord Dalhousie gave life and vigour, was a policy which has led to great loss and extravagance. My Lord, such loss and extravagance, if there has been either one or the other, are absolutely insignificant when compared with what has been realised by the Americans, and by other nations who have not enjoyed the credit which India could always command, and who from this want of sufficient means were forced to adopt a cheaper and less durable type of road. The heavier outlay had to be incurred at last, and the final cost of the railroads in those countries will be found to exceed, eventually the first and permanent outlay upon our Indian lines.

"The special standard gauge of India was, without doubt, an error into which I myself fell when introducing railways into Australia in 1855 and subsequent years, but I believed then with those who also advised the Government of India that the battle of the gauges would result in a compromise, and that the 5 feet 6 inches gauge would be the universal standard.

"The result of this controversy subsequently led in this country to the unfortunate break of gauge by the further adoption of the metre gauge; and, although, no doubt, this latter gives on its first cost a better return than is secured on the outlay on a wider gauge, still I question whether a more extended working will secure as large a proportion of profits as the traffic developes.

"Had the early founders of the Indian railways adopted the 4 feet 8½ inch standard guage of England, I am confident that our lines would long since have been paying a handsome subsidy to the Indian Treasury, that the extent of our railway system would have been far greater, and that we should not have been afflicted with the curse of a break of gauge.

"The Guaranteed Railway system in India was extended during the year ending 31st December 1876, by the opening of a portion of the South Indian Railway in Madras, and by the completion of a short branch of the Bombay, Baroda and Central India Railway in Bombay.

"The total number of miles open at the end of 1876 was 5,899, against 5,693 miles at the close of 1875.

"Disasters to bridges occurred in Bombay and the Panjáb. Twenty-five spans of the Narbada Bridge on the Bombay, Baroda and Central India Railway were swept away by floods, and three spans of the Sutlej Bridge on the Sindh and Panjáb line were destroyed, both accidents causing temporary stoppage of traffic upon the damaged sections.

"It is estimated that the total capital withdrawals for expenditure on Guaranteed Railway and the Madras Irrigation and Canal Companies, to 31st March 1877, will be £95,788,000, which includes a sum of £372,000, the balance of a loan of £600,000 obtained for works by the Madras Irrigation and Canal Company from the Secretary of State.

Divided thus—

| | £ |
|---|---|
| Expenditure in England | ... 42,628,000 |
| ,, in India | ... 53,160,000 |

"Deducting the capital invested in the Madras Irrigation and Canal Company, the nett expenditure on Guaranteed Railways will be £94,416,000.

"The amount of capital, which it is estimated will be remaining in the hands of Government, belonging to Guaranteed Railway Companies, on the

31st March 1877, is £420,631, which may be distributed over the various railways as follows :—

| | | £ |
|---|---|---|
| E. I. Railway, Main Line, at their credit | ... | ... 69,227 |
| Ditto Jabalpur Line (debit) | ... | ... 159,836 |
| Eastern Bengal Railway (debit) ... | ... | .. 71 |
| Madras Railway (credit) ... | ... | ... 132,626 |
| South Indian Railway (debit) ... | ... | ... 43,090 |
| Bombay, Baroda and Central India Railway (debit) | | ... 5,230 |
| Great Indian Peninsula Railway (debit) | ... | ... 48,507 |
| Oudh and Rohilkhand Railway (debit) | ... | ... 101,671 |
| Sindh, Panjáb and Delhi Railway (credit) | ... | ... 577,283 |
| Total credits to railways | | ... 779,136 |
| Debits to railways | | ... 358,505 |
| Nett credit ... | | ... 420,631 |

"Taking into consideration a sum of £514,400, which the Secretary of State estimates will be received on account of capital during the year 1877-78, it is estimated that, looking at the Guaranteed Railways as a whole, all the funds belonging to them will be exhausted, and a further sum of £343,111 expended.

"The details of these figures are—

| | | £ |
|---|---|---|
| E. I. Railway, Main Line (debit) ... | ... | ... 109,773 |
| Ditto Jabalpur Line (debit) ... | ... | ... 152,961 |
| Eastern Bengal Railway (debit) ... | ... | ... 16,471 |
| Madras Railway (credit) ... | ... | ... 50,443 |
| South Indian Railway (debit) ... | ... | ... 337,840 |
| Bombay, Baroda and Central India Railway (debit) | | ... 90,230 |
| Great Indian Peninsula Railway (debit) | ... | ... 310,524 |
| Oudh and Rohilkhand Railway (credit) | ... | ... 80,629 |
| Sindh, Panjáb and Delhi Railway (credit) | ... | ... 543,616 |
| Total credits ... | ... | ... 674,688 |
| Total debits ... | ... | ...1,017,799 |
| Nett " | ... | ... 343,111 |

"It will be seen from the above that some provision of funds will have to be made to meet expenditure.

"The gross earnings for 1876-77 were estimated for the Budget at £7,888,000, they are now expected to reach £9,499,000, this large increase is due principally to the following exceptional causes.

"The impetus given to the grain traffic by the famine in the Madras and Bombay Presidencies; the activity in the export trade of grain, created in some measure by the adverse rate of exchange, and further stimulated by the reduction in the rates for long carriage of grain on the East Indian Railway; and the Imperial Assemblage at Delhi.

"The working expenses for the Budget of 1876-77 were estimated at £4,238,000, they are now likely to amount to £4,937,000. The net traffic receipts were estimated at £3,650,000, they will now probably amount to £4,562,000.

"The moiety of surplus profits payable to share-holders was reckoned at £179,000 for the Budget-Estimate of 1876-77, it will now amount to £274,000.

"The gross interest payable under guarantee is expected to be £4,708,000 against the Budget-Estimate of £4,730,000, from which, if the amount of net traffic receipts, less the moiety repayable to shareholders, be deducted, the remainder £420,000 will represent the loss to the State for the year against the Budget-Estimate of £1,259,000.

"The gross earnings for the Budget year 1877-78 are estimated at £8,553,300, which is less than the amount expected to be realized during 1876-77 by £945,700, owing to the abnormally heavy traffic in food grains going to the famine districts, to the increased exportations by the fall in the rate of exchange, and to the exceptional receipts of the Delhi Assemblage in the latter year.

"The gross receipts budgetted for next year amount in the gross to a little more than was put down in the Budget for the current year and than the actuals for the year 1875-76, If, however, the sums set against each railway are examined, it will be seen that there is a fair increase expected on all railways except two,—the Great Indian Peninsula and Sindh, Panjáb and Delhi Railways,—whose receipts are taken at £434,000 less than 1875-76. The decrease in the former is trifling, but that on the Sindh, Panjáb and Delhi amounts to nearly £400,000, the cause being that in the year 1875-76 a large sum which had been debited to Revenue was written back to the debit of Capital, and consequently increased out of all normal proportion the gross earnings. The normal actuals of 1875-76 might, therefore, be considered as about £7,884,000, and the Budget is some £670,000 more than this.

"Unfortunately, the working expenses are not affected in the same way, but have to be set down for a progressive traffic, and in some cases to provide for the inevitable heavy repairs which must follow the unprecedented rush of grain traffic caused principally by the wants of the famine districts of Bombay and Madras, and partly by the expansion of the export trade of wheat and seeds. If, as may be hoped, this trade becomes a permanent and prosperous one, we may look for considerable and steady enhancement of receipts, but the carrying resources of both the Great Indian Peninsula and East Indian Railways have been severely strained, and on the latter railway it has been determined to build more rolling-stock to enable them to carry all that is offered.

"But building rolling-stock takes time, and probably the coming official year will have run nearly its whole length before the necessary additional carrying accommodation is provided.

"A further fact has to be borne in mind, namely, that while, in consequence of the enormous traffic which has been carried during this official year, very large surplus-profits in excess of the guaranteed interest have been earned, the payment to the shareholders of the moiety of these heavy surplus-profits falls in the next official year, and this tends to put next year's transactions in a comparatively unfavorable light.

"The estimated loss to the State during 1877-78 compares as follows:—

| | 1875-76. | 1876-77. | 1877-78. |
|---|---|---|---|
| | £ | £ | £ |
| Guaranteed interest ... ... ... | 4,688,000 | 4,708,000 | 4,766,000 |
| Deduct— Nett receipts ... ... | 3,713,000 | 4,288,000 | 3,716,000 |
| Loss ... ... | 975,000 | 420,000 | 1,000,000 |

"But of the sum of £1,000,000 shown as the nett charge against the State for 1877-78, an amount of £250,000 may at least be taken as representing the excess moiety of surplus-profits earned during the preceding year, but paid to shareholders in that year, so that if each official year could have been made to bear the burden of its own moiety of surplus-profits, 1876-77 would have cost the State about £670,000 and 1877-78 about £750,000.

"In order to form an opinion of the different undertakings paying or falling short of the guarantee, a table of average receipts per mile per week and probable ratio of expenses to gross average receipts has been prepared, based upon the Regular Estimate for the year 1876-77 :—

| Names of Railways. | Length. | Cost per mile. | Interest at 5 per cent. on Capital cost per mile per week. | Estimated average gross earnings per mile per week. | Probable percentage of expenses to gross earnings. | Probable cost of working. | Probable net profit per mile per week. | Probable profit and loss. | | Effect of Government guarantee. | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Above guarantee. | Below guarantee. | Half gains above guarantee. | Below guarantee. |
| | Miles. | Rs. | | 1876-77 Rs. | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| East Indian, Main Line | 1,279¾ | 2,32,402 | 223 | 520 | 33 | 172 | 348 | 125 | ... | 41,59,187 | ... |
| Ditto, Jubbulpore | 223¼ | 1,65,774 | 159 | 274 | 47 | 129 | 145 | ... | 14 | ... | 1,62,744 |
| Eastern Bengal ... | 158 | 2,13,695 | 205 | 456 | 57 | 260 | 196 | ... | 9 | ... | 73,944 |
| Madras ... ... | 857¾ | 1,28,764 | 124 | 176 | 73 | 129 | 47 | ... | 77 | ... | 34,35,432 |
| South Indian* ... | 477½ | 81,844 | 78 | 88 | 63 | 55 | 33 | ... | 45 | ... | 11,18,520 |
| Bombay, Baroda & Central India ... | 417½ | 2,03,695 | 193 | 293 | 44 | 129 | 164 | ... | 32 | ... | 6,95,553 |
| Great Indian Peninsnla | 1,278¾ | 195,572 | 188 | 390 | 43 | 168 | 222 | 34 | ... | 11,34,194 | ... |
| Oudh and Rohilkhund | 542½ | 1,04,558 | 100 | 119 | 64 | 76 | 43 | ... | 57 | ... | 16,09,452 |
| Sindh and Panjáb ... | 663½ | 1,72,677 | 166 | 232 | 64 | 149 | 83 | ... | 83 | ... | 28,61,508 |
| | | | | | | | | | | 52,93,381 | 99,57,152 |
| | | | | | | | | | | | 52,93,381 |
| | | | | | | | | Net deficit ... | ... | | 46,63,771 |
| | | | | | | | | Exchange=£ | ... | | 420,000 |

* System still incomplete.

"These results are approximate only because the receipts towards the close of the year are necessarily only estimated, and an analysis of accounts has not been made. But they are sufficiently accurate to show which of the undertakings are profitable, and to which of them attention must be directed to endeavour to foster traffic and produce better results for the future.

"There are two methods open for the purpose of producing better financial results on railways in India: the first by measures to promote traffic, the second by means of more economical working.

"These two methods, however, really must work in unison. Cheap working of railways will induce cheap freight-charges, and cheap freight-charges will undoubtedly promote traffic ; but no economy of this nature can be true, if the efficiency of the railway is affected by the measures taken to introduce it.

"It is only necessary to glance at the table of expenses and receipts to observe that some of the most expensive and efficient lines in India pay the best, but at the same time the fact must not be lost sight of, that these lines are the streams of traffic into which the feeders run ; and though expensive arrangements may be necessary in the one case, they become superfluous in the other. Efficiency for the extent of traffic is an absolute need and real economy on all railways.

"The promotion of traffic by the lowering of rates and fares within certain limits is, in accordance with the original railway contracts, in the hands of the

Railway Companies, and in some cases it is not always apparent that the interests of the Public and of the shareholders are for the time being indentical. The Government of India may be said to have a life interest in the railways, whilst the shareholders are tenants for a term only, and circumstances may occur which place reforms and reductions of rates in the light of too far distant benefits to recompense the present holders of the railway stock.

" In order to promote the most healthy discussion of all matters connected with railway administration in India, not only as regards the older Guaranteed Railways, but also for the benefit of the new State lines, a Railway Conference was convened during the past year, from which it was hoped substantial results would accrue. The extent of the calamity in Madras and Bombay rendered it necessary, however, for all railway men to be at their posts, and for a time this gathering has had to be postponed.

" I am pleased, however, to be able to report that one very important enquiry has been satisfactorily completed. I refer to the matter of military transport by rail. Enquiries have been conducted by Committees of Officers during the past cold seasons, in regard to the capacities of our stock and the arrangements provided on the Continent for the transport of sick and wounded, &c., have been reported on by an Officer who visited the Exhibition at Brussels in August last for this purpose.

" With this information before us it is hoped that steps may be shortly taken to give practical effect to the suggestions that have been offered, so that the full advantage of our railway-system may be realized in the assistance it will give to the Army at all times.

" The traffic, both passenger and goods, on lines in India, has had an upward tendency of late years, and which I will state in detail—

| YEAR. | Mean miles of Railway open. | PASSENGER. | | GOODS. | | REMARKS. |
|---|---|---|---|---|---|---|
| | | Passenger carried over one mile of Railway. | Average number of passenger per mean mile open. | Gross tons of goods booked. | Average tons per means mile open. | |
| | | Millions. | | | | |
| 1872 ... | 5,123 | 1,133¾ | 221,291 | Not obtained. | | |
| 1873 ... | 5,399 | 1,243½ | 230,277 | 4,016,191 | 744 | Famine year. |
| 1874 ... | 5,604 | 1,213¾ | 216,607 | 5,135,998 | 916 | |
| 1875 ... | 5,640 | 1,334⅓ | 236,639 | 4,472,802 | 795 | |
| 1876 ... | 5,841 | 1,382⅓ | 236,275 | 5,766,526 | 986 | Famine year. |

"Reductions in fares and the increased comfort of travellers will doubtless induce larger traffic receipts, in the same manner that reduced freight rates and a liberal classification will bring about increased goods traffic; but these reforms must be dependent in a measure upon decreased expenses. Decreased working cost of railway is dependent upon many causes, but the chief agent in effecting economy, and one with which the Government of this country has greatly to do, is the cost of fuel.

"Of late the East Indian Railway coal yield at Karharbáli has greatly increased, and the expense of getting coal has decreased to perhaps a minimum of 5*s*. per ton. The Company has also reduced its carrying charge from one-fifth to one-sixth of a pie per maund per mile, and now the Bengal coal is carried as far north as Lahore, as far west as Jabalpur and Ajmer, and is used on the Oudh and Rohilkhund system of lines.

"It is not too much to say that the cost of coal limits, so far as railway carriage is concerned, the horizon of the paying export of the products of India.

"Cheap coal will render possible long inland carriage of Indian grains to the sea-ports far beyond sea export. The movement of products will produce return trade, and thus the question of the development of the Indian coal industry becomes one of national as well as of railway importance.

"The prime cost of getting coal at the pit's mouth affects the matter but little. Taking the present East Indian Railway ruling rates of 5*s*. a ton for getting, and one-sixth of a pie per maund for carriage, it may be assumed that the cost of getting is equal to 100 miles of carriage only, and therefore to distribute coal cheaply throughout India, new coal measures in different parts of the land must be worked, and connecting lines of railway must be made.

"It is an imperative duty to foster this subject. A commencement has been made in the Narbada Valley, and a coal line to the Warrora Collieries has been opened during the past year, and the use of the coal from these fields is extending in Western India.

"But much remains to be done. Excellent coal has been found in Assam, which will afford a supply to Northern, and ultimately to North-Eastern, Bengal. Coal has been found in the valley of the Godávari, which may, when connecting lines of railway have been made, afford a profitable supply to Madras and for the southern portion of the Great Indian Peninsula system of Railways.

"The manufacture of iron generally follows the discovery and use of coal in all countries, and India is not an exception to this rule. During the past year an Iron Manufacturing Company in Bengal has assumed a definite form, and good results have been obtained from experiments with ore in England. I am also in hope that we may be able to start ironworks at no distant date in connection with the coal of the Warda Valley.

"To railways this industry is as important almost as the discovery and cheap distribution of coal. Maintenance of works as well as original construction will be cheaply carried out, and Government, in giving aid to the Iron Manufacturing Company, has confidence that no truer principles of political economy can be exercised in India than those of supplying Indian wants from Indian markets.

"The cessation of all action by State agency in India for the material progress and development is strongly advocated by certain eminent public men. The facts and figures I have given are, My Lord, not exaggerated or cooked, and I think that they tend to show that the administration of these matters by the State has not been wholly mismanaged, and I venture to think that, compared with any number of similar enterprises undertaken solely by private agency and directed by the keenest self-interest, the result will not be given against the Public Works of India.

"Not many months ago I saw a very strong attack calling in question the construction of railways in Southern India, and asserting that it had been premature. It is true that they have not paid as yet the full guaranteed interest, but I venture to think that the part they are at this present moment playing in taking food to the famishing, and otherwise perishing millions of Southern India is, in money saving value alone, beyond its debt to the public Treasury of India for arrears, setting aside the preservation of human lives, a view it is possible the authors would not recognise.

Having described the material operations and the financial positions of the Public Works in India, I would ask, My Lord, to be permitted to say a few words in reference to those who are entrusted with the control and direction of those operations, the magnitude and variety of which can best be comprehended by the statement—dry and hard although from its very nature it must be which I have just made.

"Of the Officers more directly responsible to Government, I can only say, that I believe them trustworthy and in every way well qualified for their position. I am confident that no nation in the world possesses a body of more able, conscientious, and honourable workers than are the Engineers of India; and, My Lord, I should be deceiving myself and deceiving you if I did not here publicly record my thorough conviction that this body has claims to consideration at the hands of the Government and public of India.

"From the nature of its original composition and development, the present organization does not tend to timely retirement and to such a rapid flow of promotion as is desirable, and it is under this condition of things, with remedies deferred and incentives to work withheld, that the man is disheartened and his energy damped.

"It may be years before the disheartening effect of the prejudicial influences I have notced is fully felt in the moral and discipline of such a zealous body of men; but where the interests of the Government and country, and the very lives, I may say of the people, are dependent on the labours of this section of our Indian community no grievance should be allowed to remain.

"There is another subject on which much has been said and written, and that is the employment of Natives and the displacement of Europeans on our Railways. On this point I wish clearly to say that the views of the Government of India, if I understand them aright, are that, without discouraging Europeans, every encouragement will be given to the efficient training of Natives for all kinds of suitable work on our lines; not on the grounds of its being a possibly cheaper course—a matter of minor importance when safety of life or limb is at stake, but on the ground that this system will open up to the Natives of India a means by which they can gain strength and self-reliance, and may supplement, rather than supplant, Europeans.

"To show how large has been the field of fresh industrial occupation thus extended to the people of both races, I would, My Lord, call attention to the following facts:—At the end of last September, the length of our open lines aggregated some 6,600 miles. Without taking into consideration the number employed upon the lines under construction, there was engaged in the higher or general administration, such as Agency, Audit, Pay, Stores, Medical, &c., an establishment of 305 Europeans, 240 East Indians, and 8,059 Natives. On Traffic and Telegraphs there were 861 Europeans, 1,038 East Indians, and 22,759 Natives. In the Engineer's Branch, 327 were Europeans, 227 East Indians, and 40,670 were Natives. In the Locomotive and Carriage Establishments, 1,539 Europeans, 1,245 East Indians, and 29,766 Natives. Thus making a total of 3,032 Europeans, 2,750 East Indians, and 1,01,254 Natives, and besides this nearly all of the 784 Railway Stations are in charge of educated Natives as Station Masters. These figures, My Lord, speak for themselves, and testify that on our Railways there is a large field open for the employment of Natives. The advantage to the bulk being in their constant intercourse during daily work with an industrious and pains-taking class of the European community, and to the more fairly educated in habits of order and independence which their duties of more or less responsibility are sure to inculcate.

"I have, I fear, gone into such detail that possibly the great characteristics and leading features of Indian Public Works, in which the State has assumed the position that in other countries is taken by private or associated enterprize, may have been lost; and I would venture before concluding the more especially to draw attention to them because this year the wave of our revenue receipts has topped over that of annual liabilities or expenditure for interest on total outlay. It is possible, doubtless, that this is due to exceptional circumstances, but I believe that even giving full credit for those circumstances, the next year and those following it will find these relations unchanged.

"In dealing with the Budget for Extraordinary Works the actual proposed outlay is not the point to be considered so much as the state of the revenue and liabilities.

"The practical mode of dealing with them is to compare the whole revenue of all remunerative works with the interest on all Extraordinary outlay.

"I will state more fully what I mean.

"The account stands thus—

| | £ |
|---|---|
| The real cost to the State of the Ordinary Public Works Department is ... ... ... ... | 2,105,000 |
| (This is an outlay not of a remunerative character.) | |
| To this should be added the grant from Imperial to Provincial funds for Public Works ... ... ... | 1,400,000 |
| Making the whole cost to the State of Public Works other than those which are meant to be remunerative ... ... | 3,500,000 |
| The interest annually payable on Guaranteed Capital is ... | 4,710,000 |
| The interest payable on the up-to-date capital of extraordinary works is ... ... ... ... | 1,170,000 |
| Total ... ... | 5,880,000 |

x

"Against this there is a total revenue of £5,985,000 made up as under—

| | £ | £ |
|---|---|---|
| Direct irrigation ... ... ... | 5,000 | 5,985,000 |
| Railway... ... ... ... | 3,670,000 | |
| Enhanced land in Madras, Bombay, North-Western Provinces, and Panjáb ... | 2,310,000 | |
| In Madras the Irrigation outlay is a Public Works charge, while virtually none of the Revenue due to Irrigation (which is undeniably enormous, at least £2,000,000 is credited to Public Works), but to Land Revenue, leaving a gain to the State of ... ... ... | | 105,000 |

"Even supposing that this gain did not exist, that the indirect revenue from Irrigation were less than what we claim it to be, this account shows that the annual outlay of the State for interest on the capital of Guaranteed Railways and of Extraordinary Works is met by the nett profits from our remunerative Public Works; and that, therefore, as matters stand at present, these remunerative works are no burden at all on the tax-payer, even though interest is included on outlay which has as yet given no returns, although these returns are certain yet to come.

"I think then we may assume that, whatever they may have been in the past, these works can hardly in any sense now be considered as burdens, conferring as they do incalculable benefits upon the country by increasing enormously its prospective wealth and prosperity. In fact, in the aggregate, they now meet all the annual liabilities we have incurred upon them.

"You have, My Lord, in Council, already conveyed to Colonel Dickens, the late Secretary of the Public Works Department, a public recognition of his services to the State. But I seize this occasion to acknowledge the great personal obligation I owe to him for the cordial aid and co-operation which he has afforded me, and which with his experience has lightened my labours in connection with the Public Works of India."

His Honour THE LIEUTENANT-GOVERNOR OF BENGAL said, that the hon'ble member who had preceded him had remarked that any discussion on the general policy of the Financial Statement would be out of order, and that it was not permissible to discuss anything but the Bills before the Council without the consent of the President. This in his opinion was a misapprehension; for the Bills were the outcome of the Financial Statement, and therefore it was quite open to discuss the measures set forth without enquiring into the details of the Bills.

He had no remarks to make about the Bills in their present state, but he did wish to say that he had, in common with those who had preceded him listened to the statement with great interest, and he desired to join with them in congratulating the hon'ble gentleman in charge of the Financial Department on the frankness and clearness with which he had explained the position of Government. On the whole, the financial position of the country, though at first sight it might seem gloomy and discouraging, was not, he thought, altogether unsatisfactory. It seemed to be the case that, if India could only be secured against a recurrence of the calamities by which she was now so frequently visited, her ordinary revenue would amply meet her expenditure. But these visitations had now become so chronic, that it was absolutely necessary to take the probability of their recurrence into consideration in making a forecast of the finance of coming years; and he thought therefore, that the Government of India had followed the only course open to it in determining to permanently increase its revenue to the extent necessary to meet these extraordinary calls without periodically upsetting the whole of the financial arrangements of the country. Nothing was so bad for the country as the doubt and uncertainty arising from a state of things under which works sanctioned, and actually in course of construction, were suddenly stopped in the middle of the year, and the whole machinery of administration thrown out of gear by the necessity for retrenchment, in consequence of some unforeseen call upon Government.

The necessities of the Government of India at the present time had, as his hon'ble friend had explained, thrown upon the Local Governments, and especially upon the Government of Bengal, very heavy burdens; but entirely recognising as an undeniable fact that Government had no alternative between perpetual financial difficulty, and a permanent increase of its revenues, and their re-establishment on a safe basis, he readily agreed to accept his share of the responsibility of raising an increased revenue, and felt sure that the urgency of the case would be fully recognised by the people of Bengal, and that he would receive the cordial co-operation of the officers of the Bengal Government, and of the people themselves, in giving effect to the measures involved in the change of system which had been explained to the Council. Bengal had, in her own calamity, much reason to be thankful for the ready aid offered to her in the time of her need, and would not grudge her contribution in aid of other provinces now suffering from a similar trouble.

If, in the face of the frequently recurring casualties which might at any time arise, and which might take the shape of drought, floods, war or other national calamity, the Government was to keep its head above water at all, he believed that the transfer of its liabilities for the interest on extraordinary works to the provinces for whose benefit, protection, or development these works had been undertaken, was the best and most appropriate solution of the question. He believed that the principle of making each province pay for its own extraordinary works of the third of the classes into which his hon'ble friend had divided works of this description, was thoroughly sound, and he was confident that it would at once secure greater caution in the adoption of schemes intended to be reproductive, and at the same time give a great impetus to the prosecution of really sound and substantial schemes. It would be a great security to the Local Government in working out large schemes, to feel that each province practically had the matter in its own hands, and that works once undertaken and progressing would not be liable to be stopped in consequence of financial difficulty in a totally different part of the country. He took it for granted that it was intended that, if a provincial Government showed that it was able to meet the interest on its loans, there would be no difficulty made in assigning to it such money as it wanted for approved schemes, so far as the borrowing powers of the Government would permit.

He entirely agreed in the principle which his hon'ble friend had enunciated in respect to the propriety of making the maintenance of such works as irrigation and canals a charge upon the people for whose direct and immediate benefit they were constructed, so far as this could be done. If they were to keep up a supply of water for the use of the people of particular parts of the country specially exposed to droughts, and to make this water always available to them to use or leave unused, as the seasons may make it convenient to them, they must make them pay for the certainty of a sufficient quantity of water for agricultural purposes which was thus assured to them. They could not close their works and dismiss their establishments in wet years, and open them again in dry years. The works must be permanently constructed on a scale involving the expenditure of a large amount of capital, and a large establishment must always be maintained to protect and preserve the works, and meet any demands for water that are made on them. Obviously the only proper way of meeting the interest on the capital thus locked up, and the expenses of this establishment, was by levying a fixed but moderate rate on all lands protected and secured from risk by the works, and to which they were prepared to turn on water whenever it was demanded. Ordinarily, no doubt, the whole cost of such works should fall upon that part of the country only which was benefited by it. Unfortunately, Bengal was peculiarly situated in respect to some of her irrigation-works. It inherited two great schemes, the Orissa and Sone schemes, from a private Company. The whole works were on an extravagant and wasteful scale, and though in the course of a few years the Sone scheme might, with a compulsory rate, be made to pay its own way, the Orissa works never could pay. Under these peculiar circumstances they could not saddle the people of the districts concerned with the whole cost of the works, but must make them pay all that they could afford to pay, and recover the rest from the province at large. Though it was unfair that the people of one province should pay for works of this class constructed in another province, the same objection did not exist to the imposition of a general rate on a province in aid of certain districts of the same province. The whole province must be treated as a unit, and it was no doubt true that a whole province benefited by anything which was done to improve a large portion of it. If it were not for these irrigation-works, the time might well come again, as it had come before, when the whole of Bengal might be called upon to suffer for the misfortunes of Orissa and Bihár; and therefore the whole of Bengal may very well be called upon to pay a light tax as an insurance against such risk.

The case of railways was different to that of canals, and he did not go quite so far here as his hon'ble friend seemed disposed to do. He did not think that railways should be a charge upon the districts through which they passed. In the first place, no railways should be undertaken by Local Governments, unless they would pay directly in some form or another, and for the future there should be no permanent charges on the revenue for the outlay incurred on their account. But if the liability for paying the first cost of a railway were thrown upon the district through which it ran, no railways would in future be made. The people of a district through which a railway passed benefited, no doubt, by the rise in prices which resulted from improved facilities of communication with large markets; but the people of the province at large also gained, and might be held liable for their share of the guarantee of interest. For instance, the new Northern Bengal Railway would bring into market the tobacco of Rungpore at a much lower cost than had hitherto been incurred for boats and cart-carriage. Part of the benefit of this would go to the producer in the shape of the increase of price which the dealers would be able to give under the stimulus of competition; but part would go to the consumers who would have their tobacco laid down at a lower cost. Therefore, while he would enforce as much as possible the liability of districts for irrigation-works and works of direct benefit on the land, he would make the whole province pay the cost of making railways and works of indirect benefit. The onus of expenditure which the Government of India had shifted from its own shoulders to those of Bengal, amounted to twenty-seven and-a-half lákhs of rupees; but he hoped, as his hon'ble friend had said, that he should be able to meet the new liabilities he had thus incurred without any very heavy taxation, and to avoid altogether any new form or method of taxation.

He had to express on his own behalf, and on behalf of Local Governments generally, his acknowledgments for the proof of confidence which had been shown in them in the increased powers of control and administration now conferred on them. He believed that the result of giving Local Governments a more immediate interest in the financial working of the various departments of State would lead to a better understanding between the Supreme and subordinate Governments.

So far it had been a pleasure to him to feel that the views of his hon'ble friend were entirely in accordance with his own. He must now glance at certain expressions of opinion on his part in which he found himself entirely unable to concur. They were, it was true, as he had just explained, only expressions of his own opinion, for they related to no immediate financial results; and it might therefore be thought that it would be better to let them pass. But though they did not take any practical form as applied to the present year's estimates, they did seem to contain a threat as to the future, and at first appeared to pledge the Governor General in Council to a course of action which, he thought, in the interests of the Government as well as the public, called for some explanation. And this explanation had now been given, and with a generosity and sincerity which reflected the highest credit on his hon'ble friend's feelings. He might, he felt sure, take upon himself to say that the explanation of his hon'ble friend would be considered entirely satisfactory by all those who took a different view of the question at issue from his hon'ble friend. He alluded he need hardly say, to his friend's remarks on the abolition of customs-duties, and of cotton-duties especially.

His hon'ble friend had commenced by telling them that their ordinary revenues were just sufficient to meet all ordinary and normal charges, but that it was absolutely necessary to establish a sufficient margin to enable the Government to meet with certainty, not only the charges for famine-relief, but, to quote his own words, "for other demands which cannot be foreseen, but which will inevitably occur." And to enable the Government to do this, it was explained that very heavy liabilities had been thrown upon the Governments of Bengal and the North-Western Provinces, which those Governments, recognising the emergency of the case, had agreed to bear. Believing that the absolute necessities of the State were, as he had already said, the sole cause of the obligations imposed upon Bengal, he had most loyally accepted that obligation. He need hardly say that he had at first been much startled to find that, though their necessities were as great as his hon'ble friend had represented them to be, he had not hesitated to volunteer an apparent pledge that cotton-duties, representing more than three-quarters of a million, should be abolished on the first opportunity, and had proceeded to suggest a further intention eventually to abolish all customs-duties; that was to say, to give up indirect revenue, regarding which not a single murmur or complaint had been heard, amounting to two-and-a-half millions, and of course, as he presumed, to impose in its place direct taxation to a similar amount; for there was no prospect whatever held out to them of such a reduction of expenditure as would place them in a position to dispense with this enormous sum.

Of course he could not say at the time when his hon'ble friend's statement was made, how far this pledge and this policy were the personal pledge and policy of his hon'ble friend, and an indication of his individual resolve to advance, with all the persistence and ability of which he was the master, a theory of ideal taxation which had possessed his mind, as he was aware, for many years; or how far they were the outcome of a deliberate conclusion of the entire Government. He was delighted to find from the further explanation given today, that the former hypothesis was the correct one; for he did not hesitate to say that immense mischief would have been done by an announcement that, while pressing the Local Government to tax the pettiest trader in the North-Western Provinces and throw increased burdens on the peasantry of Bengal, the Government of India had formed a deliberate conception of a financial policy which was not only to comply with the demands of the Manchester mill-owners, but which was to lead up to an eventual abolition of the customs-duties—in fact, to remit the one single form of taxation which pressed upon European residents in India. He was glad now to find that Government had no such intention, and that his hon'ble friend fully recognised the impossibility of taking off any duties so long as they would have to be replaced by fresh taxation.

For his own part THE LIEUTENANT-GOVERNOR believed that there was no form of taxation so sound, so productive, and so little open to objection as the indirect revenue raised by customs-duties. His hon'ble friend had alluded to the huge establishment which the collection of customs involved, and had spoken as if he thought it an irritating and wasteful form of taxation. But there was the simple fact that in the Custom-house of Calcutta alone, a revenue of three-and-a-half millions was collected at a cost of less than three per cent. It was paid by the bulk of the people without their being brought into contact with the tax-collector, and without their even knowing that any tax was raised. The peculiar fitness of customs-duties as a main feature of Indian revenue had most admirably been described by the late Viceroy in his speech on the Tariff Bill in 1875, Lord Northbrook's arguments he believed to be quite unanswerable; at all events, no one had ever attempted to answer them up to the present time.

If the rate of duty was injurious to any particular article of trade, by all means let that be rectified; but he believed that it would be extremely difficult to show that the rate now levied on any article was having a mischievous effect on trade. Of all the customs-duties, the one which was perhaps the least open to objection in practical application, as it appeared to many thinking-men, was the duty on the finer qualities of cotton-goods. It was levied on an article of general use, and was therefore productive; and it was so adjusted that the rich paid a higher rate than the poor. The poor man bought his cheap cloth and paid a low duty; the rich man bought a better cloth and paid a higher duty. He could not regret too much that the question of the conflicting interests of England and India had been brought into the question. It was not, he agreed with his hon'ble friend, a question of different interests; for the only point of view from which he believed the Government of India could look at the matter was from a purely financial point of view. He hoped the day was far distant when such questions should in this country, as unfortunately had been the case in other countries, be decided in favour of the class or interest, which made the most noise, and could make itself most heard and felt. What had to be considered was this, are these duties financially sound or unsound? Can the revenue which they produce be spared or not? If they were financially unsound, they defeated their own object, and would fail to bring in the revenue for which they were imposed. If they were not financially unsound, if they continued to bring in more than the revenue they were calculated to bring in, then it was wrong from a financial point of view to modify or remove them so long as revenue was required, or any more objectionable mode of taxation existed, which was certainly the case at present. He was of opinion that sufficient reason had not been given for believing that these duties were financially unsound from this point of view; and it was assuredly the case that Government was not in the position of having more money than it knew what to do with; and therefore it seemed to him impossible for the Government to pledge itself to any course of action in respect to customs-duties.

His hon'ble friend had said that it was seldom wise for Government to go out of its way to pledge itself to measures which it intended to adopt hereafter, and which might turn out after all to be impracticable. In this he thought they would all agree with him, and he firmly believed that this principle had never been more applicable and cogent than in the case of these duties. Though he differed from his hon'ble friend on this point, he could quite understand that he had been carried away into saying things which on fuller reflection he would have left unsaid. This theory of what he dared say he called absolutely free trade, had long been the prevailing idea of his hon'ble friend's mind. He had long been its supporter in India, and he spoke, he knew from honest conviction, and he had no doubt that he was quite unable to understand how anyone of ordinary intelligence could fail to agree with him. But as a matter of fact, he would find that very few did agree with him; and if he found himself in advance of the age, he must be content to adapt his speed to that of the people whom he had to convince, and to satisfy them that he was working for their good.

He had not ventured on these remarks in any hostile spirit, or desire to raise opposition. No doubt the remarks of his hon'ble friend on Thursday had had the effect of creating considerable alarm until they had been explained away by his remarks of today. His hon'ble friend had stated last week his belief that an honest Government obtained great advantage from a full examination and discussion of its proposed measures, and the LIEUTENANT-GOVERNOR only hoped that the result of this discussion would be to make him reflect very seriously before he attempted to carry his theories into effect. He was glad to have heard from him today his repudiation of any desire to sacrifice India's interests to those of any other country, and he was sure that they might feel that the Government of India looked upon the interests of the people of India as its first duty, and that no one really took that view more strongly than his hon'ble friend, whatever he might say in advocating a favourite theory.

The Hon'ble SIR JOHN STRACHEY said—"My Lord: In discussing a subject of so much difficulty and complexity as that of our Indian finances, there must, necessarily, be many differences of opinion in matters of detail; but, speaking generally, I think I may congratulate the Government and myself on finding that the principles which I have endeavoured to explain to the Council as those by which our financial policy ought to be governed, have met with so much approval.

"There is, I think, only one point on which I need now take up the time of the Council. This is a point which was specially noticed by my hon'ble friends Mr. Bullen-Smith and Mr. Cowie, the former of whom, I regret to think, will not much longer take part in our deliberations. If anything could have added to that regret, it would have been the speech which we have heard from him today. Whether he agrees with us or not I always feel that the Government is fortunate in having as its critic a man of such conspicuous ability and unfailing courtesy, and I feel that we are especially fortunate when, as he has done today, he tells us that he generally approves the principles of our policy.

"No one is more conscious than I am of the weak points in my own Statement, and I have no wish to conceal or deny them. I agree with my hon'ble friends, Mr. Bullen Smith and Mr. Cowie, that one of those weak points is the indefinite character of the announcements which I made on behalf of the Government about the loan operations of the year, and the bills upon the Government of India which will be sold in London; but it is a weak point for which neither this Government nor the Secretary of State is responsible, but which arises from the peculiar circumstances of the case.

"The first great cause of this indefiniteness is the condition that the assent of Parliament must be had before any money can be borrowed in England on behalf of India. Whenever the Secretary of State has no statutory powers of borrowing unused, and this is his present position, it is impossible for him to assume that Parliament will see fit to grant any additional powers for which he may ask, still less can he proclaim to the world beforehand his assumption that Parliament will sanction arrangements which it has not discussed, or even heard of, and which he and the Government of India have settled as if they were an independent power. The English Parliament, wisely jealous of its own authority, is not a body that can be so treated.

"Moreover, the question of borrowing money in England is by no means a question important only to our Indian finances; it is also a political question of the highest moment affecting Imperial interests over which it is the special duty of Parliament to watch.

"Even if this difficulty did not exist, it would be hardly possible, under present circumstances, to pledge the Secretary of State to sell any specified quantity of bills at specified times. Fluctuations in the price of silver might be so serious and might occur so rapidly that it might be in the highest degree inconvenient to carry out the pledges which had been given. It is so impossible to foresee even the near future that, as the Council will have observed, in speaking even of the sales of bills during the next two months, I could do no more than announce the present intentions of the Secretary of State. Even during the last few days we have had strong illustrations of the serious disturbances to which the rates of exchange are now liable. If we were to attempt to foresee the course of these disturbances, and were to make a definite programme to be adhered to under all circumstances, on the assumption that our forecast would turn out correct, I fear that it might turn out that we had given the strongest possible proof of our own incompetency.

"All that I can say is, that my announcements were made after communication with the Secretary of State, and that I cannot doubt that Her

Majesty's Government will give great weight to those announcements made on behalf of the Government of India. I will add that it is the desire of the Government of India to conceal none of the demands which it has to make upon the money-market. We know the magnitude of the interests affected by our operations, and recognise our duty to give the earliest and most complete information regarding them ; and we entertain no doubt that a policy of perfect frankness is required in the interests as much of the State, as of the influential classes whose business operations must be affected by our transactions.

"It is the object of the Government, *first*, to borrow altogether as little as possible ;—*secondly*, when it must borrow, to obtain as much as possible in India, so as to avoid incurring obligations defined by a gold standard. There may be differences of opinion as to how this object may be most effectually attained, and as to the extent of the sacrifices to which it may be expedient for the State to submit in order that its obligations may be measured by its own standard of value.

"I desire to say, further, that the Government of India is quite alive to the fact that the interests of the State in this matter are identical with those of its creditors, and that, whatever may be our measures for the supply of the treasury during the year, the interests of the proprietors of our existing securities will be carefully considered."

His Excellency THE PRESIDENT said :—"There can, I think, be no doubt that not only the various views and opinions to which we have listened in the course of this afternoon, but also the freedom and ability with which they have been expressed, will give great value to the record of our proceedings; and I certainly share most strongly the opinion expressed by my hon'ble friend, Sir John Strachey, that we are all of us specially indebted to our hon'ble friend, Mr. Bullen-Smith, for the excellent speech to which I for one listened, I may say, with the liveliest admiration. But the attention of hon'ble members has now been occupied for almost five hours, and patience has its limits. At any rate I am not so inhuman as to trespass further at this late hour upon the patience of the Council, which is probably well nigh exhausted; what little I have to say on the general subject of our financial policy, and more particularly with reference to the financial measures that have been placed before this Council, I propose to reserve till our meeting next Wednesday, when I trust it will be in our power to pass those measures into law. But perhaps I ought not to omit altogether the opportunity now offered me to corroborate, on behalf of the Government of India, the explanatory statement made today by my hon'ble friend the Member in charge of the Financial Department of this Government.

"That statement was made in reference to the impression brought to our notice by my hon'ble friend, Mr. Colvin, in introducing the Bills which will today be referred to a Select Committee. Rumours of such an impression had already reached our ears; which were thus enabled to detect the echo of them in the observations of my hon'ble friend, the Mahárájá Narendra Krishna. But those echoes, though not faintly repeated, died away at last, and I hope for ever, in the speech of my hon'ble friend the Lieutenant-Governor of Bengal.

"So far as I understand the character of that impression, it is this, that the Government of India desires or intends—if it be not indeed in a covert conspiracy—to tax the people of Bengal, of Oudh and the North-Western Provinces, in order to enable us to purge our customs-tariff, by removing from it the cotton-duties; nay, more, to render the whole tariff 'fine by degrees, and beautifully less,' till we get rid of it altogether.

"I think then, that I ought to repeat to the Council, with whatever authority my voice can give to it, the assurance already given by my hon'ble friend, Sir John Strachey, that we neither desire, nor intend, nor have we ever desired or intended, anything of the kind. What we do desire and intend is embodied in the two very simple bills introduced by my hon'ble friend Mr. Colvin; and it amounts to no more than this: we desire to give the earliest possible practical effect, an effect which shall operate as widely as it is at present in our power to extend its operation, to the principle that Local Governments shall be responsible, financially, for the maintenance and management of works which are of special local utility.

"Now between this principle and any part of the Customs-tariff there is no connection whatever that I am able to recognise. I do not wish to make at the present moment any observations on the cotton-duties, further than this, that if the present import-duties on cotton-goods were not five, but fifty per cent.; if the whole of our sea-customs-revenue amounted to many more millions than it amounts to now, the principle to which I have referred would still, in our sincere belief, be an equally salutary principle, and its application would be equally necessary to place our finances in a sounder and better position than they now hold.

"It is undoubtedly true that the Secretary of State has intimated to us in the Despatch which was quoted by my hon'ble friend, Sir John Strachey, that however urgent might be the purgation of our tariff by the removal or gradual reduction of those duties, still, in his opinion, such a measure ought not to be contemplated by means of increased direct taxation for the purpose of effecting it. But before the Secretary of State had expressed that opinion, it had been expressed by the Government of India itself, and the Government of India which then expressed that opinion still holds it and still desires to act on it.

"There is I think no occasion for me to make any further observations on that particular subject at the present moment, and I will therefore now merely put to the Council the motion which is before it."

The Motion was put and agreed to.

## NORTH WESTERN PROVINCES LICENSE BILL.

The Hon'ble Mr. Colvin, also moved that the Bill for the licensing of certain trades and dealings in the North-Western Provinces be referred to a Select Committee.

The Motion was put and agreed to.

## MILITARY LUNATICS BILL.

Major General the Hon'ble Sir E. B. Jhonson moved that the Bill to facilitate the admission of Military Lunatics into Asylums, be published in the *Gazette of India* in English, and in the Local Gazettes in English and in such other languages as the Local Government directs.

The Motion was put and agreed to.

The following Select Committees were named:—

On the Bill to amend the law relating to assignments from the General Provincial Fund established under the North-Western Provinces Local Rates Act, 1871—The Hon'ble Sir Arthur Hobhouse, the Hon'ble Sir J. Strachey and the Hon'ble Messrs. Cowie, Bullen Smith and Cockerell and the Mover.

On the Bill for the licensing of certain trades and dealings in the North-Western Provinces—The Hon'ble Sir Arthur Hobhouse, the Hon'ble Sir J. Strachey and the Hon'ble Messrs. Cowie, Bullen Smith and Cockerell and the Mover.

The Council adjourned to Wednesday, the 28th March 1877.

WHITLEY STOKES,

*Secretary to the Government of India,*

*Legislative Department.*

Calcutta,
*The 21st March* 1877.

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