

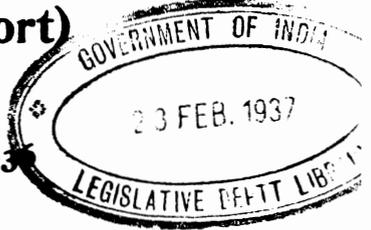
17th September 1936

THE

# LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

Volume VII, 1936



(15th September to 28th September, 1936)

## FOURTH SESSION

OF THE

## FIFTH LEGISLATIVE ASSEMBLY, 1936



NEW DELHI  
GOVERNMENT OF INDIA PRESS  
1937.

# Legislative Assembly.

## *President :*

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

## *Deputy President :*

**MR. AKHIL CHANDRA DUTTA, M.L.A.**

## *Panel of Chairmen :*

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**SIR LESLIE HUDSON, KT., M.L.A.**

**MR. ABDUL MATIN CHAUDHURY, M.L.A.**

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

## *Secretary :*

**MIAN MUHAMMAD RAFI, BAR.-AT-LAW.**

## *Assistant of the Secretary :*

**RAI BAHADUR D. DUTT.**

## *Marshal :*

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

## *Committee on Petitions :*

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**SIR LESLIE HUDSON, KT., M.L.A.**

**PANDIT NILAKANTHA DAS, M.L.A.**

**MAULVI SYED MURTUZA SAHIB BAHADUR, M.L.A.**

**MR. N. M. JOSHI, M.L.A.**

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# LEGISLATIVE ASSEMBLY.

Thursday, 17th September, 1936.

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

## MEMBER SWORN.

Major-General Sir Cuthbert Allan Sprawson, Kt., C.I.E., K.H.P.,  
M.L.A. (Government of India : Nominated Official).

## QUESTIONS AND ANSWERS.

### INSUFFICIENCY OF LATRINES IN THIRD CLASS COMPARTMENTS ON THE EAST INDIAN RAILWAY.

442. \*Mr. Sri Prakasa : (a) Is it a fact that on the East Indian Railway only one lavatory is provided in third class compartments meant to carry from 40 to 52 passengers ?

(b) Are Government aware that this is inadequate ?

(c) Are Government prepared to insist on Railway Administrations supplying at least one lavatory for not more than 15 passengers ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) Yes, in a number of the older coaches. The accommodation provided in all third class carriages built since 1930 is as follows :

One compartment to seat 52 with one latrine.

One compartment to seat 30 with one latrine.

One compartment to seat 20 with one latrine.

One compartment to seat 12 with one latrine.

(b) The adequacy depends on the services on which the carriages are utilised.

(c) No.

**Mr. Sri Prakasa :** Do Government intend to take any steps to put in additional latrines on the older type of coaches still in use ?

**The Honourable Sir Muhammad Zafrullah Khan :** I will send down the suggestion to the Agent of the East Indian Railway for his consideration.

**RULES PERTAINING TO THE NUMBER OF LETTERS TO BE SENT IN THE  
SAME COVER.**

**443. \*Mr. Sri Prakasa:** (a) Is it a fact that, according to the post-office rules, letters addressed to different individuals cannot be sent in the same cover ?

(b) If so, does the rule also apply to letters addressed to different members of the same family by a friend or relative ?

(c) Can more than one letter pertaining to different subjects, be addressed to the same individual in the same cover by a single person, and can a number of persons enclose their separate letters addressed to the same individual in one cover ?

(d) What is the process adopted by Government to see that the rules pertaining to the number of letters in the same cover are fulfilled ?

(e) Is it common for Government to open letters to make sure ? If so, under what rule do Government open such letters ?

(f) What is the sanction in case of any violation of the rules ? Have any sanctions been so far applied ?

(g) Is it true that some Government Departments have been caught sending a number of letters meant for different individuals in the same cover, and thus attempting to defraud the post-office ? If so, what, if any, action has been taken against them ?

**The Honourable Sir Frank Noyce:** (a) Under section 4 of the Indian Post Office Act, the Governor General in Council has the exclusive privilege of conveying by post, from one place to another, all letters, with certain exceptions, and has also the exclusive privilege of performing all the incidental services of receiving, collecting, sending, despatching and delivering all letters. As the sending in one cover of a number of letters intended for persons living at different addresses must involve distribution and delivery at the place of destination such a practice is illegal under the Act.

(b) Yes, but not if the members of the family are living with the addressee. It is immaterial whether the sender is a friend, relative or a stranger.

(c) The reply to the first part is in the affirmative. The reply to the second part is in the negative if a collection of letters from different addresses is involved.

(d) Postal employees have instructions to be on the watch to prevent all illegal practices.

(e) The reply to the first part is in the negative. The second part does not arise.

(f) I do not understand what exactly the Honourable Member means by the word "sanctions" but I may inform him that any breach of the provisions of section 4 of the Indian Post Office Act is punishable under section 58 of that Act.

(g) Certain practices adopted in some Government offices which came to the notice of the Postal Department appeared to violate the provisions of the Indian Post Office Act ; but there was no intention to

defraud the Post Office. The offices were asked to discontinue the practices.

**Mr. Sri Prakasa :** With reference to the reply to clause (b), may I take it that letters to different members of the same family living at the same address cannot be enclosed in the same envelope? I could not exactly catch the Honourable Member's reply.

**The Honourable Sir Frank Noyce :** The answer to clause (b) was :

“ Yes, but not if the members of the family are living with the addressee. It is immaterial whether the sender is a friend, relative or a stranger.”

**Mr. T. S. Avinashilingam Chettiar :** With reference to the answer to clause (d), what is the process adopted?

**The Honourable Sir Frank Noyce :** The only process adopted at present is that if the packet looks suspicious, the post master asks for it to be opened.

**Mr. T. S. Avinashilingam Chettiar :** Or he can open it himself?

**The Honourable Sir Frank Noyce :** He can open it himself, but I understand that is seldom if ever done.

**Mr. Sri Prakasa :** With reference to the answer to clause (g), if it was not the intention of the particular Government Departments concerned to defraud the Post Office when they sent out letters addressed to different individuals in the same cover, what other intention could they possibly have had?

**The Honourable Sir Frank Noyce :** To save money. (Laughter.)

**Mr. Sri Prakasa :** Then, would the laudable desire to save money exempt us, private individuals, also from the penal sections of the Post Office Act, or only a Government Department?

**The Honourable Sir Frank Noyce :** I imagine private individuals have also the same laudable desire to save money and that the Post Office is equally justified in trying to defeat it if they can. (Laughter.)

#### CATCHES SUPPLIED IN RAILWAY COMPARTMENTS FOR “LIFT-UP” WINDOW SHUTTERS.

444. **\*Mr. Sri Prakasa :** (a) Are Government aware that insufficient catches, or such catches as are not easily adjustable, supplied in railway compartments for “lift-up” window shutters, have been responsible for many serious hurts to fingers of passengers, specially children?

(b) Are Government prepared either to insist on railways supplying proper and strong catches, or have only “let-down” window shutters?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) Government are aware that there have been accidents caused by the manipulation of window shutters, but these are in most cases due to want of sufficient care on the part of the passengers.

(b) Government are considering the adoption of improved designs of window catches which it is hoped will afford further protection to passengers against accidents.

**Mr. Sri Prakasa :** Is my Honourable friend really sure that accidents are due to carelessness on the part of passengers? Are they

not due to the inadequacy of the catches as well ? I have had some experience of that.

**The Honourable Sir Muhammad Zafrullah Khan :** I think they are sometimes due to the latter, but very often to the former.

**Mr. Sri Prakasa :** What may be the ratio ? Fifty-fifty ?

(No answer.)

#### TRADE AGREEMENT BETWEEN INDIA AND CEYLON.

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

- (a) whether any steps are being taken for a comprehensive trade agreement between India and Ceylon ;
- (b) whether they have received any communication from the Ceylon Government on this matter ; and
- (c) whether the question of introducing new trade relations between Ceylon and India is being considered in view of the repudiation of the Ottawa Pact ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) to (c). The Honourable Member's attention is invited to the replies given by me to his previous questions Nos. 124 and 175 in the current Session.

**Mr. S. Satyamurti :** May I take it that until this question of replacing the Ottawa Pact is settled one way or the other, the question of separate trade negotiations between Ceylon and India will not be taken up ?

**The Honourable Sir Muhammad Zafrullah Khan :** That is the position.

#### ENQUIRY INTO THE CONDITION OF RAILWAY FINANCES.

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

- (a) whether it is a fact that Lord Ashfield has been approached in connection with the enquiry into the conditions of Railway finances in India ;
- (b) whether they have come to any conclusion with regard to the appointment of an expert ; and
- (c) whether they have exhausted all available Indian talent in the matter before proceeding to import foreign experts ?

**The Honourable Sir Muhammad Zafrullah Khan :** I would refer the Honourable Member to the reply I gave to Mr. Ananthasayanam Ayyangar's question No. 84 on the 2nd September, 1936.

**Mr. S. Satyamurti :** What is the answer to clause (c) of the question ? So far as I remember, that has not been answered so far.

**The Honourable Sir Muhammad Zafrullah Khan :** The reply I have given to this part of the question is that the whole matter is under consideration.

**Mr. S. Satyamurti** : May I take it, therefore, that "the whole matter" includes the examination of all available Indian talent and the exhaustion thereof, before proceeding to import others ?

**The Honourable Sir Muhammad Zafrullah Khan** : "The whole matter" means getting a suitable man with the necessary experience to look into this question.

**Mr. S. Satyamurti** : Even if he is an Indian ?

**The Honourable Sir Muhammad Zafrullah Khan** : If an Indian, so much the better.

**Mr. T. S. Avinashilingam Chettiar** : Am I to understand that it has been decided to call for an expert, or only the question of the man that has to be got is under consideration,—or the very question of calling for an expert is under consideration ?

**The Honourable Sir Muhammad Zafrullah Khan** : It has been decided that there must be an inquiry into this matter.

†447\*.

APPLICATIONS FOR NOMINATIONS TO THE INDIAN CIVIL SERVICE IN ENGLAND.

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

- (a) whether their attention has been drawn to the fact that 100 applications have been received in England from British young men for nomination to the Indian Civil Service ; and
- (b) whether they have ascertained or will ascertain the educational qualifications of these applicants ?

**The Honourable Sir Henry Craik** : (a) The number of candidates who applied for appointment to the Indian Civil Service by selection was about 260.

(b) As I have already explained, candidates for selection must have qualified by examination for a good Honours Degree in a Final Honours School of an approved University.

**Mr. S. Satyamurti** : May I know how many of those, who ought to be selected, have been selected, this year ?

**The Honourable Sir Henry Craik** : I think not less than one-tenth of those who applied.

**Mr. S. Satyamurti** : May I take it that the tests for them are over, or are they going to be held afterwards, such as, *viva voce*, etc. ?

**The Honourable Sir Henry Craik** : The tests have been conducted.

**Mr. S. Satyamurti** : Has the selection been made ?

**The Honourable Sir Henry Craik** : Yes, provisional selection has been made in some cases. They still await the result of their University examinations.

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† This question will be put and answered later.

**Mr. T. S. Avinashilingam Chettiar :** May I know whether this selection is to cover the excess of Indians that have been selected in previous years ?

**The Honourable Sir Henry Craik :** I do not follow that question.

**Mr. T. S. Avinashilingam Chettiar :** Is this selection of the British element to the Indian Civil Service made to make up for the excess of Indians that have been recruited in the previous years ?

**The Honourable Sir Henry Craik :** There is no question of an excess of Indians but of a shortage of British candidates.

†449\*.

†450\*.

#### FISCAL REFORM, STATE HELP FOR INDUSTRIES AND DEVELOPMENT OF THE RESOURCES OF THE COUNTRY.

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

- (a) whether they propose to take any steps in the direction of fiscal reform, State help for industries, and development of the resources of the country ; and
- (b) whether they propose to take a comprehensive view of this question and come to far-reaching decisions thereon ?

**The Honourable Sir James Grigg :** (a) and (b). This is not a subject which can be dealt with adequately in reply to a question. In so far as it concerns the Central Government the occupants of these Benches, and particularly those in charge of the Finance and Commerce Departments; have dealt with it fully on more than one occasion in the course of debates in this House.

#### TEMPORARY TRADE ARRANGEMENTS BETWEEN INDIA AND GREAT BRITAIN.

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

- (a) whether they are examining, or are considering, any suggestion for temporary trade arrangements between India and Britain, after the termination of the Ottawa Agreement in the middle of November ;
- (b) whether they are aware that the United Kingdom offers to make separate agreements with each Dominion ;
- (c) whether they are taking steps to sound the opinion of Chambers of Commerce and Provincial Governments on the nature of agreements to be entered into ;
- (d) whether they propose to take at every stage of the negotiations non-official, commercial and industrial opinions ; and
- (e) if not, why not ?

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† This question will be put and answered later.

**The Honourable Sir Muhammad Zafrullah Khan :** (a) to (d). Yes, Sir.

(e) Does not arise.

**Mr. S. Satyamurti :** May I ask for some elucidation of the answer "Yes" to clause (a) of the question? Are Government considering any temporary arrangements between India and Britain, after the termination of the Ottawa Agreement, at the end of the notice period which is about the middle of November?

**The Honourable Sir Muhammad Zafrullah Khan :** Yes, Government are considering such an arrangement. The position is that, as the Honourable Member is aware, the Ottawa Trade Agreement would come to an end on the 13th November. As the Honourable Member is further aware, there are negotiations afoot between the United Kingdom and India for the conclusion of a fresh trade agreement. While those negotiations are in progress and till it becomes apparent either that there can be no fresh agreement or a fresh trade agreement is actually concluded, Government feel that it would lead to unnecessary dislocation of trade and uncertainty in the two countries if the present arrangements were not continued as a sort of *modus vivendi*.

**Mr. S. Satyamurti :** May I take it, therefore, that Ottawa Agreement will be continued more or less in its entirety, till either of the contingencies to which my Honourable friend has referred becomes a fact? That is to say, till the conclusion of the agreement or the decision on the part of both the Governments that no agreement is possible, Ottawa Agreement will continue.

**The Honourable Sir Muhammad Zafrullah Khan :** That is the present intention.

**Mr. S. Satyamurti :** May I know what is the maximum amount of time, according to the Government's calculation, beyond the middle of November up to which this arrangement will continue?

**The Honourable Sir Muhammad Zafrullah Khan :** I am afraid it is impossible to calculate at the present moment the maximum amount of time that may be required.

**Mr. S. Satyamurti :** May I know whether Government propose to approach this Honourable House, before the end of the Session, with a proposal which is in the mind of my Honourable friend now, asking the approval of the House for the continuance of this *ad interim* arrangement, till some conclusion is arrived at?

**The Honourable Sir Muhammad Zafrullah Khan :** No, Sir.

**Mr. S. Satyamurti :** May I know the reason why, when the House is in session and my Honourable friend has already made up his mind that, for the present the old agreement should continue as an *ad interim* arrangement, the Government do not propose to ask the opinion of this House on this matter?

**The Honourable Sir Muhammad Zafrullah Khan :** For the reason that the Government think that that is the only reasonable course to take.

**Mr. S. Satyamurti :** May I know whether the Government has examined any other alternatives ?

**The Honourable Sir Muhammad Zafrullah Khan :** Every other alternative would lead to very undesirable consequences.

**Mr. S. Satyamurti :** May I know whether the Government have consulted the relevant interests such as industrial, commercial, and trade opinion with regard to the continuation of this agreement ?

**The Honourable Sir Muhammad Zafrullah Khan :** No, Sir. But Government have no reason to feel that there would be any difference of opinion on this matter at all.

**Mr. S. Satyamurti :** Will Government feel the same way, if they were to take the vote of this House on this arrangement ?

**The Honourable Sir Muhammad Zafrullah Khan :** I am unable to say that. It is a hypothetical question.

**Mr. S. Satyamurti :** What is the answer to clause (c) of my question ?

**The Honourable Sir Muhammad Zafrullah Khan :** I said " Yes ".

**Mr. S. Satyamurti :** Have Government received the opinions ?

**The Honourable Sir Muhammad Zafrullah Khan :** Yes, Sir, from various interests.

**Mr. S. Satyamurti :** Have Government also received opinions from all the Provincial Governments ?

**The Honourable Sir Muhammad Zafrullah Khan :** I believe so.

**Mr. S. Satyamurti :** Will they place the opinions of the Provincial Governments on the table of the House at some suitable time ?

**The Honourable Sir Muhammad Zafrullah Khan :** No, Sir.

**Mr. S. Satyamurti :** With regard to the answer to clause (d) of the question, may I know when this non-official committee, which, I believe, has been appointed, is going to meet ?

**The Honourable Sir Muhammad Zafrullah Khan :** The non-official advisers had been asked to meet at a date which has already passed, but some of them represented that the date did not suit them and therefore Government were compelled to postpone their first meeting for a few days.

**Mr. S. Satyamurti :** May I know what will be the procedure of this delegation ? Are Government going to put their proposals before them and ask their opinions, or are they going to be given materials and asked to give their advice to Government ?

**The Honourable Sir Muhammad Zafrullah Khan :** I cannot say exactly what the procedure will be but they will be consulted on all aspects of the question.

**Mr. S. Satyamurti :** Will this delegation be sent to England, to negotiate with any delegation or Government there ?

**The Honourable Sir Muhammad Zafrullah Khan :** If the stage of oral negotiations arrives, I believe they will be invited to go to England.

**Mr. S. Satyamurti :** May I know whether their advice will be accepted by the Government, or whether it is merely a kind of advisory council, whose views Government may accept or reject ?

**The Honourable Sir Muhammad Zafrullah Khan :** Their advice will be advice. I do not think I can go further than that.

**Prof. N. G. Ranga :** May I know whether the non-official advisers were selected in their individual capacity or because of the Parties to which they belonged ?

**The Honourable Sir Muhammad Zafrullah Khan :** I am not aware that any of them belongs to any particular Party.

**Prof. N. G. Ranga :** May I know whether they were selected after consulting the various interests concerned such as industrial, commercial and agricultural ?

**The Honourable Sir Muhammad Zafrullah Khan :** No, but they represent various interests.

**Prof. N. G. Ranga :** On what basis were they selected ?

**The Honourable Sir Muhammad Zafrullah Khan :** As I have already said, they have been selected on the basis that they represent certain interests.

**Prof. N. G. Ranga :** Will the Government take care to see that these non-official advisers have taken the permission of the political parties to which they belong or the industrial associations to which they belong ?

**The Honourable Sir Muhammad Zafrullah Khan :** No, Sir. I am not aware that any one of them belongs to any particular political party.

POST OF ECONOMIC ADVISER TO THE GOVERNMENT OF INDIA.

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

- (a) whether they propose to offer the post of Economic Adviser to the Government of India to an American ; and
- (b) whether they have exhausted all available Indian talent in this matter ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) and (b). The matter is still under the consideration of the Government of India.

**Mr. T. S. Avinashilingam Chettiar :** May I know when do they hope to select this economic adviser ?

**The Honourable Sir Muhammad Zafrullah Khan :** As soon as a suitable individual is available.

**Mr. S. Satyamurti :** May I know what is under consideration ? The creation of a post of an Economic Adviser to the Government of India, or the offer thereof to an American ?

**The Honourable Sir Muhammad Zafrullah Khan :** The question under consideration is as to who should be appointed to this post.

**Mr. S. Satyamurti :** May I know if there is any American name which is being considered ?

**The Honourable Sir Muhammad Zafrullah Khan :** So far as I am aware, No.

**Mr. T. S. Avinashilingam Chettiar :** Are any names being considered ?

**The Honourable Sir Muhammad Zafrullah Khan :** Yes, Sir.

**Mr. T. S. Avinashilingam Chettiar :** Are there any Indians in that list of people ?

**The Honourable Sir Muhammad Zafrullah Khan :** The whole question is under consideration. I am afraid I am unable to disclose any further information with regard to this matter.

**Mr. T. S. Avinashilingam Chettiar :** May I know whether any names of Indians in the list of persons are being considered ?

**The Honourable Sir Muhammad Zafrullah Khan :** No, Sir, the Honourable Member may not know.

**Pandit Lakshmi Kanta Maitra :** What is the pay attached to this post ?

**The Honourable Sir Muhammad Zafrullah Khan :** That matter also is still under consideration. It has not yet been finally settled.

**Mr. T. S. Avinashilingam Chettiar :** Does it mean that there are no Indians on that list ?

**The Honourable Sir Muhammad Zafrullah Khan :** I have already answered that.

**Mr. S. Satyamurti :** What are the functions of this Economic Adviser ?

**The Honourable Sir Muhammad Zafrullah Khan :** To advise the different Departments of Government on economic questions.

**Pandit Lakshmi Kanta Maitra :** Is it a new post or is it an old post ?

**The Honourable Sir Muhammad Zafrullah Khan :** If the Honourable Member is aware of any Economic Adviser under the present arrangements, then it is not a new post, otherwise it is.

†454\*.

†455\*.

#### ABOLITION OF THE TARIFF BOARD.

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

(a) the reasons why they have decided to dispense with the Tariff Board ;

† This question will be put and answered later.

- (b) in how many cases the decisions of the Tariff Board have not been accepted, and the reasons why ;
- (c) the data and the reasons on which they came to the conclusion that they did not expect any inquiry to be instituted for several months ;
- (d) whether they have considered the need for increased protection to silk and handloom cloth in India ;
- (e) whether they have considered the question of constituting a permanent Tariff Board or *ad hoc* Boards from time to time; from the point of view of getting the best independent opinion ;
- (f) whether they propose to make enquiries in connection with the sugar industry sometime next year ; and
- (g) whether the abolition of the Tariff Board is due to any change of policy of the Government in respect of discriminating protection ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) and (g). The Honourable Member is referred to my speech on his Adjournment Motion in this connection on the 1st September, 1936.

(b) I would refer the Honourable Member to the statements laid on the table of the House in reply to part (b) of question No. 721 by Pandit Govind Ballabh Pant on the 26th September, 1935, and to part (a) of question No. 406 by Mr. Akhil Chandra Datta on the 13th February, 1936. Government's decisions on the recommendations of the Tariff Board together with their reasons will be found in the Resolutions or speeches on the Bills relating to each enquiry. Copies of these are in the Library of the House.

(c) The Honourable Member is referred to the reply given by me to part (ii) of Mr. Akhil Chandra Datta's question No. 403 on the 13th February, 1936.

(d) and (e). Yes.

(f) Yes. Section 3 of the Sugar Industry (Protection) Act, 1932, provides that Government's proposals with regard to the industry should be placed before the Legislature not later than 31st March, 1938, and in view of the large volume of evidence with which the Tariff Board will probably be faced, it will be desirable to embark on this enquiry in good time.

**Mr. S. Satyamurti :** With reference to the answer to part (c), may I know the specific answer to the question, "the data and the reasons on which they came to the conclusion that they did not expect any enquiry to be instituted for several months, except in the case of sugar" ?

**The Honourable Sir Muhammad Zafrullah Khan :** There may be an enquiry in between. I cannot say there will not be.

**Mr. S. Satyamurti :** One of the reasons why the Government decided—I will not use the word 'abolish'—to disband the Tariff Board was that they did not expect any enquiry for several months. I

am asking, apart from sugar, with regard to for example, silk and handloom cloth mentioned in part (d), are there any petitions or requests before the Government, asking for an enquiry as to the need for protection to these industries ?

**The Honourable Sir Muhammad Zafrullah Khan :** There are some applications pending. With regard to this subject, there is a question later on. I have not taken up the attitude anywhere that there will not be an enquiry for several months. There might be an enquiry next month and as soon as the Government are in a position to remit an enquiry to a Tariff Board, they will set up a Tariff Board.

**Mr. S. Satyamurti :** Earlier than the sugar enquiry, do Government contemplate any enquiry ?

**The Honourable Sir Muhammad Zafrullah Khan :** I cannot say definitely whether Government contemplate any enquiry, or not ; it is possible an enquiry may have to be made.

**Mr. T. S. Avinashilingam Chettiar :** What is the reply to the first portion of part (e) of the question ?

**Mr. President** (The Honourable Sir Abdur Rahim) : The Honourable Member ought to have listened when the answer was read out.

**Mr. T. S. Avinashilingam Chettiar :** The answer was read out so fast that I could not follow.

**The Honourable Sir Muhammad Zafrullah Khan :** I said, ' yes ' ; surely that answer could be easily followed.

**Mr. T. S. Avinashilingam Chettiar :** Are the Government considering the creation of a permanent Tariff Board ?

**The Honourable Sir Muhammad Zafrullah Khan :** With regard to that I have already answered several questions.

**Mr. T. S. Avinashilingam Chettiar :** Then, what is the meaning of ' yes ' in answer to part (e) of the question ?

**The Honourable Sir Muhammad Zafrullah Khan :** The meaning of ' yes ' is that Government have considered the question.

QUESTION AND ANSWER IN THE HOUSE OF COMMONS REGARDING REVISION OF THE OTTAWA TRADE AGREEMENT.

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

- (a) whether their attention has been drawn to a question and answer in the House of Commons on the 17th June, regarding revision of Ottawa Agreement ;
- (b) whether the President of the Board of Trade announced that preliminary discussions with a view to revising the Ottawa Agreement with Canada would begin shortly ;
- (c) whether any such discussions have been started between Great Britain and India ;
- (d) whether they are aware that the Board of Trade had invited the Association of British Chambers of Commerce, the Federation of British Industries, and the National Union of

Manufacturers, as well as bodies representing particular industries, to furnish observations to them ;

(e) whether they propose to invite similar organizations in India to advise them on this matter ; and

(f) if not, why not ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) to (d). The Honourable Member is presumably referring to the question and answer in the House of Commons on the 16th and not on the 17th June. If so, the reply to parts (a) to (d) is in the affirmative.

(e) The Government of India have already addressed representative commercial bodies in India for their opinions in the matter.

(f) Does not arise.

INDIANISATION OF THE GOVERNMENT OF INDIA SECRETARIAT.

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

(a) whether they are considering now the question of Indianisation of the Secretariat, Central Government ;

(b) whether it is a fact that while 42 of 84 such officers are Indians, a great majority of these 42 are Superintendents ;

(c) whether the Indian Members of the Executive Council are giving their attention to this matter ;

(d) if so, what the results are ;

(e) whether it is a fact that in the Army Headquarters there is no Indian beyond the rank of a Superintendent ; and

(f) whether it is proposed, in view of the Wheeler Committee's Report, to overhaul the existing system of Indianisation, and lessen its extent or pace ?

**The Honourable Sir Henry Craik :** (a), (c) and (d). The policy of Government in regard to the appointment of officers to superior posts in the Government of India Secretariat has already been explained in a statement made in connection with the Resolutions by the Honourable Rai Bahadur Lala Jagdish Prasad and the Honourable Mr. Jagdish Chandra Banerjee regarding Indianisation of the Indian Civil Service in the Council of State on the 10th February, 1934.

(b) No.

(e) No. At present there are four Indian Officer Supervisors at Army Headquarters.

(f) No.

**Mr. S. Satyamurti :** With reference to part (b), may I know the exact figures, as to how many are Superintendents and how many others ?

**The Honourable Sir Henry Craik :** None of them is a Superintendent. All the 42 officers are holding superior appointments to Superintendents.

## RENEWAL OF THE INDO-JAPANESE TRADE AGREEMENT.

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

- (a) whether it is a fact that three technical experts are coming from Japan early in July to advise and assist the Japanese Consul General in India in connection with the proposed discussions on the renewal of the Indo-Japanese Trade Agreement ;
- (b) whether they propose to get the assistance of technical experts ; and
- (c) if not, why not ?

**The Honourable Sir Muhammad Zafrullah Khan** : (a) Yes.

(b) Government have obtained the advice of non-official advisers connected with the various interests concerned.

(c) Does not arise.

**Mr. S. Satyamurti** : Have the Government of India invited any technical experts, just as the Japanese delegation have done, to help them—I mean technical in the sense that they understand the technical secrets of trade ?

**The Honourable Sir Muhammad Zafrullah Khan** : Well, Sir, I believe the non-official advisers whom the Government have brought into consultation do understand the technical secrets of trade.

**Mr. T. S. Avinashilingam Chettiar** : Do the Government presume that Dr. Subbaroyan whom they are consulting knows the technical secrets of trade ?

**The Honourable Sir Muhammad Zafrullah Khan** : Dr. Subbaroyan was not one of the persons consulted on this matter.

**Mr. S. Satyamurti** : I do not ask part (a) of question No. 460, because it is past history.

## LIFTING OF THE SANCTIONS AGAINST ITALY.

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

- †(a)
- (b) whether she consulted the Dominions in this matter ;
- (c) if so, what answer the Dominions gave ;
- (d) whether the Government of India were consulted, and whether they communicated the wishes of this Assembly and of the people of India, that sanctions ought not be lifted ; and
- (e) if not, why not ?

**Sir Aubrey Metcalfe** : (b) and (c). The Government of India have no information.

(d) and (e). I would refer the Honourable Member to the replies to parts (b), (c) and (d) of question No. 149 asked by him on the 7th September, 1936.

† “ (a) whether Great Britain has made up her mind to recommend to the League of Nations the lifting of the sanctions against Italy ; ”

ABOLITION OF THE TARIFF BOARD.

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

- (a) whether their attention has been drawn to the statement of Mr. Manu Subedar, President of the Small Industries' Association, published in the *Hindu* of the 21st June, 1936, regarding the abolition of the Tariff Board ;
- (b) whether they have noticed his statement that he regarded the proposed abolition of the Tariff Board as a very retrograde step as a result of the 'anti-industry' attitude dominating the Government of India more and more ;
- (c) what are the industries which have applied to Government for protection, but whose representations have not been attended to ;
- (d) whether they are aware that there are many other industries which also applied for protection ;
- (e) whether the abolition of the Tariff Board means that decisions on application for protection would rest with the Government of India, or whether they would appoint an *ad hoc* committee from time to time ; and
- (f) whether they have considered that commercial and industrial opinion in the country is strongly in favour of the continuation of the Tariff Board ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) and (b). Yes.

(c) and (d). The Government of India have at present under consideration applications for protection or enhanced protection in respect of the following industries, namely, silk, pottery, playing cards, apple growing, vegetable products and the manufacture of rubber cloth.

(e) and (f). The Honourable Member is referred to my speech on his Adjournment Motion in this connection on the 1st September, 1936.

**Prof. N. G. Ranga :** Have the Government of India received any representation from the handloom weavers during the last four or five months ?

**The Honourable Sir Muhammad Zafrullah Khan :** I believe there is a question with regard to that later on.

**Mr. S. Satyamurti :** With reference to all these various industries, whose names my Honourable friend mentioned and from whom applications for protection are pending, may I know how long roughly these applications have been pending with the Government ?

**The Honourable Sir Muhammad Zafrullah Khan :** I am afraid I cannot say without notice.

**Mr. S. Satyamurti :** Why have the Government not disposed of these applications earlier ?

**The Honourable Sir Muhammad Zafrullah Khan :** Because they could not dispose of them earlier.

**Mr. S. Satyamurti :** May I know what are the reasons why Government take such a long time in disposing of applications for protection from industries, which are anxious to get it, as early as they can ?

**The Honourable Sir Muhammad Zafrullah Khan :** I may assure the Honourable Member that there is no avoidable delay in disposing of these matters. Various enquiries have to be made ; information has to be called for sometimes from the very people who have made applications and so on. Government cannot always make up their mind solely upon information which may be sent up in the first instance and which may be incomplete.

**Pandit Lakshmi Kanta Maitra :** Did Government receive any application from the celluloid industry for protection ?

**The Honourable Sir Muhammad Zafrullah Khan :** I would require notice of that question.

#### RECOMMENDATIONS OF THE INDO-BURMA FINANCIAL TRIBUNAL.

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

- (a) whether it is a fact that the report of the Application Committee, set up by the Secretary of State to go into the details of the recommendations of the Indo-Burma Financial Tribunal report will not be available for discussion in the Legislatures either in India or Burma before the introduction of Reforms ; and
- (b) whether they propose to take steps to see that it is discussed in the Legislative Assembly ?

**The Honourable Sir James Grigg :** (a) and (b). The purpose of the Application Committee is not to consider the recommendations of the report of the Indo-Burma Financial Tribunal, which have already been accepted by His Majesty's Government, but almost exclusively to work out the resultant account on the lines illustrated in the appendix to the Tribunal's report.

A provisional and preliminary account will be submitted for the budget purposes of the year 1937-38 but the final account will certainly not be ready before the end of 1938.

The Committee's duties being of this restricted nature, no useful purpose could be served by a discussion in this House.

†463\*.

#### NEGOTIATIONS REGARDING THE CESSION OF THE FRENCH POSSESSION IN INDIA.

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

- (a) whether there is any truth in the report that the French Government are negotiating with the British Government for the cession of the French possession in India ;

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† This question will be put and answered later.

(b) whether the British and French Governments are examining certain interpretations of their rights over small areas, situated outside the main French Colonial possessions in India ;

(c) if so, what they are ; and

(d) whether they propose to take any steps in this matter ?

**Sir Aubrey Metcalfe :** (a) No.

(b) Yes.

(c) and (d). It is not in the public interest to reveal, at the present stage, the result of the examination of their rights by the Government of India or the nature of the steps under contemplation.

ENROLMENT OF QUALIFIED VOTERS BY THE SYSTEM IN OPERATION IN GREAT BRITAIN.

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

(a) whether their attention has been drawn to a statement made by the Under Secretary of State in the House of Commons on the 22nd June, 1936, in answer to a question, to the effect that the adopting of the suggestion that qualified voters should be enrolled by a system similar to that in operation in Britain, instead of would-be voters being required to take the initiative, would involve an amendment to the India Act and could not be effected by a provision in the electoral rules ;

(b) whether their attention is drawn to the fact that while application is prescribed by the Act, it is not said that applications should be made in person and not by proxy ;

(c) what was the explanation received from the Provincial Governments for insisting on personal presentation of applications ;

(d) whether there are administrative difficulties ; and

(e) if so, what they are ?

**The Honourable Sir Nripendra Sircar :** (a) Yes.

(b) The position, as I understand, is that under the new Act it is left to the rule-making authority to decide the manner in which application is to be made.

(c) The Government of India are content generally to leave the matter in the hands of Local Governments.

(d) and (e). Do not arise.

**Mr. S. Satyamurti :** In view of my Honourable friend's answer to part (b) with which, if I may say so respectfully, I agree, may I know if the Government have examined the statement of the Under-Secretary of State made in the House of Commons, that to ask that these voters should be enrolled without presenting applications in person would involve an amendment of the Government of India Act ?

**The Honourable Sir Nripendra Sircar :** If you allow me to make a short statement, I can explain it. On account of the agitation in the Press in Madras which drew the attention of Government of India to this matter, the Government of India took certain steps to enquire and the result of that was that certain difficulties were represented to exist by the Local Government. Although I am not willing to place the whole of that document on the table—it contains various other matters—I can give the purport of the main objection to the proposal. What was pointed out was that there was difficulty in that Province of Madras particularly in connection with literacy qualifications. And unlike other provinces, in Madras there is no form of certificate of literacy below the S. S. L. C., which means the Secondary School Leaving Certificate and the Local Government considered that the only safeguard against bogus voters was to insist on personal application. An exception was made for women having scruples to appear in public in whose case provision has been made in the Madras rules for presentation by their husbands or other relatives. The Local Government have made every endeavour to facilitate registration; for instance, by empowering officers to receive applications, by having centres in each electoral area and instructing officers to tour the areas adequately to receive applications. Having considered all the representations made by the Local Government, the Government of India decided not to interfere in this matter with their discretion.

**Mr. S. Satyamurti :** May I know if Government had any report from the Local Government that dispensing with applications in person would swell the number of electors to such a large extent, that it will give rise to administrative difficulties ?

**The Honourable Sir Nripendra Sircar :** No, Sir.

**Mr. S. Satyamurti :** May I know if Government considered, from the point of view of the Government of India Act, the question that insistence on personal application was inconsistent with the provision of the Act, and the electoral rules as framed by the Government of India ?

**The Honourable Sir Nripendra Sircar :** That is a matter of opinion and unfortunately we do not agree that it is inconsistent, and I have explained the situation as to the difficulties which are presented and why the Government of India did not interfere further in the matter.

**Mr. M. Ananthasayanam Ayyanger :** Have not the Government of India received reports of resolutions passed in various meetings in various parts of the Madras Presidency that the touring is not enough, because if only one day in a month is fixed for going to an important village, that is not enough, and therefore the village officers must be authorised to receive applications ?

**The Honourable Sir Nripendra Sircar :** On the materials before me I cannot answer that question. If my friend will put down a question I can answer it.

**Mr. M. Ananthasayanam Ayyanger :** Will the Honourable Member kindly accept short notice ?

**The Honourable Sir Nripendra Sircar :** Yes, certainly, provided you do not ask for adjournment on that reply (laughter). (*An Honourable*

**Member :** "He will ask for adjournment.") Then I will not accept short notice.

**Mr. S. Satyamurti :** Sir, I may point out that short notice is accepted on the merits, and cannot be the subject of a bargain. If the Honourable Member accepts it, he does so because he thinks it is right, and it is for me to move an adjournment on it if I choose.

**The Honourable Sir Nripendra Sircar :** That is certainly the correct legal position.

PLANNING OF PUBLIC WORKS.

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

- (a) whether their attention has been drawn to the statement of Sir Bhupendranath Mitra, denying that the Government of India had neglected the planning of public works, and also denying that the situation was not improving ; and
- (b) what are the public works for which the Government of India have spent money with a view to relieve un-employment during the last five years, and what is the extent and nature of them ?

**The Honourable Sir Frank Noyce :** (a) The Honourable Member is no doubt referring to Sir Bhupendra Nath Mitra's speech at Geneva on the 15th June, 1936, during the twentieth session of the International Labour Conference. The trend of that speech, which I have read, is generally that understood by the Honourable Member.

(b) As the Honourable Member is no doubt aware, the very numerous public works, which are planned with a view to the relief of rural un-employment, are scattered all over India. They are planned and executed by the Provincial Governments and I have no list either of works planned or of works executed. So far as the Government of India are concerned, the reopening of the New Delhi Capital Programme, on which the expenditure so far sanctioned amounts to about Rs. 136 lakhs, was decided on partly with a view to providing employment. I would add, however, that Sir Bhupendra Nath Mitra's statement did not relate to public works expressly designed to combat unemployment, but to large public works generally. A statement prepared in 1935 for the League of Nations limited to public works each costing at least 50 lakhs showed that the works started or completed after the 1st January, 1929, involved an aggregate estimated expenditure of Rs. 148 crores. That, I should explain, is for the whole of India and not only for works under the Central Government. I would also refer to certain figures quoted by the Honourable the Finance Member in the debate on the Indian Finance Bill, 1935, to be found on page 2707 of Volume III of the Legislative Assembly Debates of that Session.

**Mr. S. Satyamurti :** Of the 148 crores spent since 1929, may I know how many of these works were started for the express purpose, wholly or partially, of relieving unemployment ?

**The Honourable Sir Frank Noyce :** I have explained, Sir, that the reopening of the New Delhi Capital Programme was decided on partly with a view to providing employment. I have said that the statement referred to in the question did not relate to public works expressly designed to combat unemployment, but to large public works generally.

**Prof. N. G. Ranga :** Is it not a fact that the expenditure on construction works on the railways was the lowest during the last year since 1929 and that this expenditure has been going down seriously since 1929 and also that retrenchment of 160,000 people has been effected since 1929, and all this has intensified the unemployment problem in this country ?

**The Honourable Sir Muhammad Zafrullah Khan :** This does not arise out of the previous question.

**Prof. N. G. Ranga :** It does arise in view of the fact that Sir Bhupendra Nath Mitra is reported to have denied that the Government of India had neglected the planning of public works and also denied that the situation was not improving, and the Honourable Member in charge of the department has himself said that the Government of India have done as much as they can possibly be expected to do in order to relieve unemployment. I submit my question certainly arises out of this question.

**Mr. President (The Honourable Sir Abdur Rahim) :** This question relates to a specific case and I think it would be better for the Honourable Member to give notice.

**Mr. S. Satyamurti :** May I know if my Honourable friend is aware that this speech of Sir Bhupendra Nath Mitra was made in connection with unemployment ?

**The Honourable Sir Frank Noyce :** That may be.

**Mr. S. Satyamurti :** May I know what is the relevancy of the answer when out of 148 crores, which is a staggering figure, only 1½ crores was spent on the reopening of the capital programme at Delhi, for the express purpose of relieving unemployment ?

**The Honourable Sir Frank Noyce :** Does my Honourable friend dispute the fact that if you spend 148 crores on public works, that does diminish unemployment ?

**Mr. S. Satyamurti :** It depends on where it goes, and whether the greater part of it goes into the pockets of contractors and officers.

**Mr. T. S. Avinashilingam Chettiar :** May I know over how many years this sum of 148 crores was distributed ?

**Mr. President (The Honourable Sir Abdur Rahim) :** That is a very big question.

**Mr. Huseinbhai Abdullabhai Laljee :** May I know whether Government supplied these particulars to Sir Bhupendra Nath Mitra before he made this statement ?

**Mr. President (The Honourable Sir Abdur Rahim) :** Next question.

†467\*.

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† This question will be put and answered later.

TERMINATION OF THE OTTAWA TRADE AGREEMENT.

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

- (a) whether they propose to enter into a " stop-gap arrangement " between India and the United Kingdom to cover the period between the termination of the Ottawa Agreement and the execution of a fresh one ; and
- (b) whether the programme of the Government of India is first to negotiate an Indo-Japanese cotton agreement, and then to take up the conclusion of agreements to take the place of Ottawa Agreement, and, if so, why ?

**The Honourable Sir Muhammad Zafrullah Khan** (a) The Honourable Member is referred to my reply to part (a) of his starred question No. 452 in the current Session.

(b) No, Sir. Negotiations with both Japan and the United Kingdom are being conducted simultaneously.

**Mr. S. Satyamurti** : May I know, if there is any connecting brain between these two negotiations, so that one may not impinge on the other adversely, or are they conducted independently of each other ?

**The Honourable Sir Muhammad Zafrullah Khan** : Both the negotiations are in charge of the Commerce Department.

**Mr. S. Satyamurti** : Are they in charge of the Commerce Member ? May I know if he is keeping his finger on these two negotiations, so that they may develop into a harmonious thing ?

**The Honourable Sir Muhammad Zafrullah Khan** : The Commerce Department is in charge of the Commerce Member, and not only the Commerce Member but the whole Government of India are keeping their eye on it.

**Mr. S. Satyamurti** : That is the trouble ; we want you only to keep your eye on it.

**The Honourable Sir Muhammad Zafrullah Khan** : I am in charge, but so far as keeping an eye is concerned, the whole of the Government of India are keeping their eyes on it.

†469\*.

COMMITTEES AND COMMISSIONS APPOINTED DURING THE LAST TEN YEARS.

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

- (a) the number of Committees and Commissions appointed by them, or by the Secretary of State for India, during the last ten years ;
- (b) the actual expenses incurred thereon ; and
- (c) the recommendations of these Committees and Commissions which have been given effect to ?

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† This question will be put and answered later.

**The Honourable Sir Henry Craik :** (a) and (b). I would refer the Honourable Member to the answer I gave to Mr. A. N. Sinha's starred question No. 1582 on the 14th April, 1936. The information for the period from 1932 up to date has since been placed in the Library.

(c) I am afraid the labour and time involved in collecting the information will hardly be commensurate with the results obtained. The reports of some of the Committees, and information of the effect given to their recommendations, have been published.

**Mr. S. Satyamurti :** Cannot my friend give an answer to clause (b), which relates to expenses incurred on these committees and commissions since 1932 ?

**The Honourable Sir Henry Craik :** The Honourable Member will find that in the information that has been laid on the table since the last Session.

#### PROPOSAL TO INCREASE FREIGHT ON COFFEE, TEA AND RUBBER.

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

(a) whether the General Secretary, Indian Railway Conference Association, Delhi, has received a letter from the Secretary, United Planters' Association of South India, Connoor, protesting against the proposal to increase freight on coffee, tea and rubber ;

(b) whether they have examined the contents of the letter ; and

(c) whether they propose to make the increase in spite of these protests ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) Government have no information.

(b) Government have examined the contents of the extract sent by the Honourable Member.

(c) Government have no proposal under consideration at present for an enhancement in the freight rates for these commodities.

#### APPOINTMENT OF A TRADE COMMISSIONER FOR CEYLON IN INDIA.

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

(a) whether they are aware of the appointment of a Trade Commissioner for Ceylon in India, a motion for which was passed by the Ceylon State Council ; and

(b) whether they propose to appoint a separate Trade Commissioner for India in Ceylon ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) The Government of India have seen press reports regarding the proposed appointment of a Trade Commissioner for Ceylon in India but they have not so far received any official communication from the Ceylon Government on the subject.

(b) No such appointment is at present contemplated.

INDIANISATION OF THE INDIAN ARMY VETERINARY CORPS.

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

- (a) whether they propose to take any steps to Indianise the Indian Army Veterinary Corps as early as possible ;
- (b) whether they propose to raise the standards of veterinary education in India ;
- (c) if so, when ; and
- (d) if not, why not ?

**Mr. G. E. F. Tottenham :** (a) I would refer the Honourable Member to the Army Department letter No. 31799/1|Q.11, dated the 28th June, 1935, and the Press Note of the 4th June, 1935, on the subject. A copy of the former was laid on the table of the House on the 10th February, 1936.

(b), (c) and (d): Education is a Provincial ' transferred ' subject, and therefore the Government of India cannot themselves take steps to raise the standard of veterinary education in this country ; but they have addressed Local Governments in the matter.

TERMINATION OF THE OTTAWA TRADE AGREEMENT.

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

- (a) whether their attention has been drawn to the reply of the President of the Board of Trade to the Lancashire Indian Cotton Committee deputation's query concerning the Government of India notice to terminate the Ottawa Agreement in November, and to his statement that until November the Committee should pursue its aims and objects as done before ;
- (b) the results of the work of that Committee so far ; and
- (c) what the latest figures of the consumption of cotton by Lancashire this year are ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) Yes.

(b) and (c). The Honourable Member is referred to the First and Second Annual reports of the Lancashire Indian Cotton Committee, copies of which are in the Library. An important result of the Committee's work is that there has been a striking increase in the imports of Indian cotton into the United Kingdom, the quantity imported during the season August, 1935—July, 1936 being 546,654 bales, as against 230,000 bales in the corresponding season of 1932-33.

**Mr. S. Satyamurti :** May I know whether Government have included the price factor in the consideration of this increase consumption of Indian cotton in the English market ?

**The Honourable Sir Muhammad Zafrullah Khan :** I am afraid I am unable to follow the question.

**Mr. S. Satyamurti :** Is the increased consumption due wholly or partially, and if so to what extent, to the cheapness of Indian cotton, compared with cotton of similar qualities, which Britain might have bought elsewhere ?

**The Honourable Sir Muhammad Zafrullah Khan :** I believe this increased consumption is due largely to the activities of the Lancashire Indian Cotton Committee.

**Mr. S. Satyamurti :** I am asking for some enlightenment on the matter : may I know whether the British cotton consumer has bought Indian cotton at a price higher than he would have paid, had he purchased similar cotton elsewhere ?

**The Honourable Sir Muhammad Zafrullah Khan :** I am afraid I am unable to answer that without notice.

**Mr. S. Satyamurti :** Has he not bought this Indian cotton, simply because it is cheaper than other cotton ? Was it not due largely to the law of supply and demand, where the price factor plays the most important part ?

**The Honourable Sir Muhammad Zafrullah Khan :** No : I understand that before the Lancashire Indian Cotton Committee started its activities in the direction of research and bringing to the notice of cotton spinners the qualities of Indian cotton, Indian cotton was not so largely used because it was not found useful for the purposes for which cotton was required and though it might be that other factors, such as the price factor, have entered into the question, I have no doubt that the greater part of the larger consumption of Indian cotton is due to the activities of the Cotton Committee in the direction of research and bringing to the notice of cotton spinners the uses to which Indian cotton might be put.

**Mr. M. Ananthasayanam Ayyangar :** May I know if most of this Indian cotton is long staple cotton ?

**The Honourable Sir Muhammad Zafrullah Khan :** No : not the greater part of it.

#### SUPPORT OF CANADA TO THE CESSATION OF SANCTIONS AGAINST ITALY.

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

- (a) whether their attention has been drawn to a statement from Ottawa, dated the 19th June, 1936, to the effect that the Government of Canada will support the cessation of sanctions and will instruct their League delegates accordingly ;
- (b) whether they have issued any such instructions to their League delegates ;
- (c) if so, what they are ; and
- (d) if not, why not ?

**Sir Aubrey Metcalfe :** (a) Yes.

(b) and (c). The Secretary of State was requested to instruct the delegates of India to express their agreement with the view taken by His Majesty's Government, *viz.*, that there was no advantage in continuing to impose sanctions which had definitely failed to achieve their purpose.

(d) Does not arise.

**Mr. S. Satyamurti :** Were the instructions given by the Government of India after they knew of His Majesty's Government's views, and had

they considered it on its own merits, and come to their own conclusion independently, that it was the correct view in the circumstances ?

**Sir Aubrey Metcalfe** : When the Government of India were consulted, they were certainly informed by His Majesty's Government of the position which they proposed to take.

**Mr. S. Satyamurti** : Did the Government of India bring to bear, on the consideration of that question, the expressed Indian feeling on the subject, and did they, in spite of that, agree with His Majesty's Government's conclusion, because they thought it was the best in the circumstances ?

**Sir Aubrey Metcalfe** : They brought to bear on the consideration of the matter, all the relevant points which they could think of and came to their conclusion accordingly.

**Mr. S. Satyamurti** : Did the Government of India have the freedom to differ from His Majesty's Government, and did they exercise that freedom, and decide not to exercise that freedom, on the merits of the case ?

**Sir Aubrey Metcalfe** : The Government of India certainly had freedom to express an opinion to His Majesty's Government on the subject.

**Mr. S. Satyamurti** : Different from that of His Majesty's Government ?

**Sir Aubrey Metcalfe** : If they had chosen to differ from His Majesty's Government they could have expressed an opinion different from theirs.

**Mr. S. Satyamurti** : May I know what are the reasons then, why, in spite of universal Indian feeling in the matter, the Government of India chose to ignore that feeling, and agree with His Majesty's Government ?

**Sir Aubrey Metcalfe** : The Honourable Member makes an assumption which I am not prepared to admit.

**Mr. S. Satyamurti** : May I know what in the judgment of the Government of India was the opinion of the people of India in respect of these sanctions ?

**Sir Aubrey Metcalfe** : I am not prepared to express any opinion on that and I do not think I am called upon by the rules to do so.

**Mr. S. Satyamurti** : I am asking for the impression of the Government of India with regard to public opinion in this country. I am not asking their opinion : I am simply asking what the Government's appreciation of the opinion of the public of this country was on this question ?

**Sir Aubrey Metcalfe** : I can see no essential difference between an opinion and an impression or appreciation.

**Mr. S. Satyamurti** : May I appeal to you, Sir ? I am not asking the opinion of the Government of India at all.

**Mr. President** (The Honourable Sir Abdur Rahim) : The Honourable Member regards the question as requiring him to express an opinion, and he is not prepared to do so.

**Mr. S. Satyamurti** : It is for you to rule, Sir.

**Mr. President** (The Honourable Sir Abdur Rahim) : He understands it like that.

**Mr. S. Satyamurti** : He misunderstands it !

**Pandit Krishna Kant Malaviya** : Is the Honourable Member aware of the opinion of the majority of members in this House regarding this matter ? The question has been discussed so many times in this House.

**Sir Aubrey Metcalfe** : There has been no formal expression of opinion so far as I know and there certainly has been no division on the subject.

**Mr. S. Satyamurti** : Did the Government of India have any information—and if so what—about public opinion in this country, on the question of sanctions or lifting of them against Italy ?

**Sir Aubrey Metcalfe** : They had seen a certain number of press articles, if that represents public opinion.

**Mr. S. Satyamurti** : What were those press articles ?

**Sir Aubrey Metcalfe** : It is quite impossible to give these details.

#### CORONATION DURBAR IN INDIA.

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

- (a) whether they are considering the date of the Coronation Durbar in India ;
- (b) whether they are sounding the leaders of the Indian opinion in this matter ;
- (c) if so, whom ; and
- (d) whether the Coronation is proposed to be held in 1937 or 1938 ?

**The Honourable Sir Henry Craik** : (a). No decision has yet been reached in regard to the holding of a Coronation Durbar in India.

(b), (c) and (d). Do not arise.

**Seth Govind Das** : Will Government take into consideration, when deciding this question, the present economic condition of this country ?

**The Honourable Sir Henry Craik** : The decision does not rest with the Government of India.

**Mr. S. Satyamurti** : May I take it that the Government are not considering the question at all ? I think my Honourable friend said, no decision has been taken.

**The Honourable Sir Henry Craik** : Yes : it is possibly being considered, but I have no information.

**Mr. S. Satyamurti** : I want to know whether the Government of India are considering it.

**The Honourable Sir Henry Craik** : No.

CHECKS APPLIED TO VERIFY THE EVIDENCE AGAINST THE DETENUS.

477. \*Mr. Mohan Lal Saksena : Are Government aware of the judgment delivered by Justices Cunliff and Henderson in two appeals from Midnapore in connection with the Bengal Suppression of the Terrorist Outrages Act, in which the two accused had been prosecuted on the same evidence as had already been rejected as insufficient and unreliable by the High Court, and sentenced to six years' and seven years' rigorous imprisonment by a Special Magistrate ? If so, has the Honourable the Home Member read the judgment and revised his opinion regarding the effectiveness of checks and cross checks applied to verify the evidence against the detenus ?

The Honourable Sir Henry Craik : I have seen the judgment. I have no reason to revise my opinion and it is opposed to public interest to criticise the judgment.

EXAMINATION OF THE WORKING OF THE REPRESSIVE LAWS WITH A VIEW TO THEIR REVISION.

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

(a) whether their attention has been drawn to the remarks of two learned judges of the Calcutta High Court in a recent case published in the newspapers, especially to the following sentences :

" This Court has now been asked to uphold the conviction of the present accused practically on the evidence which was abandoned or discredited before a Full Bench in another case in which one of these was accused " ;

(b) whether their attention has been drawn to another case :

" Their Lordship's opining that it was of no benefit to anybody that in administering this necessary though ' unpopular ' legislation Magistrates and Judges should be wanting in ordinary common sense " ;

(c) whether they propose to examine the working of the repressive laws in the light of these judgments, with a view to revising them as early as possible ; and

(d) if not, why not ?

The Honourable Sir Henry Craik : (a) and (b). I have seen the judgments referred to.

(c) No.

(d) I would like to point out that the High Court judgment extracted in part (b) itself confirms the necessity of such legislation. I cannot make any further statement as it is opposed to public interests to criticise judgments of Courts.

Mr. S. Satyamurti : May I know whether Government, from time to time, examine the working of these repressive laws, in view of the judgments of their Lordships of the High Courts, in cases which are being tried under those Acts ?

The Honourable Sir Henry Craik : Well, Sir, if the Statutes or the working of the Statutes are to be reviewed because one magistrate or

two magistrates committed an error of judgment, the whole of the ordinary law will have to be constantly under review ; for instance, the law as to theft and murder is not constantly under review because occasionally courts make mistakes or because occasionally the decisions of the lower courts are set aside by High Courts on appeal.

**Mr. S. Satyamurti :** I am simply asking whether, in the light of such remarks that the High Courts in this country or the Privy Council may make with regard to the working of certain repressive laws passed by the Governor General in Council or any exceptional laws, Government take those observations into consideration, with a view, if necessary, to amend those laws in the light of those observations ?

**The Honourable Sir Henry Craik :** That is rather a long question, but I should say the answer is yes, Government always reads with attention those observations.

**Mr. S. Satyamurti :** What is the machinery which deals with such matters ? Is it the Honourable Member's Department or the Law Department ? Does not the Law Department deal with all matters requiring legislation ?

**The Honourable Sir Henry Craik :** In the case of the criminal law, it would be the task of my Department, but no doubt it would consult the Legislative Department, especially if the question arose of making any change in a statute.

**Pandit Lakshmi Kanta Maitra :** May I know, Sir, in view of the fact that the Honourable the Home Member controls the administration of justice in this land, having regard to these two cases, whether he sent down any note to the Government of Bengal to review the cases ?

**The Honourable Sir Henry Craik :** No.

**Pandit Lakshmi Kanta Maitra :** Did it not strike the Honourable Member that there has been gross miscarriage of justice, and did the Honourable Member take any steps to check these abuses in future ?

**The Honourable Sir Henry Craik :** I don't think there has been a gross miscarriage of justice. In one case the people were wrongly convicted, and the High Court acquitted them. What else has to be done ?

**Pandit Lakshmi Kanta Maitra :** By gross miscarriage of justice, I mean that in the lower courts these people had been sentenced to long terms of imprisonment, and but for the interference of the High Court, they would have unnecessarily suffered, and I was asking the Honourable Member to tell me what specific action he has taken to check such abuses in the future ?

**The Honourable Sir Henry Craik :** The persons convicted have a right of appeal and have exercised their right of appeal, and in the administration of criminal law as a whole there is practically a universal right of appeal against any sentence.

**Pandit Lakshmi Kanta Maitra :** I am afraid the Honourable Member has not caught my point. I wanted to point out that these magistrates abuse their powers in this manner, and but for the interference of the High Court, these people would have suffered, and I want to know what specific action or what specific steps did he take to inform the Bengal

Government to see to it that these extraordinary powers are not abused in future. It would have resulted in gross miscarriage of justice but for the intervention of the High Court in this particular instance ?

**The Honourable Sir Henry Craik :** The High Court is there to prevent such miscarriage of justice, and because a miscarriage of justice happened in one case, there is no ground for drawing any inference that such miscarriage of justice is frequent ; there are innumerable instances in which the accused had a right of appeal and their conviction has been upheld by the Appellate Court.

COMMERCIAL RELATIONS BETWEEN INDIA AND JAPAN.

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

- (a) whether they have heard from the Committee of the Bengal Chamber appointed to advise them whether the commercial relations between India and Japan are to be revised or renewed ;
- (b) whether they are considering the question of evasions and of providing against smuggling of Japanese goods into India from Indian States, Afghanistan, and Nepal ; and
- (c) whether they are examining the suggestions that piece-goods quota should be based on the balance of trade between India and Japan and not necessarily, as on the previous occasion, on the export of raw cotton to Japan ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) to (c). Yes, Sir. All these matters are under the consideration of the Government.

**Mr. S. Satyamurti :** With reference to the answer to clause (c) of the question, may I know specifically, because there is great public anxiety on the matter, whether this particular suggestion that the piece-goods quota should be based on the balance of trade between India and Japan, and not necessarily, as on the previous occasion, on the export of raw cotton to Japan, is being borne in mind ?

**The Honourable Sir Muhammad Zafrullah Khan :** That is one of the numerous matters that is being borne in mind by the Government of India in this connection.

LETTER FROM THE SOUTH INDIA CHAMBER OF COMMERCE TO THE INDIAN RAILWAY CONFERENCE ASSOCIATION.

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

- (a) whether the General Secretary, Indian Railway Conference Association, has received a letter from the Honorary Secretary, South Indian Chamber of Commerce, regarding the extreme uncertainty introduced in trade and commerce by such sudden and frequent alterations in transport charges, published in the *Indian Express*, dated the 10th June, 1936 ; and
- (b) whether they have examined the letter carefully ; if so, what their conclusions are ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) Yes.

(b) Yes. On the main point to which reference is made in the letter, i.e., an enhancement in the classification for various commodities, Government will await the views of the Conference Association before arriving at any conclusions.

**POSSIBILITY OF IMPROVING THE QUALITY OF CANDIDATES FOR THE INDIAN MILITARY ACADEMY.**

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

(a) whether there has been further talk between the Commander-in-Chief and certain Members of the Legislature regarding the possibility of improving the quality of candidates for the Indian Military Academy at Dehra Dun ; and

(b) if so, whether their conclusions will be placed before the Assembly ?

**Mr. G. B. F. Tottenham** : (a) Yes.

(b) The discussions are still in progress, but the Honourable Member may rest assured that his suggestion will be borne in mind.

**Sardar Mangal Singh** : May I know whether His Excellency the Commander-in-Chief would himself be present at the meeting which is going to be convened ?

**Mr. G. B. F. Tottenham** : It depends on when the meeting takes place. I am sure, His Excellency the Commander-in-Chief will be very glad to attend if he can.

**ARTICLE ENTITLED "PROVINCIAL AUTONOMY AND THE CENTRE" PUBLISHED IN THE *Hindu*.**

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

(a) whether their attention has been drawn to a leading article, entitled "Provincial Autonomy and the Centre", in the *Hindu* of the 8th June, 1936 ;

(b) whether they have examined the criticisms contained in the article ;

(c) if so, what their conclusions are ; and

(d) whether they propose to take steps on the lines suggested in the article, and if not, why not ?

**The Honourable Sir Nripendra Sircar** : (a) Yes.

(b) to (d). The Government are fully seized of the desirability of shortening, as far as may be practicable, the period intervening between the initiation of Provincial Autonomy and the advent of the Federation and they are therefore concerned to do all in their power to contribute towards rendering this period as short as possible.

**GIVING EFFECT TO THE RECOMMENDATIONS OF THE TARIFF BOARD ON THE COTTON TEXTILE INDUSTRY.**

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

(a) the reasons why they took action under the Tariff Act in order to give effect to the recommendations of the Special Textile Tariff Board ; and

(b) why the Assembly was not consulted in the matter ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) and (b). The Honourable Member's attention is invited to my speech on the 2nd September on Mr. Avinashilingam Chettiar's Adjournment Motion.

**GRANT OF A PREFERENCE TO INDIAN COFFEE.**

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

(a) whether they have heard from the Indian Coffee Cess Committee urging that in any new trade agreement between the Government of India and the United Kingdom, a preference of 3d. per pound should be granted to Indian coffee ;

(b) if so, whether they propose to take steps in that direction ; and

(c) if not, why not ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) Yes, Sir.

(b) and (c). The suggestion is being considered along with others received in response to the Government of India's invitation to Local Governments, Chambers of Commerce and Trades Associations for suggestions as to the lines on which it is considered desirable to conclude a new Agreement with His Majesty's Government in the United Kingdom.

**APPOINTMENT OF SIR CHARLES INNES AND SIR FREDERICK WHYTE AS COMMISSIONERS TO ASSIST THE COMMERCIAL RELATIONS AND TREATIES DEPARTMENT OF THE BOARD OF TRADE NEGOTIATIONS.**

486. \*Mr. S. Satyamurti ; Will Government be pleased to state :

(a) whether their attention has been drawn to the fact that Sir Charles Innes and Sir Frederick Whyte have been appointed Commissioners temporarily to assist the Commercial Relations and Treaties Department of the Board of Trade Negotiations ; and

(b) whether they propose to examine the feasibility of appointing similar experts here also ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) Government have seen Press reports to that effect.

(b) The necessity for making similar appointments in India has not so far arisen.

**Mr. S. Satyamurti** : May I know, Sir, whether my Honourable friend has, independent of this question, ever examined whether the Government of India,—I am not asking him personally,—ever examined the question of the usefulness or otherwise of having such Commissioners, to assist in the consideration of the various matters which come up for negotiation, between this Government and other Governments ?

**The Honourable Sir Muhammad Zafrullah Khan** : For negotiations particularly, the Government of India have not felt the necessity of the appointment of any such Commissioners, but on economic questions generally, was there not a question this morning with regard to an Economic Adviser ?

#### WITHDRAWAL OF ITALIAN CONSUL FROM BOMBAY.

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

- (a) whether the Italian Consul has been withdrawn from Bombay ;
- (b) whether they know the reasons for the same ;
- (c) whether they are aware that anti-British, anti-Ethiopian and pro-Italian propaganda are largely made by the Italian Consul in Calcutta ;
- (d) whether they have examined the question whether a Consulate can do such propaganda ; and
- (e) whether they propose to take steps to stop Indian Post Offices being used by the Consulate for this purpose ?

**Sir Aubrey Metcalfe** : (a) There is no appointment of Italian Consul at Bombay, but the Italian Consul General at that post was recalled in July last.

(b) No.

(c) and (d). Yes.

(e) The Honourable Member's attention is invited to the answer given to his question No. 141.

**Mr. S. Satyamurti** : What is the answer to clause (d) of the question ?

**Sir Aubrey Metcalfe** : Yes.

**Mr. S. Satyamurti** : What is the result of the examination ?

**Sir Aubrey Metcalfe** : The result of the examination is that they are inclined to agree with the Honourable Member that such propaganda is illegitimate.

BRITISH INDIAN SUBJECTS IN ADDIS ABABA.

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

- (a) whether they have made enquiries from Addis Ababa about the number of British Indian subjects still there, and what they are engaged in and whether any Indian refugees are still there ; and
- (b) whether they will place the results of the enquiries on the table of the House ?

**Sir Aubrey Metcalfe :** (a) and (b). The approximate number of British Indians remaining in Addis Ababa is 300. Most of them are engaged in trade.

**Mr. S. Satyamurti :** Are Government satisfied that these 300 Indian traders have adequate protection for their lives and property in Addis Ababa ?

**Sir Aubrey Metcalfe :** Yes, as far as anybody has adequate protection there at present. They have done their best to satisfy themselves on that subject.

INDIAN SOLDIERS IN ADDIS ABABA.

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

- (a) whether any Indian soldiers are still at Addis Ababa ;
- (b) if so, what their duties are ; and
- (c) when they will be withdrawn from there ?

**Mr. G. R. F. Tottenham :** (a), (b) and (c). The attention of the Honourable Member is invited to the Press Communiqué issued on September 1st, a copy of which was laid on the table in reply to question No. 212 on the 9th September, 1936.

REVISION OF THE INDO-JAPANESE TRADE AGREEMENT.

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

- (a) whether the Commerce Secretary is going to consult prominent business men in respect of the revision of the Indo-Japanese Agreement ;
- (b) whether they have any technical advisers ; and
- (c) if so, who they are ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a) to (c). I lay on the table a statement showing the names of representatives of the various interests in India who have acted as un-official Advisers to the Government of India in connection with the Indo-Japanese Trade Negotiations now in progress.

*List of un-official Advisers to the Representative of the Government of India in connection with the Trade Negotiations with Japan.*

Sir Chunilal Mehta, K.C.S.I.	..	} Bombay Millowners' Association.
Mr. T. Maloney	..	
Mr. Kasturbhai Lalbhai	..	} Ahmedabad Millowners' Association.
Mr. Sakarlal Balabhai	..	
Mr. P. B. Advani	.. ..	Government of Bombay.
Sardar Rao Bahadur Bhimbhai Naik	..	} Indian Central Cotton Committee.
Mr. M. P. Kolhe	.. . .	
Mr. Haridas Madhavdas	.. ..	} East India Cotton Association.
Mr. R. G. Saraiya	.. ..	
Mr. D. P. Khaitan	.. ..	} Federation of Indian Chambers of Commerce and Industry.
Lala Shri Ram	.. ..	
Sir Rahimtoola Chinoy	.. ..	
Mr. R. A. F. Kidson	.. ..	} Associated Chambers of Commerce of India.
Mr. Robert Scotson	.. ..	
Mr. A. L. Carnegie	.. ..	
Diwan Bahadur Ramalingham Chettiar	.. ..	} Government of Madras.
Mr. F. L. Silva	.. ..	
Colonel E. H. Cole	.. ..	Punjab Cotton Growers.

†491. \*

**GOVERNMENT'S ACTION ON THE REPORT OF THE TARIFF BOARD ON THE COTTON TEXTILE INDUSTRY.**

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

- (a) whether their attention has been drawn to the statements of Sir R. M. Chinoy, Mr. Manu Subedar, and Mr. V. N. Chandavarkar, on the report of the Special Tariff Board and the Government's action thereon published in the *Madras Mail*, of the 27th June, 1936 ;
- (b) whether their attention has been drawn particularly to the statement of Mr. Manu Subedar that " there was not much direct competition between products of the handloom industry and imports of the United Kingdom was absolutely wrong with respect to that portion of the handloom industry which was engaged on fine counts " ;
- (c) whether their attention has also been drawn to his statement that " a large loop-hole had been left by the Board's inability or unwillingness to deal with the protection required against

† This question will be put and answered later.

the United Kingdom's imports of not only artificial silk, but mixed fabrics, cotton and artificial silk” ;

(d) whether their attention has been particularly drawn to his statement, that “ the Tariff Board report had not added any valuable principles for elucidation of the question of protection to the textile industry which would continue to recur so long as the purchasing power of the farmer was low and the industry was exposed to onslaughts not merely from Japan but, under the new lower duties from the United Kingdom ” ;

(e) whether they propose to examine the whole question from the point of view of the criticisms ;

(f) if not, why not ;

(g) whether their attention has been drawn to a statement by Mr. V. N. Chandavarkar, on the same subject published in the *Madras Mail* of the 27th June, 1936, particularly to his reference to the undertaking given by Sir Joseph Bore in the Assembly in January, 1935, to the following effect :

“ If the substantive level of protection granted by the legislature is reduced, it is the legislature that will reduce the level of protection ” ;

and

(h) the reasons why they have given lower protection as against the British Textile goods without consulting the Assembly ?

**The Honourable Sir Muhammad Zafrullah Khan :** (a), (b), (c) and (d). Yes, Sir.

(e) and (f). The relevant factors were given careful consideration before Government arrived at their conclusions which were published in the Commerce Department Resolution No. 341-T. (10)36, dated the 25th June, 1936, on the Report of the Special Tariff Board.

(g) Yes, Sir. The statement of Sir Joseph Bore has, however, been quoted without its context. If the Honourable Member will study that context he will find that the matter under discussion when the statement was made was Article 4 of the Agreement, dated the 9th January, 1935, between His Majesty's Government in the United Kingdom and the Government of India, i.e., the Article which deals with “ radical changes in the conditions affecting protected industries ”. The Special Tariff Board presided over by Sir Alexander Murray was not constituted on account of any such radical change, but in fulfilment of the undertaking of the Government of India contained in Sir B. N. Mitra's letter to the Right Honourable W. Runciman, M.P., appended to the agreement.

(h) The attention of the Honourable Member is invited to my speech during the debate on the Adjournment Motion on the 2nd September, 1936.

**Mr. S. Satyamurti :** With reference to clause (e) of the question, may I know, Sir, whether these criticisms or the subjects of these criticisms were in possession of the Government before they passed their orders on the Report of the Special Textile Tariff Board ?

**The Honourable Sir Muhammad Zafrullah Khan :** The report and the material on which it was based were before the  
12 Noon. Government and all these considerations entered into the matter. The Board had given their findings on these matters.

**Mr. S. Satyamurti :** With reference to the answer to clause (g) of the question, may I know whether, in this particular case, the substantive level of protection granted to the Indian textile industry was not reduced, by reducing the duties on certain classes of British textiles ?

**The Honourable Sir Muhammad Zafrullah Khan :** The degree of protection has been reduced but it was found by the Board specifically that to that extent protection had become more than adequate for the purpose.

**Mr. S. Satyamurti :** May I know whether, apart from the necessity or otherwise, the Honourable Member differs from his predecessor's commitment that, "If the substantive level of protection granted by the legislature is reduced, it is the legislature that will reduce the level of protection" ?

**The Honourable Sir Muhammad Zafrullah Khan :** This was one specific matter which resulted from a specific undertaking given to examine the whole question. It was not a part of a radical reduction in the level of protection to Indian industries.

**Mr. S. Satyamurti :** May I know if Government examined this question from this point of view, and came to the conclusion that this promise of my Honourable friend's predecessor was not binding on them, as they came to the conclusion that the level of protection was not reduced ?

**The Honourable Sir Muhammad Zafrullah Khan :** Apart altogether from this promise, under certain conditions Government were themselves prepared, as I explained in the course of my speech on the Adjournment Motion, to place the matter before the legislature, but certain other factors arose, one of them, the time factor, which made it clear that it would not be possible to submit these proposals to the legislature. I tried to explain, in my speech the other day on the Adjournment Motion that when the Honourable Member put the question to me in the last Session whether proposals would be submitted to the legislature,—I said, "No, unless legislation is involved."

**Mr. S. Satyamurti :** Will Government place them now before the House ?

**The Honourable Sir Muhammad Zafrullah Khan :** No.

**Mr. S. Satyamurti :** Why not ?

**The Honourable Sir Muhammad Zafrullah Khan :** They have been given effect to already.

**Mr. S. Satyamurti :** Just to see if the House agrees with the Government or not ?

**The Honourable Sir Muhammad Zafrullah Khan :** No, Sir, Government do not intend to take up the time of the House merely to give themselves the intellectual pleasure of finding out which way the voting might go.

## MOTIONS FOR ADJOURNMENT.

### ALLEGED FRIVOLOUS NATURE OF MOTIONS OF ADJOURNMENT.

**Mr. President** (The Honourable Sir Abdur Rahim) : Order, order. I have received notice of a motion for adjourning the business of the House from Sir Muhammad Yakub, which reads to this effect :

“ I beg leave to move a motion for the adjournment of the business of the House for the purpose of discussing a definite matter of urgent public importance, namely, the inaction of the Government of India in not stopping the criminal waste of public time and money and the offence afforded to the dignity and prestige of the House, and also to Provincial Governments, legislatures and electorates, by the repeated frivolous and wasteful efforts of the Opposition in this House to move motions of adjournment on subjects that are primarily the concern of Provincial Governments, legislatures and electorates, not of this House or the Government of India, such as the externment of Mr. Masani by the Punjab Government, strict neutrality on the part of Local Governments in respect of provincial elections, election of the Provincial Legislature in Bihar and others like that.”

I want to know exactly what is the object of the adjournment motion. Is it to stop the giving of notices of motions or to see that such motions are not allowed ? So far as allowance or disallowance of motions of adjournment is concerned, the President, in exercise of his judgment according to the Rules and Standing Orders, allows or disallows them when he finds that they are or are not in accordance with the Rules and Standing Orders. As regards matters that do not come within his purview, for instance, whether the question is one primarily for the concern of the Government of India or whether it is against public interest or not, with which the President, as I have repeatedly pointed out, has nothing to do, it is the Governor General that exercises those powers. In the exercise of those powers he passes his orders. I should like to know whether this motion is directed against notice of motions being given ?

**Sir Muhammad Yakub** (Rohilkund and Kumaon Divisions : Muhammadan Rural) : The motion is directed to discuss a definite and urgent matter of public importance. As laid down in the rules, it cannot be denied that the criminal waste of time of this Honourable House by the moving of frivolous motions of adjournment is a matter of very urgent and public importance. (Interruption.) It is also a matter of not only recent occurrence, but of recurring occurrence every day. Then, we find that the prestige of this Honourable House suffers greatly on account of the frivolous nature of the motions which are moved here. There are certain very eminent lawyers on the opposite benches and they must know very well that such motions, according to the rules of the Assembly, cannot be tabled. But still they are moved every day and the time of the House is wasted. It also gives an opportunity to the communalist papers, like the *Hindustan Times*, to give, in bold headlines, a misleading notion that there is a great deal of divergence of opinion between the Honourable the President and the Governor General. These mischiefs are created by motions like those mentioned in my motion. I hope that the House will give its best attention to this motion of mine. Nothing can be more important than the discussion of this motion of mine, and I hope that the Honourable Members of the Opposition who are always so anxious to censure Government will come and help in censuring the Government on this occasion. (Laughter.)

**Mr. President** (The Honourable Sir Abdur Rahim) : The Honourable Member has not answered the question that I put to him. The difficulty in my mind is this. So long as these Rules and Standing Orders are there, can the Government of India or anybody else prevent any Member of this House from giving notice of a motion ? May be it may or it may not be found to be in accordance with the rules, but is there anything to prevent any such notice being given ?

**Sir Muhammad Yakub** : But Members here are not Jews who cannot be turned out of Palestine. Here in India the Government can do what they like. (Laughter.)

**Mr. President** (The Honourable Sir Abdur Rahim) : So long as these Rules and Standing Orders remain, I do not see how it can be prevented. If it is the Honourable Member's desire that the Rules and Standing Orders in this connection should be changed, then that is not a matter for a motion of adjournment of the House. The Honourable Member can, if he so chooses, table motions to that effect, to alter the Rules and Standing Orders.

**Sir Muhammad Yakub** : I bow to your decision, Sir.

**Mr. President** (The Honourable Sir Abdur Rahim) : I rule the motion as being out of order.

#### RESTRICTIONS BY THE UNITED PROVINCES GOVERNMENT ON THE MOVEMENTS OF THE GENERAL PUBLIC AT LUCKNOW.

**Mr. President** (The Honourable Sir Abdur Rahim) : There is another motion for adjournment of the House, of which notice has been given by Mr. Azhar Ali. It reads as follows :

“ I shall move the following adjournment motion of the House to discuss a definite and urgent matter of public importance, today, namely :

‘ The administrative oversight of the Local Government of the United Provinces in allowing the Executive in Lucknow to impose indiscriminate and unfair restrictions on the movements of the general public and recital of Koranic passages ’.”

As the notice stands, I should like to know what is meant by “ administrative oversight ”, and was there any order passed recently against which the Honourable Member has a complaint ?

**Mr. Muhammad Azhar Ali** (Lucknow and Fyzabad Divisions : Muhammadan Rural) : Sir, I have brought the notice which forms the subject-matter of my adjournment motion.

**Mr. President** (The Honourable Sir Abdur Rahim) : I want to know what the notice is and the date of the notice.

**Mr. Muhammad Azhar Ali** : The notice is under section 144 of the Criminal Procedure Code. It runs as follows :

*Hukm Zer Dafá 144 Zabtai Faujdari Har gah hal men jomey ke roze ke julus ko jo ke Teelay ki masjid se ahkam ke khilaf nikala jata hai dekhney ke liay majma masjid ke bahar hota hai. Hargah mujhey yakeen karney ke kafi woo'oooh hain ke masjid ke nazdik in majmun ke moujoodgi se andesha naqzey aman am ka hair lehaza main, A. Monro,*

*District Magistrate, mundarejai zail hukm zer dafa 144 zabtai foujlari jari karta hun :—*

*Koi majma panch admion se ziyada ka kisi mokam par jo ke Teela ki masjid se adh meel key andar ho masjid key bahar baroz juma tarikh 11th September 1936 ko aikhtta na hoga.*

*Choonkey maokah iska nahin hai ke notice ki taameel ashkhas mutaalika par bar wakt ho sakey, lehaza yeh hukm yaktarfa jari kia jata hai—*

*Yeh hukm, jumla bashindagan Lucknow par ayed kia jata hai aur 11th September 1936 ko nafiz rahaiga.*

*Dashkhat (A. MONRO, C.I.E., I.C.S.),  
District Magistrate.*

**Mr. President** (The Honourable Sir Abdur Rahim) : What is the date of the notice ?

**Mr. Muhammad Azhar Ali** : No date is mentioned, but it relates to the 11th September, 1936. It is of a general description.

**Mr. President** (The Honourable Sir Abdur Rahim) : I want to know when this order was passed. It must be of recent occurrence.

**Mr. Muhammad Azhar Ali** : In the notice, the date 11th September is given, and it is likely that tomorrow, the 18th, another notice like that will be issued in Lucknow for that very purpose. It is not only a question of a religious movement. It is also an order to prevent the public from going within half a mile from a place which is situated just on the riverside. If our Hindu friends want to take their corpses to the river, they will be stopped from doing so, and, in the same way, if a Mussalman wants to take his dead body to the riverside for bathing. It is also impossible for them to go to the Teela Mosque for the Friday prayers even where the congregation is very great.

**Mr. President** (The Honourable Sir Abdur Rahim) : Is there any objection ?

**The Honourable Sir Nripendra Sircar** : Yes, Sir. This order may have been published on the 11th September, but, speaking subject to correction, I understand that the order was passed sometime in August.

**The Honourable Sir Muhammad Zafrullah Khan** : It was to continue in force till the 11th September, but it has expired now.

**The Honourable Sir Nripendra Sircar** : Even if it was published on the 11th September, I cannot see why the Honourable Member should come up with this subject on the 17th September and not earlier. This order, whenever it was passed, expired on the 11th September.

**Mr. Muhammad Azhar Ali** : No, it continues.

**The Honourable Sir Nripendra Sircar** : There is no order in force now, and, after all, it is an order issued by a judicial officer under the Criminal Procedure Code.

**Mr. President** (The Honourable Sir Abdur Rahim) : (after reading the Order in Urdu) : The Honourable Member who comes from the United Provinces ought to know if the order has or has not expired.

**Mr. Muhammad Azhar Ali** : Therefore, it is an oversight on the part of the Local Government. They do not take notice of these things.

**Mr. President** (The Honourable Sir Abdur Rahim) : I understand that the order on which this adjournment motion is based expired on the 11th September. I rule this motion out, as it is no longer a matter of urgent public importance.

## PRESENTATION OF THE REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

**The Honourable Sir James Grigg** (Finance Member) : Sir, I lay on the table the Report of the Public Accounts Committee, Parts I and II, on the Accounts of 1934-35.

## REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1934-35 OTHER THAN RAILWAYS.

### PART I—CIVIL, MILITARY AND POSTS AND TELEGRAPHS.

#### I.—Excess Votes.

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

	Original grant.	Supplementary grant.	Final grant.	Actual Expenditure.
Expenditure charged to revenue ..	25.53	3.42	28.95	30.14
Expenditure charged to capital ..	1.50	17	1.67	1.48
	27.03	3.59	30.62	31.62
Disbursement of loans and advances ..	8.98	6	9.04	4.59
	36.01	3.65	39.66	36.21

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

Expenditure charged to revenue ..	75.59	79	76.38	76.39
Expenditure charged to capital ..	25	..	25	27
	75.84	79	76.63	76.66

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

	Original grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue ..	1,01.12	1,05.33	1,06.53
Expenditure charged to capital ..	17.5	1.92	1.75
	1,02.87	1,07.25	1,08.28
Disbursement of loans and advances ..	8.98	9.04	4.59
	1,11.85	1,16.29	1,12.87

4. *Savings.*—There was a saving of Rs. 3.42 lakhs or 2.9 per cent. of the final grant. The percentage compares as follows with the results of previous years :—

	1930-31.	1931-32.	1932-33.	1933-34.	1934-35.
Expenditure charged to revenue ..	3	3.2	1.9	1.0	—1.1
Expenditure charged to capital ..	15.9	11.4	8.3	15.2	8.9
Disbursements of loans and advances ..	—20.3	10.8	37.1	23.3	49.2
Combined percentage ..	—7	4.3	5.9	2.7	2.9



*Item 3.*—The excess was occasioned by heavy dealings by the public in India Stocks and Debentures in the latter part of the financial year.

*Item 4.*—The voted charges under the grant represent mainly payments to the Posts and Telegraphs Department for savings bank and cash certificates work. The excess was caused by adjustments in respect of closure of dead savings bank accounts made after the close of the year.

*Item 5.*—The tour expenses were more than anticipated.

*Item 11.*—The excess was mainly due to the omission in the revised estimates of receipts from light dues accrued at Aden but actually payable at Bombay and to a smaller extent on account of the adjustment of a portion of the surplus relating to 1933-34.

*Item 13.*—The departmental charges under annual maintenance and up-keep of monuments and attached gardens were more than anticipated.

*Item 14.*—The excess was due to the non-payment by the Calcutta Port, Commissioners of their share of the cost of the Port Health establishment Calcutta, pending the final decision of the Government of India regarding the share of the cost payable by them.

*Item 17.*—Increased expenditure on travelling allowance in the South African agency and non-recovery of the share of charges for medical establishment in Bengal for internal emigration owing to its abolition from the 1st of June 1934 accounted for the excess.

*Item 18.*—The expected recovery of silver from the dross of the coinage was not affected during the year.

*Item 19.*—The printing work and the demands for stationery from the Military and Posts and Telegraphs Departments proved to be less than anticipated.

*Item 21.*—The revenue surplus for 1934-35 was anticipated to be Rs. 1,13 lakhs, and it was decided to transfer the entire surplus to the fund for the economic development and improvement of rural areas. The actual revenue surplus, however, amounted to Rs. 2,81,60,409.

*Item 22.*—The excess was caused by larger payments of refunds on account of rebate of duty on tobacco stocks stripped in bond, grant of *suo moto* refunds in certain cases on account of wrong calculation of duties and refunds of excise duty on motor spirit and kerosene oil.

*Item 24.*—The excess was due mainly to heavy expenditure during the closing months of the year and also to the introduction during the year of a revised table allowing increased commutation values, which was not foreseen when the estimates were prepared.

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

9. Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another, every reappropriation within a grant which is not made in accordance

with such rules as may be prescribed by the Finance Department and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. There was only one case of irregular reappropriation in the year under review. The Administrative Officer in charge of the Vizagapatam Harbour transferred under a misapprehension a sum of *minus* Rs. 36,000 from the voted grant to the non-voted appropriation.

There were no particular items of expenditure which the Finance Department have requested us to bring to the notice of the Assembly.

## II. *Important comments on matters arising out of the accounts for 1934-35.*

10. *Accuracy of budgeting, control over expenditure, etc.*—In our detailed examination of the Appropriation Accounts we were struck by the very large number of variations between the estimates and actuals. There were savings in 62 out of 91 voted grants and 58 out of 81 non-voted appropriations. There were also excesses over voted grants in 25 cases. Apart from the variations under the totals of the Grants, there were considerable divergences in the individual sub-heads. We regard this as extremely unsatisfactory and deprecate once again such defective estimating. We noticed also several cases in which excesses resulted from unanticipated debits adjusted late in the year and savings accrued from the non-adjustment of debits that were expected. This could have been avoided if spending authorities had combined a knowledge of outstanding liabilities with definite information as to the intentions of creditors in respect of the presentation of their claims. We should like specific attention drawn to this point. In some accounts we noticed that reappropriations were sanctioned under individual sub-heads in the wrong direction thereby enhancing still further the savings or excesses. This is a defect which can be mitigated by intelligent supervision.

We have seen the instructions issued by the Finance Department in October 1935 to stiffen up the control of expenditure and modify the procedure for obtaining supplementary grants. We are satisfied that these instructions would remedy a good many of the defects noticed above. For example the seven cases of unnecessary supplementary grants in 1934-35 which the Accountant-General, Central Revenues, brought to our notice would not have been placed before the Assembly under the revised procedure.

In the course of our examination we were often told that the Finance Department reduced the departmental estimates in 1935-36 and 1936-37 in cases where persistent overestimating had manifested itself. We cordially approve of this useful and necessary corrective applied by the Finance Department, but this by itself is clearly not a satisfactory remedy for defective budgeting on the part of departments. They must themselves aim at closer estimating, paying the utmost regard to the trend of past actuals.

11. *Special funds created from revenue surpluses.*—In dealing with the Fund for Earthquake damage in Bihar, we noticed that, though the entire surplus of 1933-34 was earmarked for the Fund, a sum of Rs. 62 lakhs was withdrawn from the Fund during 1934-35 as being surplus to the requirements of the Fund and utilised towards the avoidance of debt. We do not question the right of the Government to judge the sufficiency or otherwise of a particular Fund and the utilisation of funds adjudged to be redundant for debt avoidance,

but we have considerable doubts about the Assembly voting towards a Fund a sum which purports to represent the whole of the surplus of a year. We recommend that Government should consider whether when funds are set up in future from revenue surpluses they should not be constituted by a vote for a specific amount.

12. *Changes in policy affecting Budget estimates.*—During the course of our examination of the Stationery and Printing Grant we noticed a saving under customs duty on stores which was reappropriated for some other purpose and we were informed that the saving was occasioned by a change of policy during the year regarding stores purchases. While we welcome the policy of increasing purchases in India, we desire to stress that in preparing their estimates departments should take into account the trends of prices and the possible changes in policy during the year. It is essential that the assumptions in the estimates should approximate to facts as far as possible.

13. *Unauthorised excluded funds in North-West Frontier Province.*—In our report last year we commented on certain irregular funds in North-West Frontier Province. We are gratified to learn that the Motor Lorry Depreciation Funds have been closed. As regards Khassadar Funds, it appears that, notwithstanding the orders issued in May 1935 to close the Funds, the matter is still under the consideration of the Local Administration. We regret that there should be so much delay in enforcing the orders and we recommend that immediate orders should be given to close these irregular funds within two months. Of the twenty six other irregular funds, we were told that seven had ceased to exist and that the disposal of their balances was still being considered either by the Government of India or the Local Administration. We regard the slow rate of progress in this matter as most unsatisfactory and unhesitatingly urge that prompt action should be taken to ensure their being closed down within three months.

14. *Contribution to general reserve fund of Lighthouses and Lightships.*—We were struck by the very large variation between the final appropriation and the actual expenditure under this head. We were given to understand that the procedure was to transfer at the end of the year the excess of receipts over expenditure to the reserve fund by a vote. It seems to us that it would be very difficult to make an approximately accurate estimate of such a surplus as the amount available for transfer depended very largely on trade and the amount of light dues realisable. We consider the existing procedure unsatisfactory and would like the question to be examined in consultation with the Auditor-General.

15. *Road Fund.*—In examining the Appropriation Accounts of the central expenditure on road development met from the Road Development Fund we noticed considerable variations from the original budget. We were told that the Road Committee sanctioned schemes twice a year, in September and in March, which led to a certain amount of redistribution during the year. Indeed the whole process of accounting for this expenditure seems to be illogical and confusing. We understand that the Auditor-General has already under consideration the question of revising it and no doubt the result of his investigations will be made available to us next year.

16. *Financial position of the Indian Posts and Telegraphs Department.*—We have perused the memorandum furnished by the Director-General, Posts and Telegraphs, on the commercial results of the department and examined him orally at some length. We are gratified to note that the actuals of 1934-35, disclosed a profit of nearly Rs. 38 lakhs. The results for 1935-36 were not however, so satisfactory, as at best it was only expected to produce a balance. The restoration of the emergency deduction from pay costing over Rs. 26 lakhs and the provision for normal increment to staff costing about Rs. 15 lakhs were said to account for the increased expenditure in 1935-36. In 1936-37 the Department anticipate a surplus of one lakh after providing Rs. 25 lakhs for renewals and replacements. We are given to understand that a Renewals and Replacements Fund has been substituted for the Depreciation Fund with effect from the 1st of April 1936 and that an annual contribution of Rs. 25 lakhs will be made thereto for the next five years, at the end of which the position will be re-examined. While we do not under-rate the improvement so far effected in the financial position, we wish to add an exhortation that the department should strive to do still better.

As regards budgeting and control of expenditure, we noticed a repetition of the faults on which we commented adversely in our last report. It was explained to us that the lack of effective control over expenditure in the past was due to a lack of machinery to provide the controlling authorities with the latest figures of actual expenditure. The whole procedure dealing with the system of stores accounting and other matters of technical detail is said to be under revision in consultation with the Auditor-General. We trust that the measures now being devised will result in an appreciable improvement in the control of expenditure and in budgeting in future.

17. *Grant for Refunds.*—In the accounts of the Government of India refunds of revenue have always been accounted for in reduction of receipts and the correctness of this procedure has never been questioned. But in the Demands for Grants and in the Appropriation Accounts they have been treated as expenditure. The Auditor-General has stated that this latter practice is, in his opinion, not constitutionally correct and is certainly not in accordance with the British practice. He considers that these disbursements cannot be regarded as "expenditure". He therefore recommends that the practice of including them in the Demands for Grants and Appropriation Accounts should be discontinued. A former Public Accounts Committee were also inclined to this view. We have also on several occasions observed the difficulty in estimating and controlling these more or less inevitable disbursements. It is evident that all disbursements by Government of money which have entered the public account are not expenditure items, or savings bank withdrawals would fall into this class. We therefore recommend that the Government of India should accept the view of the Auditor-General and introduce the change from 1st April 1937.

18. *Report of the Military Accounts Committee.*—We append the Report submitted by the Military Accounts Committee (Annexure A) constituted to make a preliminary examination of the Military Appropriation Accounts and

connected documents. The recommendations and observations of the Committee, both in its report and the proceedings of its meetings, meet with our cordial approval.

### III. *Miscellaneous observations.*

19. We append to our report, as usual, the minutes of our proceedings which we desire to be treated as part of the report. We believe that in accordance with the established practice such action as may be necessary will be taken by Departments on the observations and recommendations contained in these proceedings.

20. We owe a debt of gratitude to the Auditor-General for his assistance to us throughout the proceedings. We should also like to express our appreciation of the work of our Secretaries, Mr. K. Sanjiva Row and Mr. N. Sundaresan.

P. J. GRIGG.

B. DAS.

S. SATYAMURTI.

N. G. RANGA.

THEIN MAUNG.

MD. YAKUB.

J. RAMSAY SOOTT.

SHER MD. KHAN.

BHAI PARMANAND.

R. D. DALAL.

S. C. MUKHERJEE

FAZL-I-HAQ PIRACHA.

K. SANJIVA ROW.

N. SUNDARESAN.

*Secretaries.*

*5th September, 1936.*

## ANNEXURE A.

**Report of the Military Accounts Committee.**

We were constituted in pursuance of the recommendations of the Public Accounts Committee of the year 1931-32 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. In this task we have been assisted by the Auditor-General, the Financial Adviser, Military Finance, and the Defence Secretary, to all of whom our thanks are due. We agree with the Auditor-General in his observation that the presentation of the material for the Committee as now carried out in the Appropriation Accounts, the Financial Adviser's review and his auxiliary statistical statements has attained a high pitch of efficiency and usefulness. The results of our examination are, as usual, embodied in the proceedings of our meetings (Annexure I), which we desire to be treated as a part of our report. We propose to refer here only to the more important points.

2. *Military Engineer Services expenditure.*—In recent years, both the Auditor-General and the Military Accounts Committee have laid great stress on the importance of defining with reasonable exactitude the scope of the original demand for expenditure and conforming more closely to the scope of the demand as so defined. We are gratified to note that the results of the year under review show that as far as the control of expenditure in bulk is concerned there is no ground for criticism. As regards the conformity of expenditure to the original programme as specified in the Budget we are, however, constrained to endorse the comments of the Financial Adviser, Military Finance, who observes that "after making due allowance for cases where lapses occurred for reasons beyond the control of those administering the grant or as a result of revised administrative requirements, it is difficult to avoid the impression, on perusal of some of the instances that more careful budgeting is possible and that on occasions funds were allotted before the necessary preliminaries to the commencement of work were complete".

The Financial Adviser has drawn special attention to the fact that the expenditure in March was "about double that in any other of the months which in the plains constitute the normal working season". It is of great importance that in administering public funds the risk of loss through hasty or inadequately justified payments in the closing days of the financial year should be rigorously avoided. The Auditor-General has in this connection referred to paragraphs 27 and 28 of Volume I of the Report of the Public Accounts Committee on the Accounts of 1930-31 and expressed his satisfaction at the noticeable improvement that has occurred in the civil works expenditure as a result of those recommendations. We consider that the Financial Adviser should, in consultation with the Auditor-General, examine this matter and report the result to the Committee next year. If the device of a specific provision in the reserve for the re-grant of lapses, as on the civil side, is likely to mitigate this evil, we should be quite prepared to commend it to Government for consideration.

3. *Revision of Army Regulations.*—We are impressed by the magnitude of the task and the manner in which it is being tackled but we cannot

refrain from pressing on the attention of Government the importance of speeding up the work of revision. The possibility of having to wait for another two or three years for its completion we cannot regard with equanimity and if expedition were retarded only by want of adequate staff, we should have no hesitation in recommending to Government sympathetic consideration of proposals for a reasonable augmentation. We trust that all possible steps will be taken to bring this task, which was first adumbrated in 1930-31, to an early conclusion. We see no reason why the major part of it should not be finished by the end of the current financial year.

4. *Transfer of savings in the budget to the Defence Reserve Fund.*—

The Auditor-General has drawn attention to the transfer of a saving of Rs. 33 lakhs in 1934-35 arising out of a fall in prices of food grains to the Defence Reserve Fund. The saving was due to the allowance made in the budget for a moderate rise in prices which did not materialise. We understand that, in order to avoid a repetition of this result, it has been decided to reduce the safety margin and that the Finance Department have agreed to consider an additional grant, if the prices of food grains rise above the level adopted for the budget estimates. The Auditor-General has remarked that this would be an equitable arrangement if it was agreed at the same time that savings due to a material fall in prices should be surrendered to general revenues. We think that the point raised by the Auditor-General has a wider application than to food grains only and indeed that it touches on the very essence of the existing arrangement for the Defence Budget under which savings normally lapse to the Defence Reserve Fund and are available for measures of re-equipment. We understand that the consent of the financial authorities is required before any sums are transferred to the Fund and *a fortiori* before any expenditure is incurred out of it. But this does not entirely dispose of the matter and we are constrained to make clear what seem to us to be the fundamental conditions which must underlie any such arrangement.

In the first place it is an essential part of the arrangement that there should be nothing in the nature of over-estimating. The object of it is clearly to make available to the Defence authorities the immediate fruits of genuine measures of economy or casual windfalls and not to provide a more or less regular and considerable reserve available for measures not included in the budget. Similarly it should be made clear that the consent of the financial authorities to transfers to the Reserve Fund should not be regarded as a mere formality. We recognise that the present arrangement does entitle the Army authorities to presume that, in the absence of special circumstances, savings on the Budget will be made available to them but this cannot in our view override the indefeasible right of the Finance Member, in cases of real necessity, to request that savings should be diverted either to emergency items of expenditure or to preventing a deficit on the general budget. We are informed that His Excellency the Commander-in-Chief accepts this view and indeed we are aware that the cost of the Mohmand operations of 1933 and 1935, as well as a large part of the initial measures of relief involved by the Quetta earthquake have been found in this manner. Nevertheless we think it well that our understanding of the nature of the arrangement should definitely be placed on record.

In this connection the Auditor-General has raised the question whether the budget should not give full details of the transfers to and from the Defence Reserve Fund. We entirely agree with him that such details should be given as they will be useful for the proper scrutiny of the budget by the Finance Department as well as for audit purposes.

5. *Changes in the Appropriation Accounts.*—We consider the retention of Appendix A to the Financial Adviser's Appropriation Accounts as redundant because the machinery for watching the action taken on our recommendations is provided for in the quarterly statement issued by the Finance Department. We also accept the Auditor-General's statement that Appendix F has no more practical value. We accordingly recommend the discontinuance of both these Appendices in future.

6. *Financial irregularities.*—We are pleased to note that the Director of Audit has fewer cases of financial irregularities to report this year and those which he has thought it necessary to mention are less serious in character than in any recent year. We trust this improvement will be maintained in future years.

7. *Authorised War reserves of stores.*—The Quartermaster-General and the Master-General of Ordnance have furnished the necessary certificates in regard to the existence in stock of the authorised reserve of stores on the 31st March 1936 (Annexures IV and V). Copies of these certificates are attached to our proceedings.

P. J. GRIGG.

J. C. NIXON.

S. SATYAMURTI.

MOHAMMAD YAKUB.

SHER Md. KHAN.

K. SANJIVA ROW.

N. SUNDARASAN.

*Secretaries.*

5th September 1936.

### ANNEXURE I.

**Proceedings of the first meeting of the Military Accounts Committee, held on Wednesday, the 15th July 1936 at 2-30 P.M.**

PRESENT :

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

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance  
Secretary.

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

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

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

*Members.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.	} Were also present.
Mr. K. R. S. RAU, Director of Audit, Defence Services.	
Mr. G. R. F. TOTTENHAM, C.S.I., C.I.E., I.C.S.	} Witnesses.
Major-General G. H. ADDISON, C.B., C.M.G., D.S.O., Financial Adviser, Military Finance.	
Mr. J. C. BROMMAGE, M.B.E., Deputy Financial Adviser.	
Lt.-Colonel R. PRINCE, O.B.E., Military Account- ant-General.	

1. The Committee took up the examination of the items dealing with Military in the Quarterly Statement ending July 1936 showing action taken or proposed to be taken on the recommendations, etc., made by the Public Accounts Committee. The explanation given or the action taken in regard to the cases mentioned in that statement was accepted subject to the following remarks.

2. *Item 15—Revision of Army Regulations.*—The Defence Secretary explained to the Committee that owing to stress of circumstances a slight departure had to be made in the programme contemplated when he undertook last year to do his best to have the “Regulations for the Army in India” and the “Pay and Allowances Regulations” in a revised form when the Committee met this year. All matter bearing on leave rules was extracted from the existing regulations in force and compiled into a book of regulations about military leave rules which has been sent for the approval of the Secretary of State. A revised draft of “Regulations for the Army in India” was ready and was expected to be sent to the press in the course of a day or two. The mass of rules now in force had been divided in the new book into two portions, one dealing with matters requiring the sanction of the Government of India and the other dealing with departmental instructions issued under the authority of the Commander-in-Chief. As regards the “Regulations relating to Pay and Allowances”, the “Pay volume” was under revision and was unlikely to be completed before six months, but the first draft of the “Allowances” part was practically complete. The revision of the third main book of Regulation, *viz.*, “Passage Regulations” had yet to be started as it had to await the completion of the more important work of the other Regulations referred to above. The Defence Secretary thought that it would be necessary to continue the special staff employed on the work for another two or three years to complete the work. In view of the long time already taken, the Committee was prepared to recommend to Government the employment of additional staff, if considered necessary, to expedite the work.

3. *Item 19—Departmental inquiry in case of frauds pending decision of criminal trial.*—In explaining the procedure, the Defence Secretary said that if departmental inquiry showed that the person involved was unfit to be kept in service he would not be retained on duty pending the completion of legal proceedings against some other person implicated. The Committee was satisfied.

4. The Committee next considered Appendix A to the Appropriation Accounts of the Defence Services prepared by the Financial Adviser, Military Finance. The action taken or proposed to be taken was approved subject to the observations below.

5. *Item 1.*—The manner in which the Auditor-General's recommendations were given effect to was considered, and it was thought that the items shown in Appendices M and N of the Financial Adviser's Report were susceptible of considerable curtailment. The Financial Adviser suggested that the items could advantageously be divided into (i) works completed in the year, and (ii) works in progress. It was decided that the matter should be left for further consideration by the Financial Adviser and the Auditor-General. The Committee discussed at some length the need for a reserve for works expenditure and on the Auditor-General expressing the view that he was satisfied that as a matter of practical financial administration a reserve was justified, the Committee passed on to consider the suitability of the lists included in the Financial Adviser's Report. The Auditor-General advocated that the list should be restricted only to cases illustrating points of principle and should include only cases where inaccurate estimating was apparent or which betrayed very large discrepancies from the original estimates.

6. At the instance of the Auditor-General, the Committee agreed that it was no longer necessary to have Appendix A in the Financial Adviser's Review because the purpose in view was fully served by the Quarterly Statement showing the action taken on the Committee's recommendations.

7. The Committee then took up the consideration of paragraph 3 (a) of the Auditor-General's letter, dealing with the transfer to the Defence Reserve Fund of a saving of Rs. 33 lakhs arising out of the unexpected material fall in the prices of food grains. The Chairman explained to the Committee the policy underlying the appropriation by the Defence Department of savings accruing either from special economies or by fall in prices. In dealing with paragraph 3 (b) of the Auditor-General's letter the Chairman explained to the Committee the arrangement whereby the Commander-in-Chief was to have any savings that he effected for his re-equipment programme unless the Finance Member decided to intercept them for any financial exigencies. In the course of the discussion it was pointed out that the motive underlying the original contract grant budget was to give the Commander-in-Chief an incentive to keep up the pressure for economy and to equalise expenditure by preventing large variations between year and year in the calls on the central budget. The Committee wished to know if it could not be arranged that any savings hereafter in Defence expenditure should revert to general revenues. The Auditor-General stated that he understood the position to be that when the question of the utilisation of savings arises the Finance Member satisfies himself on the one hand that there is military necessity to which the amount must be devoted and on the other hand that there is no other overriding claim on the part of the general budget for such savings.

8. As regards paragraph 3 (c) of the Auditor-General's letter the Committee after considering the explanation given by the Financial Adviser, Military Finance, desired an exhortation to be made for closer estimating.

9. *Paragraph 4 of the Auditor-General's letter—Review of Military Engineer Services expenditure.*—The Committee considered this paragraph

of the Auditor-General's letter together with the relevant paragraphs of the Financial Adviser's Review. The position regarding the Hastings military land scheme was discussed at considerable length. The Committee drew attention to the variations between the original estimate and the completed cost of the case noticed in paragraph 140 of the Financial Adviser's Review. The Financial Adviser informed the Committee that steps had been taken to see that all estimates were revised in the light of the latest information available as to labour and materials with the help of the new staff employed for the purpose. The Auditor-General observed that he had begun to see good results of this new system and that the Director of Audit will review the progress in future reports.

10. *Paragraph 143 of the Financial Adviser's Report.*—The Committee considered the question of heavy expenditure in March. The Military Accountant-General explained that one of the reasons for the heavy expenditure in March was climatic conditions. Final bills were ordinarily submitted in March for work started in October and completed by February. He explained to the Committee that the Military Accounts Department were now trying to get over that problem largely by a system of spreading the work over the end of one year and the beginning of the next. At the instance of the Chairman the Committee adopted the recommendation that the Financial Adviser and the Auditor-General should discuss this matter further and that the Committee should be apprised of the results of their investigation next year in the Financial Adviser's Report. They would also investigate whether a specific provision in the reserve for the re-grant of lapses would not lessen the rush of expenditure in the last quarter of the year.

The Committee then adjourned till 11 A.M. on the 16th July 1936.

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**Proceedings of the second meeting of the Military Accounts Committee held on Thursday, the 16th July 1936, at 11 A.M.**

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**PRESENT :**

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

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Secretary.

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

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

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

Mr. K. R. S. RAU, Director of Audit, Defence Services.

} *Members.*

} *Were also present.*

Mr. G. R. F. TOTTENHAM, C.S.I., C.I.E., I.C.S.  
 Major-General G. H. ADDISON, C.B., C.M.G.,  
 D.S.O., Financial Adviser, Military  
 Finance.  
 Mr. J. C. BROMMAGE, M.B.E., Deputy  
 Financial Adviser.  
 Lt. Col. R. PRINCE, O.B.E., Military  
 Accountant-General.

Witnesses.

11. *Review of Military Engineer Services expenditure.*—The Committee took up for consideration the Auditor-General's comment on the position of the Military Engineering stock on the 31st March 1935 in paragraph 4 of his letter and discussed the position regarding surplus stores. The Auditor-General explained to the Committee that there was generally a stock limit laid down by Government with reference to which one could judge whether a surplus was excessive or not. The Financial Adviser elucidated the circumstances in which surplus stores result, e.g., replacements occasioned by new inventions or return of material after a military operation. The Committee was given to understand that the process of replacing was gradual and in that process a certain amount of overlapping was inevitable. The Chairman suggested and the Committee agreed that the question might be pursued in connection with paragraph 5 of the Auditor-General's letter.

12. *Stores transactions.*—Paragraph 5 of the Auditor-General's letter was next taken up and at the instance of the Chairman, the Auditor-General supplemented the observations in his letter by a note which he read to the Committee (Annexure I). He explained that audit would see whether the proposals in the note go far enough and whether the figures produced were reliable enough and that until he was satisfied that the figures produced were reliable enough he would not advocate their inclusion in Appendix E. to the Financial Adviser's report. In that connection he said that it was not proposed to include in the statement any war-like stores. The Committee on the valuation of Navy, Army and Air Force stocks in England expressed the opinion that the valuation of war-like stores was neither possible nor desirable. The recommendations of that Committee were accepted by the Treasury. It was proposed to follow a similar practice in India.

13. The Auditor-General was then requested to deal with paragraph 5 (b) of his letter dealing with the question of the preparation and exhibition of a valued statement of surplus and obsolete stores written off. He explained the inutility of showing the value of such stores. For one thing it is difficult to say what is the correct valuation of surplus stores and for another if the original cost is shown it would convey a misleading impression. As however he recognised that it was essential that both the Audit Department and the Public Accounts Committee should have some information regarding the disposal of surplus and obsolete stores, he was considering the question of the preparation of some useful statistics. His provisional view was that the Military Finance Branch should carry out their present detailed scrutiny of each item of surplus or obsolete stores put up for disposal and prepare a consolidated statement showing the value of stores declared surplus or obsolete quarterly and submit for the information of the Auditor-General through the Director of Audit, Defence Services. The statement is to be supplemented as may be necessary by

explanatory remarks and comments on points of financial importance revealed by scrutiny. At suitable intervals an audit review would be conducted and a report included by the Director of Audit, Defence Services, in his annual report, rash purchases and hasty discardings being noticed therein. The Committee was assured that surplus stocks would be taken into account when placing fresh orders for stores. The Auditor-General explained that as the annual provision in the budget for expenditure on stores was based on very elaborate calculations which took into account the balances in hand including surplus stocks, there was an automatic check on reckless purchases.

14. Paragraph 34 of the Report of the Director of Audit, Defence Services, regarding the difference in practice in the system of stock verification, next engaged the attention of the Committee. The Auditor-General explained that he drew attention to the precautionary double check prevalent in certain departments because he considered it a matter of considerable importance from the point of view of financial control and procedure and if it was affirmed as good it was desirable to have it on record. The Committee agreed.

15. The Committee then discussed the variations under certain items in Appendix E to the Financial Adviser's Report and passed on to paragraph 25 of the Appropriation Accounts dealing with the qualifications to the audit certificate. The Military Accountant-General explained that the first proviso was due to the equipment regulations and tables not having been revised. He hoped that they would be complete by next year when that qualification would disappear. The second qualification was likewise due to the extremely complicated nature of some of the orders. He instanced the case of issues of oil to soldiers which depended on a variety of circumstances. It was hoped to prepare a uniform standard in the near future. Since signing his last certificate, the Military Accountant-General explained that orders regarding the third proviso had issued. The Auditor-General invited the attention of the Committee to a note prepared by the Military Finance Branch on the subject (Annexure II).

16. The Committee thereafter took up paragraph 9 of the Audit Report dealing with the overdrawal of certain passage accounts. The Committee was satisfied that the matter need not be pursued further. Paragraphs 17, 18 and 21 were next considered.

The Committee adjourned till 2-30 P.M.

**Proceedings of the third meeting of the Military Accounts Committee held on Thursday, the 16th July 1936, at 2-30 P.M.**

**PRESENT :**

The Hon'ble Sir JAMES GRIGG, K.C.B., K.C.S.I., Finance Member,	}	<i>Chairman.</i>
Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance Secretary.		
Mr. S. SATYAMURTI, M.L.A.	}	<i>Members.</i>
Sir MOHAMMAD YAKUB, Kt., M.L.A.		
Captain SHER MOHAMMAD KHAN, C.I.E., M.B.E., M.L.A.		

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.	} Were also present.
Mr. K. R. S. RAU, Director of Audit, Defence Services.	
Mr. G. R. F. TOTTENHAM, C.S.I., C.I.E., I.C.S.	} Witnesses.
Major-General G. H. ADDISON, C.B., C.M.G., D.S.O., Financial Adviser, Military Finance.	
Mr. J. C. BROMMAGE, M.B.E., Deputy Finan- cial Adviser.	
Lt.-Col. R. PRINCE, O.B.E., Military Account- ant-General.	

18. The Committee considered the note (Annexure II) prepared by the Military Finance Branch on matters connected with the provisioning of R. A. F. stores in India to which the Auditor-General invited attention in the earlier meeting (para. 15). They desired to have a further report next year.

19. The Committee then touched on paragraphs 66 and 67 of the Audit Report for 1933-34 regarding the overstocking of Mechanical Transport spares and desired that the matter should be investigated and a report submitted next year.

20. *Paragraph 21 of the Audit Report.*—The non-recovery or short recovery of rent, water and electrical charges dealt with in paragraph 21 of the Audit Report was discussed. The Auditor-General pointed out that in the management of vast properties a certain amount of non-recovery or short recovery was almost inevitable. He considered that the lack of system which was noticed two or three years ago had been remedied by suitable measures. The Committee desired that the Director of Audit should pay special attention to the matter from the point of the adequacy of the new measures. They suggested that in the light of the present discussions he should report on the question rather more specifically next year.

21. *Paragraph 23 of the Audit Report—Compensation for inferior accommodation.*—The Committee desired to know if the payment of lodging allowance was obligatory. The Defence Secretary in explaining the position stated that officers had a legal right to be provided with a certain type of accommodation. The Committee desired that this matter should be further investigated and a report submitted next year.

22. *Paragraph 26 of the Audit Report—Overpayments of pensions.*—It was explained to the Committee that these overpayments which related mostly to Indian personnel dated back to 1922 when Government ordered a revision of war pensions to be carried out very expeditiously in order to afford immediate relief to the recipients. The Auditor-General explained that he had examined the question recently with the Defence Secretary and the Military Accounts Department and was satisfied that the expenditure on the special staff required to examine the cases would not be justified, having regard to the fact that many of the pensions were disability and family pensions which would expire by efflux of time within the next few years. The Committee agreed.

23. *Paragraph 8 of the Auditor-General's letter—Improvement in control of expenditure.*—The Committee then took up paragraph 8 of the Auditor-General's letter. The Auditor-General expressed his satisfaction with the measure of financial control and the Committee wished to associate themselves with the Auditor-General's opinion.

24. In considering the M. T. Equalisation Fund, the Committee at the instance of the Auditor-General desired that in the budget and appropriation accounts each individual item of transfer to and from the Defence Reserve Fund should be shown separately to facilitate appropriation audit.

25. *Appendix F to the Financial Adviser's Appropriation Report.*—On the Auditor-General explaining the inutility of this Appendix, the Committee agreed that it may be omitted in future.

26. After considering the Home Auditor's comments, the Committee adjourned.

## ANNEXURE II.

The Public Accounts Committee agreed to the abolition of priced stores ledgers in Arsenals and other storage depots on the understanding that the British practice of exhibiting in the Appropriation Accounts the values of stocks for certain important categories of stores would be followed. (Paragraph 32 of the Public Accounts Committee's Report on the Accounts for 1929-30).

In pursuance of the above undertaking the Financial Adviser, Military Finance, showed in Appendix E. to his Appropriation Accounts for 1931-32 the values of provisions, forage (grain and salt), fuel, and light, petrol and lubricants and clothing.

In June 1934, the Director of Army Audit (now Director of Audit, Defence Services) suggested the desirability of including in Appendix E. the value, etc. of all or any of the following additional stores :

- (i) M. T. Stores.
- (ii) R. A. F. Stores.
- (iii) R. I. N. Stores.

In Appendix E. to the Appropriation Accounts for 1934-35 the value, etc., of M. T. and R. I. N. Stores has been shown for the first time. As regards the R. A. F. Stores the position is as follows :—

In the Home Air Services Appropriation Accounts values of the following categories of R. A. F. Stores are given :

- (i) Clothing.
- (ii) M. T. Commercial type vehicles held in reserve.
- (iii) Spare part of Commercial type M. T. vehicles held on store charge at Store Depots.
- (iv) Fuel and Light held on Store Charge at Units.
- (v) Provisions : stocks held at Supply Depots.
- (vi) Petrol : working stocks on store charge, stored in bulk storage tanks.

The Financial Adviser, Military Finance, has agreed to show in future in Appendix E. to the Appropriation Accounts of the Defence Services the values of the following categories of R. A. F. stores :

- (1) Blue clothing.
- (2) Commercial type M. T. vehicles held in reserve.
- (3) Spare parts of commercial type M. T. vehicles held on charge by R. A. F. main supply Units in India.

As regards the other categories, the values of which are given in the Home Air Services Appropriation Accounts, the Aircraft Park and Aircraft Depot obtain these stores from the Army supply sources for their own requirements and not for issue to R. A. F. Squadrons.

Since Appendix E. to the Appropriation Accounts of the Defence Services show only values of stores held by Store and Supply Depots for issues to consuming Units and not of those held by consuming Units themselves, it does not seem necessary to show in the Appendix the value of stores drawn by the R. A. F. Park and Depot for their own use and not for issue to other units.

A footnote should, however, be inserted in future in the Appendix E. to indicate that the figures of closing balances shown against the following categories of stores include also stores required for the R. A. F. Similar note is inserted, where necessary, in the Home Appropriation Accounts :

*R. I. A. S. C.*

- (i) Provisions.
- (ii) Fuel and Light.
- (iii) Petrol and Lubricants.

*I. A. O. C.*

- (iv) Clothing.

The question of formally including the values of R. A. F. Stores in Appendix E. will, however, be decided after the figures produced by the Financial Adviser, Military Finance, have been scrutinised in Audit.

### ANNEXURE III.

#### Note on matters connected with the provisioning of R. A. F. stores in India.

Last year, the Military Accounts Committee were informed that the A. O. C. would apply for formal sanction to cover the stocks normally held by the R. A. F. in India and to regularise the issue of the Equipment Tables for the R. A. F. consuming units. This has been done and the necessary orders on the subject have been issued. The audit certificate will not in future be qualified in this respect.

2. The present position has thus been regularised and definite improvements have been made in the provisioning system as for example :—

- (i) Lack of continuity of service in this important branch of the R. A. F. had, in the past, been one of the difficulties in the way of economical stockholding. This has been

overcome by the special retention of an experienced officer for an extended period instead of for the normal short tour of duty in India, and by the substitution of continuous Indian service personnel of the Indian Army Corps of Clerks on the clerical work involved in detailed provisioning.

- (ii) Much thought has been given to the review of actual stocks held by R. A. F. supply and consuming formations, and recently a comprehensive set of instructions has been issued for the guidance of all concerned. Every item of stock must now be reviewed most carefully at least once a year, and all surplus and obsolete stocks have to be reported to H. Q. R. A. F. for action.
- (iii). Arrangements have been made to forecast requirements earlier than in the past and so allow a more reasonable time for the D. G., I. S. D., to despatch stores so as to arrive at the time they are actually required in.
- (iv) More information will, in future, be provided in support of demands prepared by stores depots; this allows greater control to be exercised by H. Q. R. A. F. and this information will also be made available to the Military Finance Branch.

3. Apart from this, a comprehensive review of the whole machinery of supply and stockholding has been initiated and considerable progress made. This comprises reconsideration of the present stock limits; the revision of the Equipment Tables; the revision of the Stores Regulations for the R. A. F. in India; and the preparation of a self-contained set of instructions on the subject of provisioning in the R. A. F. To deal with these important matters, an officer and a clerk were employed from the 18th November 1935 to the 15th June 1936, but from that date, in order to expedite disposal of the work, a Revision Section was formed. It consists of a Squadron Leader, a Flying Officer, a Flight Sergeant, and a clerk, and is assisted by the D. F. A., R. A. F.

4. The following is a resume of the work dealt with to date :—

- (i) *Equipment Tables*.—A revised lay out of the Tables has been prepared and a scheme for the introduction of it is well on the way. Generally speaking, the revised Tables will be on the lines of similar Tables in use in the Army and will show, *inter alia*, the scales of articles of equipment, &c., authorised for use by the various units.
- (ii) *Provision Instructions*.—These are in the process of compilation and several sections have been prepared in draft form. The instructions cannot be completed until decisions have been reached in the light of the review of the present stock limits.
- (iii) *Revision of Stores Regulations for the R. A. F. in India*.—This work has been started and an important chapter on disposals procedure has been re-written and referred to other Branches for remarks. Other points have been dealt with and care is being taken to ensure that the revised book will key in with the rules in Financial Regulations, Stores Accounting Instructions, &c.

(iv) *Review of stock limits.*—This item covers a large field. The first step necessary is a reconsideration of store requirements in the light of recent appreciations of India's accepted defence commitments. This work is well in hand and has necessitated a reference to the Air Ministry in regard to certain aspects of supply particularly during emergencies. It will be appreciated that all aircraft and connected equipment and spares have to be procured through the Air Ministry who have the manufacturers at their elbow. India has no test and experimental establishments for R. A. F. equipment and stores and all supplies to India are subjected to Air Ministry tests and inspection.

5. Owing to the varying factors which affect the different types of R. A. F. equipment the review of the stock limits is being carried out under separate headings, and the progress made is briefly described below :—

- (1) *General stores.*—This includes airframe and engine spares, connected equipment, W./T. sets, photographic gear and materials, paints, dopes, varnishes and other materials used in repair, overhaul and maintenance of aircraft, aerodrome and workshop equipment, clothing, &c. A review of stock holdings of general stores was undertaken some time ago and proposals were submitted to the Military Finance Branch. In the light of their comments, it was necessary to refer certain points to the Air Ministry (whose reply is awaited). In the meanwhile the proposals have been recast in skeleton form.
- (2) *Airframes and engines.*—All existing Government sanctions have been examined and consolidated in the shape of scales, but requirements have yet to be re-assessed after consideration has been given to the general questions referred to in paragraph 4 (iv) above.
- (3) *Mechanical Transport.*—Before proceeding with the review of stock holdings necessary, consideration is being given to the various types of M. T. in use by the R. A. F. at Home and in India and to the question of supply in peace and war. When this has been fully explored, the stock limits will be reviewed in the light of the decision reached.
- (4) *Explosives.*—A good deal of ground work on this has been done, but the stock-holding proposals cannot be completed until certain information has been received from the Air Ministry in regard to supply in times of peace and of emergency.
- (5) *Petrol, oil and lubricants.*—These are ordinarily procured from the R. I. A. S. C. who are the stock-holders, but the R. A. F. have to assess the probable requirements. The review of the present stock holdings is complicated by questions of bulk storage, feasibility of supply by the Companies to landing grounds on air routes, &c., which are now under consideration.

**ANNEXURE IV.****Indian Certificate.**

I certify that, on 31st March 1936, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the Army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand, and with the exceptions shewn in the attached Annexure.

W. H. M. MOENS,

*Lieut.-General,*

*Q. M. G.*

*The 28th May 1936.*

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**Annexure to certificate, dated 28th May 1936.**

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

(i) Motor cycles, solo	..	..	..	..	55
4th Cav. Bde, Signal Troops	..	..	..	..	4
2 L. T. Coys.	..	..	..	..	4
4th Fd. Bde. R. A.	..	..	..	..	14
C. A. Us. and D. A. Us.	..	..	..	..	33
					<hr/>
					55
					<hr/>

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

(ii) Motor cycles, combination	..	..	..	..	6
(1st, 2nd and 3rd Indian Divisional Signals).					

The deficiencies will be made good by the purchase of class " D " cars : necessary orders to complete the deficiencies have been placed.

(iii) Motor cars, class " D "	..	..	..	..	2*
(Divl. Ammn. Units).					

Orders for the 2 cars will be placed during 1936-37.

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\*This excludes 16 required for medical units, *vide* mob. situation review ; no authority for these vehicles has been received.

(iv) Workshop lorries .. .. .	5
Store lorries .. .. .	14
Breakdown lorries .. .. .	11

The authorised war reserve figures of technical vehicles are under revision under the R. I. A. S. C. (M. T.) re-organization. Consequently no action has been taken to complete the deficiencies.

(v) Foden disinfecter lorries .. .. .	4
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According to the latest policy the deficiencies will not be made good.

### ANNEXURE V.

#### Annual Certificate by the Master-General of the Ordnance in India.

I certify that on 31st March 1936 :—

1. The mobilization equipment and clothing authorized to be held for the mobilization of the Army in India and detailed in published War Equipment Tables was complete to the extent to which the quantities have been provided with the exception of fluctuations normal to the maintenance of such equipment. Deficiencies have been calculated from War Equipment Tables as and when these are published and funds have been obtained (under Item 14 of the " Re-equipment Programme, 1933 ") to make good deficiencies as calculated.

2. War Maintenance Reserves detailed in published W. M. R. Statements, and which have been provided, were complete with the exception of fluctuations normal to the manufacture of such reserves and with the exceptions detailed hereafter. Deficiencies have been calculated in accordance with the rules approved by the Secretary of State and are revised over a regular programme. Steps have been taken to obtain funds (under Item 14 of the " Re-equipment Programme, 1933 ") to make good certain deficiencies and the estimated sum required to complete the remaining deficiencies is included in Item 14 of the " Re-equipment Programme, 1933 ".

The exceptions were :—

- (a) In a total of 251 items the war maintenance reserves had to be drawn on to carry out peace time maintenance. 49 of these items were in connection with ' Mohforce ' operations, 79 were in connection with the Baluchistan earthquake and 123 were caused by shortage of peace time working stocks. Orders were placed for the supply at an early date of all items withdrawn from W. M. R.
- (b) No ammunition is held for Royal Horse Artillery batteries as their old equipment has been called in and approval has not yet been given to the proposals for re-equipping them. The General Staff has accepted that no additional provision is to be made of ammunition for the 18 pdr. Q. F. equipments which have been issued to these units as a temporary measure.
- (c) A shortage in reserve of 640 miles of D 8 Single Cable has not been made up pending decision as to if and when the issue of wireless sets which may reduce requirements is likely to materialize.

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

The calculation of deficiencies continues. Funds have been obtained (under Item 14 of the "Re-equipment Programme, 1933") to make good certain deficiencies and the estimated sum required to complete the remaining deficiencies is included in Item 14 of the "Re-equipment Programme, 1933".

R. K. HEZLET,  
Major-General,  
Offg. M. G. O. in India.

The 6th May 1936.

IV.—Proceedings of the first meeting of the Public Accounts Committee held on Friday, the 17th July 1936, at 11 A.M.

PRESENT :

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. T. K. RAJAGOPALAN, Accountant General,  
Central Revenues.

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance  
Secretary.

*Members.*

*Were also  
present.*

*Witness.*

The Committee first took up the question of the control over supplementary grants. The Chairman drew attention to the circular (Appendix VIII) issued by the Finance Department in October 1935 and explained that the procedure indicated therein would not become fully operative till autumn. The Committee then desired to know what action had been taken on the revision of codes discussed last year at the first meeting of the Committee. The Auditor-General and the Finance Secretary explained that there was no necessity to undertake a wholesale revision as the codes were being amended with reference to circumstances that come to light through daily experience.

2. The Committee then took up for consideration the key statement attached to the Auditor-General's letter, and in the course of their consideration discussed the following important points :—

- (1) *The position as regards the Vizagapatam Harbour.*—The consideration of this was reserved to a later date.
- (2) *The need for retaining the statistics shown in paragraph 52 of the Appropriation Report of the Accountant-General, Central Revenues.*—The Auditor-General observed that the result of budgeting for establishment were now satisfactory and as the compilation meant a certain amount of unnecessary work, he recommended its discontinuance. He assured the Committee that it could be revived if the results in future years warranted such a course. The Committee agreed.

3. The Committee also discussed the withdrawal of a sum of Rs. 62 lakhs from the revenue surplus of 1933-34 for debt redemption. They felt considerable doubt in connection with such funds about voting an indefinite sum which purported to represent the whole of the surplus of a year and recommended that in future when special funds are set up they should be constituted by a vote for a specific amount.

The Committee adjourned till 2-45 P.M.

**Proceedings of the second meeting of the Public Accounts Committee held on Friday, the 17th July 1936, at 2-45 P.M.**

**PRESENT :**

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. T. K. RAJAGOPALAN, Accountant General,  
Central Revenues.

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Finance  
Secretary.

*Members.*

*Were also present.*

*Witness.*

4. The Committee took up the consideration of the various appropriation accounts relating to the Finance Department together with the relevant portions of the Home Auditor's comments.

5. They dealt with items (2) to (21) in the Auditor-General's key statement and after discussion recommended that assent should be accorded to the excess grants brought to their notice.

6. The following important points were specifically noticed by the Committee :—

- (i) *Grant No. 25—Interest on Ordinary Debt.*—The Committee thought that it was somewhat confusing to have the two sub-heads A1 (1) Interest on Permanent Debt and A1 (2) Reserve provision for service of new loan. They desired that Finance Department should consider the question of amalgamating the two heads in future.
- (ii) *Paragraph 68 of the Appropriation Report—Grants-in-aid to the New Delhi Municipality.*—The Auditor General suggested and the Committee agreed that Government should consider the possibility of defining the functions of the financial representative on the Committee. They desired that he should have access to all records and should have the right to report to Government through the Chief Commissioner. The Finance Secretary undertook to consider the recommendation and to report to the Committee in due course.
- (iii) *Grant No. 76-D—Transfer to the Fund for Economic Development and Improvement of Rural areas.*—The Committee desired to know if the accounts were being audited. The Auditor General informed the Committee that the whole of the expenditure was being audited in the usual way and a certificate given that the money had been applied to purposes approved by the Government of India.
- (iv) *Grant No. 77—Refunds.*—The Chairman explained that refunds should strictly be treated as deductions from revenue instead of as expenditure and that the question was being considered by the Finance Department.

The Committee then adjourned till 11 A.M. on Monday, the 20th July 1936.

**Proceedings of the eighth\* meeting of the Public Accounts Committee held on Thursday, the 23rd July 1936, at 2-30 P.M.**

PRESENT :

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

} *Members.*

\*3rd to 7th meetings were for Railways.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.	} Were also present.
Mr. T. K. RAJAGOPALAN, Accountant-General, Central Revenues.	
Sir GIRJA SHANKAR BAJPAI, K.B.E., C.I.E., I.C.S., Secretary, Education, Health and Lands Department.	} Witnesses.
Mr. M. S. A. HYDARI, C.I.E., I.C.S., Joint, Secretary, Education, Health and Lands Department.	

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

8. *Grant No. 60—Imperial Council of Agricultural Research Department.*—The Committee took up the examination of the appropriation accounts pertaining to the Imperial Council of Agricultural Research. They desired to know if the expenditure on the schemes sanctioned from the Government of India grant was audited and whether the accounts were published in the Provincial Appropriation Accounts. The Auditor-General explained that the expenditure from grants made to the provinces was audited in the usual way and appeared in the Provincial Appropriation Accounts.

9. *Item No. 6 of the Quarterly statement; Grants to New Delhi Municipality.*—The attention of the Committee was next focussed on the grants made to the New Delhi Municipality. The Finance Secretary stated that the Finance Department in consultation with the Auditor-General and the Education, Health and Lands Department had decided to post to the Municipality a qualified resident accountant, subordinate to the Accountant-General, Central Revenues, who will conduct a continuous audit. The experiment will be tried for 3 years in the first instance. As explained to the Committee in an earlier meeting the question of giving certain powers to the financial representative on the Committee will be considered. The grants to the Municipality will not be made on the estimates of the Municipality but with reference to the audited actuals, the grant in any particular year being only made on a provisional basis subject to readjustments later in the light of actuals. Moreover, the Municipality was being instructed to maintain proper accounts of its capital undertakings. A scheme for providing depreciation to cover replacements of plant, etc., was also being introduced. The Committee took note of the Auditor-General's assurance that proper steps were being taken to set the house in order.

10. *Grant No. 48—Survey of India.*—The variations between estimates and actuals in this Grant were commented on by the Committee. The departmental representatives explained the peculiar circumstances attendant on the budgeting of the grant. The Committee commented adversely on the supplementary grants obtained in 1934-35. In the light of the estimates for 1935-36 and 1936-37, the Committee were satisfied with the financial control exercised by the Finance Department.

The Committee discussed the position of the Mathematical Instruments Office. The Education Secretary explained the reasons why Government decided to treat it as a service department. The bulk of the work done at the Mathematical Instruments Office was for the Survey of India. There was no organisation elsewhere in India to cope with this special work and it was certainly cheaper to have it done in India than in England. The Mathematical Instruments Office reconditions old apparatus which has no market value and by adaptations and improvements lengthens the useful life of condemned articles. It was explained to the Committee that since they last met, a further reduction of Rs. 18,000 had been made in the establishment charges of that office. Government was also exploring the possibility of charging a proportion of the cost of the Mathematical Instruments Office to Survey parties and recovering a part of the expenditure from Local Governments to whom the Survey of India renders service. The extent to which the Indian Stores Department could use the Mathematical Instruments Office was also going to be discussed with the Chief Controller of Stores on his return from leave.

The Committee adjourned till 11-30 A.M. on Friday, the 24th July 1936.

**Proceedings of the ninth meeting of the Public Accounts Committee held on Friday, the 24th July 1936, at 11 A.M.**

**PRESENT :**

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. T. K. RAJAGOPALAN, Accountant-General,  
Central Revenues.

*Members.*

*Were also  
present.*

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

Mr. M. S. A. HYDARI, C.I.E., I.C.S., Joint  
Secretary, Education, Health and Lands  
Department.

Witnesses.

11. The Committee continued the examination of the unfinished portion of the appropriation accounts of the Department of Education, Health and Lands.

12. *Grant No. 50—Agriculture.*—They took up first Grant No. 59 for consideration. They discussed the variations occasioned by the transfer of the Agricultural Institute, Pusa. In that connection it was explained to the Committee that the budget estimates for the year 1934-35 were framed long before the earthquake occurred. If at a subsequent stage major alterations occurred every effort was made to adjust the estimates accordingly but as a rule it was not considered necessary or even practicable to make minor alterations. The expenditure on the agricultural engineering schemes in Sind next attracted the attention of the Committee. The Committee were told that the expenditure was in connection with the Lloyd Barrage scheme regarding which the Government of Bombay could not be expected to evince much interest in view of the impending separation of Sind from Bombay. On the other hand, it was stated that the Government of India were vitally interested in measures designed to reduce the subvention to Sind. It was accordingly decided to meet the expenditure from central revenues, the services of the Bombay Government being utilised only as agents of the Government of India.

13. In discussing the accounts of the Karnal Farm, the Committee desired that Government should examine the possibility of increasing income and decreasing expenditure in respect of this concern. As regards the decision to re-start the Creamery at Anand, the Education Secretary explained that at present India imported about Rs. 50 lakhs worth of milk products from abroad and it was considered desirable that a certain amount of technological work should be conducted at some central place where experiments in skimmed milk, condensed milk, etc., might be conducted with a view to better utilisation of the surplus milk which at the present moment was sold at a figure which was not remunerative to the cultivator. The Committee were satisfied that the decision of Government to reopen Anand was justified. They thought that there was still some extravagance in the working of the Wellington Milk Depot and saw no reason for the reduction in sale prices below the cost of production.

14. *Grant No. 61—Imperial Veterinary Serum Institute, Izatnagar.*—The Committee desired to know if the Government of India had considered the possibility of Local Governments starting their own institutes under the new dispensation. The Education Secretary explained that the Government of India had no power to prevent any Local Government from doing so. Indeed one Local Government had actually done it. To prevent loss of custom the rates on the various kinds of sera had been reduced in 1933 with gratifying results. The Director at Muktesar was in very close touch with the Directors in the provinces, and there was no doubt that he would recommend to the Government of India suitable steps in the event of their losing the present custom to competing concerns.

The Committee adjourned till 11 A.M. on Monday, the 27th July, 1936.

**Proceedings of the tenth meeting of the Public Accounts Committee held on Monday, the 27th July 1936, at 11 A.M.**

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. T. K. RAJAGOPALAN, Accountant-General,  
Central Revenues.

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

Mr. N. M. AYYAR, I.C.S., Additional Deputy  
Secretary, Industries and Labour Depart-  
ment.

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

*Members*

*Were also  
present.*

*Witnesses.*

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

16. *Grant No. 40—Department of Industries and Labour* was first taken up for consideration. The large saving under 'Establishment' evoked the attention of the Committee. The Chairman explained that steadily increasing lump cuts were being made by the Finance Department. He added that the Committee would be at perfect liberty to comment adversely and abjure the Finance Department to make further cuts if the trend of actuals in the future indicated the necessity of such a course. The Committee generally agreed.

17. In discussing *Grant No. 75—Stationery and Printing* the Committee commented on the reappropriation of Rs. 13,200 under customs duty on stores. They desired to know why there was a change of policy during the course of the year to purchase stores in India though the budget estimates assumed purchase of stores in England. The Committee observed that in future departments ought to take into account the trends of prices and the possible changes in policy during the year. It was explained to the Committee that the large variations under the Government of India Press, New Delhi, were due to the transfer of some of the activities of the Calcutta Press to Delhi, which was not foreseen at the time of preparing the estimates. The Committee emphasised the importance of adequate staff for dealing with estimates and asked the Finance Department to see that effective arrangements were made to this end.

18. The Committee discussed the commercial accounts of the Government of India Presses. They desired to know why there was an increase in indirect charges in the Calcutta Press. Mr. Clow explained that while reducing the staff and the size of the Press it was not possible to reduce the overhead charges proportionately. Government were, however, thinking of abolishing the Hastings Street Press and transferring its work to Dhurrumtollah. The Committee asked for a report on this next year.

19. *Central Publication Branch.*—The Committee referred to their recommendation last year and asked what the latest position was. It was explained to them that the matter had been examined by audit. As regards publications proper the progressive stocktaking and the internal posting of ledgers was expected to be completed in August or September. Additional staff had been sanctioned to cope with the work of verification and weeding of the publications.

20. *Ecclesiastical.*—The Committee observed that the question of the allocation of Ecclesiastical expenditure had been outstanding for a long time. The Industries Secretary explained that a committee was sitting now and had almost settled a draft allocation.

The Committee adjourned till 2.45 P.M.

**Proceedings of the eleventh meeting of the Public Accounts Committee  
held on Monday, the 27th July 1936, at 2-45 P.M.**

PRESENT :

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

Mr. B. DAS, M.L.A.  
Mr. S. SATYAMURTI, M.L.A.  
Professor N. G. RANGA, M.L.A.  
Dr. THEIN MAUNG, M.L.A.  
Mr. J. RAMSAY SCOTT, M.L.A.  
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.  
Captain SHEER MOHAMMAD KHAN, C.I.E.,  
M.B.E., M.L.A.  
Bhai PARMA NAND, M.L.A.  
Dr. R. D. DALAL, C.I.E., M.L.A.  
Rai Bahadur Sir SATYACHARAN MUKHERJEE,  
Kt., C.B.E., M.L.A.  
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,  
M.L.A.

*Members.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor-General.  
Mr. T. K. RAJAGOPALAN, Accountant-General,  
Central Revenues.  
Mr. ISWAR DAYAL, Audit Officer, Indian  
Stores Department.

*Were also  
present.*

Mr. N. M. AYYAR, I.C.S., Additional Deputy  
Secretary, Industries and Labour Depart-  
ment.  
Mr. G. L. GANDY, Officiating Director of Civil  
Aviation.  
Mr. R. W. TARGETT, Officiating Chief Con-  
troller, Indian Stores Department.  
Mr. F. T. JONES, C.I.E., M.V.O., V.D., Offici-  
ating Chief Engineer, Central Public  
Works Department.

*Witnesses.*

21. The Committee resumed the examination of the remaining grants with which the Department of Industries and Labour were concerned.

22. The Committee took up the consideration of Grant No: 49 dealing with Meteorology. They thought that the department ought to budget more closely in future. They next dealt with Grant No. 63—Civil Aviation. In this connection they asked the Civil Aviation Department to consider the desirability of scrapping Avro X if there was to be no increase in the use of that machine for Government purposes.

23. *Grant No. 70—Indian Stores Department.*—The Committee were promised a report on the amalgamation of the London Stores Department and the Indian Stores Department as soon as possible after Sir James Pitkeathly's return. The Committee dealt with the variations in the grant. They also discussed the possibility of increasing the activities of the Department by getting the railways and the Defence Department to make further use of the Department in the purchase of stores. The Chief Controller of Stores was satisfied with the progress which had been made in this direction, and until the department was more fully equipped he would not himself welcome an expansion of their activities. He was also not inclined to take up the purchase of foodstuffs for the Army who had their own highly developed organisation for this purpose. The Auditor-General reminded the Committee that in recent years the matter had been considered by the Military Retrenchment Committee. The Committee were glad that the policy of purchasing through the Indian Stores Department was progressing and hoped that that policy would be pressed on as rapidly as circumstances permitted.

24. *Grant No. 73.—Civil Works.*—The Committee felt that new works were being too readily sanctioned in the course for a year though not provided for in the original budget. This was obviously undesirable and they recommended that the Finance Department should sanction new projects in the course of a year only on real grounds of urgency or because they produced economy.

The Committee adjourned till 11 A.M. on Tuesday, the 28th July 1936.

**Proceedings of the twelfth meeting of the Public Accounts Committee held on Tuesday, the 28th July 1936, at 11 A.M.**

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

*Members*

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

Mr. T. K. RAJAGOPALAN, Accountant-General,  
Central Revenues.

Were also  
present.

Sir AUBREY METCALFE, K.C.I.E., C.S.I.,  
M.V.O., Foreign Secretary.

Mr. V. NARAHARI RAO, Additional Deputy  
Secretary, Foreign and Political Depart-  
ment.

Mr. G. K. S. SARMA, Under Secretary,  
Foreign and Political Department.

Witnesses.

Rai Bahadur CHUNI LAL, Finance Secretary,  
North-West Frontier Province.

Mr. SUKH DAYAL, Financial Assistant,  
Baluchistan.

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

26. The Committee first discussed the position of the unauthorised excluded funds in the North-West Frontier Province touched on in paragraph 16 of their report last year. Sir Aubrey Metcalfe explained that they had received certain proposals as regards these funds but they were not ripe yet for final orders. As regards the Khassadar funds, the Committee regretted the delay that had occurred in giving effect to their recommendation and desired that orders should be issued immediately to close these irregular funds within two months. The Auditor-General added that the funds should be closed under proper audit. The Committee noted with satisfaction that the Motor Lorry Depreciation Funds had been closed. As regards the other irregular excluded funds they desired that their closing down should be completed within three months.

27. *Item 10 in the Quarterly Statement.*—The Committee were told that the question of the incidence of the Persian Gulf expenditure had already been considered by the Foreign and Political Department but that there was little hope of any change producing a saving to India. The matter was, however, receiving the consideration of the Finance Department.

28. *Grant No. 79—Baluchistan.*—The Committee commented adversely on the fact that an unnecessary supplementary grant had been obtained.

29. *Grant No. 85-A.—Aden.*—As regards the change of classification from voted to non-voted of the police expenditure in Aden, the Committee

desired that in future where changes in the classification were introduced during the course of the year a full explanation should be given.

30. The Committee discussed at length the non-voted appropriations under 'Political' and under 'Frontier Watch and Ward' and other Grants with which the Foreign and Political Department was concerned.

The Committee adjourned till 2-45 P.M.

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**Proceedings of the thirteenth meeting of the Public Accounts Committee  
held on Tuesday, the 28th July 1936, at 2-45 P.M.**

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PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. T. K. RAJAGOPALAN, Accountant-General,  
Central Revenues.

*Members.*

*Were also  
present.*

Mr. H. Dow, C.I.E., I.C.S., Additional Secretary, Commerce Department.

Mr. M. SLADE, I.C.S., Joint Secretary, Commerce Department.

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

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

Witnesses.

31. The Committee took up for consideration the appropriation accounts and other connected documents with which the Commerce and the Home Departments were concerned.

32. Grants Nos. 38, 46, 47, 64 and 68 with their connected documents were considered. As in other cases the Committee commented adversely on the inaccurate estimates. As regards the excess expenditure noticed under Lighthouses and Lightships it was explained to the Committee that the present procedure was to transfer at the end of the year the excess of receipts over expenditure to the reserve fund by a vote. Thus in any particular year if there was an unexpected high level of light dues there would be an excess. This appeared to the Committee to be an odd procedure and they desired that the question should be re-examined.

33. *Vizagapatam Harbour*.—The Committee discussed at some length the position of Vizagapatam Harbour. It was explained that the Harbour was not in a position to balance its accounts even though interest on capital outlay was not being charged. In fact grants-in-aid had been required of Rs. 50,000 in 1935-36 and Rs. 2½ lakhs in the current year. The Committee were given to understand that the Auditor-General was going to visit Vizagapatam shortly to put in order the accounting arrangements. His proposal was that though Vizagapatam was not actually a port trust he would in view of the Vizagapatam Port Act of 1931 treat it to a certain extent as a separate fund. There would be a combined accounts and audit officer in charge, working not under the Director of Railway Audit as at present but under the Accountant-General, Madras, who will have the accounts audited in the same way as he audits the accounts of the Madras Port Trust or a municipality. The Commerce Department undertook to take up the question after receipt of the Auditor-General's proposals.

34. The Committee then took up the examination of the appropriation accounts relating to the Home Department. The variations in the budget estimates in Grant No. 82-Andaman and Nicobar Islands were commented on adversely. The Committee were informed by the Auditor-General that the Government of India had recently sent an Assistant Accounts Officer to act as Financial Adviser to the Chief Commissioner and he hoped to see better results in future. The commercial accounts of the Andamans administration were next examined. The Committee expressed their satisfaction on the working of the Commissariat Department.

The Committee adjourned till 11 A.M. on Wednesday, the 29th July 1936

Proceedings of the fourteenth meeting of the Public Accounts Committee  
held on Wednesday, the 29th July 1936, at 11 A.M.

## PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. T. K. RAJAGOPALAN, Accountant-General,  
Central Revenues.

Mr. J. A. MACKEOWN, I.C.S., Deputy Secre-  
tary, Industries and Labour Department.

Mr. F. T. JONES, C.I.E., M.V.O., V.D., Offg.  
Chief Engineer, Central Public Works  
Department.

*Members.*

*Were also  
present.*

*Witnesses.*

35. The Committee resumed the consideration of the unfinished grants with which the Department of Industries and Labour was concerned.

36. The Committee discussed at great length the rules governing works expenditure and the financial powers enjoyed by the various authorities. The Committee commented adversely on the wide departures from the original programme of the civil works grant. They thought that the demand should be precisely stated and in the actual expenditure there should be a reasonable conformity with the demand. They felt that as regards the schemes sanctioned by the Road Committee it was worth while considering a change of procedure whereby a complete programme could be settled at the beginning of a year instead of having it in two instalments as at present. They were also doubtful of the manner in which the reserve in the Civil Works grant was being used. They desired that it should be limited only to throwforwards of expenditure on uncompleted projects of the previous year and for genuinely unforeseen minor works.

The Auditor-General explained the position. The Committee endorsed the observations contained in one of their earlier reports that budget provision should be restricted to the actual expenditure reasonably expected to be incurred in the course of a year. The manner in which the expenditure from the Road Fund account was exhibited at present seemed somewhat confusing, and the Auditor-General informed the Committee that he himself was considering whether any change was desirable.

37. *Grant No. 97—New Delhi Capital Outlay.*—The Committee next considered Grant No. 97. With reference to the important comments made by the Accountant-General, Central Revenues, Mr. Mackeown told the Committee that the Audit officer's comments were carefully considered by a departmental meeting where the Auditor-General and the Accountant-General, Central Revenues, were present. It was admitted that the irregularities were due to undue haste in pushing on with the works. On the Auditor-General's assurance that the procedure adopted did not result in any financial loss to the tax-payer though it undoubtedly exposed Government to a risk of loss, the matter was not further pursued. The Committee were told that steps had been taken to obviate the recurrence of such an irregular procedure in future.

The Committee adjourned till 2-45 P.M.

**Proceedings of the fifteenth meeting of the Public Accounts Committee held on Wednesday, the 29th July 1936, at 2-30 P.M.**

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. T. K. RAJAGOPALAN, Accountant-General,  
Central Revenues.

*Members.*

*Were also present.*

Mr. A. H. LLOYD, C.S.I., C.I.E., I.C.S.,  
Member, Central Board of Revenue. }  
Mr. W. W. NIND, C.I.E., Member, Central  
Board of Revenue. } *Witnesses.*

38. The Committee took up the examination of the appropriation accounts and connected documents relating to the Central Board of Revenue.

39. *Grant No. 16—Customs.*—The Committee were informed that the revised system of audit of the customs revenue mentioned in the reports of the earlier years has been made permanent.

The Committee adjourned till 11 A.M. on Thursday, the 30th July 1936.

**Proceedings of the sixteenth meeting of the Public Accounts Committee held on Thursday, the 30th July 1936, at 11 A.M.**

PRESENT :

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

Mr. B. DAS, M.L.A.  
Mr. S. SATYAMURTI, M.L.A.  
Professor N. G. RANGA, M.L.A.  
Dr. THEIN MAUNG, M.L.A.  
Mr. J. RAMSAY SCOTT, M.L.A.  
Maulvi Sir MOHAMMAD YAKUB, Kt., M.L.A.  
Captain SHER MOHAMMAD KHAN, C.I.E.,  
M.B.E., M.L.A. } *Members.*  
Bhai PARMA NAND, M.L.A.  
Dr. R. D. DALAL, C.I.E., M.L.A.  
Rai Bahadur Sir SATYACHARAN MUKHERJEE,  
Kt., C.B.E., M.L.A.  
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,  
M.L.A.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor-General. } *Were also present.*  
Mr. B. NEHRU, Accountant-General, Posts and  
Telegraphs.

Mr. GHULAM MOHAMMED, Finance Officer,  
Posts and Telegraphs. } *Witnesses.*  
Mr. G. V. BEWOOR, C.I.E., I.C.S., Director-  
General, Posts and Telegraphs.  
Mr. R. S. PURSELL, C.I.E., O.B.E., Chief  
Engineer, Posts and Telegraphs.  
Mr. P. N. RAJAGOPALA, Deputy Director-  
General (Finance), Posts and Telegraphs.

40. The Committee took up the examination of the appropriation accounts and connected documents relating to the Posts and Telegraphs Department.

41. They referred to the observation in paragraph 17 of their last year's report regarding the ability of the department to produce a balanced budget in the near future and desired to know what the present position was. The Director-General, Posts and Telegraphs, explained that the actuals for 1934-35 disclosed a profit of nearly Rs. 38 lakhs while the latest actuals for 1935-36 pointed to a loss of Rs. 3 lakhs which he hoped would disappear in the final actuals thus producing a balance. The restoration of the emergency deduction from pay costing over Rs. 26 lakhs and the provision for normal increments to staff costing about Rs. 15 lakhs were responsible for the increased expenditure in 1935-36. The estimates for 1936-37 provided for Rs. 11,74 lakhs receipts and an expenditure of Rs. 11,73 lakhs. The Director-General further informed the Committee that with effect from the 1st of April 1936 a Renewals and Replacements Fund was substituted for the depreciation fund, the annual contribution to which was fixed at Rs. 25 lakhs for a period of 5 years whereafter the position would be re-examined. This change was calculated to result in a saving of a little over Rs. 2½ lakhs to the contribution to the fund as compared with the previous year. The Committee questioned the propriety of charging revenue with an amount in excess of the actual requirements for renewals and replacements during a year. It was explained to them that it would be imprudent to charge only the cost of current renewals to the budget without providing for full charges, as the essential feature of the fund was that it should be a reserve fund to meet the growth in renewals. The Committee wished to know the result of the operation of the new scales of pay. The Director-General informed the Committee that the wages bill had not gone up appreciably since 1933-34. Seeing that the annual increments cost about Rs. 15 lakhs, the stationary character of the pay charges reflected the savings accruing from the revised scales of pay and conversion of higher into lower posts and abolition of certain posts. It was hoped that at the end of 30 years, if the rates of pay remained the same without further revision, the saving would approximate Rs. 1¼ crores. The Committee then discussed the feasibility of levelling the scales of pay on the postal and telegraph branches of the department. The Director-General explained that due to technical skill the operatives on the telegraph side had to be paid a little more than on the postal side. The attention of the Director-General was drawn to the comment in the appropriation report regarding the free use by the department of telegraph and telephone services. The Committee were assured that such free service telegrams were restricted to the actual service requirements of the department. The Committee appreciated that charging the department for services rendered would have no financial effect, but they stressed the imperative need of restricting such service telegrams to the absolute minimum. The Accountant-General, Posts and Telegraphs, stated that he drew the attention of the Committee to this point in order to give the Committee an opportunity of discussing the matter. He was himself satisfied with the explanation given by the Director-General, Posts and Telegraphs.

42. The Committee next discussed the reaction on traffic of decrease or increase of rates. It was explained that the reduction of rates though it may lead to increased traffic would not necessarily result in increased

revenue unless such traffic increased to a percentage considerably higher than the reduction in the rates. Thus if the price of the post card is reduced to half an anna it was expected that the increase in traffic would be about 10 per cent. while the net loss in revenue would amount to nearly Rs. 50 lakhs.

43. *Paragraph 4 of the Auditor-General's letter.*—The Director-General explained that the lack of effective control over expenditure in the past was due to a lack of machinery to provide the controlling authorities with the latest figures of actual expenditure incurred. The highly centralised system of stores accounting which was in vogue militated against accurate estimating, while the complicated rules of allocation, the system of payment of freight by credit notes and various other smaller incidental complications rendered control very difficult and ineffective. The Committee were told that the whole procedure was being revised by decentralising work as much as possible and by the addition of trained accountants to assist the heads of Circles in budgetting and controlling. The revised procedure would be brought into force after obtaining the Auditor-General's approval probably as from the 1st April 1937.

The Committee adjourned till 3 P.M.

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**Proceedings of the seventeenth meeting of the Public Accounts Committee held on Thursday, the 30th July 1936, at 3 P.M.**

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PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

Mr. T. K. RAJAGOPALAN, Accountant General,  
Central Revenues.

*Members.*

*Were also present.*

Mr. J. C. NIXON, C.S.I., C.I.E., I.C.S., Secretary, Finance Department. } *Witness.*

44. The Committee resumed the examination of the remaining appropriation accounts and connected papers with which the Finance Department was concerned.

45. In an earlier meeting the Committee had desired the Finance Secretary to look into the circumstances concerning the variations commented on in paragraph 61 of the Accountant-General, Central Revenue's appropriation report dealing with the control over expenditure. The Finance Secretary gave a detailed explanation and satisfied the Committee that there was no real deterioration in the year under review as compared with previous years.

46. As regards the disciplinary action taken on the officer of the Currency Department in respect of the irregularity noticed in paragraph 6 of the Important Comments of the Accountant-General, Central Revenues, under Grant No. 71—Currency, the Chairman told the Committee that on reconsideration Government felt that the senior officer concerned had been left off rather lightly but that instructions would be given to prevent a recurrence of over-lenient treatment.

47. The Committee desired that the Government of India should consider the whole policy of giving house-building, motor car and other advances to Government servants.

The Committee adjourned till 11 A.M. on Friday, the 31st July 1936.

**Proceedings of the eighteenth meeting of the Public Accounts Committee held on Friday, the 31st July 1936, at 11 A.M.**

**PRESENT :**

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

J. RAMSAY SCOTT, M.L.A.

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

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

Bhai PERMA NAND, M.L.A.,

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

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

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

*Members.*

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

Mr. B. NEHRU, Accountant-General, Posts and  
Telegraphs.

Mr. GHULAM MOHAMMED, Finance Officer,  
Posts and Telegraphs.

Mr. G. V. BEWOOR, C.I.E., I.C.S., Director-  
General, Posts and Telegraphs.

Mr. R. S. RUSSELL, C.I.E., O.B.E., Chief  
Engineer, Posts and Telegraphs.

Mr. P. N. RAJAGOPALA, Deputy Director-  
General, (Finance), Posts and Telegraphs.

Were also  
present.

Witnesses.

48. The Committee resumed the consideration of the appropriation accounts of the Posts and Telegraphs Department.

49. The Committee examined in detail Grant No. 23. The Committee asked why a lump sum was given for temporary establishment in the audit charges. The Auditor-General explained that in the Posts and Telegraphs Audit Department there was considerable statistical work. When there was an increase in the accounts in Savings Bank more men were employed according to a scale worked out on the basis of many years' experience. Similarly when Savings Bank Accounts and Money Order transactions went down the establishment was reduced. There was a quarterly review of the position, and with reference to the work at the time the establishment was adjusted upwards or downwards according to the requirements. This was found to be more satisfactory than the keeping of too few or of too many at a time. The variations occasioned by the system of stores accounting again formed the subject of some lengthy discussion, and it was hoped that with the new measures already initiated or proposed there would be an appreciable improvement in the position. In the course of the discussion it emerged that a certain amount of building work for the Posts and Telegraphs Department was being done by Provincial Public Works Departments. The Committee desired Government to look into the general question whether in point of fact the Government of India used the Provincial Public Works Department excessively not only for the Posts and Telegraphs Department but for other departments as well and whether it would not be advisable to use the Central Public Works Department more freely. The Committee desired to know the sources of leakage of revenue and what steps the Posts and Telegraphs Department were taking to stop them. The Director-General explained at great length the steps taken to prevent the sending of heavier letters without proper postage, detection of parcels containing more than one communication, piracy by buses, etc.

50. The Committee noticed the large saving under XV—Posts and Telegraphs Deduct—working expenses in respect of stationery and printing. While accepting the explanation of the department that the throwing forward of the expenditure to next year was conducive to economy, they desired to know why there was lack of co-ordination between the Postal and Printing Departments in effecting corresponding adjustments. They recommended that the question should be investigated.

51. The Committee placed on record their thanks to the Auditor-General for his help and guidance.

The Committee then adjourned.

V.—APPEN  
APPEN

Statement showing action taken or proposed to be taken on recommendations, etc.,  
disposed

PART I.—Civil, Military and  
[Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
			<i>Civil (Auditor General).</i>
1	1933-34	12 R ..	That progressive accounts of expenditure from funds like those for the reconstruction of Earthquake damage in Bihar, the development of Civil Aviation, Broadcasting, etc., should be included in the future Appropriation Accounts.
			<i>Civil (Finance).</i>
2	1933-34	11 R ..	That the Finance Department should consider whether, when they go for a Supplementary Grant to the Assembly for a portion of the amount required for a scheme as a whole, the balance being met by re-appropriation from savings elsewhere, the particular sub-heads under which the savings are available should not, in the case of large savings at least, be shown in the supplementary demands presented to the Assembly.
3	1933-34	13 P ..	That instructions should be issued to the Mint Masters that the verification of stores should be done every year.
4	1933-34	13 P ..	That the question of writing down the value of obsolete stores in the Mints should be considered.
			<i>Civil (Central Board of Revenue).</i>
5	1933-34	13 R ..	That the revised system of concurrent audit of Customs Revenue which was introduced on a temporary basis 3 years ago should be made permanent.
			<i>Civil (Education, Health and Lands).</i>
6	1933-34	31 P ..	That the Government of India should consider whether, as suggested by the Auditor General, the standard of audit of the accounts of the New Delhi Municipality should be higher than that applicable to other municipalities.
7	1933-34	15 R ..	That in view of the large drop in the receipts from the Army Department drastic reductions should be made in the Mathematical Instrument Office, Calcutta, and if it is found that the office is not even then able to pay its way the question of closing it down should be taken up.
8	1933-34	19 P ..	That a report should be made to the Committee next year on the question of new rules proposed for the accounting of works expenditure in the Archaeological Department.
9	1933-34	20 P ..	That necessary instructions should be issued to the Director of the Agricultural Research Institute, Pusa, that valued stores accounts should be maintained.

# DIGES.

## DIX I.

*so far made by the Central Public Accounts Committee which have not been finally of.*

Posts and Telegraphs.

July, 1936.]

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Action taken or proposed to be taken.

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The recommendation has been noted for necessary action.

Necessary instructions have been issued to the Departments of the Government of India and other authorities concerned.

The action recommended by the Committee has been taken.

There are no obsolete stores at the Calcutta Mint, and those at the Bombay Mint are being consumed. It is, therefore, not necessary to write down their value.

This has been done.

The matter is under consideration in the Finance Department.

The matter is under consideration.

A draft of rules has been prepared and is under consideration.

76

Instructions have been issued to the Director.

Statement showing action taken or proposed to be taken on recommendations, etc.,  
disposed

## PART I.—Civil, Military and

[Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
<i>Civil (Foreign and Political).</i>			
10	1929-30	114 P ..	That the question of incidence of expenditure on the Persian Legation should be considered in connection with the constitutional changes.
11	1932-33 1933-34	14 R .. 16 R	That certain unauthorised excluded funds in the North-West Frontier Province should be abolished immediately and that a list of all excluded funds maintained in the Province should be obtained as quickly as possible and an examination should be made to see whether all, or any of them, should not be abolished.
<i>Civil (Industries and Labour).</i>			
12	1926-27 1928-29 1929-30 1933-34	25 R .. 91 P 118 P 36 P	That the Government of India should consider the question of allocation of Ecclesiastical expenditure between Civil and Defence Departments.
13	1932-33 1933-34	31 P .. 14 R	That in view of the large drop in the value of stores purchased from the Indian Stores Department, London, the question of amalgamating it with the Indian Stores Department should be considered.
14	1933-34	35 P ..	That special steps should be taken to have an actual verification of stock of the Central Publication Branch, Delhi, and to open new registers with the actual stock-in-hand.
<i>Military.</i>			
15	1930-31 1931-32 1932-33 1933-34	1 R Military 3 R Accounts 2 P Commit- 4 R tee.	The revision of the Army Regulations should be completed as soon as possible.
16	1932-33 1933-34	33 P Military 11 P Accounts Committee.	That a report be made to the Committee after two years as to the success or otherwise of the scheme under which trained Public Works Department accountants are taken for the Military Engineer Services.
17	1933-34	12 P Military Accounts Committee.	That in the memorandum of the Financial Adviser regarding stores transactions, figures for the amount of stores purchased in India and outside India should be given separately.
18	1933-34	17 P Military Accounts Committee.	That an investigation should be conducted to see whether there was any defect in the system of accounts which facilitated frauds in the hospital.

*so far made by the Central Public Accounts Committee which have not been finally of—contd.*

**Posts and Telegraphs—contd.**

July, 1936.]

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Action taken or proposed to be taken.

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The matter is under consideration.

The North-West Frontier Province Government have forwarded a list of the funds in question, and detailed proposals in some cases which are under consideration. In others, their proposals which are being formulated in consultation with local authorities are awaited.

The Government of India have appointed an inter-departmental Committee for the purpose of framing, after a review of the ecclesiastical expenditure, an estimate of the extent to which that expenditure is attributable to the needs of the civil, the defence and the railway services respectively.

The Government of India have deputed Sir James Pitkeathly, Chief Controller of Stores, Indian Stores Department, to make a detailed examination of the London Stores Department and to submit a scheme for the amalgamation of the two Departments.

A special temporary staff has been employed for a period of six months from February 1936, for the purpose of weeding of surplus publications and for the actual verification of stock.

The further progress will be reported to the Committee when it meets next.

Noted.

The recommendation has been given effect to in the Appropriation Accounts, 1934-35.

At the time the irregularity in question occurred there was no arrangement for the audit of diet sheets in hospitals or for the comparison of the figures of consumption of expendible stores for consecutive years. Instructions have since been issued prescribing a percentage check of diet sheets by the Local Audit Staff and a comparison of the figures of consumption of stores of all units and formations.

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Statement showing action taken or proposed to be taken on recommendations, etc.,  
disposed

PART I.—Civil, Military and  
[Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
19	1933-34	21 P Military Accounts Committee.	That instructions should be issued to the effect that departmental enquiries in the case of frauds should not be delayed pending decision of criminal cases.
20	1933-34	54 P ..	<p style="text-align: center;"><i>Posts and Telegraphs.</i></p> <p>That instead of a Depreciation Reserve Fund calculated on pseudo-scientific basis, the department should constitute a Renewals and Replacement Reserve Fund on the basis of what is actually required year after year to cover renewals and replacements with a small margin, the contribution to such fund being subject to periodical review.</p>
21	1933-34	57 P .	That the Stores and Workshops Suspense Accounts should be shown separately in future Appropriation Accounts.

*so far made by the Central Public Accounts Committee which have not been finally of—concl'd.*

Posts and Telegraphs—*concl'd.*

July, 1936.]

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Action taken or proposed to be taken.

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The Government of India after careful consideration, have decided that no action is necessary on the suggestion, which appears to be based on a misapprehension. It is the invariable practice in the Army to complete the proceedings of a court of enquiry, regardless of proceedings in a civil court, and court martial proceedings do not take place until the court of enquiry has been finished. It may sometimes happen that administrative orders on the proceedings of a court of enquiry (so far as they affect persons who are not put up for trial as a result of the enquiry) have to be postponed pending the result of a trial, but that is a matter with regard to which full discretion must naturally rest with the authority who is competent to pass such orders.

The recommendations of the Committee have been mainly accepted and are being given effect to from the current financial year.

The action recommended by the Committee has been taken in the Appropriation Accounts for 1934-35.

## APPENDIX II.

## Statement comparing expenditure with grants for 1934-35.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
<b>16. Customs :</b>				
Voted .	75,36,000	74,87,363	48,637	..
Non-voted .	34,48,000	34,37,244	10,756	..
<b>17. Taxes on Income :</b>				
Voted .	82,85,000	82,33,296	51,704	..
Non-voted .	1,92,680	1,90,060	2,620	..
<b>18. Salt :</b>				
Voted .	71,35,000	70,60,631	74,369	..
Non-voted .	44,70,487	44,64,266	6,221	..
<b>19. Opium :</b>				
Voted .	40,78,000	33,20,319	7,57,681	..
Non-voted .	1,78,700	1,68,224	10,476	..
<b>19-A.—Excise :</b>				
Voted .	4,68,000	4,70,350	..	2,350
Non-voted .	2,17,000	2,09,348	7,652	..
<b>20. Stamps :</b>				
Voted .	17,01,000	17,07,987	..	6,987
Non-voted .	44,900	44,168	732	..
<b>21. Forest :</b>				
Voted .	5,14,000	5,05,870	8,130	..
Non-voted .	1,30,710	1,29,681	1,029	..
<b>22. Irrigation, etc.—Charged to Revenue :</b>				
Voted .	4,51,000	4,33,933	17,067	..
Non-voted .	2,97,000	2,88,966	8,034	..
<b>25. Interest on Ordinary Debt, etc.:</b>				
Voted .	23,92,000	24,62,542	..	70,542
Non-voted .	2,48,03,000	2,56,07,026	..	7,99,026
<b>26. Interest on Miscellaneous Obligations :</b>				
Voted .	62,47,000	63,78,097	..	1,31,097
Non-voted .	10,01,07,650	9,80,63,033	20,44,617	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
27. Staff, Household and Allowances of the Governor General:				
Voted . . . . .	4,31,000	4,30,319	681	..
Non-voted . . . . .	10,89,206	10,50,788	38,418	..
28. Executive Council:				
Voted . . . . .	73,000	82,955	..	9,955
Non-voted . . . . .	4,55,505	4,56,343	..	838
29. Council of State:				
Voted . . . . .	1,41,000	1,44,790	..	3,790
Non-voted . . . . .	7,000	6,257	743	..
30. Legislative Assembly and Legislative Department:				
Voted . . . . .	7,68,000	7,69,114	..	1,114
Non-voted . . . . .	86,400	78,919	7,481	..
31. Foreign and Political Department:				
Voted . . . . .	8,01,000	7,92,685	8,315	..
Non-voted . . . . .	2,36,750	2,32,718	4,032	..
32. Home Department:				
Voted . . . . .	5,84,000	5,88,798	..	4,798
Non-voted . . . . .	9,68,918	9,66,484	2,434	..
33. Public Service Commission:				
Voted . . . . .	1,62,000	1,61,218	782	..
Non-voted . . . . .	1,99,160	1,97,170	1,990	..
34. Legislative Department:				
Voted . . . . .	3,06,000	3,03,686	2,314	..
Non-voted . . . . .	1,60,100	1,59,600	500	..
35. Department of Education, Health and Lands:				
Voted . . . . .	5,77,000	5,67,151	9,849	..
Non-voted . . . . .	1,37,800	1,37,168	432	..
36. Finance Department:				
Voted . . . . .	9,38,000	9,33,459	4,541	..
Non-voted . . . . .	3,14,479	3,15,816	..	1,337
38. Commerce Department:				
Voted . . . . .	3,65,000	3,64,201	799	..
Non-voted . . . . .	1,12,610	1,12,445	165	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
<b>39. Army Department :</b>				
Voted .	4,17,000	3,93,493	23,507	..
Non-voted .	95,340	95,038	302	..
<b>40. Department of Industries and Labour :</b>				
Voted .	4,77,000	4,55,679	21,321	..
Non-voted .	1,20,120	1,20,300	..	180
<b>41. Central Board of Rev- enue :</b>				
Voted .	1,95,000	1,94,149	851	..
Non-voted .	1,12,200	1,09,936	2,264	..
<b>42. Payments to Provincial Governments, etc. :</b>				
Voted .	1,50,000	1,51,583	..	1,583
Non-voted .	63,400	63,495	..	95
<b>43. Audit :</b>				
Voted .	90,89,000	90,17,776	71,224	..
Non-voted .	7,93,000	7,99,674	..	6,874
<b>44. Administration of Justice :</b>				
Voted .	53,000	53,250	..	250
<b>45. Police :</b>				
Voted .	1,90,000	1,83,983	6,017	..
Non-voted .	93,000	81,116	11,884	..
<b>46. Ports and Pilotage :</b>				
Voted .	11,42,000	11,25,798	16,202	..
Non-voted .	8,54,858	8,47,635	7,223	..
<b>47. Lighthouses and Light- ships :</b>				
Voted .	9,13,000	9,56,460	..	43,460
Non-voted .	20,216	20,216	..	..
<b>48. Survey of India :</b>				
Voted .	19,18,000	18,31,831	86,169	..
Non-voted .	5,25,000	5,14,349	10,651	..
<b>49. Meteorology :</b>				
Voted .	19,29,000	19,16,445	12,555	..
Non-voted .	87,000	80,869	6,131	..
<b>50. Geological Survey :</b>				
Voted .	1,91,000	1,91,247	..	247
Non-voted .	2,16,500	2,16,872	..	372
<b>51. Botanical Survey :</b>				
Voted .	1,47,000	1,30,019	16,981	..
Non-voted .	32,828	34,174	..	1,346

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
<b>52. Zoological Survey :</b>				
Voted . . . . .	87,000	84,739	2,261	..
Non-voted . . . . .	44,000	43,998	2	..
<b>53. Archaeology :</b>				
Voted . . . . .	9,48,000	9,58,837	..	10,837
Non-voted . . . . .	1,03,617	1,01,269	2,348	..
<b>54. Mines :</b>				
Voted . . . . .	1,20,000	1,12,106	7,894	..
Non-voted . . . . .	1,08,106	1,09,196	..	1,000
<b>55. Other Scientific Departments :</b>				
Voted . . . . .	2,50,000	2,49,802	198	..
<b>56. Education :</b>				
Voted . . . . .	5,86,000	5,83,448	2,552	..
Non-voted . . . . .	30,319	29,859	1,160	..
<b>57. Medical Services :</b>				
Voted . . . . .	6,22,000	6,09,300	12,700	..
Non-voted . . . . .	2,10,052	2,10,865	..	813
<b>58. Public Health :</b>				
Voted . . . . .	6,84,069	7,09,329	..	25,329
Non-voted . . . . .	1,35,800	1,36,975	..	1,175
<b>59. Agriculture :</b>				
Voted . . . . .	10,77,000	10,17,267	60,733	..
Non-voted . . . . .	1,07,738	1,06,949	789	..
<b>60. Imperial Council of Agricultural Research Department :</b>				
Voted . . . . .	9,44,000	9,35,109	8,891	..
Non-voted . . . . .	75,755	74,653	1,065	..
<b>60-A. Scheme for the Improvement of Agricultural Marketing in India.</b>				
Voted . . . . .	57,000	54,009	2,991	..
<b>61. Civil Veterinary Services :</b>				
Voted . . . . .	6,79,000	6,55,645	23,355	..
Non-voted . . . . .	59,909	59,696	204	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
<b>62. Industries :</b>				
Voted . . . . .	3,33,000	3,30,564	2,436	..
Non-voted . . . . .	1,900	1,799	101	..
<b>63. Aviation :</b>				
Voted . . . . .	13,90,000	13,90,561	..	561
Non-voted . . . . .	3,000	2,534	466	..
<b>63-A. Transfer to the Fund for the Development of Civil Aviation :</b>				
Voted . . . . .	92,57,000	92,57,000		..
<b>63-B. Expenditure on the Development of Civil Aviation met from the Fund :</b>				
Voted . . . . .			..	..
Non-voted . . . . .			..	..
<b>64. Commercial Intelligence and Statistics :</b>				
Voted . . . . .	5,02,000	4,77,290	24,710	..
Non-voted . . . . .	64,106	63,773	333	..
<b>65. Census :</b>				
Voted . . . . .	3,000	3,130	..	130
Non-voted . . . . .	1,000	304	696	..
<b>66. Emigration—Internal :</b>				
Voted . . . . .	25,000	17,724	7,276	..
Non-voted . . . . .	2,550	2,490	60	..
<b>67. Emigration—External :</b>				
Voted . . . . .	1,84,000	1,91,390	..	7,390
Non-voted . . . . .	50,541	49,293	1,338	..
<b>68. Joint Stock Companies :</b>				
Voted . . . . .	1,15,000	1,08,728	6,272	..
Non-voted . . . . .	25,275	22,596	2,679	..
<b>69. Miscellaneous Departments :</b>				
Voted . . . . .	6,65,000	6,18,132	46,868	..
Non-voted . . . . .	43,582	41,509	2,073	..
<b>69-A. Transfer to the Fund for the Development of Broadcasting :</b>				
Voted . . . . .	20,00,000	20,00,000	..	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
70. Indian Stores Department :				
Voted . . . . .	6,16,000	5,95,430	20,570	..
Non-voted . . . . .	1,02,000	1,02,030	..	30
71. Currency :				
Voted . . . . .	53,51,000	51,56,965	1,94,035	
Non-voted . . . . .	1,19,900	1,18,899	1,001	
72. Mint :				
Voted . . . . .	19,43,000	19,63,408	..	20,408
Non-voted . . . . .	69,800	68,402	1,398	..
73. Civil Works :				
Voted . . . . .	1,94,55,000	1,90,03,777	4,51,223	..
Non-voted . . . . .	12,72,300	12,29,469	42,831	..
73-A. Transfer to the Road Development Fund Reserve :				
Voted . . . . .	40,00,000	40,00,000		
74. Superannuation Allowances and Pensions :				
Voted . . . . .	1,03,94,000	1,03,47,180	46,820	
Non-voted . . . . .	2,09,43,000	2,08,11,343	1,31,657	
75. Stationery and Printing :				
Voted . . . . .	33,43,000	34,20,074	..	77,074
Non-voted . . . . .	71,000	70,939	11	..
76. Miscellaneous :				
Voted . . . . .	6,38,000	6,29,927	8,073	..
Non-voted . . . . .	26,67,479	26,81,751	..	14,272
76-A. Expenditure on Retrenched personnel charged to Revenue :				
Voted . . . . .	2,19,000	2,19,632	..	632
Non-voted . . . . .	1,10,200	1,09,518	682	..
76-B. Miscellaneous Adjustments between the Central and Provincial Governments.				
Voted . . . . .	2,14,14,000	1,97,48,343	16,65,657	..
Non-voted . . . . .	1,01,30,000	1,01,23,777	223	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
76-D Transfer to Fund for Economic Development and Improvement of Rural Areas :				
Voted .	1,13,00,000	2,81,60,409		1,68,60,409
77. Refunds :				
Voted .	1,16,40,000	1,18,71,836		2,31,836
Non-voted .	2,91,24,998	2,93,47,017		2,22,019
79. Baluchistan :				
Voted .	27,10,000	26,67,955	42,045	..
Non-voted .	42,77,375	42,67,762	9,613	..
80. Delhi :				
Voted .	44,13,000	43,98,456	14,544	..
Non-voted .	2,56,030	2,53,203	2,827	..
81. Ajmer-Merwara :				
Voted .	13,84,000	13,79,794	4,206	..
Non-voted .	1,36,370	1,37,034	..	664
82. Andaman and Nicobar Islands :				
Voted .	29,07,000	27,01,275	2,05,725	..
Non-voted .	2,46,382	2,44,464	1,918	..
83. Rajputana :				
Voted .	4,15,000	4,13,521	1,479	..
Non-voted .	7,52,710	7,51,063	1,647	..
84. Central India:				
Voted .	3,41,000	3,23,092	12,908	..
Non-voted .	5,93,960	5,90,007	3,953	..
85. Hyderabad :				
Voted .	45,000	45,614	..	614
Non-voted .	5,31,877	5,36,792	..	4,915
86. A. Aden :				
Voted .	6,70,000	5,46,525	1,23,475	..
Non-voted .	3,38,057	3,39,118	..	1,061
87. Expenditure in England under the control of the Secretary of State :				
Voted .	21,87,000	20,50,548	1,36,452	..
Non-voted .	17,12,600	16,99,309	12,691	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—concl'd.</b>				
87. Expenditure in England under the control of the High Commissioner :				
	Voted .	24,80,000	22,93,858	1,86,142 ..
	Non-voted .	32,44,000	32,12,225	31,775 ..
<i>Ecclesiastical :</i>				
	Non-voted .	27,75,324	27,26,182	49,142 ..
<i>Political :</i>				
	Non-voted .	1,31,56,246	1,31,24,167	32,079 ..
<i>Frontier Watch and Ward :</i>				
	Non-voted .	1,85,12,938	1,85,85,292	.. 72,354
<i>Territorial and Political Pen- sions :</i>				
	Non-voted .	20,25,000	30,62,069	.. 37,069
<i>Bangalore :</i>				
	Non-voted .	15,39,803	15,26,455	3,348 ..
<i>Western India States Agency :</i>				
	Non-voted .	17,44,450	17,49,652	.. 5,202
Total	Voted .	18,91,57,000	20,21,07,206	45,61,187 1,75,11,393
	Non-voted .	25,91,97,260	25,78,40,895	25,26,897 11,70,532
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>				
88. Capital Outlay on Security Printing :—				
	Voted .	1,000	—1,11,908	1,12,908
89. Forest Capital Outlay :				
	Voted .	1,000	..	1,000
	Non-voted	..	..	..
90. Irrigation Works—not charged to Revenue :				
	Voted .	1,000	..	1,000 ..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.		
			Less than granted.	More than granted.	
	Rs.	Rs.	Rs.	Rs.	
<b>PART I.—CIVIL—contd.</b>					
<b>B.—EXPENDITURE CHARGED TO CAPITAL—concl'd.</b>					
<b>92-A. Capital Outlay on Schemes of Agricultural Improvement and Research :</b>					
Voted .	7,00,000	78,422	6,21,578		
<b>93. Capital Outlay on Currency Note Press :</b>					
Voted .	1,000	—50,619	51,619		
<b>94. Capital Outlay on Vizagapatam Harbour :</b>					
Voted .	18,43,000	14,69,462	3,73,538		
Non-voted .	3,000	1,902	1,098		
<b>95. Capital Outlay on Lighthouses and Lightships (Not charged to Revenue) :</b>					
Voted .	1,000		1,000	..	
<b>95-A. Civil Works not charged to Revenue :</b>					
Voted .		—1,76,613	1,76,613		
Non-voted .		—699	699		
<b>96. Commuted Value of Pensions :</b>					
Voted .	29,11,000	31,73,724		2,62,724	
Non-voted .	25,41,600	27,64,067		2,22,467	
<b>96-A. Expenditure on Retrenched personnel charged to Capital—</b>					
Voted .	1,000	—68,257	69,257	..	
Non-voted .	—39,000	—40,197	1,197	..	
<b>97. Delhi Capital Outlay :</b>					
Voted .	72,59,000	72,13,103	45,897	..	
Total	Voted .	1,27,19,000	1,15,27,314	14,54,410	2,62,724
	Non-voted .	25,05,600	27,25,073	2,994	2,22,467

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—concl.</b>				
<b>C.—DISBURSEMENTS OF LOANS AND ADVANCES.</b>				
<b>98. Interest Free Advances :</b>				
Voted .	70,98,000	71,05,632	..	7,632
<b>99. Loans and Advances bearing interest :</b>				
Voted .	8,33,03,000	3,87,82,133	4,45,20,867	..
Total—Voted .	9,04,01,000	4,58,87,765	4,45,20,867	7,632
Total—Civil .	55,39,79,860	52,00,88,253	5,30,66,355	1,91,74,748
Voted .	29,22,77,000	25,95,22,285	5,05,36,464	1,77,81,749
Non-voted .	26,17,02,860	26,05,65,968	25,29,891	13,92,999
<b>PART II.—POSTS AND TELEGRAPHS.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
<b>23. Indian Posts and Telegraphs Department :</b>				
Voted .	10,03,16,000	9,92,93,796	10,22,202	..
Non-voted .	96,93,000	96,73,026	19,974	..
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>				
<b>91. Capital Outlay on Indian Posts and Telegraphs Department—(Not charged to Revenue) :</b>				
Voted .	39,68,000	32,74,190	6,93,810	..
Non-voted .	2,000	13,304	..	11,304
Total Posts and Telegraphs .	11,39,79,000	11,22,54,318	17,35,986	11,304
Total .				
{ Voted .	10,42,84,000	10,25,67,988	17,16,012	..
{ Non-voted .	96,95,000	96,86,330	19,974	11,304

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART III.—RAILWAYS.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
1. Revenue—Railway Board :				
Voted . . . . .	8,45,000	8,13,960	31,040	..
Non-voted . . . . .	3,73,000	3,70,359	2,641	..
2. Revenue—Audit :				
Voted . . . . .	13,75,000	13,76,113	..	1,113
Non-voted . . . . .	3,28,000	3,33,906	..	5,906
3. Revenue—Miscellaneous Expenditure :				
Voted . . . . .	10,60,000	9,62,651	97,349	..
Non-voted . . . . .	12,51,000	12,78,456	..	27,456
4. Revenue—Refunds :				
Voted . . . . .	12,00,000	12,38,914		38,914
5. Revenue—Payments to Indian States and Companies :				
Voted . . . . .	3,37,00,000	3,43,54,609	..	6,54,609
6-A. Revenue—Working Expenses—Maintenance of Structural Works :				
Voted . . . . .	8,57,25,000	8,57,00,045	24,955	..
Non-voted . . . . .	32,00,000	32,47,139	..	47,139
6-B. Revenue—Working Expenses—Maintenance and Supply of locomotive Power :				
Voted . . . . .	16,61,50,000	16,72,74,912	..	11,24,912
Non-voted . . . . .	14,69,000	14,59,685	9,315	..
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock :				
Voted . . . . .	5,81,75,000	5,89,92,265	..	8,17,265
Non-voted . . . . .	8,15,000	8,07,338	7,662	..
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours :				
Voted . . . . .	31,35,000	31,14,872	20,128	..
Non-voted . . . . .	24,000	27,208	..	3,208

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART III.—RAILWAYS—<i>contd.</i></b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—<i>contd.</i></b>				
<b>6-E. Revenue—Working Expenses—Expenses of Traffic Department :</b>				
Voted . . . . .	10,43,60,000	10,48,45,458	..	2,85,458
<i>Non-voted</i> . . . . .	16,56,000	16,40,531	16,469	..
<b>6-F. Revenue—Working Expenses—Expenses of General Departments :</b>				
Voted . . . . .	4,58,50,000	4,50,55,357	7,94,643	..
<i>Non-voted</i> . . . . .	24,73,000	24,48,310	24,690	..
<b>6-G. Revenue—Working Expenses—Miscellaneous Expenses :</b>				
Voted . . . . .	4,23,20,000	4,15,16,219	8,03,781	..
<i>Non-voted</i> . . . . .	14,80,000	14,74,218	5,782	..
<b>6-H. Revenue—Working Expenses—Electric Service Department :</b>				
Voted . . . . .	1,19,85,000	1,18,48,569	1,16,431	..
<i>Non-voted</i> . . . . .	1,04,000	1,02,786	1,214	..
<b>7. Revenue—Appropriation to Depreciation Fund :</b>				
Voted . . . . .	13,73,00,000	13,71,76,961	1,23,039	..
<b>8. Revenue—Interest Charges :</b>				
Voted . . . . .	2,83,000	2,80,149	2,851	..
<i>Non-voted</i> . . . . .	31,81,41,000	31,77,25,621	4,16,379	..
<b>9. Temporary withdrawals from Depreciation Fund :</b>				
Voted . . . . .	5,33,22,000	5,06,25,426	26,96,574	..
<b>Total</b> .. {				
Voted . . . . .	74,67,65,000	74,49,76,480	47,10,791	29,22,271
<i>Non-voted</i> . . . . .	33,13,14,000	33,09,15,557	4,82,152	83,709
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>				
<b>11. Capital—New Constructions :</b>				
Voted . . . . .	26,00,000	17,12,854	8,87,146	..
<i>Non-voted</i> . . . . .	1,16,000	1,13,082	2,918	..
<b>12. Open Line Works :</b>				
Voted . . . . .	13,22,01,000	8,74,15,617	4,47,85,383	..
<i>Non-voted</i> . . . . .	2,73,000	2,44,459	28,541	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART III.—RAILWAYS—<i>concl.</i></b>				
<b>B.—EXPENDITURE CHARGED TO CAPITAL—<i>concl.</i></b>				
<i>Discharge of Debentures :</i>				
<i>Non-voted</i>	39,93,000	39,56,158	6,842	..
Total .. { Voted	13,48,01,000	8,91,28,471	4,56,72,529	..
Non-voted	43,82,000	43,43,699	38,301	..
<i>Total Railways</i>	1,21,72,62,000	1,16,93,64,207	5,09,03,773	30,05,980
Voted	88,15,66,000	83,41,04,951	5,03,83,320	29,22,271
Non-voted	33,56,96,000	33,52,59,256	5,20,453	83,709
<b>PART IV.—DEFENCE SERVICES*.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
<i>Defence Services—Effective—India—Non-voted</i>	34,20,89,000	34,23,92,000		3,03,000
<i>Defence Services—Effective—England—Non-voted</i>	6,11,18,000	6,04,44,000	6,74,000	..
<i>Defence Services—Non-effective—India—Non-voted</i>	3,66,25,000	3,65,63,000	62,000	..
<i>Defence Services—Non-effective—England—Non-voted</i>	5,00,70,000	5,01,36,000	..	66,000
<i>Defence Reserve Fund—Non-voted</i>	50,26,000	68,93,000	..	18,67,000
<i>Total Defence Services—Non-voted</i>	49,49,28,000	49,64,28,000	7,36,000	22,36,000
<i>Grand Total</i>	2,38,01,48,860	2,29,81,34,778	10,64,42,114	2,44,28,032
Voted	1,27,81,27,000	1,19,61,95,224†	10,26,35,796	2,07,04,020
Non-voted	1,10,20,21,860	1,10,19,39,554‡	38,06,318	37,24,012

\* The figures are gross.

† This amount is less than that given in Account No. 12 of the Finance and Revenue Accounts of the Government of India for the year 1934-35 by Re. 1 which is due to rounding.

‡ This amount is greater than that given in Account No. 12 of the Finance and Revenue Accounts of the Government of India for the year 1934-35 by Rs. 21 which is due to rounding.

## APPENDIX III.

LETTER FROM SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, NO. 118-REP./125/35, DATED THE 27TH MAY 1936.

SUBJECT:—*Appropriation Accounts (Civil) 1934-35 and the Audit Report 1936.*

In accordance with the provisions of rule 15 (1) of the Auditor General's Rules framed under Section 96D (1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Central Government (Civil) for the year 1934-35 and the Audit Report, 1936, together with two copies of the Commercial Appendix to these documents, prepared by the Accountant General, Central Revenues, for submission to the Public Accounts Committee and for necessary action by the Government of India.

2. Two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India, on behalf of the Central Government, under the heads other than those relating to Military Services, for the year 1934-35, together with two copies of the relevant Appropriation Accounts, and the reports thereon, prepared by the Auditor of Indian Home Accounts, are also forwarded.

3. I append as usual the following subsidiary statements:—

Statement A\*—giving particulars of all Central Voted Grants and Non-voted Appropriations for the year 1934-35, the expenditure incurred against them and variations between the two.

Statement B—showing the excesses over voted grants which require the vote of the Legislative Assembly.

Statement C—showing excesses over Non-voted Appropriations which require the sanction of the Government of India, Finance Department.

4. The Appropriation Accounts and the Audit Report of the Accountant General, Central Revenues, together with the Appendix containing Commercial Accounts, have, as usual, been examined in detail under my instructions and I find them generally to be in order. I have no supplementary comments of my own to add at this stage.

5. In accordance with precedent I have added a "Key" statement (Statement D) in which I have brought together—

(a) Firstly, a reference to each of the Appropriation Accounts of grants and appropriations for which each of the several departments of Government is responsible, and

(b) Secondly, linked with the references to the Appropriation Accounts of each grant, etc., enumerated as in (a) preceding, all points of importance arising out of each account which the Accountant General has brought to notice either in his general analysis or elsewhere.

The purpose of the "Key" statement is to give practical assistance to the departments of Government and the members of the Public Accounts Committee in carrying out the examination of the accounts and the report which now devolves upon them.

6. The last enclosure to this letter, Statement E, gives particulars of the overdrafts on current account taken by the provincial Governments at the expense of the Central Government during the year under report. A comparison of the figures with the corresponding figures of 1933-34 indicates that some improvement has again been effected. The highest *net* overdraft was Rs. 160 lakhs in the month of December 1934. As on previous occasions the province most heavily and most continuously overdrawn was Burma, Bihar and Orissa follows closely after, and the Central Provinces, Bengal and Assam also had to incur considerable overdrafts for the purpose of financing their current account.

### STATEMENT B (Paragraph 3).

(1934-35.)

Statement showing the excesses over Voted Grants which require the vote of the Legislature.

Item No.	Name of Grant.	Final Grant.	Actual Expenditure.	Excess requiring the vote of the Legislature.
		Rs.	Rs.	Rs.
1	19-A.—Excise . . . . .	4,68,000	4,70,350	2,350
2	20.—Stamps . . . . .	17,01,000	17,07,987	6,987
3	25.—Interest on Ordinary Debt, etc. . . . .	23,92,000	24,62,542	70,542
4	26.—Interest on Miscellaneous Obligations . . . . .	62,47,000	63,78,097	1,31,097
5	28.—Executive Council . . . . .	73,000	82,955	9,955
6	29.—Council of State . . . . .	1,41,000	1,44,790	3,790
7	30.—Legislative Assembly and Legislative Assembly Department . . . . .	7,68,000	7,69,114	1,114
8	32.—Home Department . . . . .	5,84,000	5,88,798	4,798
9	42.—Payments to Provincial Governments, etc. . . . .	1,50,000	1,51,583	1,583
10	44.—Administration of Justice . . . . .	53,000	53,250	250
11	47.—Lighthouses and Lightships . . . . .	9,13,000	9,58,460	43,460
12	50.—Geological Survey . . . . .	1,91,000	1,91,247	247
13	53.—Archaeology . . . . .	9,48,000	9,58,837	10,837
14	58.—Public Health . . . . .	6,84,000	7,09,329	25,329
15	63.—Aviation . . . . .	13,90,000	13,90,561	561
16	65.—Census . . . . .	3,000	3,130	130
17	67.—Emigration—External . . . . .	1,84,000	1,91,390	7,390
18	72.—Mint . . . . .	19,43,000	19,63,408	24,408
19	75.—Stationery and Printing . . . . .	33,43,000	34,20,074	77,074
20	76-A.—Expenditure on Retrenched personnel charged to Revenue . . . . .	2,19,000	2,19,632	632
21	76-D.—Transfer to the Fund for Economic Developments and Improvements of Rural Areas . . . . .	1,13,00,000	2,81,60,409	1,68,60,409
22	77.—Refunds . . . . .	1,61,40,000	1,18,71,936	2,31,836
23	85.—Hyderabad . . . . .	45,000	45,614	614
24	96.—Commuted Value of Pensions . . . . .	29,11,000	31,73,724	2,62,724
25	98.—Interest Free Advances . . . . .	70,98,000	71,06,632	7,632
26	2.—Revenue—Audit . . . . .	13,75,000	13,76,113	1,113
27	4.—Revenue—Refunds . . . . .	12,00,000	12,38,914	38,914

Item No.	Name of Grant.	Final Grant.	Actual expenditure.	Excess requiring the vote of the Legislature.
		Rs.	Rs.	Rs.
28	5.—Revenue—Payments to Indian States and Companies . . . . .	3,37,00,000	3,43,54,609	6,54,609
29	6-B.—Revenue—Working Expenses—Maintenance and Supply of Locomotive Power . . . . .	16,61,50,000	16,72,74,912	11,24,912
30	6-C.—Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock . . . . .	5,81,75,000	5,89,92,265	8,17,265
31	6-E.—Revenue—Working Expenses—Expenses of Traffic Department . . . . .	10,43,60,000	10,46,45,458	2,58,458

STATEMENT C (Paragraph 3).

(1934-35.)

Statement showing excesses over Non-voted Appropriations which require the sanction of the Government of India, Finance Department.

Item No.	Name of Appropriation.	Final Appropriation	Actual Expenditure.	Excess requiring the sanction of the Government of India.
		Rs.	Rs.	Rs.
1	25.—Interest on Ordinary Debt, etc. . . . .	2,48,08,000	2,56,07,028	7,99,026
2	28.—Executive Council . . . . .	4,55,505	4,56,343	838
3	36.—Finance Department . . . . .	3,14,479	3,15,816	1,337
4	40.—Department of Industries and Labour . . . . .	1,20,120	1,20,300	180
5	42.—Payments to Provincial Governments, etc. . . . .	63,400	63,495	95
6	43.—Audit . . . . .	7,93,000	7,99,674	6,674
7	50.—Geological Survey . . . . .	2,16,500	2,16,872	372
8	51.—Botanical Survey . . . . .	32,828	34,174	1,346
9	54.—Mines . . . . .	1,08,106	1,09,198	1,090
10	57.—Medical Services . . . . .	2,10,052	2,10,865	813
11	58.—Public Health . . . . .	1,35,800	1,36,975	1,175
12	70.—Indian Stores Department . . . . .	1,02,000	1,02,030	30
13	76.—Miscellaneous . . . . .	26,67,479	26,81,751	14,272
14	77.—Refunds . . . . .	2,19,24,998	2,93,47,017	2,22,019
15	81.—Ajmer-Merwara . . . . .	1,36,370	1,37,034	664
16	85.—Hyderabad . . . . .	5,31,877	5,36,792	4,915
17	85-A.—Aden . . . . .	3,38,057	3,39,118	1,061
18	Frontier Watch and Ward . . . . .	1,85,12,938	1,85,85,292	72,354
19	Territorial and Political Pensions . . . . .	30,25,000	30,62,069	37,069
20	Western Indian States Agency . . . . .	17,44,450	17,49,652	5,202
21	96.—Commuted Value of Pensions . . . . .	25,41,600	27,64,067	2,22,467
22	91.—Capital Outlay on Indian Posts and Telegraphs Department (Not charged to Revenue) . . . . .	2,000	13,304	11,304
23	2.—Revenue—Audit . . . . .	3,28,000	3,33,906	5,906
24	3.—Revenue—Miscellaneous Expenditure . . . . .	12,51,000	12,78,456	27,456
25	6-A.—Revenue—Working Expenses—Maintenance of Structural Works . . . . .	32,00,000	32,47,139	47,139
26	6-D.—Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours . . . . .	24,000	27,208	3,208

## STATEMENT D (paragraph 5.)

'Key' statement to the Government of India Appropriation Accounts (Civil) 1934-35 and the Audit Report 1936, Commercial Appendix, Home Auditor's Reports on the Accounts of the Secretary of State and the High Commissioner for India for 1934-35 and the latest Quarterly Statement (Part I) of outstanding recommendations of the Public Accounts Committee showing in conjunction particulars of Appropriation Accounts of grants and appropriations for which each of the several departments of the Government of India is responsible and all matters and comments of importance connected with these accounts.

R. = Government of India Appropriation Accounts (Civil) and Audit Report.

C. A. = Commercial Appendix to the above.

S. S. = Home Auditors' Report on the Accounts of the Secretary of State in Council of India (Section I—Civil portion).

H. C. = Home Auditor's Report on the Accounts of the High Commissioner for India (Section I—Civil portion).

Q. S. = Quarterly statement (Part I—Civil portion) of outstanding recommendations of the Public Accounts Committee (Quarter ending January 1936).

## FINANCE DEPARTMENT.

## (1) General—

- |  |   |
|--|---|
| (i) Changes in the form and structure of Accounts  | Paragraphs 2—4R, paragraph 6 H. C. and paragraph 18 S. S.   |
| (ii) Important Accounts changes  | Paragraphs 5—23 R.  |
| (iii) Financial results (Revenue Account, expenditure outside the revenue Account and debt position)   | Paragraphs 24—26 R.   |
| (iv) Review of demands for grants, reductions made by the Legislature, Restoration by His Excellency the Governor General, Supplementary grants, general results of appropriation audit, savings and on excesses over voted grants and non-voted appropriations, accuracy of budgeting, control of expenditure, etc. | Paragraphs 38—61 R.   |
| (v) Standard adopted in explaining variations between modified grants and actuals  | Note 3 on page 45 R.  |
| (vi) Public Accounts Committee's suggestion to include in future Appropriation Accounts the progressive accounts of expenditure from funds like those for the reconstruction of earthquake damage in Bihar, the Development of Civil Aviation, Broadcasting, etc.  | Serial No. 1 Q. S. and last sub-paragraph of paragraph 2 R. |
| (vii) Public Accounts Committee's suggestion that when the Finance Department go to the Assembly for a supplementary grant for a portion of the amount required for a scheme as a whole the particular sub-heads under which savings are available should be indicated in the supplementary demands                  | Serial No. 2 Q. S.  |
| (viii) Progressive Account of the Fund for dealing with earthquake damages (Bihar)   | Paragraph 65 item (3) R.                                    |
| (ix) Fund for dealing with earthquake damage (Bihar)—Genesis of  | Paragraph 64 item (iii) R.                                  |
| (z) Maximum rate of leave salary during special disability leave   | Paragraph 16 S. S.  |
| (zi) Compensatory allowance of officers on deputation in the United Kingdom  | Paragraph 16 S. S.  |
| (zii) Reserved rights in respect of reduction of rates of pay  | Paragraph 47 S. S.  |

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- (2) *Grant No. 20—Stamps—*  
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 Comparative statement of profits and losses and turn-  
 over . . . . . Paragraphs 18 (i) and 19 C. A.  
 General review and important comments—Security  
 Printing, India . . . . . Paragraph 22 (i) C. A.  
 Stores transactions . . . . . Paragraph 24 (i) C. A.
- (3) *Grant No. 25.—Interest Ordinary Debt, etc.—*  
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- (4) *Grant No. 26.—Interest on Miscellaneous Obligations—*  
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 51 R.
- (5) *Grant No. 27.—Staff, Household and Allowances of the Gov-  
 ernor General—*  
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- (6) *Grant No. 36.—Finance Department—*  
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- (7) *Grant No. 42.—Payments to Provincial Governments, etc.—*  
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- (8) *Grant No. 43.—Audit—*  
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- (9) *Grant No. 63-A.—Transfer to the Fund for the Development  
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- (10) *Grant No. 69-A.—Transfer to the Fund for the Development  
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- (11) *Grant No. 71.—Currency—*  
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- (12) *Grant No. 72.—Mint—*  
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- (13) *Grant No. 73-A.—Transfer to the Road Development  
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- (14) *Grant No. 74.—Superannuation Allowances and Pen-  
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- (15) *Grant No. 76.—Miscellaneous A.—Allowances; E.—  
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- (16) *Grant No. 76-A.—Expenditure on retrenched personnel  
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- (17) *Grant No. 76-B.—Miscellaneous adjustments between the  
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- (18) *Grant No. 76-D.—Transfer to the Fund for Economic De-  
 velopment and Improvement of Rural Areas—*  
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- (19) *Grant No. 77.—Refunds; E.—Currency; F.—Receipts-in-aid of Superannuation; G.—Miscellaneous Revenue (partly); H. 7.—Interest; H. 19 (1).—Mint; H. 22.—Miscellaneous (partly)—*
- |   |                                   |
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| Excess over non-voted appropriation . . . . . | Paragraphs 49 item (77) and 51 R. |
- (20) *Grant No. 86.—Expenditure in England under the control of the Secretary of State—*
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|--|--------------------|
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| Voted savings . . . . .  | Paragraph 18 S. S. |
| Contribution by His Majesty's Government in respect of the Administrative expenses of the India Office . . . . . | Paragraph 4 S. S.  |
| Reparation receipts . . . . .  | Paragraph 8. S. S. |
| Secret Service . . . . .   | Paragraph 7 S. S.  |
- (21) *Grant No. 87.—Expenditure in England under the control of the High Commissioner—*
- |   |                   |
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- (22) *Non-voted Appropriation—Territorial and Political Pensions—*
- |   |                           |
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- (23) *Grant No. 88.—Capital Outlay on Security Printing—*
- |   |                                |
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| General review and important comments . . . . .   | Paragraph 24 (i) C. A.         |
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- (24) *Grant No. 93.—Capital Outlay on Currency Note Press—*
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| Comparative statement of profits and losses and turn over Stores transactions . . . . . | Paragraphs 18 (ii) and 19 C. A.         |
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- (25) *Grant No. 96.—Commuted Value of Pensions—*
- |   |                                   |
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- (26) *Grant No. 96-A.—Expenditure on retrenched personnel charged to Capital—*
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|--|---------------------------|
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(3) *Grant No. 18.—Salt—*

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| Stores transactions . . . . .  | Paragraphs 24 (vii) and 26<br>C. A.  |
| General review and important comments . . . . .  | Paragraph 22 (viii) C. A.            |
- (14) *Grant No. 67.—Emigration-External—*
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| Appropriation Account . . . . .          | Page 187 R.               |
| Note 1 on Appropriation Account. . . . . | Page 187 R.               |
| Note 2 about receipts realised . . . . . | Page 187 R.               |
| Excess over voted grant . . . . .        | Paragraph 48 item (17) R. |
- (15) *Grant No. 59.—Miscellaneous Departments (partly)—*
- |                                 |             |
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| Appropriation Account . . . . . | Page 189 R. |
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## DEPARTMENT OF EDUCATION, HEALTH AND LANDS—concl'd.

- (16) *Grant No. 76.—Miscellaneous B. 2.—Other Charges; C.—Donations for charitable purposes (partly) J.—Kidderpore Orphananj Market—K. 12.—Deputation to Zanzibar—O. Works—*  
 Appropriation Account . . . . . Pages 254—257 R.
- (17) *Grant No. 77.—Refunds.—H. 4.—Forest; H. 13.—Education; H. 14.—Medical; H. 15.—Public Health; H. 16.—Agriculture; H. 18.—Miscellaneous Departments (partly)—*  
 Appropriation Account . . . . . Pages 262—265 R.
- (18) *Grant No. 80.—Delhi—*  
 Expenditure from Grant-in-aid . . . . . Paragraph 68 R.
- (19) *Grant No. 82.—Andaman and Nicobar Islands—Account II.—Forests—*  
 Appropriation Account . . . . . Pages 313—315 R.  
 Commercial Accounts and review, etc., of the Forest Department, Andamans . . . . . Paragraphs 179—196 C. A.  
 Comparative statement of profits and losses and turnover . . . . . Paragraphs 18 (ix) and 19 C. A.  
 Stores transactions . . . . . Paragraphs 24 (viii) and C. A.  
 General review and important comments . . . . . Paragraph 22 (ix) C. A.
- (20) *Grant No. 89.—Forest Capital Outlay—*  
 Appropriation Account . . . . . Page 390 R.
- (21) *Grant No. 92.—A.—Capital Outlay on Schemes of Agricultural Improvement and Research—*  
 Appropriation Account . . . . . Page 392 R.  
 Supplementary grant . . . . . Paragraph 42 item (16) R.  
 Saving on voted grant . . . . . Paragraph 44 R.

## COMMERCE DEPARTMENT.

- (1) *Grant No. 38.—Commerce Department—*  
 Appropriation Account . . . . . Page 104 R.
- (2) *Grant No. 46.—Ports and Pilotage—*  
 Appropriation Account . . . . . Pages 114—122 R.  
 Commercial Accounts and review, etc., of the Bengal Pilot Service . . . . . Paragraphs 197—205 C. A.  
 Comparative statement of profits and losses and turnover . . . . . Paragraphs 18 (x) and 19 C. A.  
 Stores transactions . . . . . Paragraphs 24 (ix) and 26 C. A.  
 General review and important comments . . . . . Paragraph 22 (x) C. A.
- (3) *Grant No. 47.—Lighthouses and Lightships—*  
 Appropriation Account . . . . . Pages 123—128 R.  
 Notes on Appropriation Account . . . . . Page 128 R.  
 Excess over voted grant . . . . . Paragraph 48 item (11) R.  
 Commercial Accounts and review, etc., of the Indian Lighthouse Department . . . . . Paragraphs 206—216 C. A.  
 Comparative statement of profits and losses and turnover . . . . . Paragraphs 18 (xi) and 19 C. A.  
 Stores transactions . . . . . Paragraphs 24 (x) and 26 C. A.  
 General review and important comments . . . . . Paragraph 22 (xi) C. A.  
 Excess in the English portion of expenditure . . . . . Paragraph 11 H. C.

COMMERCE DEPARTMENT—*contd.*

- (4) *Grant No. 64.—Commercial Intelligence and Statistics—*  
 Appropriation Account . . . . . Page 182—183 R.  
 Notes on Appropriation Account . . . . . Page 183 R.
- (5) *Grant No. 68.—Joint Stock Companies—*  
 Appropriation Account . . . . . Page 188 R.  
 Note 1 about fees realised . . . . . Page 188 R.  
 Note 2 on the appropriation account . . . . . Page 188 R.
- (6) *Grant No. 69.—Miscellaneous Departments. E.—Actuary to the Government of India; J.—Registration of Accountants—*  
 Appropriation Account . . . . . Pages 190—191 R.  
 Income and Expenditure account of the scheme for the registration of accountants and audit comments on them . . . . . Pages 193—194 R.
- (7) *Grant No. 76.—Miscellaneous Departments.—C.—Donations for charitable purposes (partly); D.—I.—Tariff Board; M. Other Charges (partly)—*  
 Appropriation Account . . . . . Pages 254 and 257 R.
- (8) *Grant No. 77.—Refunds.—H.—11.—Ports and Pilotage; H. 12.—Lighthouses and Lightships—*  
 Appropriation Account . . . . . Page 264 R.
- (9) *Grant No. 95.—Capital Outlay on Lighthouses and Lightships not charged to Revenue—*  
 Appropriation Account . . . . . Page 398 R.  
 Note on Appropriation Account . . . . . Page 398 R.  
 Important comment . . . . . Page 399 R.  
 Commercial Accounts and review, etc., of the Indian Lighthouse Department . . . . . Paragraphs 206—216 C. A.  
 Comparative statement of profits and losses and turnover . . . . . Paragraphs 18 (xi) and 19 C. A.  
 Stores transactions . . . . . Paragraphs 24 (x) and 26 C. A.  
 General review and important comments . . . . . Paragraph 22 (xi) C. A.  
 Excess in English portion of the expenditure . . . . . Paragraph 11 H. C.

## LEGISLATIVE DEPARTMENT.

- (1) *Grant No. 29.—Council of State—*  
 Appropriation Account . . . . . Page 93 R.  
 Note on Appropriation Account . . . . . Page 93 R.  
 Excess over voted grant . . . . . Paragraph 48 item (6) R.
- (2) *Grant No. 34.—Legislative Department—*  
 Appropriation Accounts . . . . . Page 100 R.
- (3) *Grant No. 76.—Miscellaneous—K. Indian delegation to the League of Nations—*  
 Appropriation Account . . . . . Page 256 R.

## LEGISLATIVE ASSEMBLY DEPARTMENT.

(1) *Grant No. 30.—Legislative Assembly and Legislative Assembly Department—*

Appropriation Account . . . . .	Page 94 R.
Note on Appropriation Account . . . . .	Page 94 R.
Excess over voted grant . . . . .	Paragraph 48 item (7) R.
Unnecessary supplementary non-voted appropriation . . . . .	Paragraph 59 R.

(2) *Grant No. 76.—Miscellaneous—G.—Grants-in-aid Voted (partly)—*

Appropriation Account . . . . .	Page 255 R.
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## RAILWAY DEPARTMENT.

(1) *Grant No. 94.—Capital Outlay on Vizagapatam Harbour—*

Appropriation Account . . . . .	Pages 394—396 R.
Notes on Appropriation Account . . . . .	Page 396 R.
Stores Account . . . . .	Paragraph 70 and page 397 R.
Statement of Expenditure on Important New Works . . . . .	Page 397 R.
Saving on voted grant . . . . .	Paragraph 44 R.
Saving on non-voted appropriation . . . . .	Paragraph 45 R.
Irregular reappropriation . . . . .	Paragraph 62 R.
Commercial Accounts and review, etc., of the Vizagapatam Harbour . . . . .	Paragraphs 301—324 C. A.
Comparative statement of profits and losses and turnover . . . . .	Paragraphs 18 (xvi) and 20 C. A.
Stores transactions . . . . .	Paragraph 24 (xviii) C. A.
General review and important comments . . . . .	Paragraph 22 (xvii) C. A.

## DEFENCE DEPARTMENT.

(1) *Grant No. 39.—Army Department—*

Appropriation Account . . . . .	Page 105 R.
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(2) *Grant No. 76.—Miscellaneous—I.—Indian Soldiers' Board—*

Appropriation Account . . . . .	Pages 255—256 R.
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## FINANCIAL ADVISER, MILITARY FINANCE.

(1) *Grant No. 36.—Finance Department —B.—Military Finance—*

Appropriation Account . . . . .	Page 102 R.
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## IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH DEPARTMENT.

(1) *Grant No. 60.—Imperial Council of Agricultural Research Department—*

Appropriation Account . . . . .	Page 171 R.
Supplementary Grant . . . . .	Paragraph 42 item (5) R.

(2) *Grant No. 60-A.—Scheme for the Improvement of Agricultural Marketing in India—*

Appropriation Account . . . . .	Page 172 R.
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## STATEMENT E. (Paragraph 6).

Statement showing the monthly balances of the various Provincial Governments.

(In thousands of rupees. Figures with a minus sign before them represent overdraft.)

	Madras.	Bombay.	Bengal.	United Provinces.	Punjab.	Burma.	Bihar and Orissa.	Central Provinces.	North-West Frontier Province.	Assam.	Total.
1894-95.											
1. April	3,82,53	46,42	20,96	8,37	69,00	35,26	24,22	-1,76	36,27	3,17	6,24,44
2. May	3,98,33	78,21	22,81	5,36	19,00	39,40	-10,39	-3,84	27,06	4,73	5,80,66
3. June	3,80,29	95,47	38,95	1,11,75	35,00	22,55	-28,04	4,48	12,57	84	6,72,86
4. July	3,38,65	1,30,60	68	1,61,92	1,88,00	-13,41	-54,36	3,90	34,18	-3,98	7,86,23
5. August	2,79,95	1,10,59	-21,04	1,61,71	2,86,00	-45,22	-84,88	-5,93	27,28	-9,98	6,98,48
6. September	2,58,96	88,07	-3,04	1,29,06	2,49,00	-80,12	-80,34	-20,70	17,40	-15,86	5,09,43
7. October	1,68,51	46,27	-35,93	96,93	1,85,00	-1,16,95	-1,06,54	-42,66	34,59	-18,75	2,11,27
8. November	1,00,96	21,07	-38,47	45,82	1,33,00	-1,45,05	-1,12,32	-60,37	24,33	-21,29	-52,32
9. December	57,59	41,97	-53,00	52,48	1,19,00	-1,66,49	-1,23,41	-74,92	14,58	-29,22	-1,60,42
10. January	1,35,27	87,67	-3,12	1,44,72	1,91,00	-1,42,04	-90,16	-70,28	37,43	-34,50	2,55,99
11. February	2,72,49	1,60,75	-16,78	1,75,36	2,96,00	-1,00,95	-90,82	-86	29,09	-30,95	6,93,33
12. March	2,86,02	81,43	17,70	12,10	1,73,78	37,61	28,67	1	13,32	31	6,50,95

## APPENDIX IV.

LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, No. T. 145-REP./6/36, DATED THE 18TH MAY 1936.

SUBJECT :—*Appropriation Accounts (Posts and Telegraphs Department) 1934-35 and the Audit Report, 1936.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D (1) of the Government of India Act, I have the honour to transmit herewith, for submission to the Committee on Public Accounts, and for necessary action by the Government of India, two copies of the Appropriation Accounts of the Posts and Telegraphs Department for the year 1934-35 and the Audit Report, 1936, issued by the Accountant General, Posts and Telegraphs.

2. The Accounts and the Report have, as usual, been subjected to a detailed examination in my office. I have satisfied myself that the Accounts are in order and that the Report contains, substantially, all the information necessary for the purposes of the Public Accounts Committee.

3. *Financial Position.*—Attention is invited to Chapter II of the Accountant General's Report in general and to paragraphs 10—13, 20 and 52—54 *ibid* in particular which contain a general review of the financial position of the Posts and Telegraphs Department. To this I have nothing of substance to add. I would merely observe that in considering the financial results of the working of the Department—which are better than they have been for some years past—the following important features of the accounts have to be kept carefully in mind :—

- (a) With a few exceptions, *e.g.*, the writing down of the value of surplus and obsolete stores, and the revision of the system of payment of pensions to the pensioners of the Posts and Telegraphs Department, the effect of which will be included in the accounts for 1935-36, the accounts for the year under report incorporate the results of the main recommendations of the Posts and Telegraphs Accounts Enquiry Committee which the Government of India have so far adopted, with the concurrence of the Auditor General, and which have been given effect either in the accounts of some previous year or during the year under report.
- (b) While the accounts for 1935-36 and future years will include a charge of Rs. 25 lakhs for renewals and replacements, the accounts for 1934-35 include only a specially reduced charge of Rs. 9·37 lakhs against an actual withdrawal of about Rs. 13·49 lakhs from the Depreciation Fund. When the special arrangements for 1934-35 were being discussed, it was thought sufficient to limit the contribution for depreciation to the extent of actual expenditure on renewals and replacements and proposals were made accordingly to the Secretary of State and accepted by him. At that time the fact that there is generally a debit on account of abandoned assets also was overlooked and the contribution fixed for 1934-35 did not include provision for this. The result

was that during the year withdrawals far exceeded contribution to the Depreciation Reserve, with a corresponding increase in the profits of the Department. Attention is also invited to the first part of paragraph 49 of the Report. It will be seen that although the revenue deficit originally anticipated was in the end converted into a considerable surplus the Government of India also decided not to make good to the Depreciation Fund this further short credit. But there is a large balance in the Reserve Fund : and the short credits here mentioned are not of immediate practical importance.

- (c) With reference to paragraph 54 of the Accountant General's Report, I observe that the accounts for the year 1934-35 include for the last time a charge for payment of pensions to the pensioners of the Posts and Telegraphs Department calculated on a liability basis (7.5 per cent. of the total salary and leave allowances of pensionable establishment of the department excluding any allowances which do not count for pension). From 1935-36 the revenues of the Department will have to bear the actual cost of pensions paid to ex-employees of the Posts and Telegraphs Department, subject to certain general arrangements adopted for the sake of simplicity and applicable to pensions sanctioned before the new scheme was introduced. When this arrangement was finally approved it was thought that the results would be beneficial to the Posts and Telegraphs Department. But the figures for 1935-36 so far known show that there was a serious miscalculation of the effect on the finances of the Department as the actual charge will be much greater than the charge on a liability basis. However much the Departmental authorities may deplore this result, the fact is that the change has led to a readjustment which must be accepted as correct and proper since it would be unjustifiable for general revenues to continue to pay Posts and Telegraphs Department pensions on an inadequate contribution.

4. *Budgeting and control.*—The unsatisfactory results of previous years are well known and paragraphs 78—82 and 83—87 of the Accountant General's Report present a picture which shows that little, if any, improvement has been realised. Overbudgeting in Grant No. 91 which was last year described as chronic continued in the year now under report. Measures to improve budgeting and control introduced during the year were not expected to effect immediate improvement and have not done so. It must be acknowledged that after a system of centralised control decentralisation cannot be expected to produce miraculous results at once and doubtless much further effort is required. It will be interesting to know what impressions the responsible departmental authorities have now gained of the effectiveness of these measures and what further steps they consider necessary.

5. Mention of a serious mistake in budgeting under stores suspense is made in paragraph 79 of the Report and some particulars of the mistake appear on page 116. Detailed information as to how the mistake occurred in the

budget and as to the causes of variation between the final appropriation and the actuals have not been given in the Report. The Director General, Posts and Telegraphs, will no doubt be able to give full information to the Public Accounts Committee on the subject.

6. Finally I invite attention to the topic discussed in paragraph 90 of the Report and to the account of the stores position given in paragraph 57 *et seq* of the Report.

#### APPENDIX V-A.

**LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, NO. T. 225/REP./5/36, DATED THE 29TH MAY 1936.**

**SUBJECT :—*Appropriation Accounts (Defence Services) 1934-35 and the Audit Report, 1936.***

I have the honour to forward herewith for necessary action two copies of the Appropriation Accounts of the Defence Services for the year 1934-35 prepared by the Financial Adviser, Military Finance, together with two copies of the Audit Report, 1936, prepared by the Director of Audit, Defence Services.

I also transmit herewith two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Central Government in respect of Defence Services for the year 1934-35, together with two copies of the relevant Appropriation Accounts, and the Reports thereon prepared by the Auditor of Indian Home Accounts.

It is understood that these documents will, as usual be subjected to a preliminary examination by the Military Accounts Committee before being presented to the Public Accounts Committee.

2. *Outstanding questions.*—I presume that the Military Accounts Committee will, as usual, first go through the list of questions outstanding from previous discussions—(Appropriation Accounts—Appendix A).

3. *Appropriation Audit.*—(a) In the financial regulations for the Defence Department it is specifically laid down that large savings due to unexpected and material fall in prices of food or forage are to be regarded as reverting to the Government of India with whom it rests to decide whether the money be reappropriated to other Defence expenditure or not and that the special sanction of the Government of India in the Finance Department is required to such reappropriation. In the year under report a fall in the prices of food grains caused a saving of Rs. 33 lakhs which was transferred to the Defence Reserve Fund—this in a year when the Defence Reserve Fund opened with a balance of Rs. 2½ crores and the total budget allotment of the Defence Services was under-spent by Rs. 85 lakhs. (The saving of Rs. 14·5 lakhs mentioned in paragraph 5 of the Financial Adviser's general review is as much an under-spending as the other items selected by the Financial Adviser which aggregated Rs. 70 lakhs.) The Financial Adviser has not stated the grounds on which the special sanction of the Government of India in the Finance Department was accorded on this occasion, and I presume the Public Accounts Committee will desire to have further information on this point.

(b) The Financial Adviser reports that the Hon'ble Finance Member has given an assurance that if in future the prices of food grains rise above the level taken as the basis for the budget estimates he will be prepared to consider an additional grant. This seems to be equitable as an arrangement complementary to that described in (a) preceding under which savings due to material fall in prices would ordinarily be surrendered to general revenues, but not otherwise.

(c) Attention is invited to paragraphs 5 to 9 of the Financial Adviser's review. On the basis of the figures there given, I doubt if it can be claimed that the estimation of expenditure in respect of the year under report was sufficiently accurate. On the other hand I agree that the standard of current control of expenditure continued to be satisfactory as in the past.

4. *Review of Military Engineering Services expenditure.*—I next invite attention to the Financial Adviser's careful and interesting review of Military Engineering Services expenditure given in paragraphs 130 to 158 of the Appropriation Accounts and to the new Appendices M and N which add further relevant information. In view of the large variations mentioned by the Financial Adviser in paragraph 135 of his Review I cannot myself agree that the scope of the original demand was determined with reasonable exactitude and I gather from his remarks in paragraphs 137-38 that the Financial Adviser himself acknowledges that in the actual expenditure, apart from the bulk results, there was not sufficient conformity to the original programme as specified in the budget estimates.

As regards correspondence between the estimated cost of individual works and actual expenditure, attention is invited to paragraphs 140 to 142 of the Financial Adviser's Review and paragraph 29 of the Audit Report.

Paragraphs 143 and 144 of the Financial Adviser's Review draw attention to the disproportionately large volume of expenditure occurring in the month of March. In this connection I think it will be relevant to consider whether the present practice admits not only of work being hurriedly carried out, but also of accounting and pre-check being hurriedly carried out, in order to enable disbursement to be made before the 31st of March. There is of course a danger in either process being unduly hastened. I should also like to draw the attention of the Defence Department to the recommendations of the Public Accounts Committee contained in paragraphs 27 and 28 of the Report of the Central Public Accounts Committee on the accounts of 1930-31—Part 1—copy attached for facility of reference. I think it may safely be said that the measures there suggested have improved the regulation of the Public Works expenditure of the Civil Administration, and I would in particular suggest that the Defence Department might consider whether the use of the Reserve should not be extended so as to provide definitely for a re-grant of lapsed allotments in order that the temptation to accelerate unduly expenditure in March may be lessened.

The position of the Military Engineering stock on the 31st of March 1935 is given below, paragraph 158 of the Financial Adviser's Review. It appears that a considerable quantity of stores surplus to requirements was still in hand on that date.

5. *Stores transactions.*—There are still certain questions outstanding connected with the statistical information given in Appendix E., namely,—

- (a) The question whether similar information should be given in respect of Royal Air Force Stores .
- (b) the question of the preparation and exhibition of a valued statement of surplus and obsolete stores written off.

In the same connection I think the Military Accounts Committee will find it convenient to discuss the points arising out of the qualifications to the audit certificate of the Military Accountant General given in paragraph 25 of the Appropriation Accounts. Another topic on which I myself should like to be further informed is that of the differences in the system of stock verification as brought out in paragraph 34 of the Audit Report.

6. *Defence Reserve Fund Account for the year 1934-35.*—The Military Accounts Committee will presumably desire to have up-to-date information on the points mentioned in paragraphs 38 and 39 of the Audit Report.

7. *Financial Irregularities.*—It is satisfactory to find that the Director of Audit has fewer cases of financial irregularity to report this year, and that those which he has thought it necessary to mention are less serious in character than in any recent year. The more important cases appear to me to be those discussed in paragraphs 9, 13, 16, 17, 18, 21, 23 and 26 of the Audit Report.

8. *Conclusion.*—In conclusion I wish to observe that the presentation of the material for the Public Accounts Committee as now carried out in the Appropriation Accounts, the Financial Adviser's Review and his auxiliary statistical statements has, in my opinion, attained a high pitch of efficiency and usefulness. There is indeed little lacking to make the body of information available to the Public Accounts Committee entirely comprehensive.

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*Extract of paragraphs 27 and 28 of the Report of the Central Public Accounts Committee on the Accounts of 1930-31, Volume I, Part I.*

27. *Budgeting and control of works expenditure.*—We devoted considerable time and attention to the examination of the system of budgeting and control of works expenditure, both in the Public Works Department and the Posts and Telegraphs Department. We found a number of cases where there were large variations between the estimates and the actual expenditure. It was explained by the Chief Engineer that such cases related to works under the administrative control of the Foreign and Political Department and that the Department of Industries and Labour merely act in this matter as a compiling agency for the former Department for the purpose of making the necessary provision in the budget. It seems to us that some improvement in the existing system of budgetary control is necessary in order to ensure that no provision is included in the budget for any work in regard to which the preliminary arrangements are not so far advanced as to afford a reasonable prospect of the provision being fully utilized. One result of neglecting this essential condition is to place funds at the disposal of spending authorities which may be diverted to works outside the scope of the original demand, and increase the commitments of the following years.

28. We also discussed in this connection the question of the purposes to which the Reserve provision in the Civil Works budget should be confined. This provision was actually used in the year 1930-31 for a number of works, some of which might have been foreseen and provided for in the estimates presented to the legislature and some of which did not seem to be of such particular urgency as to justify their being financed from the Reserve. We agree with the Auditor General that it should be a recognized principle that, so far as possible, allotments for original works should be made in the estimates presented to the legislature and consider that the Reserve should be confined to two purposes : to meet throw-forwards from the previous year and to meet really unforeseen and emergent demands. We should like to add that in estimating the provision required for the first of the two purposes mentioned, namely, to meet throw-forwards from the previous year, due regard should be paid to the fact that at the present time when works expenditure is being drastically curtailed, the provision for throw-forwards need not be as large as usual.

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#### APPENDIX V-B.

LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT,  
GOVERNMENT OF INDIA, NO. R.-425-REP./5/36, DATED THE 24TH JUNE 1936.

SUBJECT :—*Appropriation Accounts (Defence Services) 1934-35 and the Audit Report, 1936.*

In continuation of my letter No. T.-225-Rep./5/36, dated the 29th May 1936, forwarding copies of the Accounts and Report mentioned above, I have the honour to forward herewith for necessary action two copies of the Commercial Appendix to the Appropriation Accounts of the Defence Services for the year 1934-35 and the Report of the Director of Audit, Defence Services, thereon.

2. This year, for the first time the commercial accounts, the Financial Adviser's review, and the Audit Report of the Director of Audit, Defence Services, have been printed in one volume, an arrangement the adoption of which I foreshadowed in paragraph 3 of my letter forwarding the Commercial Appendix last year. Another change effected in the form of the Commercial Appendix this year is the discontinuance of the printing of separate reviews which, in the past, used to be appended to each individual commercial account : these reviews have now been replaced by the consolidated review of the Financial Adviser. I consider this a great improvement as the material the Public Accounts Committee requires is arranged in a concentrated form and attention is focussed on essential points.

There is nothing in the Financial Adviser's review or in the report of the Director of Audit, Defence Services, which I desire to qualify ; and the results of the examination of these commercial accounts may be regarded as satisfactory.

## APPENDIX VI.

## Memorandum on the Financial position of the Indian Posts and Telegraphs Department.

(Figures unless otherwise stated are in thousands of rupees.)

The accounts for the year 1933-34 closed with a loss of 51,93 since expenditure charged to revenue amounted to 11,24,55, while the revenue was only 10,72,62. During the year, the 5 % emergency deduction from salaries was in force.

*Accounts of 1934-35.*

The following statement compares the actual results of 1934-35 with the anticipations for that year :—

	Budget Estimates 1934-35.	Revised Estimates 1934-35.	Actuals 1934-35.
Revenue .. ..	10,71,26	11,05,35	11,19,87
Expenditure .. ..	10,85,73	10,91,54	10,81,93
Profit (+) or Loss (—) .. ..	—14,47	+13,81	+37,94

The year 1934-35 witnessed a distinct turn in the fortunes of the Department. The trend of receipts towards the close of 1933-34 justified the hope that the trough of depression had been reached and passed. The budget for 1934-35 was framed on that basis. The unified stamps were abolished except in Burma and important changes in postal and telephone rates and telegraph tariff involving an estimated reduction of revenue of over 29 lakhs in the year were introduced. After allowing for these factors, the revenue estimate for 1934-35 was placed at 10,71,26 or 448 less than the revised estimate for 1933-34 and 136 less than the actuals for the same year. The continued improvement in trade conditions justified the revised estimates being raised to 11,05,35 or 34,09 more than the budget estimates. The actuals for the year exceeded the revised estimates and amounted to 11,19,87 or 14,52 more than the revised estimates and 48,61 more than the budget estimates. The trade conditions proved to be more favourable than anticipated at the time the revised estimate was fixed and the sale of stamps and the telephone receipts during the closing months of the year largely contributed to the increase over the revised estimates.

2. The actual expenditure during the year was 10,81,93 or 3,80 less than the budget estimate and 9,61 less than the revised estimate. The revised estimates involved a small supplementary grant but the actual expenditure fell below the original estimates. This has been due to certain unforeseeable events occurring in other Departments of Government, defects in the accounting machinery of the Department in regard to 'stores' and adjustments made by audit after the close of the year. This decrease in expenditure by Rs. 42,62 as compared with the actuals of 1933-34 is mainly due to the contribution to the Depreciation Fund of the Department being restricted during the year

to the actual expenditure on renewals and replacements. In the ordinary course a contribution of Rs. 37 lakhs should have been made to the Depreciation Fund, but actually a contribution of Rs. 9.37 was made, the Department being relieved to the extent of 27.63. Even if the full contribution had been made, the expenditure would have shown a net decrease of Rs. 14.99 lakhs, which amount was the net saving effected in expenditure after meeting increases in expenditure such as increments in pay and charges for interest. The reduction in expenditure was due to the cumulative effect of the measures of economy and retrenchment adopted by the Department since 1931-32. Although the year closed with a profit of 37.94 this amount cannot be regarded as representing a real profit, as the salaries of the staff during the year continued to be subject to the temporary emergency deduction of 5%. If allowance is made for this factor as well as for the reduced contribution to the Depreciation Fund, the year's working would have resulted in a loss of about 20 lakhs.

*Experience of 1935-36.*

3. The sanctioned budget for 1935-36 compares as follows with R. E. and the approximate actuals for the year :—

	B. E. 1935-36.	R. E. 1935-36.	Actuals up to March Final.
Revenue .. .. .	11,32,57	11,49,74	11,47,00
Expenditure .. .. .	11,45,58	11,43,95	11,50,13
Profit (+) or Loss (—) .. .. .	—13,01	+5,79	—313

The improvement in the revenue of the Department during 1934-35 constituted a definite promise for the future. The estimates for 1935-36 therefore assumed that the improvement in trade and economic conditions would generally continue. Revenue was therefore estimated at 11,32,57 allowing for an increase of 27,22 over the R. E. for 1934-35 and 12,70 over the actuals for that year.

The expenditure for the year was estimated at 11,45,58 which was about 54 lakhs more than the R. E. 1934-35 and 63,65 more than the actuals for that year. It was expected on the budget estimates that the year would close with a loss of 13 lakhs. The main causes for the large increase in expenditure over the R. E. 1934-35 were :—

- (1) the restoration of the emergency deduction from pay costing over 27 lakhs ;
- (2) provision for normal increments to staff costing about 15 lakhs ;
- (3) pending further investigation an increase over last year's figure was effected in the contribution for depreciation of wasting assets, which in 1934-35 was limited to actual expenditure on renewals and replacements about 19 lakhs ; and
- (4) minor increases on account of the extension of air mail services, rise in traffic and expansion of postal facilities in rural areas 3 lakhs.

4. The actuals for the first eight months of 1935-36 however showed that the revival in trade was more marked during this period than was originally expected and indicated that a further rise in revenue could safely be anticipated. The revenue was therefore estimated at 11,49,74 in the R. E., being over 17 lakhs more than the original budget figure. The actuals up to March final only are available at present and assuming that the adjustments in March supplementary will equal the preceding year's adjustments, the anticipated actual revenue is likely to be 11,47,64 or 210 less than the R. E. Thus the revenue estimates are likely to be closely realised, the variation being .18%. The small fall is mainly due to the receipts from telegraph charges realised in cash and telephone call fees not coming up to expectations during the closing months of the year. It may be mentioned that this figure of revenue is inclusive of 15,35 on account of interest on the depreciation fund balance. Even allowing for this the revenue expected during 1935-36 will be 11,32,29 which is 280 higher than the highest revenue ever earned by the Department.

5. The expenditure on the other hand was fixed at 11,43,95 in the R. E. showing a decrease of 163 over the sanctioned budget. During the year the Department took over the actual payment of pensions for which hitherto a contribution equal to 7.5% of the pay charges of the pensionable staff of the Department was being paid to General Revenues which paid the pensions. On the basis of the information available at the time it was assumed that the provision on the actual basis would be to the benefit of the Department by about 5 lakhs. But in consequence of the policy of retrenchment followed by the Department an unusually large number of employees retired, as shown in the statement below, during the last four years :—

Year.	Number of staff retired	
	Gazetted officers.	Other employees.
1927-28 to 1930-31 .. .. .	113	3,684
1931-32 to 1934-35 .. .. .	155	12,294
Increase .. .. .	42	8,610
Percentage of increase .. .. .	37%	234%

The pension bill of the Department has therefore increased heavily and it is estimated to amount to about 26 lakhs more than the budget estimate. The expenditure on leave allowances paid to retrenched personnel also increased. These increases have, however, been met from the following savings :—

- (1) 4 lakhs on account of reduction in [the interest charges of the Department due to the reduction in the rate of interest and the writing down of the accumulated loss of the Department by 42,67 on account of the writing off and writing down of the value of unserviceable and obsolete stores since commercialisation ;
- (2) the claim of railways for increased haulage charges not having matured .. 7 lakhs ;
- (3) the provision for depreciation in the absence of detailed calculations having been overestimated by 1 lakh ;

- (4) savings caused by the rebate on the cost of manufacture of stamps and postcards and the reduction in the manufacturing cost of postal stationery .. 1,87 ; and
- (5) The balance of 12,13 was met out of savings resulting from the introduction of new rates of pay, conversion of posts and continued efforts at economy.

6. It was anticipated in the revised budget that the loss of 13 lakhs provided for in the Budget Estimates would be converted into a profit of 579. The actuals up to March 1936 final only are available at present. The expenditure so far booked amounts to 11,50,13 which is 455 more than the Budget Estimate. This increase is due entirely to under-absorption of ' indirect charges ' and ' freight charges ' under ' Engineering Expenses ' and less credits on account of share of revenue establishments debitable to capital than estimated. Further adjustments of these charges are, however, likely which would involve a reduction of expenditure under working expenses by debit to capital. Full details are not so far available but on the basis of information available at present it is likely that further adjustments on this account to the extent of 3 or 4 lakhs may be effected before the accounts of the year are closed. Assuming further debits under expenditure in March Supplementary to equal the amount adjusted in the previous year, it is likely that the budget will be a balanced one or show a slight profit.

*Prospects in 1936-37.*

7. The estimates for 1936-37 have assumed that the improvement in trade and economic conditions will generally continue and the revenue has been placed at 11,74,15 or an increase of 24,41 over the R. E. for 1934-35. This increase has been assumed after allowing for some decrease in revenue due to the lowering of certain postal rates estimated to cost about 13,74. The expenditure for the year is estimated at 11,72,86 which is about 29 lakhs more than the R. E. of the previous year. This increase is mainly due to—

- (a) increase in pay charges on account of annual increments .. 12,00 ;
- (b) increased provision of 295 for revision of establishments and development of postal facilities in rural areas ;
- (c) increase of 900 in the pensionary bill of the Department due to a large number of retrenched employees exchanging leave salary for pension during the year ; and
- (d) increase of 254 due to the restoration of emergency deduction from salary.

It may also be mentioned that with effect from the 1st April, 1936 a Renewals and Reserve Fund has been substituted in place of the Depreciation Fund and the annual contributions to it has been fixed at Rs. 25 lakhs for a period of five years, whereafter the position will be re-examined. This has resulted in a saving of 267 in the contribution to the Fund as compared with the R. E. of 1935-36.

The estimated revenue for 1936-37 is higher (by about 44,66) than the highest revenue earned during the past few years, viz., in 1929-30. But if allowance is made for the interest on depreciation fund balance (which is credited to revenues since 1933-34), the revenue expected in 1936-37 will be

more than the highest figure reached in 1929-30 by 28,79. The expenditure (even after the restoration of the salary cut), viz., 11,72,86 is, however, less than the highest expenditure which was in 1930-31 by 38,49 and the gain in the year's working is estimated at over one and a quarter lakhs.

8. On the receipt side the possibility of securing more traffic by stopping the sources of leakages of revenue and by creating more traffic by publicity and offer of facilities is receiving constant attention. The postage rates have been overhauled and new productive works calculated to bring in more revenue have been undertaken. The effect of reductions in the postage and telegram and telephone rates is being carefully watched.

9. The expenditure of the Department, it has to be remembered, depends mainly on the volume of traffic which it has to handle and no appreciable reduction in expenditure is possible without a reduction in the volume of traffic handled. If the improvement in trade continues, expenditure is bound to rise to enable the Department to cope with the increase in traffic. The expenditure of the Department is, therefore, speaking generally, compressable only to the extent to which traffic is reduced. One other feature that has to be borne in mind is that no further economies on a large scale can be expected in the near future. Small economies will accrue during the current and the next few years as a result of the acceptance of some of the recommendations of the Telegraph Establishment Enquiry Committee. The Postal Enquiry Committee mainly dealt with the internal organisation of the Department and its recommendations were not expected to result in any substantial economies. It was essentially an efficiency committee and not a retrenchment committee. The special expenditure on retrenched personnel will no doubt be considerably reduced. But it will assume a different shape and will be reflected in an increased pension bill. Abnormal retirements during the retrenchment campaign will keep the pension bill high and stability will not be reached for some years. The revised scales of pay introduced in the last year will appreciably reduce the pay bill of the Department, though its immediate effect will not be so marked. On the whole, therefore, if the improvement in trade conditions, which commenced in 1933-34, continues, the Department should be able to make the small profit estimated.

#### APPENDIX VII.

##### *Imperial Council of Agricultural Research—Accounts and Audit of the Research Fund.*

The Imperial Council of Agricultural Research is registered as a society and under Rule 63 of the Rules and Regulations (as embodied in the Memorandum of Association) its accounts are audited by the Auditor-General in India. The rule reads as follows :—

“The Accounts of the Society shall be subject to the audit of the Auditor-General in India. The nature of audit to be applied and the detailed arrangements to be made in regard to the form of accounts and their maintenance and the presentation of the accounts for audit shall be prescribed by Bye-laws to be framed by the Governing Body and approved by the Governor-General in Council with the concurrence of the Auditor-General.”

The principal bye-laws relating to accounts are reproduced below. These have all been made with the previous approval of the Governor-General in Council and with the concurrence of the Auditor-General.

*Bye-law 22.*—The accounts of the Society will be maintained by the Secretary in the manner and in the forms prescribed in these bye-laws. He will be assisted by an accountant who will be a member of the Subordinate Accounts Service of the Indian Audit Department on the cadre of the Accountant-General, Central Revenues, provided that the Council may, with the previous concurrence of the Accountant-General, Central Revenues, appoint as its Accountant a person from the staff of the Accountant-General, Central Revenues, having a lesser professional qualification than that of a member of the Subordinate Accounts Service of the Indian Audit Department. The Accountant will be subordinate for the purposes of discipline, promotion, leave and transfer, etc., to the Accountant-General, Central Revenues, but administratively will be directly subordinate to the Secretary. The Accountant will advise the Secretary on all matters concerning audit and accounts and any Government rules which may be made applicable to the Society. He will be directly responsible to the Secretary for the accuracy and completeness of the accounts of the Society. His pay and allowances and leave and pension contributions will be debitable to the Society's grant for Research.

*Bye-law 24.*—The functions of Audit Officer of the Society will be exercised by the Accountant-General, Central Revenues, under the general superintendence and control of the Auditor-General in India. It will be the duty of the Audit Officer to object to any expenditure from the Funds of the Society incurred in contravention of Article 4 of the Memorandum of Association, or of the Rules and Regulations, or of these Bye-laws.

*Bye-law 25.*—Where expenditure from the Funds of the Society is in the nature of a grant-in-aid the audit of such expenditure shall be conducted according to the principles laid down in Chapter 11-A, of the Audit Code of the Auditor-General in India.

*Bye-law 26 (without Appendix).*—The Accountant will apply a check, of the nature of pre-audit, to all payments from the funds of the Society, and will maintain registers in the following forms as set out in the Appendix :

*Form 12.*—Establishment Audit Register.

*Form 12-A.*—Audit Register of Gazetted Government Servants' Pay and Allowances.

*Form 13.*—Travelling Allowances Audit Register.

*Form 14.*—Contingent Audit Register.

*Form 15.*—Audit Register of Special Charges.

*Form 16.*—Objection Book relating to Irregular Payments.

*Form 16-A.*—Objection Book relating to Technical Objections.

*Form 16-B.*—Adjustment Register (of 16-A).

*Form 16-C.*—Abstract Register (of 16-A and 16-B).

*Form 17.*—Audit Register of Financial Orders, Delegations, etc.

*Form 18.*—(Deleted).

**Bye-law 32.**—If expenditure from the Funds of the Society consists of a grant to any authority or individual under the audit of any other audit officer of Government, the Accountant-General, Central Revenues, will satisfy himself that the purpose of the grant is within the scope of Article 4 of the Memorandum of Association and will call for and accept a certificate of the audit of that other audit Officer of expenditure from the grant itself.

**Bye-law 33.**—As soon as is practicable after his accounts for a year are closed, the Secretary will cause to be compiled the Annual Accounts of the preceding year of the funds of the Society referred to in Rule and Regulation 61 in the form prescribed in Bye-law 23 and will send an intimation to the Accountant-General, Central Revenues, as soon as the work is completed. The Accountant-General, Central Revenues, will thereupon depute an officer who will test-audit these accounts of the Society, and re-audit in detail the accounts of at least three months to be selected by the Accountant-General, Central Revenues. He will record his certificate of audit at the foot of the Annual Accounts and will forward these with his Report to the Accountant-General, Central Revenues. The cost of this test-audit will be a charge against the Research funds of the Society.

**Bye-law 34.**—(1) The Accountant-General, Central Revenues, under Rule and Regulation 64 will then prepare for submission through the Auditor-General in India to the Governing Body of the Society and to the Government of India an Annual Report on the accounts of the Society which will contain such comments, general or special, as he may desire to make on the general financial position of the Society and on the results of his audit for the year. The audited accounts of the Society referred to in Bye-law 33 will form an enclosure to his Report.

(2) All arrangements for the audit of the Imperial Council of Agricultural Research accounts are approved by the Auditor-General.

The actual audit of expenditure at headquarters (*i.e.*, on schemes directly administered by the Council, *e.g.*, Locust Research, Sugar Technology and Agricultural Statistics) is conducted by the Accountant-General, Central Revenues, as is the audit of the grants made to Central Institutes. Grants made to Provincial Governments are all audited by the Provincial Accountant-General concerned as also are all grants made to Indian Universities. Grants to outside institutions in British India are also audited by the appropriate Accountant-General. The grants made to contributing Indian States are audited by their Accountants-General. In every case, a certificate is furnished showing that the grants have been expended in accordance with the conditions attached to it and that the money has been properly appropriated to approved sub-heads.

(3) The attached abstract statements shows the total amounts of the various schemes sanctioned from the inception of the Council upto March 1936 (and to which funds have been allotted) and the method of audit. The figures given are for the total cost of these schemes over the whole period of sanction, usually five years; the actual expenditure incurred up-to-date is naturally much less. The annual accounts of the Imperial Council of Agricultural Research are published in its Annual Report. The Annual Report for the year 1935-36 is to be issued by the Government Press on the 6th of August.

## Statement showing allocation of grants sanctioned to the Central and Provincial Governments, Indian States, and Non-Government Institutions, upto 31st March 1936.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
	Agriculture.	Animal Husbandry.	Sugar.	General Schemes.	Total.	Audited by	Remarks.	
	Rs.	Rs.	Rs.	Rs.	Rs.			
Headquarters ..	6,58,000	35,000	5,90,000	5,90,000	18,73,000	A. G. C. R.	<p>General schemes include seven years expenditure on:—</p> <p>(1) cost of books and publications, Accounts and Audits, Travelling allowance of non-official members and visitors, etc.</p> <p>(2) contributions to the International and Imperial Institutions and cost of deputations of Indian Representatives to International Conferences.</p> <p>(3) contributions to Indian Institutions.</p> <p>Item (1) is audited by the Accountant-General, Central Revenues. As regards item (2) payments are made by the High Commissioner for India and the debits which are received through the Accountant-General, Central Revenues, are again checked with the orders of sanction by the Secretariat of the Council in consultation with the Accountant. With regard to item (3) small grants for scientific abstracting and publications to:—</p> <p>(1) National Institute of Science, Calcutta;</p> <p>(2) Indian Academy of Sciences, Bangalore, are audited by the Accountant General, Central Revenues.</p>	
Central Institutes ..	2,10,000	1,32,000	1,84,000	..	5,26,000	A. G. C. R.		
Local Governments	33,55,000	6,97,000	19,05,000	..	59,57,000	Provincial A. G.'s.		
Indian States ..	1,24,000	35,000	21,000	..	1,80,000	State A. G.'s.		
Universities ..	3,68,000	..	..	..	3,68,000	Provincial A. G.'s.		
Other Institutions ..	17,000	..	..	..	17,000	A. G. Madras and A. G. C. R.		
Total ..	..	..	..	..	89,21,000			

## APPENDIX VIII.

OFFICE MEMORANDUM FROM THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, TO ALL DEPARTMENTS OF THE GOVERNMENT OF INDIA (INCLUDING THE FINANCIAL ADVISER, MILITARY FINANCE); THE FINANCIAL ADVISER, POSTS AND TELEGRAPHS; AND CENTRAL BOARD OF REVENUE; THE AUDITOR GENERAL; THE CONTROLLER OF THE CURRENCY; THE PRIVATE SECRETARY TO THE VICEROY AND MILITARY SECRETARY TO THE VICEROY AND THE MASTER, SECURITY PRINTING, INDIA, No. D.-3516-B., DATED THE 9TH OCTOBER-1935.

In view of criticisms in the Legislative Assembly in connection with supplementary grants during the last budget session and in the last Public Accounts Committee, the Finance Department has recently been considering the question of strengthening the machinery of financial control. It has been decided to lay down the following general principles for the guidance of Departments. These principles are for the most part a reiteration of principles already laid down and the co-operation of all the Departments of the Government of India and of all disbursing officers is requested to ensure that they are strictly observed :—

1. In framing the budget estimates the Departments should exercise the utmost foresight. All items of expenditure that can be foreseen should be provided for and care should be taken, in consultation with the audit officer where necessary, to see that the provision is included under the proper sub-heads. Needless to say, although Departments are asked to provide for all foreseeable items, the Finance Department will exercise its right to excise or reduce the provision for any item which it thinks unjustifiable. An exhortation to show foresight is not an invitation to include new items without due consideration. While provision should be made for all items that can be foreseen, it is essential that the amount of the provision should be restricted to the absolute minimum necessary. When providing for a new piece of expenditure administrative difficulties and delays should always be borne in mind, and not more should be provided than is likely to be spent during the course of the year.

2. Detailed rules have been laid down in the Finance Department Resolution No. F.-13-Ex./25, dated the 2nd August 1926, and in Memorandum No. D. 2839-B., dated the 8th July 1933, prescribing the procedure to be followed by Departments of the Government of India and other controlling and disbursing officers which enable them to watch the progress of expenditure against appropriation. If these rules are followed, the controlling officers should be in a position from month to month to estimate the likelihood of savings and excesses.

3. A Department or disbursing officer may find in the course of the year that the expenditure under some sub-head is likely to be less than the provision in the budget. The saving may be due to one or more of the following causes :—

- (a) actual postponement of expenditure;
- (b) real savings due to economy; and
- (c) normal savings due either (i) to original over-estimating; or (ii) to usual administrative causes, e.g., casualties, etc.

Savings due to cause (a) should in no circumstances be used for reappropriation to meet new items of expenditure without the sanction of the Finance Department. Unless savings due to cause (b) have been made deliberately to provide for an unforeseen emergency, they should not ordinarily be utilized in the course of the year for new items of expenditure, as it is desirable that all such new items should be considered together at the time of the preparation of the budget. This aspect of the question is dealt with in greater detail in paragraphs 6 and 7 below.

All savings should be surrendered to the Finance Department immediately they are foreseen without waiting till the end of the year unless they are required to meet excesses of the kind referred to in the next paragraph which are definitely foreseen at the time. No savings should be held in reserve for possible future excesses.

4. On the other hand it may be found that an excess is likely owing to either (a) an unforeseen emergency or (b) under-estimating or insufficient allowance for factors leading to the growth of expenditure. In the case of an excess of either type an examination of the whole grant should be made to see whether there are likely to be savings under any of the other sub-heads due to cause (c) described in paragraph 3 above which can be utilised to meet it. If such savings are not available, it should be seen whether special economies can be effected under other sub-heads. If funds cannot be provided by either of these methods, it will have to be considered whether the excess should be met by postponement of expenditure or whether an application for a supplementary grant should be made. In either case, application will have to be made to the Finance Department and the course recommended by the Department stated. Normally, an application for a supplementary grant will not be entertained by the Finance Department unless the anticipated excess is due to a cause beyond the control of the authority and funds cannot be found by any legitimate postponement of expenditure for which provision already exists. All applications for supplementary grants should be accompanied by a full explanation of the reasons for the excess and of the impossibility of providing funds to meet it.

Under paragraph 10 of the Finance Department Resolution No. D. 1089-A., dated the 1st June 1926, the Administrative Departments have to intimate their requirements regarding supplementary grants to the Finance Department before the middle of January. Experience has shown that this date is too late. The Finance Department therefore request that the Departments should, as far as possible, send their demands for supplementary grants by the middle of December at the latest. And Departments are further requested not to hold up their applications till that date, but to forward each application to the Finance Department as soon as they become convinced that a supplementary grant will be necessary.

5. On receipt of an application for a supplementary grant, the Finance Department will review the position of the grant as a whole with reference to the known actuals of the year to date and the actuals and estimates for previous years. If after this examination the Finance Department comes to the conclusion that it should be possible for the Administrative Department to meet the

expenditure within the sanctioned grant, either from normal savings or by special economies or in the last resort by judicious postponements of other expenditure, the Administrative Department will be so informed and no supplementary demand will be presented to the Assembly. If, on the other hand, the Finance Department considers that a supplementary grant will be necessary, a demand will be placed before the Assembly as soon as possible without waiting till the end of the year.

6. The supplementary grants referred to in the last two paragraphs are such as are required by extra expenditure on the normal activities of the Department. Expenditure on a "new service", in the technical sense, and on new items, such as, new buildings, new roads, etc., for which no provision exists in the budget, should only be incurred in the middle of a year in exceptional cases. There is a fundamental objection on general principle to admitting such demands in the middle of a year; for these, being made during the course of the year and not at the time of the preparation of the budget, have necessarily to be dealt with singly and not in relation to other demands from other claimants. It is only when the whole of the demands are viewed together that it is possible to form an adequate idea of their relative urgency and to effect a fair distribution of the funds available. If such a procedure is not followed, a single item may be accepted which, if it had been considered together with the whole body of demands, would have been rejected because it would have been clear that its inclusion involved the exclusion of other more desirable items.

7. It is, however, possible that there may be occasions on which it is necessary to provide funds for "new services" or new items even in the middle of the year. In sending proposals in such cases to the Finance Department the Administrative Department should explain clearly why they were not provided for in the original budget and why they cannot be postponed for consideration in connection with the next budget. The Finance Department, if satisfied on these points, will consider whether it would not be reasonable to ask the department concerned to curtail its other expenditure so as to keep the total within the grant. Ordinarily, no new service or item will be accepted by the Finance Department unless the department concerned can guarantee that the extra expenditure will be met from normal savings or by special economies within the grant. Cases which involve a supplementary grant will normally be accepted by the Finance Department only if they relate to matters of real imperative necessity, or to the earning or safeguarding of revenue. In such cases the demand for a supplementary grant, or for a token grant in respect of a "new service" if the expenditure can be met by reappropriation, will be presented to the Assembly as soon as practicable after the need arises.

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No. D.-3516-B.

Copy forwarded to the Financial Commissioner, Railways.

## Report of the Public Accounts Committee on the accounts of 1934-35.

### PART II—RAILWAY ACCOUNTS.

#### *Position as regards estimating and control of expenditure.*

1. The following table compares the original estimates made before the beginning of the year, the revised estimates prepared near its end and the actual results :—

	(Lakhs of rupees.)		
	Budget.	Revised.	Actuals.
(1) Traffic receipts (less refunds) ..	89,00	90,75	90,20
(2) Miscellaneous receipts ..	2,27	2,01	1,86
(3) Working expenses ..	63,25	63,83	63,99
(4) Miscellaneous expenditure ..	1,27	1,33	1,33
(5) Interest charges ..	32,05	31,84	31,80
(6) Surplus (+) Deficit (—) ..	—5,30	—4,24	—5,06
(7) Contribution to general revenues ..	..	..	..
(8) Payments to (+) Withdrawals from (—) Reserve ..	..	..	..
(9) Loans from Depreciation Fund ..	5,30	4,24	5,06

2. The deficit of Rs. 5,06 lakhs was met by a loan from the Depreciation Fund and of course once again the prescribed contribution to general revenues could not be paid during the year under review.

3. The following table compares the final voted grants with the expenditure against those grants :—

Voted.	(Lakhs of rupees.)				
	Original.	Supplementary grant.	Final grant.	Actual expenditure.	Excess (+) Savings (—).
<i>Expenditure charged to Revenue.</i>					
1. Railway Board ..	8.45	..	8.45	8.14	—.31
2. Audit ..	12.95	.80	13.75	13.76	+ .01
3. Miscellaneous expenditure ..	10.60	..	10.60	9.63	— .97

Voted.	(Lakhs of rupees.)				
	Original.	Supple- mentary grant.	Final grant.	Actual expendi- ture.	Excess (+) Savings (-).
<i>Expenditure charged to Revenue—contd.</i>					
4. Refunds .. .. .	12·00	..	12·00	12·39	+·39
5. Payments to Indian States and Companies .. .. .	3,37·00	..	3,37·00	3,43·55	+6·55
6-A. <i>Working expenses.</i> —Mainte- nance of structural works .. .. .	8,45·75	11·50	8,57·25	8,57·00	—·25
6-B. <i>Working expenses.</i> —Mainte- nance and supply of locomo- tive power .. .. .	16,61·50	..	16,61·50	16,72·75	+11·25
6-C. <i>Working expenses.</i> —Mainte- nance of carriage and wagon stock .. .. .	5,63·75	18·00	5,81·75	5,89·92	+8·17
6-D. <i>Working expenses.</i> —Mainte- nance of ferry steamers and harbours .. .. .	27·45	3·90	31·35	31·15	—·20
6-E. <i>Working expenses.</i> —Expens- es of traffic department .. .. .	10,30·75	12·85	10,43·60	10,46·45	+2·85
6-F. <i>Working expenses.</i> —Expens- es of General Departments .. .. .	4,58·50	..	4,58·50	4,50·55	—7·95
6-G. <i>Working expenses.</i> —Miscella- neous expenses .. .. .	4,07·90	15·30	4,23·20	4,15·16	—8·04
6-H. <i>Working expenses.</i> —Electric service department .. .. .	1,17·30	2·35	1,19·65	1,18·49	—1·16
7. Appropriation to Depreciation Fund .. .. .	13,65·00	8·00	13,73·00	13,71·77	—1·23
8. Interest charges .. .. .	2·83	..	2·83	2·80	—·03
<i>Expenditure charged to Capital and Depreciation Fund.</i>					
9. Temporary withdrawals from Depreciation Fund .. .. .	5,33·22	..	5,33·22	5,06·25	—26·97
11. New Constructions .. .. .	11·00	15·00	26·00	17·13	—8·87
12. Open line works .. .. .	13,22·00	·01	13,22·01	8,74·16	—4,47·85

4. The non-voted appropriations sanctioned by the Government of India and the expenditure against those appropriations are given below :—

Non-voted.	(Lakhs of rupees.)					Excess(+). Savings(-)
	Original appropriation.	Supplementary appropriation.	Final appropriation.	Actual expenditure.		
<i>Expenditure charged to Revenue.</i>						
1. Railway Board .. ..	4.10	—·37	3.73	3.70	—·03	
2. Audit .. ..	3.30	—·02	3.28	3.34	+·06	
3. Miscellaneous expenditure ..	10.60	1.91	12.51	12.78	+·27	
6. Working expenses—						
A. Maintenance of structural works .. ..	32.00	..	32.00	32.47	+·47	
B. Maintenance and supply of locomotive power ..	15.77	—1.08	14.69	14.60	—·09	
C. Maintenance of carriage and wagon stock .. ..	9.10	—·95	8.15	8.07	—·08	
D. Maintenance of ferry steamers and harbour ..	.24	..	.24	.27	+·03	
E. Expenses of Traffic Department .. ..	16.62	—·06	16.56	16.41	—·15	
F. Expenses of General Departments .. ..	25.25	—·52	24.73	24.48	—·25	
G. Miscellaneous expenses ..	12.10	2.70	14.80	14.74	—·06	
H. Electric service department	1.02	.02	1.04	1.03	—·01	
8. Interest charges ..	32,02.34	—20.98	31,81.41	31,77.26	—4.15	
<i>Expenditure charged to Capital.</i>						
11. New Construction .. ..	..	1.16	1.16	1.18	—·02	
12. Open line works .. ..	2.00	.73	2.73	2.44	—·29	
Discharge of debentures ..	..	39.93	39.93	39.86	—·07	

5. *Excesses over voted grants.*—The excesses over voted grants which require to be regularised by excess votes of the Legislative Assembly are shown below :—

Demand No.	Final grant.	Actual expenditure.	Excess.
	Rs.	Rs.	Rs.
2—Audit .. .. .	13,75,000	13,76,113	1,113
4—Refunds .. .. .	12,00,000	12,38,914	38,914
5—Payments to Indian States and Companies	3,37,00,000	3,43,54,609	6,54,609
<b>6—B. Working expenses.—</b>			
Maintenance and supply of locomotive power.	16,61,50,000	16,72,74,912	11,24,912
<b>6—C. Working expenses.—</b>			
Maintenance of carriage and wagon stock	5,81,75,000	5,89,92,265	8,17,265
<b>6—E. Working expenses.—</b>			
Expenses of traffic department .. .. .	10,43,60,000	10,46,45,458	2,85,458

The small excess under Demand No. 2 was due to higher expenditure on leave salaries and gratuities to retiring staff than was allowed for when the supplementary grant was obtained. The excess under Refunds was due to the difficulty of accurately estimating under this Demand. As regards the excess under Demand No. 5, it was originally intended to ask for a supplementary grant of Rs. 9,60,000 which the Standing Finance Committee had actually approved but in view of later information, a supplementary grant was considered unnecessary. More freight and handling charges on 'fuel' on several railways and heavier repairs of locomotives accounted for the excess under Demand No. 6-B. The excess under Demand No. 6-C. was due in part to the charging off of the cost of certain Diesel engines to revenue and to heavier repairs to carriage and wagon stock on account of increased traffic requirements. The excess under Demand No. 6-E. was due to a lack of uniformity in booking receipts and payments on account of inter-railway transactions for running powers by the different railways. The percentages of the excesses in the six cases are .07, 3.24, 1.94, 68, 1.41 and .27 respectively. There were excesses under six Demands during the year as compared with three in the previous year. We recommend that the Assembly assent to the excess demands which will be placed before them by Government in due course.

6. The excesses over non-voted appropriations were four during the year against two in 1933-34.

7. Taking the total railway expenditure both voted and non-voted, there was an excess of Rs. 5 lakhs or .05 per cent. under expenditure charged to revenue and a saving of Rs. 4.84 lakhs or 25.14 per cent. under

capital expenditure. The position in this respect compares as follows with the last four years :—

*Expenditure charged to revenue (excluding appropriations to and from the Reserve Fund).*

Year,	(Lakhs of rupees.)		
	Final grant and appropriation.	Savings (—) or excess (+).	Percentage of column (3) to column (2).
1930-31 .. .. .	105,11	—2,98	2.83
1931-32 .. .. .	101,38	—4,24	4.18
1932-33 .. .. .	97,36	—37	.38
1933-34 .. .. .	96,81	—4	.04
1934-35 .. .. .	102,48	+5	.05

*Expenditure charged to Capital and Depreciation Fund.*

1930-31 .. .. .	25,74	—1,14	4.39
1931-32 .. .. .	29,18	—4,95	16.96
1932-33 .. .. .	19,55	—2,66	13.60
1933-34 .. .. .	17,34	—3,03	17.43
1934-35 .. .. .	19,25	—4,84	25.14

Under expenditure charged to revenue, the variation in the total as compared with the final allotment amounted to .05 per cent. In the recent past, the tendency was towards savings. In the year under review, however, there has been a small excess. We noticed that in a good many cases there were excesses even over final appropriations. Had current control been fully effective, we believe that the excesses in at least some of the cases could have been avoided. We were given to understand that the Railway Board have recently instructed railways to conduct a review of expenditure three times a year with a view to bringing to the notice of Government cases where expenditure in excess of the sanctioned grant appeared certain, after taking into account feasible re-appropriations. We would urge that a strict watch should be maintained upon the observance of these instructions. Discrepancies between the revised estimates and final figures generally signify imperfect current control.

Under capital expenditure, there was the usual enormous saving. Against a budget provision of Rs. 13.35 crores under Grants No. 11 and 12, the actual expenditure was Rs. 8.94 crores. It was explained to us that of this saving of about Rs. 4½ crores, rolling stock accounted for a crore, while the expenditure under the Hardinge Bridge Protection

Works was less by about half a crore. A further important cause was the repayment of Rs. 20 lakhs of debentures by the Mymensing-Bhairab Bazar Railway Company. Notwithstanding the special circumstances that were responsible for savings in certain cases, we have no hesitation in observing that the estimating of capital expenditure was unsatisfactory. The Financial Commissioner explained that in dealing with the estimates for 1936-37, the Railway Board had effected a lump cut of Rs. 1½ crores for probable savings on the estimates of railways to counter the overestimation which occurred in the earlier years. This is no doubt a wise precaution but we wish to point out that an arbitrary lump cut has the danger of causing undesirable variations unless the reduction is properly distributed. We recommend therefore that the cuts should be allocated as far as possible to heads where they are practical and within the control of railways. We would also add that once cuts have been made in the estimates, every effort should be made to restrict expenditure to the reduced scale.

We would also observe that, on the experience of past years, the capital budget could have stood a cut of considerably more than 1½ crores.

8. *Irregular re-appropriations.*—Under Rule 52 (2) of the Indian Legislative Rules we have to bring to the notice of the Assembly every reappropriation from one grant to another and every reappropriation within a grant which is not in accordance with the prescribed rules. During the year under review the following reappropriations were sanctioned by Railway Administrations which were not strictly within their powers :—

- (1) *Grant 6-D.*—The Assam Bengal Railway transferred Rs. 22,000 from Grant No. 6-D to Grant No. 6-F (Rs. 5,000) and Grant No. 6-G. (Rs. 17,000).
- (2) *Grant No. 6-E.*—The Jodhpur Railway increased Grant No. 6-E by Rs. 9,000 by transferring small amounts from Grants No. 6-B (Rs. 2,000) No. 6-C (Rs. 1,000) No. 6-F (Rs. 5,000) and No. 6-G (Rs. 1,000).

#### *Financial Position of Railways.*

9. In our report last year we dwelt at some length on the financial position of the Railways. During the 5 years 1930-31 to 1934-35 the total deficit on the working of the Railways amounted to 37½ crores. In 1935-36, though the Budget provided for a deficit of only 2 crores, the actual deficit was about 4 crores. We remarked last year that the position was actually more disquieting than these figures indicated as, under the accounting system in force, certain expenditure which should be charged to revenue was being charged to capital. We were informed that the questions of a proper allocation of expenditure between capital and revenue, of the contribution to the Depreciation Fund and of the amount to be provided from railway revenues for the amortisation of railway debt were under the consideration of the Government of India. In paragraph 120 of the Financial Commissioner's Review a summary of the proposals of the Government of India regarding these questions has been given, and it

appears from paragraph 121 of the Review that, if all these proposals, which the Auditor-General has described as "undoubtedly sound", are to be given effect to, the gap between railway revenue and expenditure would be at least 10 crores. At the present moment it is quite impossible to put the whole of these proposals into operation. We think that they should be carried into effect as soon as circumstances permit and in the meantime we fully support the decision of Government that the defects in the allocation of expenditure between capital and revenue should be immediately remedied even though it involves an increase in the apparent deficit of something like 50 lakhs a year.

But accounting alterations cannot solve the main problem. They can only serve to shew up its true magnitude. The problem is to bridge a gap of something like 10 crores and naturally this is the problem to which we have principally devoted our attention.

In our report last year we said :—" We are well aware that a restoration of economic prosperity is the most satisfactory means of effecting this but we do not see in the present condition of world affairs any certitude that this will be at all rapid. We think, therefore, that it is vitally necessary that the Railway Board should conduct an exhaustive review of their freight and fares policy and should consider every possible means of increasing their revenue. Apart from what is normally understood by reviewing freight policy, we urge that they should press on with their consideration of the steps required to meet road competition. We do not at all intend to imply that the expenditure side should be neglected. We are most reluctant to accept the Railway Board's estimate of the possible further economies and we think that the search for them must be relentlessly pursued. But we are prepared to believe that an increase of receipts is, in the present circumstances, likely to be the more important factor in the restoration of financial stability."

We are informed that the question of Road-Rail competition has been exhaustively considered by the Transport Advisory Council and that as a consequence a programme of remedial measures has been decided upon. We gather, however, that the effect of these will be rather to prevent further deterioration in the position of the Railways than to bring back to them any substantial amount of the lost traffic.

As regards freight and fares policy we understand that alterations have been adopted designed to yield an extra  $1\frac{1}{2}$  crores a year but it is yet too early to say whether these anticipations will be fully realised. Indeed we gather that the opinion of the Railway Board now is that until the price structure in India has altered materially, there is little room for further large increases in rates and fares. Thus, contrary to what we thought last year, it would now appear that the solution of the problem of fully restoring solvency must in the main rest on measures other than increase of freights and fares.

Of course the suggestion is often made that the Railways would be perfectly solvent if only the general Budget would assume certain liabilities which now fall upon the Railways or pay to the Railways more than they do at present for certain services. In this connection we have particularly in mind the cost of the so-called strategic railways and the

fact that certain bulk traffic for Government Departments is carried at less than public, though at fully remunerative, rates. But though such a transfer from the Railway to the general Budget would undoubtedly assist the Railways, it would differ not at all from placing on the general Budget the task of meeting *pro tanto* Railway deficits and would, therefore, leave the position as regards financing the constitutional reforms—and it is in connection with this after all that the solvency of the Railways assumes its special significance—unaltered. We have accordingly not spent much time in considering suggestions of this nature. We have, however, considered whether automatic alleviations can be expected of themselves to remedy the position in the course of a few years. But even after allowing for a continuous if moderate trade improvement, for all probable debt conversions and for the effect of the revised pay scales for new entrants we cannot see how, at the end of three years from now, the Railways can be less than 7 or 8 crores short of full commercial solvency. There would moreover still be a substantial deficit if we regard it as legitimate to go on making no provision from revenue for writing down capital and equally this would be the case if credit is taken for the losses on strategic railways and for charging Government Departments full public rates—changes which we repeat—we by no means recommend.

This is an alarming prospect and in our view things cannot be left where they now are. We would urge therefore that the Government of India should immediately obtain the services of an acknowledged expert in Railway management to conduct an examination of the whole field and recommend steps which will secure definite (*i.e.*, other than mere hopes of increased revenue due to improving trade) improvements in railway finances to the extent of something like 3 crores a year immediately and ultimately of such magnitude as is required to maintain full solvency on a strict accounting basis. And to avoid misconception we add that the terms of reference should exclude the possibility of securing this end by a mere transfer of liabilities to general revenues.

In making this recommendation that there should be such an enquiry we do not wish to imply for a moment that Railway administrations have made no attempt to restore railways to a position of financial stability. We are satisfied from the evidence which has been placed before us that strenuous efforts have been made during the past few years to effect economies and to stimulate railway revenues, but we feel that nothing should be left undone to secure a re-establishment of the commercial solvency of railways, and we consider that an independent enquiry conducted by a railway expert which we have suggested, will be of great value in attaining the object we have in view.

The non-official members of the Committee wish to place on record their opinion that the report of any such enquiry should be published and that opportunity should be given for a full discussion of it in the Legislature.

#### *Miscellaneous.*

10. There are certain points which we noticed in the course of our examination of the appropriation accounts to which we desire to draw

specific attention. We observed that "unanticipated credits" were being used to increase expenditure beyond that provided for in the original estimates. We appreciate that this is permissible under the strict terms of the Government of India Act and we realise that such cases are reported to the Public Accounts Committee. But we think that it would be useful if, in future, the Financial Commissioner of Railways could arrange to give particular attention to such cases in his Review and incidentally to show the gross and not the net excesses. In other words, he should report the excesses of expenditure as they would be without the unanticipated credits and deal with them on that basis throughout the year in the exercise of his functions of control. Our attention was also drawn to a number of instances of works expenditure held under audit objection for want of sanction pending the submission of completion reports. We view with grave concern the dilatoriness in preparing the completion reports and would request Government to remedy the present extremely unsatisfactory state of affairs in this regard. Yet another matter on which we feel strongly is the policy regarding slack coal. The Chief Commissioner of Railways gave us to understand that railways are forbidden to sell slack coal. We press strongly that the railways should be relieved of this restriction as soon as possible, not only on the ground of the inherent financial loss but also on the ground that the present policy is against the interests of public safety. The potential danger in storing slack coal near collieries cannot be underrated.

11. We append to our report minutes of proceedings which we desire to be treated part of the report. We trust that appropriate action will be taken on the observations and recommendations contained in these proceedings. We also wish to record our appreciation of the excellence of the Financial Commissioner's Review and the ready assistance rendered to us in our task by the Chief Commissioner.

K. SANJIVA ROW.

N. SUNDARESAN.

P. J. GRIGG.

B. DAS.

S. SATYAMURTI.

N. G. RANGA.

THEIN MAUNG.

MD. YAKUB.

J. RAMSAY SCOTT.

SHER MD. KHAN.

BHAI PARMANAND.

R. D. DALAL.

S. C. MUKHERJEE.

FAZL-I-HAQ PIRACHA.

**Proceedings of the third meeting of the Public Accounts Committee held on Monday, the 20th July 1936, at 11 A.M.**

PRESENT :

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

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

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

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

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

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

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

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

*Members.*

Bhai PARMA NAND, M.L.A.

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

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

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

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

*Were also  
present.*

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

Mr. P. R. RAU, Financial Commissioner, Rail-  
ways.

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

*Witnesses.*

Khan Bahadur BARKAT ALI, Director of Finance.

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

2. They first took up for consideration the general financial position of the Railways. They were satisfied that the Financial Commissioner's review summarised the position fairly but wished to have some idea of the most recent position. The Financial Commissioner of Railways stated that on the basis of the latest available information he hoped that the results of the current year would show a smaller deficit than the Rs. 3½ crores anticipated in the budget. He hoped that the improvement would be something like a crore of rupees. The Agents of Railways were taking active measures since last year to increase revenue and restrict expenditure. The Committee were promised at a later meeting the extent of savings effected in 1935-36. The question of writing down capital was also discussed at some length in relation to the interest charges of the Railways, but the Committee came to the conclusion that it had no attractive results to offer from the point of view of the general tax-payer.

The Railway Authorities thought that the maximum increase in revenue—taking into account not only freight alteration but any probable improvement in economic conditions—might be taken at about a crore a year, which on the proper commercial basis envisaged in paragraph 121 of the Financial Commissioner's report still left a considerable gap to be bridged. Some members of the Committee asked what savings could be expected by the imposition of a graduated cut on salaries, etc. The Financial Commissioner promised a statement at a later meeting. They further wished to consider in consultation with the Chief Commissioner the desirability of an expert inquiry into the whole question of making the Railways solvent.

3. *Defects in budgeting.*—The Committee thereafter passed on to consider defects in budgeting noticed in paragraph 6 of the Report of the Director of Railway Audit. They were disturbed at the continuance of the very defects noticed last year. The Financial Commissioner admitted that in certain cases the budgeting was faulty, while in some other cases there were extenuating circumstances which rendered the variations from the original estimates excusable. The Committee stressed the desirability of making a suitable overhead cut in the capital expenditure to allow for inevitable delays, etc., though such a device made it incumbent on the Railway Board to distribute it among heads where reductions were practicable and within the control of the Railways. In their opinion discrepancies between the revised estimates and final figures betrayed defective current control. They desired that the question of a lump sum cut in grants other than open line works should be considered.

The Committee adjourned till 2-30 P.M.

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**Proceedings of the fourth meeting of the Public Accounts Committee  
held on Monday, the 20th July 1936, at 2-30 P.M.**

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PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

} *Members.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.	} Were also present.
Mr. B. N. MITRA, Director of Railway Audit.	
Mr. P. R. RAU, Financial Commissioner, Rail- ways.	} Witnesses.
Mr. V. S. SUNDARAM, Controller, Railway Accounts.	
Khan Bahadur BARKAT ALI, Director of Finance.	

4. The Committee continued the discussion of the defects in budgeting noticed in the Audit Report and desired to reinforce their last year's exhortation regarding a more rigid control of current expenditure. The Committee discussed the propriety of using unanticipated credits. It was explained to them that when such credits were to be spent on new items, the approval of the Standing Finance Committee was taken but when they were utilised for ordinary expenditure instead of being forced into a supplementary grant, no reference to the Legislature was considered necessary. The Committee then agreed to recommend the total excesses reported.

5. The Committee desired that in future the Financial Commissioner should arrange to give in his Review an explanation of the total excesses after excluding the unanticipated credits.

6. With reference to paragraph 15 of the Audit Report, one member of the Committee enquired why re-appropriations were not made more frequently. The Financial Commissioner of Railways drew the attention of the Committee to certain instructions issued to Railways (Appendix V) stressing on them the need to make reappropriations as and when necessary and to approach the Board in time for applying to the Legislature for additional funds when necessary. The value of a periodic review of the progress of expenditure once in August, later in December and once again in February, was impressed on the Railway Administrations. This would enable them to utilise savings and estimate excesses.

7. The Committee then discussed some of the items enumerated in Annexure A to Part II of the Appropriation Accounts and expressed their dissatisfaction at the delay in the preparation of completion reports.

8. The list of outstanding questions was next taken up for consideration :—

*Item 1.*—The Committee were presented with a memorandum. (Appendix III).

*Item 2.*—The Committee approved the specific recommendation summarised in paragraph 120 of the Financial Commissioner's Review.

*Item 3.*—The attention of the Committee was drawn to the instructions issued (Railway Board's letter No. 2326-F.IV, dated the 20th November 1935). (Annexure to Appendix I). The Committee desired an annual report as regards this matter.

*Item 4.*—The Committee were informed that an officer was being appointed to deal with the matter which according to present computation was expected to be completed within a year.

*Item 5.*—The Committee decided to examine the Chief Commissioner, Railways, further on the memorandum presented by the Railway Board.

The Committee then adjourned till 11 A.M. on Tuesday, the 21st July 1936.

**Proceedings of the fifth meeting of the Public Accounts Committee held on Tuesday, the 21st July 1936, at 11 A.M.**

PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

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

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

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

Mr. P. R. RAU, Financial Commissioner, Rail-  
ways.

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

Khan Bahadur BARKAT ALI, Director of Finance.

*Members.*

*Were also  
present.*

*Witnesses.*

9. The Committee resumed the general discussion on the financial position of the Railways and examined the Chief Commissioner of Rail-

ways at some length. Sir Guthrie Russell doubted the efficacy of raising freights on goods traffic or passenger traffic as a means of improving revenue. The Committee desired to know if reductions in fares would not help to increase receipts. In reply the Chief Commissioner instanced a recent case on the North Western Railway where a reduction in fares, while resulting in an increase of 13 per cent. in passengers, showed only an infinitesimal increase in earnings. He referred also to similar experiments on the East Indian Railway which had had even less encouraging results. The Committee were, however, assured that different experiments were being pursued on different railways to achieve an improvement in revenue. Referring to the conclusions of the recent conference of the Transport Advisory Council on the question of road-rail competition, the Chief Commissioner expressed his satisfaction that practically every province had agreed entirely that road traffic should not be allowed to compete with long distance goods traffic by railways, which from the point of view of railways was a much greater menace than passenger traffic on road. The Committee were told that the goods rates in India were the lowest in the world barring Japan and Poland and goods earnings were about 2-1/4 times as much as passenger earnings. The other problems that were engaging the serious attention of the railways were the stoppage of corruption and ticketless travel. The difficulty as regards the former lay in obtaining definite evidence warranting successful punitive action. Taking all the circumstances into account, the Chief Commissioner agreed with the Financial Commissioner's estimate of a probable cumulative improvement of Rs. 1 crore a year over the next few years, and indeed he thought that this was if anything an underestimate. On the question of reducing expenditure, the Chief Commissioner pointed out that a surplus staff of about 3,500 were being discharged while in another six months about 2,300 more were expected to become surplus. In his estimate a saving of Rs. 15 lakhs would result from the immediate retrenchment and another Rs. 10 lakhs at the end of the current year. The Committee then examined the statistics of staff per mile and the comparative merits of the divisional system. They desired a statement to be submitted showing a comparison between the pre-war and post-war working expenses divided into certain main heads.

10. The Financial Commissioner of Railways gave the Committee the figures he promised at the earlier meeting regarding possible savings from a cut in salaries and wages. On the figures supplied to the Retrenchment Committee in 1931-32, the wages of people getting Rs. 30 and under amounted to Rs. 8 crores; between Rs. 31 and 50 to Rs. 6 crores; between Rs. 51 and 100 Rs. 8 crores; between Rs. 101 and 500 Rs. 7 crores; between Rs. 501 and 1,000 Rs. 1-1/4 crores, between Rs. 1,000 and 2,000 Rs. 1-1/4 crores and of incomes above Rs. 2,001 Rs. 50 lakhs, making a total of Rs. 32 crores. He illustrated that under a scheme in which wages under Rs. 30 were omitted from a salary cut, and a graded cut imposed on higher salaries, in the manner shown below a saving of about Rs. 195 lakhs might be expected :—

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

If the lowest limit were raised to Rs. 50 and the cuts maintained on the same scale, the savings would be about Rs. 165 lakhs a year.

11. The Committee discussed the question of the so-called concessions given by Railways. Including the loss on strategic railways and the difference between the rates charged to the Public and Government Departments these might amount to Rs. 4 crores. This was making no allowance for the fact that rates charged to Government Departments were fully remunerative and it ignored the fact that if the Railways were to be compensated for them it meant an extra charge of 3 or 4 crores a year on the central budget. But, even if credit was given for these amounts and if account was taken of the separation of Burma and of the probable growth of net revenue in the next few years the Committee were disconcerted to find that the financial position of railways would still be Rs. 3-3/4 crores short of producing full commercial solvency on the basis envisaged by the Financial Commissioner in paragraph 121 of his Review. The Chief Commissioner doubted the wisdom of making good this gap at any rate in part by a salary cut, for he feared the demoralising effect of such a course on the staff in general. The Committee discussed that the feasibility of amalgamating systems with a view to economy should be considered, but the Chief Commissioner explained that these were much less than was commonly supposed and that anyhow most of them were not immediately practicable.

The Committee adjourned thereafter till 2-30 P.M.

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Proceedings of the sixth meeting of the Public Accounts Committee held on Tuesday, the 21st July 1936, at 2-30 P.M.

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PRESENT :

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

} *Members.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.	} Were also present.
Mr. B. N. MITRA, Director of Railway Audit.	
The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief Commissioner, Railways.	} Witnesses.
Mr. P. R. RAU, Financial Commissioner, Railways.	
Mr. V. S. SUNDARAM, Controller, Railway Accounts.	
Khan Bahadur BARKAT ALI, Director of Finance.	

12. The Committee continued the discussion on the question of retrenchments effected by Railways in pursuance of their recommendation in paragraph 12 of their report on the accounts for 1933-34. The Chief Commissioner explained the various measures in force to watch the conservation of locomotives, wagons and coal and touched on certain experiments with Diesel cars. The Committee desired that a statement showing the progress made with respect to the various recommendations made by the Pope Committee might usefully be added in the Financial Commissioner's Review in future. They also desired a statement showing the number of saloons maintained, their capital cost, depreciation and maintenance, the classes of officers entitled to their use, distinguishing saloons maintained by railways for their own purposes from the rest.

13. *Item 4 in the Quarterly List of Outstandings ending July 1936.*—The Committee then proceeded to discuss the position regarding the revision of codes. It was explained to them that the preliminary work was now complete and the work of simplification would be taken up soon by an officer on special duty.

*Rebate on coal.*—The Committee took up the question of the rebate on coal. The Chief Commissioner explained that the rebate on coal to Calcutta was meant to encourage the export of coal. He apprehended that the withdrawal of the concession would adversely affect India's export of coal abroad which was now in the neighbourhood of 150,000 tons. In his considered opinion, the railways did not lose on this rebate.

*Railway collieries.*—The Committee next concentrated their attention on item (E) in the memorandum (Appendix III) circulated by the Railway Board in response to their desire last year to be apprised of the results of Government policy on railway revenues. The Committee were given to understand that the expansion of output would not benefit the railways at present prices. They considered that, should any change of circumstances occur, the matter ought to be taken up again. The Chief Commissioner brought to the notice of the Committee the fact that Railways were forbidden to sell slack coal in pursuance of an undertaking given by Sir George Rainy. The Committee felt that such a policy was against the interests of public safety and accordingly recommended

that the Railway Board should be relieved of its obligation not to sell slack not only because they lose the value of such coal but because it was extremely dangerous to store such coal near the collieries.

14. The Committee reverted to the topic of amalgamation of railways and desired an up-to-date review to be given them next year of the possibilities of economy by regrouping of railways or amalgamation of the different systems.

15. Thereafter, the electrification schemes (Appendices VIII and XII) engaged the attention of the Committee. They criticised the variations between estimates and actuals in the scheme pertaining to the South Indian Railway and were inclined to think that the scheme was a financial failure.\*

The Committee adjourned till 2-30 P.M. on Wednesday the 22nd July 1936.

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**Proceedings of the seventh meeting of the Public Accounts Committee held on Wednesday, the 22nd July 1936, at 2-30 P.M.**

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**PRESENT :**

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

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

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

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

Dr. THEIN MAUNG, M.L.A.

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

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

Bhai PARMA NAND, M.L.A.

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

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

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

} *Members.*

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\*The Railway Board have since then circulated a revised memorandum (Appendix XIX) on the subject correcting some of their earlier figures. It appears from this that the position is even worse.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General.	} Were also present.
Mr. B. N. MITRA, Director of Railway Audit.	
The Hon'ble Sir GUTHRIE RUSSELL, Kt., Chief Commissioner, Railways.	} Witnesses.
Mr. P. R. RAU, Financial Commissioner, Railways.	
Mr. V. S. SUNDARAM, Controller, Railway Accounts.	
Khan Bahadur BARKAT ALI, Director of Finance.	

16. The Committee resumed their discussion on the electrification schemes and commented on the bad results. They hoped that in future the Railway Board would be more careful in according their sanction to electrification schemes.

17. The Chief Commissioner's views on paragraph 4 of the Auditor-General's letter were sought. He agreed with the Auditor-General's comments and the Committee were promised that, in future, an additional column showing the final appropriations for each railway would be shown in the Financial Commissioner's review.

18. *Paragraph 24 of the Audit Report.*—The Committee discussed at length the circumstances in which the colliery referred to in paragraph 24 of the Audit Report came to be abandoned with a resultant loss of about Rs. 3½ lakhs. It was explained to the Committee that the colliery was estimated to possess 30 million tons of first class coal. When the colliery was started the price of coal was Rs. 6½ per ton and the Bombay, Baroda and Central India Railway expected to get coal from the colliery at Rs. 4½ per ton and thus save about Rs. 7 lakhs a year when the colliery was fully developed. In November 1927 the price of coal dropped very considerably and it was found cheaper to obtain coal elsewhere. The catastrophic fall in the price of coal influenced the administration to abandon the colliery.

19. *Paragraph 27 of the Audit Report.*—The Chief Commissioner explained that as the Railways were short of wagons in 1919 they had to be obtained from America which was the only country from which they could be got at that time. The wagons which were originally built for Russia proved unsuitable for the peculiar climatic conditions of India.

20. *Paragraphs 32-33 of the Audit Report.*—The Committee were given to understand that no blame could be attached to the consulting engineers as insufficient technical data were made available to them in

regard to the high voltage insulators. There was no previous experience of Indian conditions to guide anybody.

21. The Committee were given explanations with regard to the circumstances leading to the irregularities noticed by audit in paragraphs 38, 43, 44, 50 and 57. They also dealt with paragraphs 101, 110, 111, 112 and 114 of the Audit report. The Auditor-General drew the attention of the Committee to certain instructions issued by the Government of India on the civil side some time ago to the various departmental authorities drawing their attention to the adverse comments made by the Public Accounts Committee on particular transactions with a view to their taking heed and warning therefrom and desired to know if a similar procedure obtained on the Railways. The Chief Commissioner assured that a similar practice existed on the Railways also. The Committee touched on sundry points dealt with in the Financial Commissioner's Review and in the Audit Report, including stores purchase policy and freights policy.

22. The Committee desired their appreciation of the excellent Review of the Financial Commissioner and their thanks to the Chief Commissioner and the Financial Commissioner for their assistance to the Committee to be placed on record.

The Committee adjourned till 2-30 P.M. on Thursday, the 23rd July 1936.

**APPEN  
APPEN**

*Statement showing action taken or proposed to be taken on recommendations, etc.,  
finally*

**PART II.—**

[Quarter ending

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or suggestions.
1	1928-29 1929-30 1930-31 1931-32 1933-34	5 P. .. 53 P. 3 P. 8 R. 19 P.	That the question of the continuance of special rates and concessions for military traffic obtained by the Military Department from the Railways should be pressed to a conclusion as soon as possible.
2	1930-31 1931-32 1933-34	28 R. .. 10 R. 4 P.	That the question of the permanent basis on which Works expenditure should be charged to Capital, to the Depreciation Fund and to Revenue should be taken up immediately.
3	1933-34	13 R. ..	That the Railway Board should issue necessary instructions that the auctioned material should not be allowed to be removed until the full amount due from the auctioneers has been received and that it should be impressed upon the Railway Administrations that proper care should be taken in selecting the auctioneers and in seeing that the agreements are signed by persons properly authorised to do so.
4	1933-34	14 R. ..	That the Railway Board should immediately take up the revision of the Railway Codes and complete it before the new Statutory Railway Authority comes into existence.
5	1933-34	12 R. .. 5 P.	That the Railway Board should conduct an exhaustive review of their freights and fares policy and consider every possible means of increasing the Railway Receipts of reducing the working expenses and of meeting Rail, Road competition.
6	1933-34	7 P. ..	That the Financial Commissioner, Railways, should take steps to see that the Appropriation Accounts reach the Auditor General on the due date.
7	1933-34	12 P. ..	That the Railway Board should take steps to secure greater accuracy in estimating and control over expenditure.
8	1933-34	17 P. ..	That the question of improving the form of the balance-sheets and profit and loss accounts of railway collieries should be considered.
9	1933-34	18 P. ..	That the Railway Board should examine and send a note to the Committee to show whether there is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries.
10	1933-34	19 P. ..	That a report on the financial results of the electrification of the South Indian Railway should be made to the Committee next year.

## **DICES.**

### **DIX I.**

*so far made by the Central Public Accounts Committee which have not been disposed of.*

**Railways.**

**July 1936.]**

Action taken or proposed to be taken.

A memo. on the subject was furnished to the Public Accounts Committee (*vide* Appendix III.)

The Proposals which have been accepted are contained in paragraph 120 of the Financial Commissioner's Review, Part I, Appropriation Accounts of Railways in India for 1934-35.

Necessary instructions have been issued, *vide* Railway Board's letter No. 2326-F./IV, dated 20th November 1935 (Annexure).

An officer on special duty was being appointed to deal with the matter which according to present computation was expected not to exceed a year.

*Vide* Appendix IV.

This will be done.

Necessary instructions have already been issued to Railway Administrations in this connection (*vide* Appendix V).

A memorandum on the subject has been prepared by the Auditor General and circulated to the Members of the Public Accounts Committee (*vide* Appendix VI).

A note has been circulated to the Members of the Public Accounts Committee (*vide* Appendix VII).

The report containing the result of the South Indian Railway Electrification scheme has been circulated to the Members of the Public Accounts Committee (*vide* Appendix VIII).

## ANNEXURE.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, NORTH WESTERN ; EASTERN BENGAL ; GREAT INDIAN PENINSULA ; BURMA ; EAST INDIAN ; ASSAM BENGAL ; BENGAL NAGPUR ; BOMBAY, BARODA AND CENTRAL INDIA ; MADRAS AND SOUTHERN MAHRATTA AND SOUTH INDIAN RAILWAYS, No. 2326-F./IV., DATED THE 20TH NOVEMBER 1935.

*Auction Sales.*

In continuation of this office letter No. 2326-F./IV, dated the 10th August 1931, I am directed to state that the Director of Railway Audit reported a case in which a Railway Administration was unable to recover from the auctioneers about Rs. 44,000 being the sale-proceeds of scrap metal auctioned. The decree obtained by the Railway Administration could not be enforced as the debtors were paupers. In discussing this case the Public Accounts Committee felt that the loss to the Railway Administration in this case was due to proper care not having been exercised in selecting auctioneers. The Committee desired that instructions should be issued to the Railway Administrations on the subject on the following lines :—

- (i) that proper care should be exercised to select auctioneers of financial standing ;
- (ii) that the auctioned material should not be allowed to be removed, until the full amount had been received from the auctioneers ; and
- (iii) that the agreement with the auctioneers should be signed by duly authorised persons.

2. I am to request, therefore, that the existing agreements with the auctioneers should be scrutinised with a view to seeing whether these conditions are clearly laid down and where these do not exist, the necessary modifications should be made. I am also to suggest that these instructions should be borne in mind when entering into agreements with the auctioneers in future.

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No. 2326-F./IV.

Copy forwarded to the Agents, Bengal and North Western and Rohilkund and Kumaon Railways, for information.

Copy forwarded to the Chief Accounts Officers, East Indian, Eastern Bengal, Burma, North Western and Great Indian Peninsula Railways in continuation of this office endorsement No. 2326-F./IV, dated the 10th August 1931.

Copy forwarded to the Director of Railway Audit and the Controller of Railway Accounts, for information, in continuation of this office endorsement No. 2326-F./IV., dated the 13th August 1931.

## APPENDIX II.

LETTER FROM THE AUDITOR GENERAL, TO THE FINANCE DEPARTMENT, GOVERNMENT OF INDIA, No. T.-434-REP./7-36, DATED THE 25TH JUNE 1936.

SUBJECT :—*Appropriation Accounts (Railways) 1934-35 and the Audit Report 1936.*

With reference to rule 15 (1) of the Auditor General's Rules framed under Section 96 D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of Railways in India for the year 1934-35, Parts I and II, prepared by the Financial Commissioner of Railways, together with two copies of the Audit Report prepared by the Director of Railway Audit, for submission to the Committee on Public Accounts and for necessary action by the Government of India.

2. I have the honour also to transmit herewith two copies each of the Capital Statement, Balance Sheet and Profit and Loss Accounts of Railways in India, and of Balance Sheet, and Profit and Loss Accounts of Railway Collieries for 1934-35.

3. *Financial Commissioner's Review.*—Part I of the Appropriation Accounts of Railways, which contains the Financial Commissioner's Review, was not received by me until the 1st June 1936 as against the prescribed date, the 15th of April 1936. The delay of six weeks has made it impossible for the Director of Railway Audit to submit his Audit Report to me before the 6th of June 1936, instead of on the prescribed date, the 15th of May 1936. The inevitable but inconvenient consequence is that I am not able to forward to Government the Director of Railway Audit's report with my comments until within a week or two of the meetings of the Public Accounts Committee. I trust that it will be possible to avoid in future such delay in the submission of the Review.

4. *Revised form and arrangement of the grants.*—In paragraphs 3 and 130 of his Audit Report the Director of Railway Audit has stated that the revised form and arrangement of the grants have facilitated the control over expenditure and simplified the explanations of variations. It is clear from paragraph 58 of the Financial Commissioner's Review that the full intention of the change has not always been realised. But the change must have meant less accounting work, and doubtless its full effect in securing a more accurate and better informed control over expenditure will be apparent in a year or two.

I may refer also to the convention mentioned in paragraph 29 of the Review and suggest that the Financial Commissioner should bring out more clearly the effect as applied.

- (a) to Railways as a whole, and
- (b) to individual railways.

The statement under paragraph 29 of the Review might have supplied the information required in connection with (b) but fails to do so because it does not give the final appropriations.

5. *Excesses and Irregular Reappropriations.*—The excesses which occurred over the final appropriations and which require to be regularised by the vote of

the legislature in the case of voted expenditure, and by formal sanction of the Governor General in Council in the case of non-voted expenditure, are set forth in paragraphs 56 and 57 of the Financial Commissioner's Review.

The irregular reappropriations which require to be brought to the notice of the legislature are stated in paragraph 58 of the Financial Commissioner's Review.

6. *Overcapitalisation.*—Section VI of the Financial Commissioner's Review deals with the problem of overcapitalisation on railways which has aroused much discussion both in the Public Accounts Committee and elsewhere. Government's proposals to prevent this evil in future are described in paragraph 120 of the Review.

This portion of the review sets out one of the most important individual subjects presented for the consideration of the Public Accounts Committee this year; the only comments I desire to make here are :—

- (a) that as practical financial measures the proposals of Government are undoubtedly sound,
- (b) that they will simplify work both in administration and accounts offices, and
- (c) that while not inconsistent with the letter of the Railway Separation Convention of 1924, they depart from the basis on which that convention was settled; and for this reason I required, Government agreeing, that they should be laid before the Public Accounts Committee and explained to the Legislative Assembly.

7. *Railway Finance.—The general position.*—The year 1934-35 was the fourth year in which a temporary loan had to be taken from the Depreciation Reserve Fund to meet deficit. At the end of 1934-35, the liabilities of Railways to be met in future years amounted to 48½ crores as follows :—

		(In crores.)
		Rs.
Loans from Depreciation Reserve Fund ..	..	27·50
Contributions unpaid .. .. .	.. .. .	20·84
		—————
Total ..		48·34
		—————

According to the arrangements under the Railway Separation Convention of 1924 and the special orders of the Secretary of State, future surpluses have, first of all, to make good the temporary loans advanced from the Depreciation Reserve Fund and then the suspended contributions. So enormous is this liability that it would need the Net Surpluses of many prosperous years in succession to clear this liability while maintaining the payment of the accruing contributions to General Revenues.

8. *Financial Administration.*—The following are individual matters relating mainly to the subject of Railway financial administration which appear

to me to be of more than ordinary interest and to which the attention of the Public Accounts Committee may be specially directed :—

(i) *Paragraph 19 of the Audit Report.*—An important case relating to the allocation of expenditure on rolling stock which I have brought specially to notice for the last two successive years, and which has not yet been finally settled.

(ii) *Paragraph 20 of the Audit Report.*—Overpayment of surplus profits due to incorrect allocation of expenditure on rolling stock.

(iii) *Paragraph 24 of the Audit Report.*—A heavy loss of over 31½ lakhs due to abandonment of a colliery.

(iv) *Paragraph 27 of the Audit Report.*—Purchase of wagons involving considerable infructuous expenditure.

(v) *Paragraphs 32 and 33 of the Audit Report.*—Loss due to faulty manufacture of insulators.

(vi) *Paragraph 38 of the Audit Report.*—Delay in closing of manufacture suspense accounts.

(vii) *Paragraph 43 of the Audit Report.*—Loss due to defective wording of an agreement.

(viii) *Paragraph 44 of the Audit Report.*—Awards to two contractors in arbitration apparently due to inadequate precautions on the part of the Railway administration.

(ix) *Paragraph 50 of the Audit Report.*—Irregularities and errors in the East Indian Railway Stores Accounts.

(x) *Paragraph 57 of the Audit Report.*—Claims decreed against a railway in circumstances that indicate negligence.

(xi) *Paragraph 101 of the Audit Report.*—Fraud in the transactions of a station.

(xii) *Paragraphs 109 to 111 of the Audit Report.*—Defects in Assisted Siding agreements.

(xiii) *Paragraph 112 of the Audit Report.*—A side light on the Rail-Road competition problem.

(xiv) *Paragraph 114 of the Audit Report.*—Absence of the certificate of good condition of the assets of certain railways.

### APPENDIX III.

During the meetings of the Public Accounts Committee in 1935, it was suggested that the Railway Department should prepare a memorandum for the Committee showing to what extent Government policy can be said to have affected railways. Specific examples mentioned during the discussion were :—

- (A) The protective policy of Government ;
- (B) Concessions granted to Government Departments ;
- (C) Concessions granted to commercial firms like Tatas ;
- (D) Rebate granted on coal exported from Calcutta ;
- (E) Restriction of out-put from railway collieries ;
- (F) Strategic railways.

## (A) PROTECTIVE POLICY OF GOVERNMENT.

The effect on railways of this policy has two aspects :—

(1) It has tended to affect the receipts of certain railways by altering the direction and course of traffic and average lead of traffic on railways ; and

(2) It has also tended to increase the cost of stores purchased by railways.

## (1) Effect of the protective policy of Government on railway earnings.

It is very difficult if not impossible to assess precisely in terms of money effect on railway earnings of the protective policy, for while one railway may lose considerably another may gain. For example, the North Western Railway have estimated that owing to the protection given to sugar, iron and steel, and cotton manufactured, it has lost, owing to the reduction of imports, *via* Karachi and of long lead traffic therefrom over half a crore of rupees—

	Lakhs.
Sugar .. .. .	31
Iron and steel .. .. .	12
Cotton manufactured .. .. .	11
	54

What is certain is that the average lead is shorter as is shown by the following figures with regard to three of the more important commodities concerned, *viz.* :—

Iron and steel which received protection from 1924 ;

Cotton manufactured which received protection from September 1927 ; and

Sugar which received protection in 1932.

*Iron and Steel.*

Year.	Tons carried.	Gross earnings.	Average gross earnings per ton.	Index No.
<i>Iron and Steel.</i>				
1923-24 .. .. .	1,089	1,57,56	14.5	100
1934-35 .. .. .	2,266	2,34,19	10.3	71
<i>Cotton Manufactured.</i>				
1926-27 .. .. .	968	2,51,00	25.9	100
1934-35 .. .. .	1,092	2,45,07	22.4	87
<i>Sugar.</i>				
1931-32 .. .. .	1,090	1,50,62	13.8	100
1934-35 .. .. .	1,414	1,56,62	11.1	80

On the other hand the reduction in lead may be compensated by an increase in the total traffic carried though how far a manifestation of this kind will be due to general economic changes, how far to the stimulus of the protection to the particular industry, it is impossible to say. Generally speaking as protection is designed to raise prices, the increased volume would be due to other causes and even if it were due to protection there would, if orthodox economic theory is correct, be a countervailing reduction of traffic in other commodities especially in those produced for export.

(2) *Effect of the protective policy of Government on railway expenditure on the purchase of stores.*

It has not been found possible to put a money value on the additional charges imposed on railways by the rise in prices of stores required for railways resulting from protection owing to the complications produced by the enormous changes in the general price level.

The cost of stores purchased by railways has also been increased to a certain extent by the policy laid down in 1929 by the Government for the supply of articles required for public service. This policy is to make purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency. In order to give effect to that policy a certain margin of price preference is given to articles produced or manufactured in India either wholly or in part. Here too it is not possible to give a general picture, but one or two examples can be given. The approximate extra expenditure incurred by railways on this account with reference to their more important stores during the years 1931-32 and 1934-35 has been roughly estimated as follows :—

Lakhs.

- (i) Coaching underframes and wagons purchased by 6½  
State-managed Railways.
- (ii) Coaching underframes and wagons purchased 3½  
by Company-managed railways.

In 1927, railways entered into a long term contract with Tatas for the purchase of rails required for use on State-owned railways. This price was some times more than the price of imported rails, but on the whole the long term contract entered into did not involve considerable loss except that in 1930-31 or 1931-32, it was arranged that in view of the fall in the orders placed with Tatas considerably below expectations, an additional price of Rs. 20 per ton should be paid to them. The total payment made in the 2 years as a result amounted to 29½ lakhs.

(B) CONCESSIONS GRANTED TO GOVERNMENT DEPARTMENTS.

(1) *Military Department—*

The special rates allowed by railways for military traffic were referred to by the Railway Retrenchment Sub-Committee of the Retrenchment Advisory Committee in paragraph 193 of their report which reads as follows :—

“ Our attention has been drawn to the concessions given by railways to the Military Department. Special rates are

apparently quoted for military goods traffic, and all military officers and soldiers of all ranks are entitled on duty, and often on leave, to travel in a higher class on payment of a lower class fare. One of the witnesses who appeared before us (Mr. B. Das, M.L.A.) has estimated the loss to railway revenues at a crore of rupees annually. We have not been able to verify this estimate. We are not aware of the reasons that have led to the latter concession being granted to military personnel, but we are quite convinced that there are none that can justify the cost not being charged to the Army Department, but to railways. *This concession, and the special freight rates quoted for military traffic if such rates are not on a remunerative basis, is, in our view, subvention from railways to the Army Department which, apart from any other consideration, railways are not in a position to afford today. We strongly recommend that these concessions should not be continued any longer*".

2. The practice of allowing special rates for military traffic originated in 1868. Various alterations in the method of charge were made from time to time, but in 1904 the whole position was re-examined with a view to the adoption of an arrangement which would be equally applicable on mobilization. As a result of this examination, it was decided to introduce from 1st January 1908 a system of charge per vehicle per mile for military traffic in vehicle load and a uniform rate for traffic not in vehicle loads. This is broadly the system in force today. The rates were raised in 1910 and again in 1923 as a result of increased working expenses.

3. The rates now charged for military traffic are as follows :—

#### I. Coaching Traffic.

- (a) in full vehicle loads, per 4-wheeler—  
 broad gauge .. .. . 5½ annas per mile.  
 other gauges .. .. . 4 annas per mile.
- (b) when not in full vehicle loads—first class passengers are charged second class fares ;  
 second class passengers are charged third class fares, but when despatched by mail or express trains, the fare chargeable is the lowest rate at which the public are booked by such trains ;  
 third class passengers are charged ordinary third class fares ;
- (c) baggage for which Government pays—  
 0·38 pie per maund per mile ;
- (d) Special trains for troops—rates as in item (a) above, subject to a minimum charge as for 16 vehicles.

#### II. Goods traffic—

- (a) in full vehicle loads, per 4-wheeler—  
 broad gauge .. .. . 5 annas per mile.  
 other gauges .. .. . 3½ annas per mile.
- (b) consignment not in full vehicle loads—  
 0·38 pie per maund per mile.

### III. Rates applicable for ordinary public traffic apply in the following cases :—

- (a) Parcels sent by passenger trains when not in vehicle loads ;
- (b) Coal, coke and patent fuel ;
- (c) Explosives ;
- (d) Kerosene oil and liquid fuel, non-dangerous, carried in tank wagons ;
- (e) Journeys performed by officers and others who draw travelling allowances under the provisions of Passage Regulations, India ;
- (f) Military stores, the property of Civil Departments, and Military Engineering Services (i.e., stores consigned to Garrison Engineers or Officers Commanding Royal Engineers) ;
- (g) Stores consigned to and by Regimental Canteens, Messes and Executive Officers of Cantonments ;
- (h) Goods or live-stock not the property of Government in the Defence Department at the time of despatch ;
- (i) Stores, which, at the time of despatch, have been sold or are for sale to the public.

4. The special rates for military personnel carried as coaching traffic in vehicle loads also apply in the case of military cars, of which there are 89 (all bogies), which are maintained for the exclusive use of military personnel. The military authorities pay 9½ per cent. per annum on the capital cost of these cars for interest, maintenance and depreciation charges. In addition to the charge of eleven annas per mile for loaded haulage, a charge of eight annas per mile for empty haulage is made for these cars.

5. The above bases of charge for military traffic compare as follows with the average earnings of railways :—

#### Military traffic—

Minimum charge for a special train	..	Rs. 5/8/ per mile.
Goods traffic in wagons loads	..	60 pies per wagon per mile.
Goods traffic not in wagons loads	..	10·34 pies per ton per mile.

#### Average earnings of railways (broad gauge) for 1934-35.

Railway.	Coaching Earnings	Earnings per goods	Earning per ton
	per train mile.	wagons per mile.	per mile.
	Rs.	Pies.	Pies.
B. N.	3·14	40·6	5·98
B. E. & C. I. ..	4·28	67·4	10·28
E. B.	2·75	45·1	9·12
E. I.	3·49	37·9	5·41
G. I. P.	2·74	53·2	8·34
M. & S. M.	3·94	52·5	9·30
N. W.	3·84	53·9	9·85
S. I.	2·96	76·8	12·65

6. The Government of India favour the retention of the present arrangement with a slight modification as being a convenience for both the Railways and the Army because :—

- (a) it obviates the necessity for the laborious and often intricate calculations of rates and fares which the application of public tariff rates would necessitate ;
- (b) it is suitable for the special conditions which would obtain on mobilization ;
- (c) it gives the railways an average rate substantially in excess of what they get from public traffic generally ;
- (d) it absolves the Railways from the necessity of loading and unloading vehicle loads which in the case of most traffic carried would have to be done by railways if public rates were charged ;
- (e) Railways are not liable for loss of, or damage to, military consignments in transit under the same terms and conditions as apply when risk note form ' B ' is executed for public traffic ;
- (f) any increase in the rates for military traffic must mean a definite loss to the Government of India, as under the contracts with Company-managed railways the rates chargeable on those lines for military traffic are required to be the same as are prescribed by the Government of India for State-managed lines.

This remark, also applies to lines owned by Indian States, such as the Jodhpur and H. E. H. the Nizam's State Railways.

- (g) on railways in other countries, special rates are allowed for military traffic generally.

7. Apart from the special rates allowed by Railways for military traffic certain concessions in fares are also allowed for military personnel when travelling at their own expense. The more important of these concessions are :—

- (i) Officers not above the rank of Captain get first class tickets on payment of second class fares,
- (ii) Indian officers of the Indian Army,
- (iii) Warrant officers, non-commissioned officers and men, both British and Indian, and their families, get return tickets on payment of single fares.

These concessions have been influenced entirely by commercial considerations.

The withdrawal of the concession now admissible to a junior officer would probably result in driving him and his family (who get no concession) into a lower class, and thereby further accentuate the falling off noticeable within recent years in first class traffic.

Similarly, the withdrawal of the concession for other troops will probably result in deterring the great majority of them from travelling as :—

- (i) most units, particularly in the case of Indian Army, to whom the concession applies only when travelling to their homes, are stationed far from their homes ;

- (ii) the comparatively small pay they get does not provide a sufficient margin for payment of railway fares ;

In these circumstances and for the following further reasons, the Government of India consider that the concessions now allowed to military personnel when travelling on leave at their own expense, and to their families in certain cases should be continued :—

- (a) it is the practice in Great Britain where the railways are not owned by Government, and also in several other countries to allow such concessions ;
- (b) Railways allow concessions to the general public for certain holiday seasons, e.g., Christmas and the New Year, Easter and Durga Pooja during which a large number of people take their vacation, and these concessions are not of any particular use to officers and men of the Army who are only allowed to go on leave as and when they can be spared.

8. Estimates have been made from time to time about what is called the loss to Railways in allowing special rates for military traffic. What is meant is an estimate of the difference between charges at these special rates and charges at ordinary public rates, for as will be seen from the particulars given in paragraph 5 of this memorandum, there is no actual loss. The position in this respect was reviewed recently by eight of the more important Railways and the aggregate amount of this difference on these railways approximated to Rs. 45 lakhs. Applying the proportion which this difference bears to the total earnings from military traffic on these railways to the earnings of the other three Class I Railways who did not make a similar estimate, the difference in their case works out to approximately Rs. 9½ lakhs and the total may be taken as about 55 lakhs. This is only an estimate and it does not follow that railways would get an increased revenue of this magnitude by charging public rates. This will depend entirely on the extent to which military traffic would be diverted to other competitive means of transport and in any case any increased Revenue to the Railways would be counterbalanced by an exactly similar increase in the expenditure of the Government of India.

(2) *Postal Department.*—The rates charged to the Postal Department (which have now been in force since 1924) are roughly as follows :—

(A) *Postal Special Trains*—

**Broad Gauge**—

- (a) When public passenger traffic is carried (for a maximum of three bogie vehicles). Rs. 1-8-0 per mile.
- (b) When public passenger traffic is not carried (for a maximum of 3 bogie vehicles). Rs. 2 per mile.
- (c) Additional vehicles per mile .. .. . Annas four.
- (d) Minimum charge .. .. . Rs. 75.

**Metre Gauge**—

- Special trains are charged at (irrespective of the number of vehicles). Rs. 1-8-0 per mile.
- Minimum charge .. .. . Rs. 50.

**(B) Mails carried under the weighment system—**

- (a) for regular daily despatches— $1\frac{1}{2}$  pies per maund per mile, subject to a minimum weight for charge as for 5 seers for each despatch ;
- (b) for occasional despatches— $1\frac{1}{2}$  pies per maund per mile, subject to a minimum weight for charge as for 5 seers and also to a minimum payment of 6 annas for each despatch.

**(C) Haulage of Postal Vehicles—**

Broad gauge	..	..	36 pies per 4-wheeler per mile.
Metre gauge	..	..	24 pies per 4-wheeler per mile.

**(D) Haulage of non-postal vehicles—**

Broad gauge	..	..	48 pies per 4-wheeler per mile.
Metre gauge	..	..	36 pies per 4-wheeler per mile.

**(E) Mails carried in compartments of non-postal vehicles—**

Proportionate charge on the basis of rates shown in (C) above.

Railways have expressed the opinion that these rates are too low and the Indian Railway Conference Association has suggested an increase. Proposals for revision of rates are under discussion. Any increase will of course involve an increased charge on the Postal Budget and of course on the general Budget also.

Certain railways (*viz.*, North Western, Great Indian Peninsula, Madras and Southern Mahratta, South Indian, and Bombay, Baroda and Central India) have assessed the difference between the public tariff rates and the special rates at present in existence at about 39 lakhs.

**(C) Concessions granted to Commercial Firms (The Tatas Iron and Steel Company, the Indian Iron and Steel Company, the Bengal Iron and Steel Company).**

In 1908, the Bengal Nagpur Railway, with the approval of the Government of India agreed to allow for 25 years to the Tata Iron and Steel Company the following concession rates :—

- (A) 1/15 pie per maund per mile (exclusive of ferry charges and transhipment charges) for—
- (a) raw materials required for the manufacture of iron and steel ;
- (b) finished products and bye-products of coking ovens from Tata-nagar to Calcutta for shipment ; and
- (B) 1/10 pie per maund per mile for articles classified Special class on 1st January 1905 and 1/6 pie per maund per mile for articles classified 1st to 5th classes on 1st January 1905, manufactured by the Tata Iron and Steel Company except those referred to in item (A) (b) above.

2. In 1914, the Bengal Nagpur Railway similarly agreed to allow for 25 years to the Bengal Iron and Steel Company the following concession rates for the carriage of raw materials only, from and *via* any station on the Bengal Nagpur Railway to the Company's works:—

- (a) when the traffic amounts to 30 million ton miles or over per annum. .. 1/15 pie per maund per mile
- (b) when the traffic varies between 20 and 30 million ton miles per annum. .. Proportionately higher rates.

The agreement expires on the 31st March 1939.

These concession rates have since 1922 been allowed also for raw products consigned to the Indian Iron and Steel Company's works.

As a result of these concessions allowed over the Bengal Nagpur Railway, it was necessary for the East Indian Railway to grant the same concession to the Bengal Iron and Steel Company and the Indian Iron and Steel Company.

3. The agreement with Tatas expired on 30th June 1933, and the Bengal Nagpur Railway proposed a revision of rates on a more remunerative basis which was still lower than public tariff rates. Their proposals were expected to yield approximately 40 lakhs by way of additional revenue annually. On Tata's protesting that the proposed enhancement would seriously affect them, the Bengal Nagpur Railway Company suggested an arrangement to continue the old rates provided Tatas would in addition make an annual *lump sum* payment of 20 lakhs to the Bengal Nagpur Railway. The Railway Board did not approve of this arrangement but ultimately decided that the revised rates originally proposed by the Bengal Nagpur Railway should apply and a rebate given of 25 per cent. provided that the total traffic exceeded 300 million ton miles during the year. The revised rates (including the rebate) have effect from the 1st July 1933 and will remain in force till 31st March 1939 (when the contract with the other Iron and Steel Companies terminate) and are as follows:—

(a) Coal	..	At the Bengal coal scale in force at the time inclusive of the surcharge, viz.—	
		1—200 miles	.. .165 pie per maund per mile.
		201—400 miles	.. .130 Ditto.
(b) Iron ore and lime stone	required for the manufacture of iron and steel	..	.. .12 Ditto.
(c) Manganese ore	(i) From C. P.	..	.. .10 Ditto.
	(ii) From stations on the Amda-Jamda Branch	..	.. .12 Ditto.
(d) Pig Iron for export	..	..	.. .12 Ditto.
(e) Finished products of the Steel Company and Tar.	At schedule B.N./P/1, viz:—		
	Miles—		
	1—299	..	.. .166 Ditto.
	300—499	..	.. .12 Ditto.
	500 and over	..	.. .10 Ditto.
(f) Sulphuric Acid	..	8 R.R. <i>i.e.</i> ,	.. 1.04 Ditto.
		6 O.R. <i>i.e.</i> ,	.. .23 Ditto.
Sulphate of Ammonia	C. F. F. Schedule <i>i.e.</i> ,		.. .10 Ditto.

4. It has been estimated that for the ten years ending 1931-32, the actual rates charged by the Bengal Nagpur Railway for this traffic yielded about 96 lakhs less than what they would have got if they had charged the ordinary class or schedule rates applicable to similar public traffic. But it is unlikely that the full public tariff rates could have been charged in every case and lower rates would perhaps have had to be quoted for some of this traffic in the ordinary course as is done in similar cases to secure the traffic.

The rates proposed by the Bengal Nagpur Railway in 1933 were approximately 100 per cent. more than the rates charged before and were estimated to yield 40 lakhs more. If it is assumed that these rates (without the rebate) approximate to what the traffic could bear, the value of the concession before 1933 may be taken as roughly 40 lakhs per annum.

Since 1933, the traffic has increased ; and in 1935-36, the rebate granted was 26 lakhs which may roughly be taken as the value of the concession at present.

It may be added that the earnings of the Bengal Nagpur Railway increased by 26 lakhs as a result of the new arrangements.

*(d) Rebate granted on coal exported from Calcutta.*

In 1923 on representations made by the coal trade, it was considered desirable that action should be taken to regain for Indian coal the markets that had been lost to foreign coal consequent on restrictions imposed on exports of Indian coal as a war measure in order to conserve the local resources. These restrictions were removed in 1923, but in the meanwhile Indian coal had disappeared from overseas markets. Coal producers and the Port authorities were, therefore, to do their share, and Railways were asked to assist either by reducing the freight for long distance coal or by giving a rebate on coal exported from Calcutta to foreign countries or to other Indian ports.

With effect from 1st January 1924, the Bengal Nagpur and East Indian Railways notified a rebate of 25 per cent. on coal booked to Kidderpore Docks for shipment. On the recommendation of the Indian Coal Committee (1925), the rebate was enhanced to 37½ per cent. for coal certified by the Grading Board : the 25 per cent. rebate continuing on other than graded coal. Finally export coal was exempted from the surcharge of 15 per cent. imposed in 1932 on coal freights (reduced to 12½ per cent. in 1935). The tonnage of coal shipped from Calcutta to ports in India and Burma during recent years has been as follows :—

1931-32	..	..	..	..	..	..	1,669,424
1932-33	..	..	..	..	..	..	1,682,958
1933-34	..	..	..	..	..	..	1,406,344
1934-35	..	..	..	..	..	..	1,712,174

The total amount of the freight rebate (at approximately Rs. 1-5-0 per ton) and of the surcharge waived (approximately ten annas per ton in 1934-35) works out, on the figures for 1934-35, to about 33 lakhs.

From the strictly railway point of view, it may be argued that special concessions granted for cargo coal to Indian ports are again the interest of railway

as they tend to make coal move from Calcutta to the ports in the south and west of India by sea rather than by rail : but the withdrawal of the rebate and the imposition of the surcharge together would mean an increase in coal freights to Calcutta of approximately Rs. 1-13-0 per ton. It appears that the present difference in the F. O. B. price at Indian ports of South African coal as compared with Indian coal is just about a few annas in favour of Indian coal. Any increase in rail freights to Calcutta will, therefore, very probably result in South African coal displacing Indian coal in those markets.

The railways most concerned (the East Indian and the Bengal Nagpur Railways) claim that the actual rate charged for export coal is only 55 per cent. of the public rate and that consequently they can afford to lose 45 per cent. of their present traffic and still make a profit ; as in that case, their gross earnings are unimpaired while their actual cost of haulage will be greatly diminished. It is only if the loss in traffic is considerably more than 45 per cent. (which they consider unlikely) that they stand to lose. They point out that the object achieved by the present policy of ensuring that Indian coal is not displaced by South African coal in Indian markets is one which is not directly or purely a railway object and should not involve railways in a loss. It should be possible to achieve it by other means (such as a bounty) which do not impose a burden on railway revenues.

#### E.—*Restriction on Output from railway collieries.*

The attached statement gives with regard to each of the collieries owned by State-managed railways (*viz.*, Giridih, Bhurkunda, Kargali, Sawang and Bokaro, the last two of which are shared with the Bengal Nagpur Railway) the information necessary to estimate the net loss or gain by our present policy of regulating the output from them.

2. On the best estimates we can make at present, our all-in-costs of extraction, compared with existing prices of market coal of similar quality, are generally unfavourable. The difference involved is in the neighbourhood of 12 lakhs on our existing production of 14,20,000 tons (of which 2,70,000 tons are for the Bengal Nagpur Railway) and on existing market prices. It should be remembered, however, that prices are at a particularly low level now and they are bound to rise

- (i) when general economic conditions improve ;
- (ii) if there is an appreciably larger demand from railways as will be the case if we close down our collieries temporarily ;
- (iii) if we lose our only weapon of seeing that prices quoted are not unreasonable by closing down our collieries permanently ;
- (iv) if, as a result of any measures for conservation of coal that may be given effect to in the near future, costs of extraction in private collieries are considerably increased. It is believed that any increase due to similar causes in the cost of working in State Railway collieries will be much less as most of these are comparatively newly opened.

Any rise in market prices not accompanied to the same extent by a rise in the cost of production on State Railway collieries will necessarily improve the position.

3. This loss cannot be avoided by closing down all these collieries; for, unless we abandon them altogether, we shall have to incur certain fixed charges such as interest, depreciation, minimum royalty according to the lease, cost of the minimum establishment necessary for care and maintenance to see that the colliery can be reopened when necessary and so on. The total expenditure involved amounts to 25 lakhs if the collieries are kept de-watered. If all (except Giridih) are allowed to flood, the expenditure would be 23½ lakhs about a lakh and a half less, but such a course is not one that can be recommended with confidence. In the case of Giridih, it is absolutely out of the question as the capital cost of re-opening would be prohibitive. Again, according to the terms of the mining leases for all our collieries, continued development and coal raising is required, otherwise claims for forfeiture of the lease by the superior landlord may arise.

4. The immediate loss can be reduced if we abandon the collieries altogether, in which case it is practically only the interest on the capital lost that we should continue to pay. But as the total capital involved is 218 lakhs and the estimated quantity of coal in reserve on the 1st April 1935 was 222 million tons, this is obviously impossible. Apart altogether from the loss in capital and coal reserves, these are our only defence against a combination by the trade to increase prices to railways, and it was with the object of ensuring railways against such a contingency that these collieries were purchased. That the danger is not imaginary can be seen from the prices charged to railways before they acquired their own collieries.

5. These figures also show that by increasing the quantity of coal extracted from these collieries by about a million tons per annum, we can reduce the loss by about 5½ lakhs as the all-in-costs of production per ton will automatically be reduced. Against this, however, must be set the fact that apart from Giridih the coal obtained from railway collieries is second class coal, and an increased output involves replacement of coal bought at present from sources of supply nearer where the coal is required, thus saving cost of haulage. Owing to the present low prices of market coal, it is thus in most cases profitable to us to continue to buy market coal as we can select the collieries so as to reduce haulage to the minimum. In the second place, a large increase in our own production and a consequent large decrease in our purchase from the market may have the effect of driving a large number of the smaller collieries out of existence which will not in the long run be in the interests of railways as reducing competition. In the third place, the increased output involves an increase in the slack coal produced by about 2,50,000 tons, under present conditions in which by a self-denying ordinance railways refrain from selling slack, the additional slack may constitute a serious danger to the collieries, and removal to a comparatively safe locality will involve considerable expenses which has been roughly estimated at 4 annas per ton of slack. On the other hand if the policy of not selling slack were reconsidered, the extra slack might become an additional source of revenue.

*Statement.*

	Present output. Tons in thousands.	Maximum economic output Tons. in thousands.	Present loss on current market prices. Rs. in lakhs.	Loss if any on maximum output at current market prices. Rs. in lakhs.	Savings by increase in output. Rs. in lakhs.	Fixed charges if colliery is flooded. Rs. in lakhs.	Fixed charges if kept de-watered. Rs. in lakhs.
Giridih ..	450	450	4.86	4.86	..	12.08*	12.08
Bhurkunda ..	80	400	3.30	.25	3.05	3.87	4.12
Kargali ..	350	700	1.97	1.31	.66	3.99	4.94
Sawang ..	40	150	.92	.18	.74	1.21	1.38
Bokaro ...	500	700	.94	..	.94	2.28	2.54
	1,420	2,400	11.99	6.60	5.39	23.43	25.06

\* Giridih cannot be allowed to flood as the cost of re-opening would be prohibitive.

*(f) Strategic Railways.*

Strategic railways are administered as part of the North Western Railway system. The total route mileage of these lines at the end of 1934-35 was 1,714 miles and the total capital at charge a little over 34 crores. At present the losses on these lines amount to round about 2 crores per annum. The details are as follows :—

Year.			Loss in working (including depreciation).	Interest.	Total.
1924-25 .. .. .	..	..	35.69	122.77	158.46
1925-26 .. .. .	..	..	15.33	130.94	146.27
1926-27 .. .. .	..	..	32.07	131.35	163.42
1927-28 .. .. .	..	..	34.70	134.03	168.73
1928-29 .. .. .	..	..	30.19	141.81	172.00
1929-30 .. .. .	..	..	47.43	140.09	187.52
1930-31 .. .. .	..	..	66.46	146.91	213.37
1931-32 .. .. .	..	..	47.52	148.87	196.39
1932-33 .. .. .	..	..	55.65	146.55	202.20
1933-34 .. .. .	..	..	50.67	144.16	194.83
1934-35 .. .. .	..	..	55.48	140.23	194.71

Under the 1924 Convention, the losses on strategic lines were to be deducted from the annual contribution payable on account of commercial lines. From 1931-32 when the contributions had to be suspended, the losses have been borne by railway revenues. Any relief that can be obtained by railway revenues on this account, it need hardly be said, will, under present conditions, be an addition to the general budget.

## APPENDIX IV.

## Results of the more important changes in rates and fares.

At the meeting (August 1935) of the Public Accounts Committee it was suggested (*vide* paragraph 47 of the Public Accounts Committee's Report, Volume II—'Evidence') that an attempt should be made to work out the effect on traffic of the more important alterations in fares and rates. This suggestion had reference to the statement in paragraph 9 of the Financial Commissioner of Railways' Review of the Appropriation Accounts of Railways for 1933-34, regarding enhancements made to obtain increased revenue. In the following paragraph, such statistics are given as are available showing the fluctuations in traffic following the changes made, as compared with the period prior to the change.

2. *Passenger fares on the Bombay Baroda and Central India Railway.*—  
Third class fares by ordinary and mail trains were revised as follows :—

*Ordinary fares (from 1st April 1931) : telescopic.*

Previous basis.		Revised basis.	
Distance.	Pies per mile.	Distance.	Pies per mile.
1—150	3½	1—300	3½
151—300	3	over 300	2½
over 300	2½		

*Ordinary and mail fares (from 1st July 1932) : telescopic.*

Previous basis.				Revised basis.			
Ordinary Distance.	Pies per mile.	Mail Distance.	Pies per mile.	Ordinary distance	Pies per mile.	Mail Distance.	Pies per mile.
1—300	3½	1—300	4	1—50	3½	1—50	4½
over 300	2½	over 300	3	51—200	3½	51—200	4
				201—300	3	201—300	3½
				over 300	2½	over 300	3

The number of third class passengers carried by both mail and ordinary trains and earnings were as follows :—

Year.	Number.	Percentage variation over 1930-31.	Earnings. Rs.	Percentage variation over 1930-31.
1930-31	40,496,419	..	2,91,37,185	..
1931-32	37,079,816	—8	2,74,22,409	—6
1932-33	37,700,465	—7	2,89,51,755	—1
1933-34	35,774,076	—12	2,83,85,272	—3
1934-35	35,848,762	—11	2,87,26,650	—1

3. *Passenger fares on the East Indian Railway.*—The basis of third class fares were revised from 1st October 1931, as follows :—

Previous basis.		Revised basis.	
Distance.	Pies per mile.	Distance.	Pies per mile.
1—50	3½	1—50	3½
51—300	2½	51—300	2½
over 300	1½	over 300	1½

The number of passengers and earnings therefrom for the year 1930-31 to 1934-35 were as follows :—

Year.	Number.	Percentage variation over 1930-31.	Earnings. Rs.	Percentage variation over 1930-31.
1930-31	.. 60,724,000	..	4,56,25,000	..
1931-32	56,050,500	—7·7	4,34,99,000	—4·7
1932-33	54,945,800	—9·5	4,32,59,000	—5·2
1933-34	.. .. 53,886,400	—11·3	4,14,96,000	—9·1
1934-35	.. .. 54,996,400	—9·6	4,34,92,000	—4·7

4. *Passenger fares on the North Western Railway.*—Third class fares were revised as follows :—

Previous basis.		From 1st October 1931.	From 1st December 1933.
Distance.	Pies per mile.	Pies per mile.	Pies per mile.
1—50	3½	3½	3
51—300	2½	3	2½
over 300	1½	2	2½

The revision in December 1933 represented a reduction for distances up to approximately 450 miles and a slight enhancement for distances beyond.

The number of passengers and earnings therefrom during the years 1931-32 to 1933-34 were as follows :—

Year.	Number.	Percentage variation over 1930-31.	Earnings.	Percentage variation over 1930-31.
1930-31	.. .. 70,099,600	..	4,78,42,000	..
1931-32	.. 55,807,900	—20·4	4,24,73,000	—11·3
1932-33	.. 56,937,900	—10·8	4,26,14,000	—10·9
1933-34	.. 58,796,800	—16·1	4,14,71,000	—13·3
1934-35	.. .. 63,814,800	—9·0	4,15,54,000	—13·1

5. *Passenger fares.*—An examination of the figures in paragraphs 2-4 relating to the changes in third class fares on the Bombay, Baroda and Central India, East Indian and North Western Railways shows that the drop in passenger earnings over the Bombay, Baroda and Central India and East

Indian Railways has been proportionately less than the drop in the number of passengers carried. The enhancement in the fares thus helped to minimise the loss on falling traffic. On the North Western Railway similar tendencies operated for the years 1931-32 and 1932-33. The figures for 1933-34 and 1934-35 were affected by a further alteration in the fares from December 1933 which represented a reduction for distances up to 450 miles. This alteration had been made in 1933 to test the possibilities of a reduction in fares. A review of the figures for the first twelve months during which the revised fares operated showed that while the number of passengers carried increased by 12 per cent. earnings decreased by 1% as follows :—

	Number (in lakhs).	Earnings (in lakhs).
Year ending 30th November 1933 ..	5.47	4.03
Year ending 30th November 1934 ..	6.11	3.98

A further review of the figures for the seven months of December 1934 to June 1935 showed a further improvement in earnings as compared with the figures for the previous corresponding period, but when compared with the figures of 1932-33, the position was still unsatisfactory as will be seen from the following :—

Year.	Number. (in thousands).	Percentage varia- tion over 1932-33.	Earnings. (in thousands). Rs.	Percentage varia- tion over 1932-33.
1932-33	30,883	..	23,220	..
1933-34 ..	34,750	+12.52	22,835	-1.69
1934-35 ..	35,008	+13.36	23,084	-0.62

A review simultaneously made of the earnings on the East Indian Railway on which no alterations in fares had been made, showed that, during the same period of seven months, the number of passengers increased by 5% and earnings by 7 per cent.

Briefly, while the East Indian Railway revenue position improved by 17 lakhs, the North Western Railway's deteriorated by 1½ lakhs.

The North Western Railway have, therefore, again revised their third class fares with effect from 1st January 1936 as follows :—

Distance.	Pies per mile.
1—300	3
over 300	2½

6. *Luggage and Parcels*.—The scale of charges for luggage and parcels was revised generally on principal railways from the 1st May 1931, the revision representing an approximate increase of 15% on the old scale. The earnings from luggage and parcels from 1930-31 to 1933-34 were as follows :—

Year.	Earnings. (In thousands). Rs.	Percentage variation over 1930-31.
1930-31 ..	3,89,10	..
1932-33 ..	3,67,87	-5
1933-34 ..	3,62,11	-7

Here again, the enhancement made helped to reduce the loss in earnings from luggage and parcels. This conclusion finds support from the fact that the passenger traffic in 1932-33 and 1933-34 showed a fall of 12% and 15% respectively as against a corresponding fall of 5% and 7% respectively in luggage and parcels. So far as the earnings from luggage are concerned (these are unfortunately not separately available), these may be expected to vary directly with the fluctuations in passenger traffic, but the parcels traffic has also suffered at least from one common factor which is affecting passenger earnings adversely, i.e., road competition. To meet this competition, Railways have had to maintain rates lower than the normal scale rates where they are faced with motor competition.

7. *Coal*.—With effect from the 15th January 1932, Railways imposed a surcharge of 15% on the freight for coal. This was reduced to 12½% with a maximum of Re. 1 per ton with effect from 1st April 1935. The tons carried and earnings therefrom for 1930-31 to 1934-35 were as follows:—

Year.	Tons carried. (in thousands).	Percentage varia- tion over 1930-31.	Earnings. (In thousands). Rs.	Percentage varia- tion over 1930-31.
1930-31	19,788	..	6,19,45	..
1931-32	18,791	—5	5,97,84	—3
1932-33	17,592	—11	5,92,51	—4
1933-34	19,064	+4	6,53,80	+6
1934-35	20,783	+5	7,09,42	+15
1935-36	21,061	+6	6,92,91	+12

8. *Petrol*.—The Bombay Baroda and Central India, Eastern Bengal, Great Indian Peninsula, Madras and Southern Mahratta and North Western Railways enhanced their rates from C/T schedule to C/U schedule from July 1931. The bases of the previous and the revised rates were as follows:—

Distance.	Previous basis.	Revised basis.
	Pies per mile.	Pies per mile.
1—300	.83	.83
301—600	.42	.62
over 601	.38	.42

The tonnage carried over the Railways on which the enhancement was made and the earnings therefrom for the years 1930-31 to 1934-35 were as follows:—

Year.	Tons carried.	Percentage varia- tion over 1930-31.	Earnings. (In thousands). Rs.	Percentage varia- tion over 1930-31.
1930-31	326,800	— 5	77,69	— 1
1931-32	309,900	—23	76,64	—18
1932-33	250,500	—20	63,50	—16
1933-34	260,300	—16	64,92	—15
1934-35	292,100	—11	74,53	— 4

9. *Sugar*.—An enhancement in the rates by approximately 10% was made by the following Railways :—

- Eastern Bengal.
- East Indian.
- Great Indian Peninsula.
- Bengal Nagpur.
- Bengal and North Western.

The tonnage carried and the earnings from this traffic for the years 1930-31 to 1934-35 over these railways were as follows :—

Year.	Tons carried.	Percentage variation over 1930-31.	Earnings. Rs.	Percentage variation over 1930-31.
1930-31	548,900	..	73,65,700	..
1931-32	500,300	—9	59,50,400	—19
1932-33	530,600	—3	59,73,400	—19
1933-34	832,600	+52	90,96,300	+23
1934-35	792,900	+44	86,41,700	+17

10. *Kerosene oil*.—The rates for kerosene oil were enhanced over railways (Eastern Bengal, East Indian, Great Indian Peninsula, North Western, Bombay Baroda and Central India and Madras and Southern Mahratta) in July 1932 by the withdrawal of the C/S schedule. The old and the revised rates are as follows :—

Distance.	Previous basis.	Revised basis.
	Pies per maund per mile.	Pies per maund per mile.
1—300	·42	·42
301—400	·30	..
401—500	·20	..
501—600	·125	..
601—700	·115	..
over 700	·100	..

The tonnage carried and the earnings therefrom for the years 1931-32 to 1934-35 over the railways concerned were as follows :—

Year.	Tons carried.	Percentage variation over 1931-32.	Earnings (In thousands). Rs.	Percentage variation over 1932-33.
1931-32	853,300	..	1,12,20	..
1932-33	663,700	—22	93,22	—17
1933-34	702,800	—18	1,00,18	—11
1934-35	729,400	—15	1,02,41	—9

11. *Goods Rates*.—It will be seen that the imposition of the 15% surcharge on coal (*vide* paragraph 7) helped to maintain railway revenues and a reduction

made in 1935-36 has led to a fall in revenue, although there has been an increase in the tonnage carried.

As regards petrol (*vide* paragraph 8), with the improvement in trade conditions there has been a partial recovery in the tonnage carried, and the enhancement made has helped to reduce the loss in ailway earnings. As against a drop of 11% in tonnage in 1934-35 as compared with 1930-31, there has been a drop of 4% in earnings.

As regards sugar (*vide* paragraph 9), factors other than an alteration in the rates have also contributed to the variations both in the volume of traffic carried by railways and the earnings therefrom. Up to 1931-32 to 1933-34, there was a fall both in tonnage and earnings. But with the recent growth of the sugar industry, however, up-country sugar factories have been able to extend their markets farther afield, leading to increased traffic. Earnings have not increased proportionately with the volume of traffic, as traffic from up-country sugar factories is comparatively short-lead or moves at special reduced rates which have been quoted by Railways to assist the movement of traffic to distant markets. In fact, an analysis of this traffic affords an apt illustration of the difficulties in assessing with any accuracy the effect of alterations in rates.

As regards kerosene oil (*vide* paragraph 10), the fall in tonnage is accounted for partly by trade depression and partly by the greater use of electricity in the larger towns. The sudden drop in 1932-33 was due largely to a rate-war between the two principal oil companies, when stocks were laid in by dealers and speculators. The decrease in earnings has, however, been less than the decrease in the tonnage carried.

This review of freight rates shows clearly how difficult it is to isolate the effects of various general factors affecting the movement of traffic, *e.g.*, depression in agricultural and industrial conditions, growing competition with road transport, changes in the nature of trade demands, etc., etc., in order to estimate with any approximation to accuracy the exact measure of the financial loss or gain consequent on alterations in rates and fares. The difficulties of this assessment are accentuated in a period of continued economic depression.

#### APPENDIX V.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM BENGAL RAILWAY, BENGAL NAGPUR RAILWAY, BENGAL AND NORTH WESTERN RAILWAY, BOMBAY BARODA AND CENTRAL INDIA RAILWAY, BURMA RAILWAYS, EASTERN BENGAL RAILWAY, EAST INDIAN RAILWAY, GREAT INDIAN PENINSULA RAILWAY, MADRAS AND SOUTHERN MAHARAJA RAILWAY, NORTH WESTERN RAILWAY, ROHILKUND AND KUMAON RAILWAY, SOUTH INDIAN RAILWAY, H. E. H. THE NIZAM'S STATE RAILWAY, AND THE MANAGER, JODHPUR RAILWAY, No. 3027-B., DATED THE 9TH JULY 1936.

#### *Supplementary grants.*

Criticisms have frequently been expressed in discussions in the Legislative Assembly and the Public Accounts Committee that demands for supplementary grants are not placed before the Assembly till after the expenditure

has already been incurred. The Railway Board are anxious to do all that is possible to avoid grounds for criticism in this respect and desire the co-operation of railway administrations in order to achieve this purpose.

2. Since the sessions of the Assembly generally take place in August-September and January-March, it is desirable that the estimates of railway administrations regarding additional funds required should be in the hands of the Railway Board not later than the 15th August and 15th December each year.

3. The Board recognise that an estimate submitted in August can only be very rough. It can only be based on the expenditure in the first 4 months or less of the financial year and will naturally include only items of *new* expenditure which were definitely not anticipated in the budget and which cannot be postponed without serious detriment to safety or efficiency. As examples might be mentioned expenditure on reconstruction of a bridge seriously damaged by floods, or expenditure on new staff necessitated by very considerable increase in traffic not foreseen in the budget. In submitting such demands the administration should review the position in as much detail as possible at the time and examine whether such expenditure can be met by savings in expenditure provided for in the budget when such savings can be foreseen or can be achieved without serious damage. A report should be submitted to the Railway Board before the 15th August at the latest whether such examination discloses the necessity of additional grants or the possibilities of net savings in order to enable the Board to set off savings in one railway against excesses on another and to place before the Assembly an estimate of the net additional grant required, if any.

4. The estimate of additional funds required in December can be prepared in conjunction with the revised estimates. The administration will be in a better position than in August to review the whole position and arrive at a reliable estimate of the expenditure likely to be incurred during the financial year and how it compares with funds already provided both in the original budget and by means of supplementary grants, if any.

5. Finally, the position should, as at present, be reviewed finally at the end of February and the Railway Board informed by the first week of March whether on the basis of expenditure up to date the Railway administration require further funds or are in a position to surrender any of the funds already allotted under the various demands.

6. It is needless to say that the demands in all these cases should be supported by adequate explanations of the reasons for the demand.

7. In this connection the Railway Board desire to draw the attention of the Railway administrations to paragraph 15 of the Railway Audit Report, 1936, where it is pointed out that on certain railways reappropriations were made only towards the end of the year. The Railway Board have in the past issued instructions to railways that reappropriations should be made as and when necessary. The whole object is to ensure that, as far as possible funds which are not required are withdrawn from disbursing officers as soon as it is definitely known that they are not required; and incidentally to provide that any really unavoidable expenditure is met from such savings as far as possible.

The Board recognise, however, that it would probably conduce to more effective financial control if reappropriations are not made haphazard on the basis of individual items of expenditure where the original provision is exceeded, and that in many respects it is better to review the position as a whole at intervals and carry out the necessary reappropriations. They therefore consider that advantage should be taken of the review of the whole position which, as prescribed in the above paragraphs, will be undertaken in August, December and February to carry out the re-appropriations necessary ; but, when funds have to be provided for new expenditure under one of the sub-heads and the administration are definitely in a position to withdraw the grant from another sub-head for this purpose, re-appropriations can suitably be made at the time.

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No. 3027-B.

Copy forwarded, for information and guidance to the :—

Chief Mining Engineer, Railway Board.

Senior Government Inspectors of Railways, Circles Nos. 1, 4, 5 and 7.

Government Inspectors of Railways, Circles Nos. II and II-A.

Administrative Officer, Vizagapatam Harbour Construction.

Chief Controller of Standardization, Central Standards Office.

Copy forwarded for information to the :—

Chief Accounts Officers, Burma, Eastern Bengal, East Indian  
Great Indian Peninsula and North Western Railways.

Director, Railway Clearing Accounts Office.

Controller of Railway Accounts and Director of Railway Audit.

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APPENDIX VI.

**Memorandum by the Auditor General in regard to the improvement in the form of the balance sheets and profit and loss accounts of railway collieries.**

The introduction of a system of proper commercial accounts on all collieries worked by Railways was discussed at some length by the Public Accounts Committee dealing with the accounts of 1928-29. The Financial Commissioner, Railways, explained " that the difficulty is one of settling the prices which the Railways ought to pay to their own collieries for coal, so that it was not possible to get an exact profit and loss account". The difficulty of ascertaining the true commercial profit of these collieries arises from the fact that Railways to a considerable extent control the coal market. It cannot be definitely stated that the market price quoted for a particular class of coal or coal from a particular colliery would have been the same if a smaller or larger order had been placed by the Railways for that quality of coal. The Committee accepted the explanation and " considered that accurate costing accounts should be kept, including all charges, so that, in a broad way, one could see from year to year whether it paid the Railways to work their own

collieries or whether they were losing in doing so instead of buying their coal from outside”.

2. The Public Accounts Committee, dealing with the accounts for 1929-30, was supplied with forms of accounts to be kept by Railway collieries, drawn up in consultation with the Director of Railway Audit and the Director of Commercial Audit. These forms were drawn up after consulting the forms of *pro forma* Balance sheet and Revenue account similar to the ones used by all coal companies under the management of a certain firm in India. The Committee was satisfied that the general purpose of the recommendations of the previous Committee was being fulfilled.

3. In 1932, an officer of the Railway Accounts Department was placed on special duty to examine thoroughly various matters of detail connected with the accounts of the railway collieries and as the result of his investigation the accounts were overhauled.

4. The forms of annual accounts have again been re-examined by the Director of Railway Audit and the Controller of Railway Accounts and they have both come to the conclusion that they adequately fulfil the purpose for which they were devised. They however consider that the description “ Profit and Loss Account ” is not only unsuitable but even positively misleading. The object of this statement as already stated is to present “ accurate costing accounts, including all charges ”, so as to furnish information as to whether it was cheaper to raise coal than to buy it in the open market, and the more appropriate heading of the account would be “ Statement of all in costs of coal ”. It will follow that the entries of essential interest to the Public Accounts Committee are those under the heading “ Rate per ton ”.

#### APPENDIX VII.

#### **Note by the Railway Board regarding Policy of Railways in regard to freight rates to and from ports.**

The Public Accounts Committee in paragraph 18 of their report (August 1935) recorded as follows :—

“ The Committee desired that the Railway Department should examine and send a note to the Committee to show whether is any basis for the allegation generally made that the rates of freight at present charged operate in such a way as to help the export of raw materials and the import of foreign manufactured goods to the detriment of Indian industries ”.

2. The Railway Board believe that the origin of this allegation is to be found in the special rates that were being quoted many years ago, when industrial conditions in India were very different to what they are at present. Such industries as existed absorbed only a small fraction of India's large supplies of raw materials and could meet only a small part of her demand for manufactured goods. India's foreign trade was, therefore, characterised by large movements of raw materials to the ports and large imports of finished

goods from the ports. This constituted the nature of the demand for transport which the Railways had to meet and to which their tariffs had accordingly to be adjusted.

3. Conditions in this respect have materially altered within the last quarter of a century, but the allegation that the railway freight rates charged operate to help the export of raw materials and the import of foreign manufactured goods continues to be made, apparently because railway tariffs show a large number of special rates quoted for traffic to and from the ports. Practically all these rates have been influenced by the fact that the ports are the chief distributing centres and incidentally also the more important industrial centres.

4. The following extract from the report of the Acworth Committee which enquired into the administration and working of Indian Railways in 1920-21, might be considered as effectively disposing of the charge against Railways on the point in question :—

“ 149. It is an Indian grievance of old standing—It was voiced in the Legislative Assembly at Delhi in 1915 by a distinguished Indian now a Member of the Executive Council of Bombay, Sir Ibrahim Rahimtoola—that the railways fix their rates to suit their own pecuniary interests—if indeed it be not to suit the interests of European merchants—regardless of the effect of these rates on the native industries of India. And we have no doubt that the charge is accepted as proved by a large proportion of Indian traders.

150. Charges based upon motives are difficult to prove or to disprove. It was not our duty to investigate specific cases in detail, nor would the time at our disposal have permitted us to do so. Unquestionably, low exceptional rates exist for traffic to and from ports especially the great ports of Calcutta and Bombay. But exceptional rates such as these exist in every country, and are justified on the ordinary grounds, not only of the economy of handling goods in large volume, but also of competition between railway systems serving the same distributing or consuming area.

151. In one respect, at least, the Indian Railways have refrained from following the accepted railway practice in other countries. It is usual in most countries to concede for export traffic through a seaport rates which are not available to that seaport for local traffic; and *vice versa* in countries which adopt a Free Trade policy, to fix lower rates for the carriage inwards of goods imported through a port than for goods produced locally at the port town. This practice is not, so far as we have been able to ascertain, followed in India. Bombay receives from up-country large quantities of raw cotton, part of which is worked up on the spot and part exported. Similarly, Bombay distributes to up-country points large quantities of cotton cloth, part of it locally manufactured and part imported. The raw cotton rates down to Bombay port and to Bombay town are the same, and so are

the manufactured cotton rates upwards. The same principle, we understand, is applied elsewhere in the case, for instance, of the great Calcutta jute trade."

5. To permit of an appreciation of railway rating policy it is perhaps necessary to explain that, for the purpose of carriage by goods train, all commodities are grouped into classes of which there are sixteen. This grouping is for the purpose of:—

- (a) arriving at the rate to be charged when no station-to-station or schedule rate is quoted; and
- (b) fixing the maximum and minimum rate per maund per mile within the limits of which all rates, whether station-to-station or schedule must be kept, subject to exceptions specially authorised by the Railway Board.

The maximum rate for commodities in the 1st class is 0.38 pie per maund per mile and for commodities in the highest class 1.87 pie per maund per mile. The minimum rate for the two lowest classes is 0.10 pie per maund per mile and for the remaining fourteen classes is 0.166 pie per maund per mile. Within these maxima and minima Railways are permitted to quote special rates according as circumstances may require. These special rates may be either station-to-station rates quoted from and to specific points or scheduled rates applicable more or less generally. If no special rate is quoted, the rate normally applicable is the maximum of the class in which the commodity is placed.

6. Railways quote special rates when they have reason to believe that the free movement of traffic by railway would not otherwise be facilitated. The existence of alternative competitive routes, e.g., the rivers in Bengal and coastal shipping the opening up and development of new ports, e.g., Vizagapatam and ports in Kathiawar, also influence the quotation of special rates. The following special rates quoted for cotton illustrate how coastal shipping influences the quotation of such rates:—

	Per maund.		
	Rs. a. p.		
Navsari to Howrah (1,168 miles)	..	..	.. 2 1 9
Broach to Howrah (1,191 miles)	..	..	.. 2 4 7

The Railways' classification for cotton is fourth class, the basis of which is 0.62 pie per maund per mile. To the rates arrived at on the actual distance are normally added what are termed "terminal charges". The above rates to Howrah have, however, not been arrived at on the actual distance by railway, but as follows:—

The ordinary railway freight charge to Bombay, plus incidental charges at Bombay which would be incurred if consignments were booked by railway to Bombay in the first instance and re-booked thence to Calcutta, plus the special rate which Railways have quoted from Bombay to Howrah in competition with the sea route.

Had these special rates from Navsari and Broach to Howrah not been quoted the ordinary class rates would have applied *via* Amalner and Nagpur as follows :

	Per maund.
	Rs. a. p.
From Navsari (1,168 miles) ..	3 13 8
From Broach (1,191 miles) .. .. .	3 14 10

With these rates, however, the traffic would not be carried direct to Calcutta, but would move to Bombay and thence re-booked to Calcutta. The quotation of these special rates is obviously justified, but there is no reason for allowing for cotton consigned from Navsari and Broach to, say, Cawnpore special rates on the same or any other basis lower than the fourth class rate. The rates to Cawnpore are accordingly :—

	Per maund.
	Rs. a. p.
From Navsari (831 miles) .. .. .	2 8 2
From Broach (761 miles) .. .. .	2 5 4

It will be seen that, although the distance to Cawnpore is 337 miles less than to Howrah and from Broach to Cawnpore 430 miles less, yet the freight rates to Cawnpore are 0-6-5 pies more from Navsari and nine pies more from Broach than they are to Howrah. It is presumably instances of this kind that lend colour to the suggestion that railway freight rates help the export of raw materials to the detriment of Indian industries. If Railways were not permitted to quote special rates, as in the case illustrated, without being compelled to make reductions on the same basis to other centres without similar justification, they would inevitably lose the traffic within competitive areas or else be forced to lose revenue on traffic to areas where there was no competition.

7. Special rates to the ports are also quoted in order to assist in getting commodities placed on the markets of the world in competition with other producing countries. For example, low special rates have been quoted for manganese ore from the Central Provinces to the ports of Bombay, Calcutta and Vizagapatam and for chrome ore from Baluchistan to Karachi, as such traffic could not possibly move if the class rate (in these cases first class, *i.e.*, 0-38 pie per maund per mile) were applied. The North Western Railway have also notified a rebate of 25 per cent. of the railway freight charges on wheat carried to Karachi for export to ports west of Aden with a view to facilitate the export of surplus produce in competition with wheat from other countries. In spite of this substantial reduction, the tonnage exported has been comparatively insignificant.

8. During the course of the discussion at the meeting of the Public Accounts Committee (*vide* the first paragraph of this memorandum) it was

suggested that the rates for piece-goods and for rice in the Madras Presidency might in this connection be examined. The rates for piece-goods from the ports of Bombay, Calcutta, Karachi and Madras have been compared with those quoted for internal movements by the Railways serving these ports. In no case has the traffic any greater advantage in the matter of freights than it is open to such traffic to secure by existing alternative channels of transport over which the Railways have no control. For example, for piece-goods from Bombay to Calcutta (1,221 miles) the rate per maund is Re. 1-1-0 per maund whereas from Bombay to Nagpur (518 miles) the rate is Rs. 2-2-11 per maund. In the latter case, no convenient alternative mode of transport is available, and the rate is, therefore, based on the classification of the commodity (as explained in paragraph 5) on the actual distance from Bombay to Nagpur. In the case of traffic from Bombay to Calcutta, a rate on the same basis would result in the entire traffic offering being carried by sea. The special rate to Calcutta is, it may be added, applicable both for imported and for indigenous piece-goods.

As regards the freight rates for rice in the Madras Presidency, the Railways principally concerned are the Madras and Southern Mahratta and South Indian. On the Madras and Southern Mahratta Railway, the rates chargeable over the system generally are the maximum, i.e., 0·38 pie per maund per mile, but for consignments of not less than 400 maunds from broad gauge stations and 270 maunds from metre gauge stations, the schedule C/G rate applies. The basis of this schedule, which is telescopic, is as follows:—

Miles.	Pie per maund per mile.
1—300 .. .. .	·38
301—400 .. .. .	·30
401—500 .. .. .	·20
501—600 .. .. .	·125
601—700 .. .. .	·115
over 700 .. .. .	·10

Lower rates than those arrived at under this schedule are quoted for internal movements but not for traffic from the ports.

On the South Indian Railway, the rates for traffic from the ports are the maximum, i.e., 0·38 pie per maund per mile, while for internal movements there are special rates varying from 5 to 31 per cent. lower than the maximum.

9. The detailed examination made by the Railway Board of the rates policy of Railways in regard to port rates does not indicate that any of these rates operate to the detriment of Indian industries. On the contrary, a very large number of special rates have been quoted for Indian industries on a basis

appreciably lower than those applicable from the ports, e.g., for sugar from the sugar producing areas, iron and steel from Tatanagar, etc.

### APPENDIX VIII.

#### Report by the Railway Board on the financial results of the electrification of the South Indian Railway in Madras.

The Public Accounts Committee desired to have a report on the financial results of the electrification of the suburban section of the South Indian Railway. The first complete year of working of the electric service was 1932-33, the electric service having been started on the 11th May 1931. The Financial results for the years 1932-33, 1933-34 and 1934-35 are shown in the attached statement. This statement has been prepared by the Railway Administration in consultation with the Government Examiner of Accounts. In preparing this statement the same form as that prepared in 1933 by Mr. Nixon, then Director of Railway Audit, for exhibiting the financial results of electrification of the Great Indian Peninsula and Bombay, Baroda and Central India Railways has been adopted.

2. The figures are summarised below :—

Estimate	Traffic in train miles (lakhs).	Percentage of net savings on net outlay.
..	Not available.	13·00
1932-33 .. ..	6·77	2·46
1933-34 .. ..	6·13	0·48
1934-35 .. ..	6·01	1·81

Figures for 1935-36 are not yet available.

3. The poor results are due to the large increase in cost over estimates (from 47 to 74 lakhs) and the fall in earnings.

4. As regards the increased cost of 27 lakhs, the greater part of the increase is due primarily to a change of allocation of the total expenditure between the electrification scheme and the Madras improvement scheme with which it was originally combined. Efforts were made to separate the two schemes, but they were so interlaced that it was difficult to fix a definite border line. Finally, a sum of about Rs. 15 lakhs, being the cost of automatic signalling and interlocking, quarters for operating staff and electric lighting of stations and quarters, which were originally considered to be part of the improvement scheme, was debited to the electrification scheme. In considering the results, therefore, of the latter, it would be justifiable to exclude this item. If this is done, the gross outlay would be reduced from 74 lakhs to 59 lakhs and the net outlay from 37½ lakhs to 22½ lakhs.

The return on capital will then be—

1932-33	..	9.20
1933-34	..	2.82
1934-35	..	5.00

5. The other reasons for the excess in cost were as follows :—

- (i) New works not originally contemplated but subsequently found necessary during the execution of the work (2.7 lakhs).
- (ii) Payment made to the Telegraph Department for shifting of Government telegraph lines not originally provided for (2.9 lakhs).
- (iii) Excess in the actual cost of sub-station buildings and electric lighting of stations (2.7 lakhs).
- (iv) Purchase of additional electric stock for goods services not part of the original scheme (5 lakhs).

6. As regards the fall in earnings, the total number of passengers carried showed a considerable increase as compared with 1925, but the passengers fares had to be reduced and cheap season tickets introduced for servants at a nominal rate of 6 annas per month for a distance of 10 miles to combat the severe bus competition. The position would have been worse but for the electrification.

7. The Director of Railway Audit has questioned the correctness of the assumption made in these calculations that the number of train miles would be the same both by steam and electric traction (which follows what was done in examining the electrification schemes on the Great Indian Peninsula and Bombay, Baroda and Central India Railways). His reason for the doubt is that in the original estimate, when comparing steam with electric traction, the Consulting Engineers had based their calculations on 26 steam trains a day and 43 electric trains a day. From this he infers that they meant to equate the two. This point will be further considered, but from the papers available it is considered more likely that the consulting Engineers were taking into account the maximum capacity per day in each case. Electric traction has a definite advantage over steam traction in a greater acceleration and a quicker turn round and consequently, if necessary, 43 electric trains can be worked a day, whereas the maximum with steam trains would be only 26.

8. The Director of Railway Audit has also expressed a doubt about the assumption that an expenditure of 22 lakhs would have been incurred on the purchase of all-steel coaches if the electrification scheme had not been carried out. In his opinion it is problematical whether the comparatively costlier steel coaches would actually have been ordered instead of ordinary wooden coaches, if steam traction had been decided upon. The Railway Board agree that very likely all-steel coaches would not have been ordered if steam traction had been decided upon. On the other hand, steam operation could not provide an equivalent service to that which is being maintained with electric traction and it is the improved service which has created the demand.

## SOUTH INDIAN RAILWAY.

*Financial Results of Madras Suburban Electrification.*

No.	Particulars.	Estimate.	Actuals.		
			1932-33.	1933-34.	1934-35.
		Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.
1	Traffic lakhs of Train Miles (Steam) ..	..	6.77	6.13	6.01
2	Gross outlay on Electrification ..	47.36	63.93	74.08	74.33
3	If no electrification, estimated extra steam outlay for increased traffic.	31.00	31.00	31.00	31.00
4	Cost of steam stock released because of Electrification.	7.21	5.76	5.76	5.76
5	Net outlay on Electrification (Item 2, item 3—Item 4).	9.15	27.17	37.32	37.57
6	Cost of steam working—Working Expenses excluding depreciation.	5.77	6.38	5.79	5.81
7	Cost of Electrical Working—Working Expenses excluding depreciation.	4.31	4.89	4.49	4.00
8	Gross savings in working expenses due to Electrification (Item 6—Item 7).	1.46	1.49	1.36	1.81
9	Depreciation on gross outlay on Electrification at 3 per cent. (Item 2).	1.42	1.92	2.22	2.23
10	Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4.	1.15	1.10	1.10	1.10
11	Increase in annual depreciation charges due to Electrification (Item 9—Item 10).	0.27	.82	1.12	1.13
12	Net savings in working expenses due to Electrification (Item 8—Item 11).	1.19	.67	.18	.68
		Percent- age.	Percent- age.	Percent- age.	Percent- age.
13	Percentage of gross saving without allowing for depreciation on gross outlay. (Item 8 × 100) / (Item 2).	3.08	2.33	1.75	2.44
13(A)	Percentage of gross savings (after allowing for depreciation on Electric outlay) on gross outlay [Item (8—9) × 100 / Item 2].	.08	— .67	— 1.24	— .57
14	Percentage of gross savings on Net outlay (Item 8 × 100) / (Item 5).	15.96	5.48	3.50	4.82
15	Percentage of net savings (after allowing for depreciation) on gross outlay (Item 12 × 100) / (Item 2).	2.51	1.05	.24	.91
16	Percentage of net savings (after allowing for depreciation) on net outlay (Item 12 × 100) / (Item 5).	13.00	2.46	.48	1.81

**APPENDIX IX.****Summary of the approximate financial results of Indian State-owned railways in 1935-36.**

Approximate figures of railway revenue and expenditure for 1935-36 which are now available show a deficit of nearly 4 crores, which is over half a crore less than the revised estimate made in February last and over a crore less than the deficit in 1934-35.

For the greater part of 1935-36, railway revenues were more or less steadily worse than the previous year. It was only in the last 5 or 6 weeks of the year that there was a welcome change.

Gross traffic receipts of State-owned railways for 1935-36 amounted to 90-2/3 crores or about half a crore more than in the previous year.

Ordinary working expenses (excluding depreciation) amounted to 50½ crores or half a crore more than in the previous year. As the increase due to withdrawal of the cut in pay amounted to 90 lakhs, this was tantamount to a decrease of nearly 40 lakhs, in expenditure coinciding with an increase of half a crore in earnings.

According to the new method of calculation of the contribution to the Depreciation Reserve, the amount set apart for depreciation was 13½ crores, or nearly half a crore less than in the previous year.

Net traffic receipts were 26·60 crores or 39 lakhs more than in 1934-35.

Miscellaneous transactions resulted in a net addition of 86 lakhs against 53 lakhs in the previous year, and the net revenue available for meeting interest charges was nearly 27½ crores, about ¾ crore more than in 1934-35.

The total interest payable was 31·42 crores, or 38 lakhs less than in 1934-35.

The deficit was just under 4 crores and 110 lakhs less than in the previous year.

The appropriation to the Depreciation Fund was 13½ crores, and the amounts withdrawn for renewals amounted to 9½ crores. The net accretion to the Fund of 4 crores was almost entirely required to meet the deficit, and the actual balance at the credit of the Fund was increased by only 6 lakhs during the year.

The actual balance at credit of the Fund was 9½ crores ; and the nominal balance 41 crores.

The total capital expenditure was 2½ crores ; and stores balances remained practically unchanged at about 9-1/3 crores.

At the end of 1935-36, the liabilities of railways amounted to 57½ crores, of which 31½ crores represent loans from the depreciation fund and 25½ crores unpaid contributions due to general revenues from 1931-32 to 1935-36.

The ratio of ordinary working expenses to gross traffic receipts was 56 per cent.

The ratio of total working expenses (including depreciation) was 70 per cent.

These ratios are about the same as in the previous year.

The ratio of net revenue to the capital at charge was 3.44 per cent. against 3.36 per cent. in the previous year.

Taking all Class I railways together, goods earnings in 1935-36 were a trifle better. In four main commodities, earnings were considerably lower than in 1934-35. These were Rice (41 lakhs) Grams and Pulse (25 lakhs), oil seeds (21 lakhs), Jute (29 lakhs). On the other hand, the earnings were distinctly better in 3 main commodities—Metallic ores (35 lakhs), Cotton raw (35 lakhs), Iron and steel (23 lakhs). Small improvements in many other commodities resulted in a total net improvement in goods earnings of about 40 lakhs.

	1934-35.	1935-36.	
		Revised estimates.	Latest approximate estimates.
Gross Traffic receipts .. .. .	90.29	90.00	90.65
Ordinary operating expenses .. .. .	50.27	50.75	50.80
Depreciation .. .. .	13.72	13.26	13.25
Net traffic receipts .. .. .	26.21	25.99	26.60
Net Miscellaneous receipts .. .. .	.53	.84	.86
Total net revenue .. .. .	26.74	26.83	27.46
Interest .. .. .	31.80	31.37	31.42
Deficit .. .. .	5.06	4.54	3.96

#### APPENDIX X.

##### Memorandum by the Financial Commissioner of Railways on the policy of the Railway Board in the matter of stores purchases.

1. The Standing Finance Committee for Railways at their meeting held on the 21st September 1935 desired to be furnished with a memorandum detailing the policy followed by the Railway Board in the purchase of stores.

2. The Railway Board strictly follow the policy laid down in 1929 by the Government of India in the preamble to the rules for the supply of articles required to be purchased for the public service (Annexure A). The policy of the Government of India in this matter, as enunciated in those rules, is to make purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency.

3. In order to give the fullest effect to that policy the following procedure has been laid down by the Railway Board :—

- (i) Purchases of rails and fishplates, sleepers, locomotives, coaching underframes, goods stock and coal for the State-managed railways are controlled by the Railway Board. Company-managed railways have voluntarily agreed to come into the combined arrangements for purchases in many respects, e.g., rails.

- (ii) The power of giving price preference in favour of indigenous products in order to encourage existing and new industries in India has been retained by the Railway Board and has been used freely. When purchasing locomotives and carriage and wagon fittings and components State-managed railways are required to refer to the Railway Board before any tenders for imported stores are accepted.
- (iii) As regards other classes of stores manufactured in India, railways are required to submit to the Railway Board quarterly reports detailing with full reasons for their action all cases where they have placed orders for materials of foreign manufacture when tenders were received for the same materials of Indian manufacture. This was one of the recommendations of the Railway Retrenchment Sub-Committee whose remarks on the subject of stores purchase are reproduced in Annexure B for facility of reference.
- (iv) The Railway Board is increasing the types and quantity of stores purchased through the Indian Stores Department on behalf of State-managed railways. The Board meets the Chief Controller, Indian Stores Department, half-yearly to discuss and settle with him new items of railway stores, the purchase of which by State-managed railways through the agency of the Indian Stores Department should be made obligatory. Consequently the value of stores purchased by the Indian Stores Department on behalf of Indian railways has increased from Rs. 74 lakhs in 1927-28 to Rs. 265 lakhs in 1934-35.

4. One or two concrete instances of action taken by the Railway Board to help and encourage existing industries and to foster new ones in India during the past few years are given below :—

- (a) All orders for major bridge work and for the renewal of large bridges such as the Ava (Burma), Willingdon (E. I. R.), Broach (B. B. and C. I.), Chambal and Sindh (G. I. P.) have been placed for construction in India by Indian firms.
- (b) For the years 1933-34, 1934-35 and 1935-36 orders for the construction of approximately 3,000, 3,000 and 3,750 new wagons respectively were placed with Indian firms for construction in India.
- (c) Due largely to the progress made in standardization of design—
- (i) Vacuum brake material used on coaching and goods stock is now wholly manufactured in India.
- (ii) The manufacture in India of permanent-way fittings, track tools, etc., and the development of the re-rolling industry has been increased enormously.
- (iii) A factory has been started in Calcutta to manufacture railway rubber fittings.

- (d) The manufacture of points and crossings and signal material has been discontinued in some railway workshops and restricted in others to mere repair operations, and orders for all new works are placed in the market in India.
- (e) Results of experiments and tests carried out by railways on new stores and material (largely indigenous products) are now circulated to the Board, Indian Stores Department, and other State-managed railways. When an item has been found to be unsatisfactory owing to its being inferior to other makes or brands, not up to specification, etc., its deficiency is specially investigated.

6. A statement showing the value of stores (imported direct, imported stores purchased in India, and indigenous stores) purchased by the State-managed railways and Company-managed railways during 1931-32, 1932-33, 1933-34 and 1934-35, the value of stores purchased by these railways through the Indian Stores Department and the value of stores purchases controlled by the Railway Board is attached for the information of the Committee. The value of stores purchased by railways through the Director General, India Store Department, London, during the same period was as follow :—

			£	Rs.
1931-32	..	..	23,485	= 3,13,133-5-4
1932-33	..	..	28,507	= 3,80,093-5-4
1933-34	..	..	44,763	= 5,96,840-0-0
1934-35	..	..	35,669	= 4,75,586-10-8.

### ANNEXURE A.

**Rules for the supply of articles required to be purchased for the public service.**

#### PREAMBLE.

The policy of the Government of India is to make their purchases of stores for the public service in such a way as to encourage the development of the industries of the country to the utmost possible extent consistent with economy and efficiency, and the following rules, which are applicable to the purchase of stores (other than printing and stationery stores) for the Government of India and for provinces other than Governors' provinces are prescribed in accordance with this policy. These rules supersede all previous orders on the subject.

In order to give effect to the above policy preference in making purchases will be given in the following order :—

*First*, to articles which are produced in India in the form of raw materials, or are manufactured in India from raw materials produced in India, provided that the quality is sufficiently good for the purpose ;

*Secondly*, to articles wholly or partially manufactured in India from imported materials provided that the quality is sufficiently good for the purpose ;

*Thirdly*, to articles of foreign manufacture held in stock in India provided that they are of suitable type and requisite quality ;

*Fourthly*, to articles manufactured abroad which need to be specially imported.

Departments of the Government of India, or officers specially authorised in this behalf, may, when they are satisfied that such a measure is justified, allow a limited degree of preference in respect of price to articles produced or manufactured in India either wholly or in part.

*Rule 1.*—Save as provided in Rules 7 and 8, all articles required to be purchased for the public service shall be purchased on the condition that delivery shall be made in India for payment in rupees in India.

*Rule 2.*—Tenders shall be invited in India, and abroad also when considered desirable, for the supply of all articles which are purchased under rules 1 to 4, unless the value of the order to be placed is small or sufficient reasons to be recorded exist which indicate that it is not in the public interest to call for tenders. No tender which fails to comply with the conditions as to delivery and payment prescribed in Rule 1 shall be accepted.

*Rule 3.*—All articles, whether manufactured in India or abroad, shall be subject to inspection before acceptance, and articles for which specifications and/or tests have been prescribed by competent authority shall be required to conform to such specifications and/or to satisfy the prescribed test or tests which may be carried out during manufacture or before or after despatch from the suppliers' premises.

*Rule 4.*—Important plant, machinery and iron and steel work shall be obtained only from firms approved by the Chief Controller of Stores, Indian Stores Department, and specified in the lists issued by him from time to time.

*Rule 5.*—In the case of important construction works let out on contract, articles required for the construction of such works may be supplied by the contracting firm provided that when specifications and/or tests have been prescribed for such articles they shall conform to such specifications and/or shall satisfy such tests.

*Rule 6.*—Nothing in these rules shall be deemed to prohibit the purchase of articles by one Department or Railway from another.

*Rule 7.*—The articles enumerated in the Schedule below or any other articles of a special or unusual character, may, when suitable and economical purchases cannot be made in accordance with the preceding rules, be obtained without reference to those rules subject to the following conditions :—

- (a) Where the value of the purchase exceeds Rs. 5,000 the purchasing officer shall place on record his reasons for not effecting the purchase in accordance with the preceding rules.
- (b) The purchasing officer may at his discretion either obtain the article that he requires by indent on the India Store Department, London, or purchase it direct from manufacturers or dealers abroad. Where resort is had to direct purchase from manufacturers or dealers abroad, tenders shall, whenever practicable, be first obtained.

- (c) When articles are purchased abroad under this rule through the agency of the India Store Department, London, payment shall be made by that department.

In other cases payment shall be made—

- (i) in countries other than Great Britain and Northern Ireland, direct to the suppliers by the purchasing officer ;  
 (ii) in Great Britain and Northern Ireland, through the High Commissioner for India.

*Rule 8.*—Lethal weapons, munitions of war, technical apparatus and equipment, and any other stores required by the Naval, Military or Air Forces of the crown in India for which drawings, patterns, specifications, or designs have been issued, prescribed or announced by the Admiralty, War Office, Air Ministry, Government of India, or Commander-in-Chief in India, shall be obtained by indent on the India Store Department, London, unless they are available in India in accordance with the prescribed drawing, pattern, specification or design. Any departure from this rule requires sanction of the Government of India, and whenever an expenditure exceeding Rs. 20,000 is incurred in any individual case to which such sanction has been accorded it shall be reported to the Secretary of State for India in Council.

#### SCHEDULE

- (i) Seeds.  
 (ii) Cinchona Bark.  
 (iii) Articles for experimental purposes.  
 (iv) China, glass, cutlery, plate, crockery and perishable fabrics, including linen for residences which are furnished by Government.  
 (v) Copper, zinc and other non-ferrous metals produced in Australia or America.  
 (vi) Timber produced in Australia or North America.  
 (vii) Such articles as the Superintendents of Vaccine Depots may require for the preparation of vaccine lymph.  
 (viii) Chemicals and scientific instruments.  
 (ix) Preserved and tinned foodstuffs.  
 (x) Articles required for Viceroyal residences.

#### ANNEXURE B.

#### CHAPTER XII.

#### MISCELLANEOUS MATTERS.

#### *Stores Purchase.*

189. We held a joint meeting with the Stores and Printing and Stationery Retrenchment Sub-committee to discuss the purchase of stores for Railways

through the Indian Stores Department. The total purchases made by railways through the Indian Stores Department in 1929-30 amounted to 1½ crores, whereas the total cost of material purchased amounted to 30 crores of which 13¾ crores represented indigenous material. We must, however, observe that the proportion of purchases through the Indian Stores Department should not be taken on the figure of 30 crores, as this includes materials like rolling stock, permanent way, bricks, ballast, etc., which it is neither necessary nor practicable to buy through the Indian Stores Department. We recognise that it is difficult to lay down general principles in this matter and that each case must be considered on its merits. We think that the present system by which the Railway Board discuss periodically with the Indian Stores Department the new classes of stores that can be added to the list of stores purchased through the Indian Stores Department is a convenient and practical method. We agree with the Chief Controller of Stores, that, though Railways can in many cases buy as cheaply directly as through the Indian Stores Department, they should take into account the fact, that other smaller departments get the benefit of lower prices on account of combined purchases on a large scale. This argument applies strictly to articles which are in demand by other departments as well as by railways. Both the Chief Commissioner and the Financial Commissioner of Railways agree that when, with regard to any class of stores, they were convinced that it would be advantageous to the State as a whole to purchase through the Indian Stores Department, they would consider handing over the purchase to them and not look to the interests of railways alone.

190. In pushing too far the system of bulk purchase through the Indian Stores Department, or otherwise, two dangers are to be guarded against. One is the possibility—and undesirability—of increasing stores balances. The other is the risk of the system of bulk and centralised purchase resulting in giving an advantage to the foreign manufacturer who has the benefits of mass production and can usually quote better terms than the indigenous manufacturer who usually manufactures on a small scale, and in preventing new firms from getting a footing in the market, thus leading to the formation of a combine.

191. We observed a flaw in the present procedure for considering price preferences to indigenous material since powers have not been delegated to Agents or railways by the Government of India. It is only when a recommendation is made to the Railway Board by the Agent that they can decide whether a preference should be given or not. We feel that some Agents might, not knowing the Railway Board's policy in the matter, consider a particular percentage unreasonably high, and refrain from referring the matter to the Railway Board whereas if the matter is referred to the Railway Board it is possible that the difference in price might be considered by the latter to be so small as to justify the indigenous material being preferred. We recommend that railways should report periodically to the Railway Board all cases where the Agent has without a reference to them decided to place orders for foreign material, because in his opinion the disparity in price was too high. We also recommend, that with a view to facilitate the active compliance by Agents with the policy of the Government in this regard, powers may be delegated to Agents authorising them to give price preferences to a limited extent (say 5 per cent.), provided that the amount in any case does not exceed

a fixed maximum (say Rs. 500). If this recommendation is accepted, it should be made clear to Agents that these limits do not represent the maximum preference which the Railway Board are prepared to give which must necessarily depend on the circumstances of each case.

*Statement showing the value of stores purchased by the State-managed and Company-managed railways during 1931-32 to 1934-35, the value of stores purchased by those Railways through the Indian Stores Department and the value of stores purchases controlled by the Railway Board for those Railways during those years.*

(Figures in thousands.)

Railways.	Total value of stores purchased.				Value of stores purchased through Indian Stores Department.	Percentage Column 6 to 5.	Value of stores purchases controlled by the Railway Board.	Percentage Column 8 to 5.
	A.	B.	C.	Total.				
1	2	3	4	5	6	7	8	9
<b>1931-32.</b>								
State ..	1,03,23	2,91,56	5,47,71	9,42,50	1,18,08	12.5	4,51,48	47.8
Company ..	1,41,21	1,28,46	3,87,24	6,56,91	7,87	1.2	1,73,73	26.4
Total ..	2,44,44	4,20,02	9,34,95	18,99,41	1,25,95	7.8	6,25,21	39.1
<b>1932-33.</b>								
State ..	8,54	2,26,28	3,95,16	6,29,98	1,46,94	23.3	2,61,05	41.4
Company ..	79,00	1,07,12	2,87,83	4,73,95	4,76	99	95,87	20.2
Total ..	87,54	3,33,40	6,82,99	11,03,93	1,51,54	13.7	3,56,92	32.3
<b>1933-34.</b>								
State ..	66,81	2,50,63	4,94,51	7,51,95	1,70,92	22.7	3,22,17	42.8
Company ..	66,36	1,12,71	2,65,56	4,44,63	3,81	.85	77,58	17.4
Total ..	73,17	3,63,34	7,60,07	11,96,58	1,74,73	14.6	3,99,75	33.4
<b>1934-35.</b>								
State ..	5,40	2,58,28	5,41,52	8,05,20	2,53,51	31.48	3,48,19	43.2
Company ..	1,10,90	1,45,65	3,51,58	6,08,13	6,15	1.01	1,40,18	23.05
Total ..	1,16,30	4,03,93	8,93,10	14,13,33	2,59,66	18.37	4,88,37	34.5

Note.—A.—Imported direct.

B.—Imported stores purchased in India.

C.—Indigenous

## APPENDIX XI.

### Memorandum by the Railway Board on the progress of job analysis on Indian Railways up to 31st March 1935.

The Public Accounts Committee desired to have a report on the progress made in the job analysis on Indian Railways. The memoranda printed as Appendices VI and VII to the report of the Public Accounts Committee on the

accounts of 1933-34, Vol. I, Part II, explain the position as it stood on the 31st March 1934. The figures for the year 1934-35 are given in paragraph 12 of the report by the Railway Board on Indian Railways, Vol. I, a copy of which is attached.

COPY OF PARAGRAPH 12 OF THE REPORT BY THE RAILWAY BOARD ON INDIAN RAILWAYS FOR 1934-35.

12. *Mr. Pope's investigations.*—It was mentioned in the last year's report that the work of job analysis was still in hand on most of the railways and that the recommendations made by Mr. Pope in his second report were under the consideration of the Railway Board. The more important of the recommendations contained in the second report were on the following subjects :—

- (i) Intensive use of locomotives.
- (ii) Intensive use of coaching stock.
- (iii) Intensive use of machinery and plant.
- (iv) Uneconomical wagons.
- (v) Combining resources between railways.
- (vi) Handling and transport of small traffic and of traffic to be transhipped at break-of-gauge stations.
- (vii) Ticketless travel.
- (viii) Methods of increasing earnings.

The Railway Board and Railway Administrations have already taken action in regard to some of the recommendations while others are under further detail investigation. Job analysis was continued on most of the Railways during the year under review and the following table shows the economies effected side by side with the cost of the organisations for the two years 1933-34 and 1934-35.

Railways.	1933-34.		1934-35.	
	Cost of Job analysis organisation.	Savings effected.	Cost of Job analysis organisation.	Savings effected.
	Rs.	Rs.	Rs.	Rs.
E. I. .. .. .	77,691	7,01,128	92,884	18,14,544
G. I. P. .. .. .	58,680	4,15,000	64,000	2,04,246
N. W. .. .. .	32,000	12,66,749	46,006	12,37,376
E. B. .. .. .	63,000	2,14,864	65,995	1,29,508
B. B. & C. I. .. .. .	58,789	3,52,862	35,300	11,41,596
M. & S. M. .. .. .	8,750	45,220	17,632	1,14,000
S. I. .. .. .	19,580	27,400	2,180	25,000
Burma .. .. .	7,500	25,871	26,615	73,352
Assam-Bengal .. .. .	12,825	1,31,755	8,208	12,650

The subject of the organisation required to conduct job analysis was discussed with the Agents of principal railways in October 1934 and the majority held that a special organisation was no longer necessary, and that it would be

preferable to make a yearly allotment to railways to utilise as they might think fit for carrying out special investigations. This, accordingly is being done on certain railways.

## APPENDIX XII.

### Report by the Railway Board on the financial results of the electrification of the railways in Bombay.

The attached statements which have been prepared in consultation between the Railway Administration and the Statutory Auditor concerned show the financial results of the electrification scheme on the Great Indian Peninsula and Bombay, Baroda and Central India Railways for the years 1930-31 to 1935-36. These have been prepared on the same basis as those which were prepared by Mr. Nixon as Director of Railway Audit in October 1933, and were placed before the Public Accounts Committee in 1934. The figures for the Great Indian Peninsula Railway show the result of all the schemes in a consolidated form as they are inter-dependent. It was found impossible to separate the figures for suburban services as the expenditure has not been separately booked under main line and suburban electric services.

2. The figures for the two railways are summarised below :—

	Bombay, Baroda and Central India.			
	Great Indian Peninsula.		Bombay, Baroda and Central India.	
	Traffic in train miles.	Percentage of net savings on net outlay.	Traffic in train miles.	Percentage of net savings on net outlay.
	Lakhs.		Lakhs.	
Estimate .. ..	55.40	10.51	16.60	16.93
1930-31 .. ..	42.50	4.80	14.28	10.25
1931-32 .. ..	41.87	5.37	13.43	10.96
1932-33 .. ..	41.21	5.23	12.56	11.62
1933-34 .. ..	41.85	4.90	14.00	13.43
1934-35 .. ..	41.80	4.42	14.07	15.54
1935-36 .. ..	42.37	4.86	14.31	16.63

3. On the Great Indian Peninsula Railway the decrease in the percentage in 1933-34 was due to certain adjustments between capital and revenue, and expenditure incurred for the first time on the normal periodical overhaul to electric locomotives. In 1934-35 the expenditure on overhauls and repairs increased. In 1935-36, besides the increase in traffic, the repairs to stock were not carried out on the same scale as in the previous year and economy was effected in the repair cost and stores. A reduction in staff was also made.

4. The more favourable results obtained on the Bombay, Baroda and Central India Railway as compared with the results on the Great Indian

Peninsula Railway are due to the fact that the gross capital expenditure in the former case was reduced to a much larger extent proportionately by the credit for the steam stock released. The actual value of this has proved to be even larger than was originally estimated. The results of 1935-36 are better than those of the previous year on account of the saving effected in the cost of electric current due to rewiring of buildings and change in the source of supply of electric current from Bombay Electric Company to Tatas.

5. The percentage given above have been worked out after taking the net outlay as equivalent to the gross outlay reduced by the cost of steam stock released because of the electrification and also by the extra outlay that would have been required for increasing traffic if no electrification had been carried out. This last is, as pointed out in the previous memorandum, problematical. Increased traffic has not materialised to the extent anticipated, and it is possible that *some part* of the estimated saving should be neglected. If *the whole* of it is neglected, the percentages will be as follows :—

			Great Indian Peninsula.	Bombay, Baroda and Central India.
			Per cent.	Per cent.
1930-31	..	..	3.12	3.18
1931-32		..	3.58	3.46
1932-33		..	3.49	3.77
1933-34			3.24	4.61
1934-35	..	..	2.87	5.58
1935-36	..	..	3.20	6.10

6. As was pointed out last year, the real percentage of net savings for each railway probably lies between the figures in paragraphs 2 and 5 and, in all probability, more near the former than the latter. In both cases it is reasonably certain that extra outlay would have been necessary in any case even if electrification had not been introduced, in order to improve the capacity of the line, though it is not now possible to state with any degree of accuracy the number of additional steam locomotives which it would have been necessary to purchase immediately. In the case of the Bombay, Baroda and Central India Railway, for example, it would have been necessary in the absence of electrification to quadruple the line and the cost of this would have been so high as to be prohibitive. It has been estimated that, though the additional expenditure for additional steam stock would not all have been spent at once and some portion of it could have been deferred until the full increase in traffic was in sight, land for additional track facilities required for steam working would certainly have been required at once and the cost would not have been less than a crore of immediate expenditure and might have been considerably more. There would also have been a considerable expenditure necessary on the renewal of the existing stock. The estimate, therefore, of expenditure avoided by electrification is more likely to be an under than an over estimate.

## STATEMENT 'A'.

*Financial results of the Great Indian Peninsula Railway Electrification Schemes.*

Particulars.	Estimate of all Sections electrified. Total Estimated.	Actuals including percentage out.					
		1930-31.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
1	2	3	4	5	6	7	8
1. Traffic in lakhs of train miles (Steam)	55.40	42.50	41.87	41.21	41.85	41.80	42.37
In lakhs of Rupees.							
2. Gross outlay on electrification ..	950.90	942.65	953.93	969.72	959.78	959.30	959.53
3. If no electrification, estimated extra steam outlay for increased traffic ..	175.93	175.93	175.93	175.93	175.93	175.93	175.93
4. Cost of steam stock released because of electrification .. .. .	254.71	172.98	172.98	172.98	172.98	172.98	172.98
5. Net outlay on electrification (item 2—item 3—item 4) .. .. .	520.26	593.74	605.20	610.81	610.87	610.20	610.62
6. Cost of Steam Working, i.e., working expenses excluding depreciation ..	158.54	116.38	114.65	112.85	114.60	114.4	116.08
7. Cost of Electrical Working, i.e., working expenses excluding depreciation	87.52	72.85	68.83	65.06	66.81	71.67	70.51
8. Gross savings in Working Expenses due to Electrification (item 6—item 7) .. .. .	71.02	43.53	47.82	47.77	45.79	42.79	45.51
9. Depreciation on gross outlay on Electrification .. .. .	27.20	23.82	24.12	24.66	24.67	24.65	24.66
10. Depreciation on Steam outlay avoided	10.88	8.81	8.81	8.81	8.81	8.81	8.81
11. Increase in annual depreciation due to Electrification (item 9—item 10) ..	16.32	15.01	15.31	15.85	15.86	15.84	15.85
12. Net savings in working expenses due to Electrification (item 8—item 11) ..	54.70	28.52	32.51	31.92	29.93	26.95	29.66
Percentages.							
13. Percentage of gross savings on gross outlay $\frac{(\text{Item 8} \times 100)}{(\text{Item 2})}$ .. .. .	7.47	4.62	5.01	4.98	4.77	4.46	4.74
14. Percentage of gross savings including depreciation on electrical assets only $\frac{(\text{Item 3—9} \times 100)}{\text{Item 2}}$ .. .. .	4.61	2.09	2.48	2.41	2.20	1.89	2.17
15. Percentage of gross savings on net outlay $\frac{(\text{Item 8} \times 100)}{\text{Item 5}}$ .. .. .	13.65	7.33	7.90	7.82	7.50	7.01	7.45
16. Percentage of net savings on gross outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 2}}$ .. .. .	5.75	3.03	3.41	3.33	3.12	2.81	3.09
17. Percentage of net savings on net outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 5}}$ .. .. .	10.51	4.80	5.37	5.23	4.90	4.42	4.86

*Financial results of Suburban Electrification of the Bombay, Baroda and Central India Railway.*

No.	Particulars.	Esti- mates.	Actuals 1930-31.	Actuals 1931-32.	Actuals 1932-33.	Actuals 1933-34.	Actuals 1934-35.	Actuals 1935-36.
1	Traffic in lakhs of train miles (Steam) ..	16.60	14.28	13.43	12.56	14.00	14.07	14.31
Lakhs of Rupees.								
2	Gross outlay on Electrification ..	204.28	202.90	202.90	202.90	202.90	202.90	202.90
3	If no electrification, estimates extra steam outlay for increased traffic ..	72.00	72.00	72.00	72.00	72.00	72.00	72.00
4	Cost of steam stock released because of electrification .. .. .	50.00	68.79	68.79	68.79	68.79	68.79	68.79
5	Net outlay on Electrification (Item 2—Item 3—Item 4) .. .. .	82.28	62.11	62.11	62.11	62.11	62.11	62.11
6	Cost of steam working—working expenses excluding depreciation ..	37.55	29.35	27.59	25.82	28.78	28.92	29.42
7	Cost of Electrical working—working expenses excluding depreciation ..	21.16	23.59	20.58	16.73	18.57	17.40	17.22
8	Gross savings in working expenses due to electrification (Item 6—Item 7)	16.39	5.76	7.01	9.09	10.21	11.52	12.29
9	Depreciation on gross outlay on Electrification at 3 per cent. (Item 2) ..	6.12	6.09	6.09	6.09	6.09	6.09	6.09
10	Depreciation on steam outlay avoided at 3 per cent. on items 3 and 4 ..	3.66	4.22	4.22	4.22	4.22	4.22	4.22
11	Increase in annual depreciation charges due to Electrification (Item 9—Item 10) .. .. .	2.46	1.87	1.87	1.87	1.87	1.87	1.87
12	Net savings in working expenses due to Electrification (Item 8—Item 11) ..	13.93	3.89	5.14	7.22	8.34	9.65	10.33
Percentages.								
13	Percentage of gross savings without allowing for depreciation on gross outlay $\frac{(\text{Item 8} \times 100)}{\text{Item 2}}$ .. .. .	8.02	2.84	3.45	4.48	5.03	5.68	6.01
13A	Percentage of gross savings (after allowing for depreciation on electrical outlay $\frac{(\text{Items 8-9} \times 100)}{\text{Item 2}}$ .. .. .	5.03	-0.16	0.45	1.48	2.03	2.68	3.01
14	Percentage of gross savings on net outlay $\frac{(\text{Item 8} \times 100)}{\text{Item 5}}$ .. .. .	19.92	9.27	11.29	14.63	16.44	18.55	19.64
15	Percentage of net savings (after allowing for depreciation) on gross outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 2}}$ .. .. .	6.82	1.92	2.53	3.56	4.11	4.76	5.09
16	Percentage of net savings (after allowing for depreciation) on net outlay $\frac{(\text{Item 12} \times 100)}{\text{Item 5}}$ .. .. .	16.93	10.35	10.96	11.62	13.43	15.54	16.63
17	Percentage of net savings (after allowing for depreciation) on actual gross outlay of 202.90 with traffic of 16.60 lakhs train miles .. .. .	6.86	2.23	3.13	4.70	4.87	5.62	5.90

## APPENDIX XIII.

**Memorandum furnished by the Railway Board regarding the verification of scrap material at Haji Bunder on the Great Indian Peninsula Railway.**

The Public Accounts Committee desired fuller information in regard to (i) the reasons for the stock verification not having been carried out regularly and (ii) the punishment inflicted on the Depot Superintendent.

2. Generally the procedure on the Great Indian Peninsula Railway was to have all articles in stores checked periodically by stock-verifiers of the Accounts or Audit Department against the quantities shown in depot ledgers or cards by actual counting measuring or weighing. No such check had been made of ferrous scrap by the present Accounts Department or by the old combined Audit and Accounts Department since 1916. Deliveries only of ferrous scrap sold were witnessed by stock-verifiers till 1924, but the then Chief Auditor stopped even this witnessing, as he thought that this by itself was not a sufficient check and a complete periodical verification, as is done in the case of all other stores, was impracticable, owing to the scrap being generally too considerable in volume and weight to be handled by the available weighing facilities.

3. In 1928, when the Controller of Stores pressed for the reintroduction of the practice which was stopped in 1924, the whole question was examined by the Agent, who was of opinion that, in order to prevent frauds or mistakes, an accounts verification of weighments was essential. Accordingly it was arranged that all weighments of receipts and issues of scrap should be witnessed by a stock-verifier of the Accounts Department, and this procedure is now being invariably followed.

4. As mentioned in the Audit Report, conditions of unprecedented congestion prevailed at Haji Bunder throughout the period of the arrival from abroad of materials for the suburban electrification scheme and precluded altogether any attempt being made to conduct ordinary departmental verifications even on a small scale. It appears that the procedure in force for many years before, broke down under these abnormal conditions and necessitated the introduction of the completely reorganised form of procedure now in force. This procedure, it is stated, has been so drawn up that even an acute congestion should not result in a repetition of the previous unsatisfactory state of affairs.

5. The Wharf Superintendent, the Agent states, was transferred to a less important charge in November 1932 and his pay was reduced from Rs. 600 per mensem to Rs. 500 per mensem, from 1st October 1933.

## APPENDIX XIV.

**Memorandum by the Railway Board regarding the average time taken to supply wagons to consigners at two selected stations each on the North Western and East Indian Railways.**

The Public Accounts Committee at their meeting on the 22nd August 1935 desired that the priority registers for a week at two stations, one big

and one small, some time during the course of a year, should be examined and a summary given of the average time taken to supply wagons required by consigners.

2. The priority registers of the following stations were called for and an examination made of the entries relating to the period shown against each :—

*North-Western Railway.*—

*Amritsar*—first week of June 1935.

*Jhelum*—last week of May 1935, the case of priority registers detailing requirements for one type of stock ; last week of July 1935, in the case of priority registers detailing requirements for two other types of stock.

*East Indian Railway.*—

*Cawnpore*—first week of April 1935.

*Aligarh*—week ending 28th December 1934.

The result of the examination made was as follows :—

*Amritsar.*—22 wagons were requisitioned for during the week ; all were supplied on the same day.

*Jhelum.*—83 wagons were requisitioned for during the week ; all were supplied on the same day.

*Cawnpore.*—77 wagons were requisitioned for during the week ; 49 wagons were supplied on the same day, 22 wagons on the following day, 3 on the third day, two on the fourth day and one on the fifth day. In the last case, one of the intervening days was a Sunday. The delay in the last four cases was due to long-type low-side trucks having to be specially obtained to comply with the requisition.

*Aligarh.*—63 wagons were requisitioned for ; 27 were supplied on the same day, and the remainder on the following day.

#### APPENDIX XV.

LETTER FROM THE GOVERNMENT OF INDIA, RAILWAY DEPARTMENT (RAILWAY BOARD), TO THE AGENTS, ASSAM BENGAL RAILWAY ; BENGAL NAGPUR RAILWAY ; BOMBAY, BARODA AND CENTRAL INDIA RAILWAY ; BURMA RAILWAYS ; BENGAL AND NORTH WESTERN RAILWAY ; EASTERN BENGAL RAILWAY ; EAST INDIAN RAILWAY ; GREAT INDIAN PENINSULA RAILWAY ; NORTH WESTERN RAILWAY ; MADRAS AND SOUTHERN MAHRATTA RAILWAY ; ROHILKHAND AND KUMAON RAILWAY ; SOUTH INDIAN RAILWAY ; H. E. H. THE NIZAM'S STATE RAILWAY, AND THE MANAGER, JODHPUR RAILWAY, No. 1444-W., DATED THE 10TH FEBRUARY 1936.

SUBJECT.—*Completion Reports.*

I am directed to bring to your notice that the Public Accounts Committee have recently had occasion to comment on the very large number of items of

unsanctioned expenditure on Railways several of which have been outstanding over a period of years, and have enquired whether steps cannot be taken to assure a speedier regularisation of such expenditure.

2. The Railway Board observe that in the case of a large number of these items the expenditure is held under objection owing to the delay in the preparation of final completion reports for the works and that the delay is not confined to cases of new projects or large open line works but relates also to works of comparatively small magnitude.

3. I am, therefore, to request that necessary steps may be taken to impress on all departments the desirability of closing the accounts of individual works as soon as possible after completion, and preparing a final completion report immediately thereafter, for sanction by competent authority.

4. In this connection I am to invite your attention to paragraphs 159 and 178 of the State Railway Code for the Engineering Department and to suggest that steps may be taken to avoid delays in the disposal of surplus and released materials, to which delays in the preparation of Completion Reports are attributable in the majority of cases. I am also to request that timely action may be taken for the settlement of other questions such as those of allocations and junction arrangements, etc.

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No. 1444-W.

Copy forwarded for information to the—

- (1) Chief Accounts Officers, North Western, East Indian, Eastern Bengal, Great Indian Peninsula and Burma Railways.
- (2) Controller of Railway Accounts.
- (3) Director of Railway Audit.

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#### APPENDIX XVI.

**Note by the Railway Board showing the ultimate savings likely to accrue when the revised scales of pay are fully operative.**

At its last meeting the Public Accounts Committee desired to be furnished with a note showing the ultimate savings in the cost of railway staff that was likely to accrue when the revised scales of pay were fully operative.

2. A statement showing the savings in the cost of gazetted and non-gazetted staff accruing on State-owned railways when the revised scales of pay are fully operative is attached. It will be observed from this statement that the approximate anticipated savings in expenditure on these railways amount to Rs. 3,70,48,000 per annum.

3. Another statement giving figures for similar savings in expenditure on staff employed in the Railway Board's office, Central Standards Office, Central Publicity Office, Offices of Government Inspectors and Chief Mining Engineer, in the Railway Accounts Department and the Railway Audit Department is also attached. The amount of approximate savings in respect of these offices amounts to Rs. 16,38,000 per annum.

4. The total savings in the cost of staff chargeable to Railway Estimates, when the revised scales of pay are fully operative, would approximately amount to Rs. 3,86,86,000 per annum.

*Statement showing the savings in the cost of gazetted and non-gazetted staff accruing on all State-owned Railways when the revised scales of pay are fully operative.*

[Figures in thousands.]

Railways.	Gazetted staff savings.	Non-gazetted staff savings.	Total savings.	Remarks.
	Rs.	Rs.	Rs.	
E. I. .. ..	6,92	48,50	55,42	
E. B. .. ..	3,03	17,63	20,66	
G. I. P. .. ..	7,19	42,37	49,47	
N. W. .. ..	6,48	55,70	62,18	
Burma .. ..	2,53	16,67	19,20	
<b>Total State Railways ..</b>	<b>26,06</b>	<b>180,87</b>	<b>206,93</b>	
S. I. .. ..	2,53	14,93	17,46	
M. & S. M. .. ..	6,46	26,82	33,28	
B. N. .. ..	4,99	26,24	31,23	
A. B. .. ..	1,79	3,20	4,99	
B. & N. W. .. ..	1,20	3,44	4,64	} Includes staff employed on Company-owned sections.
R. & K. .. ..	24	75	99	
B. B. & C. I. .. ..	11,32	59,64	70,96	
<b>Total Company-owned Railways</b>	<b>28,53</b>	<b>1,35,02</b>	<b>1,63,55</b>	
<b>Total State and Company-owned Railways.</b>	<b>54,59</b>	<b>3,15,89</b>	<b>3,70,48</b>	

*Statement showing the savings in the cost of gazetted and non-gazetted staff in offices etc., shown below when the revised scale of pay are fully operative.*

[Figures in thousands.]

Name of Office.	Gazetted staff savings.	Non-gazetted staff savings.	Total savings.	Remarks.
	Rs.	Rs.	Rs.	
Railway Board .. ..	77	67	1,44	
Central Standards .. ..	11	29	40	
Railway Accounts Department	2,32	7,60	9,92	
Central Publicity Officer ..	3	2	5	
Government Inspectors of Railways .. ..	34	3	37	
Chief Mining Engineer .. ..	93	63	1,56	
Railway Audit Department ..	1,18	1,46	2,64	
<b>Total .. ..</b>	<b>5,68</b>	<b>10,70</b>	<b>16,38</b>	

## APPENDIX XVII.

**Note by the Railway Board on the arrangements for obtaining legal advice by Railways.**

When discussing the case mentioned in paragraph 134 of the Railway Audit Report, 1935, in August last, the Public Accounts Committee desired to have a note showing the arrangements in force in various railways for obtaining competent legal advice. The replies received from the railway administrations show that the existing arrangements are adequate and satisfactory. Briefly they are as follows :—

*Assam Bengal Railway.*—The Railway has retained a pleader in headquarters at Chittagong on a monthly retaining fee of Rs. 100. He conducts civil and criminal cases on behalf of the Railway at Chittagong. For drafting agreements, leases, contracts, etc., he is consulted and the fee payable is decided on the merits of each case.

For conducting cases outside Chittagong pleaders are engaged and paid at a daily rate.

*Bombay, Baroda and Central India Railway.*—In Bombay Messrs. Crawford, Bayley and Co. are the Company's Solicitors and their opinions are obtained on a wide variety of matters. In each case they charge for the opinion given according to the importance of the subject and the time taken on it. Their fees range from Rs. 15 to Rs. 60 per opinion.

The Company has also a senior counsel for conducting important cases and also on occasions for giving opinions. He is not paid a retainer, but charges fees.

In addition the company has a counsel for the Ahmedabad area and another for all legal work in the courts in Kathiawar. The former gets a small retaining fee and the latter gets a fixed monthly remuneration. At all other places local pleaders are engaged, whenever necessary.

*Bengal Nagpur Railway.*—In Calcutta, the company utilises the services of the firm of Messrs. Orr Dignam and Co., Solicitors, for advice on all important matters where it is considered necessary to seek such advice. They have also engaged approved advocates and lawyers who conduct cases on behalf of the railway in almost all district courts and other important places in the provinces through which the railway system runs. It is the practice for all the district officers to consult these advocates and lawyers whenever occasion arises.

*Burma Railways.*—This railway is utilising the firm of Messrs. Clark and Surridge, Solicitors, to whom doubtful points of law are referred for opinion. Important law suits are conducted by the members of the firm, and important ones by local lawyers, whether in Rangoon or elsewhere.

*Eastern Bengal Railway.*—All cases requiring legal opinion are first of all sent to their Law Officers and on his advice, if the Agent thinks it necessary, a reference is made to the Legal Remembrancer or to the Government Solicitor. The Law Officer is paid a monthly salary of Rs. 500. He gives opinion on all

civil and criminal cases and also conducts the criminal cases in the Calcutta courts when required. He scrutinises and approves all draft agreements, licenses, leases, forms and other documents, whenever required. The Legal Remembrancer attends to all civil appeals in the High Court by or against the railway.

The Government Solicitors (Messrs. Sanderson and Co.) attend to the cases in the Small Causes Court and in the original side of the High Court at Calcutta.

No fee is paid either to the Legal Remembrancer or to the Government Pleaders, High Court, for consultation or for conducting cases.

*North Western Railway.*—There is a separate Litigation Branch in the Headquarters office under the charge of an Assistant Commercial Officer who is a qualified lawyer. He advises in all cases involving legal technicalities, arranges conduct of court cases and deals with all matters relating to which the railway is concerned.

Cases of importance involving intricate questions of law or affecting the policy of the railway, excluding those arising in Sind, Baluchistan and North-West Frontier Province are referred to the Legal Remembrancer to the Punjab Government for his opinion, and a monthly remuneration of Rs. 500 is paid to the Provincial Government for such services. There is a separate Legal Adviser at Karachi who advises the railway in matters relating to Sind and Baluchistan at a remuneration of Rs. 200 per mensem. References in connection with matters relating to the North-West Frontier Province being rare, the Local Government of that province has agreed to permit their Legal Remembrancer at Peshawar to advise the railway without any remuneration.

*South Indian Railway.*—All matters arising on the railway, where legal opinion is required, are referred to the Law Section in the Chief Commercial Superintendent's office. This section consists of a Prosecuting Inspector, who is a qualified legal man, and is supervised by an Assistant Traffic Superintendent who is also a qualified legal man. Cases which involve intricate questions of law or large sums of money are, however, referred to Messrs. King and Partridge, Solicitors, Madras, who are the Solicitors of the railway.

*Bengal and North Western Railway.*—This railway retains two subsidised Law Officers; one the Senior Law Officer who is Bar-at-Law, and the other a vakil. The Senior Law Officer is paid Rs. 250 per mensem in lieu of fees for all cases civil and criminal—instituted in Gorakhpur Court. This includes opinions, drafting of deeds, etc., and also drafting of plaints and written statements and giving of advice in cases filed outside Gorakhpur; in fact everything save and except actual appearance in courts outside Gorakhpur. The Junior Law Officer is paid a monthly remuneration of Rs. 40 and his duty is to look after criminal cases of the railway instituted at Gorakhpur and to assist the Senior Law Officer.

Where necessary, Counsel's opinion or opinion of solicitors of high standing in Calcutta is taken by direct application to the authorities whose opinion it is desired to consult.

*East Indian Railway.*—Matters requiring legal advice, which arise in the day-to-day administration of the railway and the number of which is considerable, are referred by the various departments situated at Calcutta and by the Divisional Superintendents direct to the railway vakil who is a wholtime law officer with his office at Calcutta and his advice in such matters is generally acted upon.

Matters of special importance involving important principles of intricate questions of law or heavy liability are, after consultation with the railway vakil, referred to the railway Solicitors for their opinion or for opinions of eminent Counsels, if necessary.

*Rohilkhund and Kumaon Railway.*—The railway retains a vakil at Bareilly as its Law Officer by payment of Rs. 40 per mensem. This retaining fee is inclusive of charges for opinions, drafting of deeds, etc., in fact everything save and except actual appearance in Courts outside Bareilly. Where necessary Counsel's opinion or the opinion of Solicitors of high standing in Calcutta is taken by direct application to the authorities whose opinion it is desired to consult.

*Madras and Southern Mahratta Railway.*—All important legal work is conducted by the Company's Solicitors, Messrs. King and Partridge. The fees depend on the importance of the case concerned.

*Great Indian Peninsula Railway.*—Generally when this railway requires legal advice on any matter, a reference is made to their Solicitors, Messrs. Little and Co., Bombay. When the matter is considered by the Solicitors to be of sufficient importance to justify the obtaining of Counsel's opinion, it is generally obtained from the Advocate General, Bombay.

In minor cases local pleaders are engaged.

2. The replies from railway administrations also indicate that important contracts are entered into only after their legal advisers are consulted and have approved of the draft.

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## APPENDIX XVIII.

**Note by the Railway Board explaining the reasons for the excess of Rs. 10 lakhs over the sanctioned estimate for the development of Jarangdih colliery.**

The excess is mainly due to the fact that an unexpected charge of about Rs. 11½ lakhs representing the difference between the market value and actual cost of production of coal during the development period 1926-27 to 1933-34 was debited to this project in 1933-34. It was first intended that the coal raised during the development period would be issued at actual cost of production, but it was subsequently decided that the correct method to follow was to charge the railways to which the coal was issued only at market rates and leave the difference to be borne by the capital account of the colliery.

The reason for this decision was that during the period of development of a colliery, most of the coal extracted was more or less of the nature of a by-product as it was an incidental result of the necessity of making passages in the colliery to develop it. If the coal thus obtained had been sold to the public, it would have been sold at market price, and the receipts thereof taken as a credit to the capital account, and the total cost of development charged to capital. It will thus be seen that the excess does not represent any additional works carried out without sanction of competent authority.

### APPENDIX XIX.

#### Further memorandum by the Railway Board on the financial results of the electrification of the South Indian Railway in Madras.

The Railway Board deeply regret that through an oversight there was a serious mistake in their report to the Public Accounts Committee on the financial results of the electrification of the South Indian Railway in Madras, and they feel they owe an apology to the Committee for the inaccurate information which was supplied to them.

2. In showing the outlay on the electrification to the end of 1934-35 as 74.33 lakhs, the South Indian Railway had already deducted the cost of automatic signalling and quarters required for operating staff, which amounted to 12.58 lakhs. Without this deduction the total cost would have come to 86.91 lakhs, including 15.45 lakhs of expenditure incurred after the scheme was completed, *viz.*—

on electrical locomotives for goods service in 1932-33 ..	5.06
additional electric passenger coaches with trailers ..	10.15
and other works in 1933-34	
additional works carried out in 1934-35 .. ..	.24

The total gross cost was thus nearly 87 instead of 74 lakhs.

3. In the report originally furnished to the Committee, a deduction of 15 lakhs was made on account of that part of the cost which was originally considered to be part of the improvement scheme, and which was finally debited to the electrification scheme. This amount was made up of the 12½ lakhs referred to above, and of 2½ lakhs on account of electric lighting at stations. In making this deduction, however, the gross cost should have been taken as 87 lakhs and not as 74 lakhs. The reduced outlay would thus be 72 lakhs and not 59 lakhs as originally reported. This figure differs little from the figure of 74 lakhs taken in the statement as the gross outlay and the return can be taken to be as shown in paragraph 2 and not as shown in paragraph 4 of the memorandum.

4. In addition to the reasons for the excess in cost given in paragraph 5 of the report should be added the last two of the works referred to in paragraph 2 above which were constructed after 1932-33 and cost nearly 10½ lakhs. Neither these nor the goods locos bought in 1932-33 costing 5 lakhs were included in the original estimate.

**Dr. Ziauddin Ahmad** : On a point of order, Sir. Will the Report of the Public Accounts Committee be ever discussed in this House ?

**Mr. S. Satyamurti** : May I know, Sir, when the House will be informed of your ruling on my adjournment motion ?

**Mr. President** (The Honourable Sir Abdur Rahim) : I will give it later.

### THE INDIAN COMPANIES (AMENDMENT) BILL—*contd.*

**Mr. President** (The Honourable Sir Abdur Rahim) : The House will now resume consideration of the Bill further to amend the Indian Companies Act, 1913, for certain purposes, as reported by the Select Committee.

**Mr. N. M. Joshi** (Nominated Non-Official) : Sir, when we adjourned last afternoon, two speeches were made in opposition to the amendments put forward on behalf of the Congress Party. I congratulate both the speakers on their speeches. I congratulate my Honourable friend, Mr. N. C. Chunder, upon giving us the rare pleasure of hearing his sonorous voice in this House. Unfortunately, Mr. President, I cannot congratulate him upon the view which he has taken of this amendment. Nor can I congratulate an eminent lawyer like him upon the arguments which he used in support of his view. Let me also offer my congratulations to the Honourable the Whip of the Government side. His speech was very eloquent, and I wish the Leader of the House would give him larger opportunities of taking part in the debates of this House. Let me also congratulate him upon the great learning which he exhibited yesterday in his speech. When I was hearing him, I felt I was in a college class. (Laughter.) Unfortunately, Mr. President, being very weak in mathematics, I could not follow the posers which he placed before this House.

**The Honourable Sir Nripendra Sircar** (Law Member) : You do not want mathematics for labour, do you ?

**Mr. N. M. Joshi** : Sir, the speeches of these two gentlemen were full of fallacies and contradictions. In the first place, my Honourable friend the Chief Whip of the Government Party said that this method of proportional representation is not an infallible one and that if we adopt this method, we may not be able to secure our object except when the shareholders are a body of intelligent men and when they are organized. I am prepared to admit that a large number of shareholders are not organized. I am not prepared to say that they are not intelligent, and it is because they are not organized that several of the clauses in this Bill are introduced to protect their interests. At the same time, I am sure, no mathematician will be able to prove that the method of proportional representation will give them less opportunities of securing representation on the directorate than the method which is being followed under the present company law. The Honourable the Chief Whip of the Government Party has not yet shown that by following the proportional method shareholders will lose in the matter of representation. I have absolutely no doubt in my mind that although the shareholders may be unintelligent, ignorant and unorganized, there will be many occasions on which they will be able to

[Mr. N. M. Joshi.]

secure proper representation on the directorate if they follow the proportional method of election. Mr. President, the main argument both of my Honourable friend, Mr. Nirmal Chunder Chunder, and the Honourable the Chief Whip of the Government Party was this that this principle of democracy may be very good—not that they consider it to be very good—no, Sir—but, for argument's sake they are prepared to concede that the principle of democracy is a good one in politics but not so good, not at all good in business. Mr. President, I am one of those people who feel that democracy is good not merely in politics, it is a principle of life. (Hear, hear.) It is a principle which we must observe in all human affairs. Unfortunately, Sir, there are men who do not believe in this principle of democracy.....

**The Honourable Sir Nripendra Sircar** : I believe in “ one man, one share in a company ”.

**Mr. N. M. Joshi** : .... and those who do not believe in the principle of democracy are not willing to say that. Therefore, they say that the principle of democracy may be good in politics. May I ask my friend, the Chief Whip of the Government Party, whether he approves of the principle of democracy even in politics ?

**Mr. P. J. Griffiths** (Bengal : Nominated Official) : On a point of information, Sir, I may say as a Government official, I have no views.

**Mr. N. M. Joshi** : I am glad my Honourable friend admits that he cannot express his honest views on politics. (Hear, hear.) Therefore, it is not right for him to say that the principle of democracy may be good in politics—I am not quite sure whether he considers democracy as a good principle even in politics—I have heard many of his countrymen saying that the principle of democracy is a good one for the Western countries of Europe but they are not sure that it is so for Eastern countries. Mr. President, we feel and we feel with conviction that the principle of democracy is a sound principle for all human affairs and therefore we shall try to apply that principle to all human affairs. Mr. President, it has been said that the executive of any organization must be a harmonious body. If you introduce minority representation in the executive, there will be factions, and secrets will go out. Well, Sir, I remember some years ago having heard that argument when the first Indian was appointed a Member of an Executive Council. The British people not only in India but even in England said—“ you may appoint these Indians in the Legislatures if you like but you cannot take them on the Executive Council. Secret affairs are to be discussed : the Cabinet must be unanimous ”. May I ask whether the Cabinet is not unanimous today when there are three Indian Members of the Executive Council ?

**Mr. M. A. Jinnah** (Bombay City : Muhammadan Urban) : They are all unanimous. (Laughter.)

**Mr. N. M. Joshi** : May I ask if the affairs of the Government of India are not going on as they were going on when all the Members of the Executive Council were Europeans ?

**Mr. S. Satyamurti** (Madras City : Non-Muhammadan Urban) : Not one of them is here to answer you.

**Mr. N. M. Joshi :** If, therefore, the argument that the presence of Indians on the Indian Council would ruin the interests of India and Great Britain is not quite true, let me assure this House that the prophecy that the affairs of the company will be ruined, and harm will be done to the company, to the shareholders and to all interests if the minority of shareholders get some representation on the directorate, will prove equally false.

**Sir H. P. Mody** (Bombay Millowners' Association : Indian Commerce) : Are the Members of Government elected on the principle of proportional representation ?

**Mr. N. M. Joshi :** I can understand the argument that the executive should be a harmonious body. Unfortunately we are providing for a commercial organization where the only legislative and deliberative body is the directorate. The unorganized shareholders that are scattered over the whole country in hundreds of towns and even in villages can never become a deliberative or legislative body: the only legislative body in our commercial organization is the directorate. Therefore, it will be wrong to deny representation to the minority of shareholders on the directorate. We are not suggesting that the managing agents should consist of a body representing all shareholders. The managing agents are the executive and the directorate is not the executive. If you want a harmonious body to work the administration, you have got the managing agents, but it will be wrong to prevent the minority of the shareholders from getting even detailed knowledge of the affairs of that organization. After all, the minority of shareholders cannot hope to control a commercial organization. What they can hope for is to secure some voice, to secure some knowledge of the administration of that commercial body.

**Sir H. P. Mody :** What do you do in Trade Unions ?

**Mr. N. M. Joshi :** We give representation to all sections in Trade Unions.

**An Honourable Member :** Even proportional representation ?

**Mr. N. M. Joshi :** We shall give it if people demand it. If the question comes up of giving representation, I am not one to refuse it ; when the question comes up, we shall do it. The question has come up today of giving a proportional representation to the shareholders. It is therefore wrong to deny representation to the minority of shareholders on the ground that the working will not be harmonised. Sir, the greatest argument used by my Honourable friend, Mr. Nirmal Chunder Chunder, and the Honourable the Chief Whip of the Government Party was that the interests of all shareholders are one. Well, Sir, may I ask one question? If the interests of the shareholders are one, why should the majority be afraid of giving some representation to the minority ? The interests of the majority and the minority are the same. Whether the minority is represented or the majority is represented, the affairs of that company will be conducted on very sound lines. I, therefore, feel that those people who talk of the interests being the same are not sincere in their statements. It is said, Sir, that if you allow a minority to get representation on the directorate, the secrets will leak out. But why should the secret leak out if it is in the interests of the minority to maintain those secrets. I feel that it is wrong to say that there are no differences among the shareholders.

[Mr. N. M. Joshi.]

As a matter of fact, there are differences among the shareholders just as there are differences in all classes of people. There are shareholders who want their dividends very quickly and there are shareholders who want a stable income. Now, those people who want their dividends quickly, they will conduct the administration of that company on one particular line and by one particular method. Those who want stable income, they will conduct the affairs of a company on a different line. Those who want larger dividends, they will not take care of their machinery properly. Those who want stable income, they will take care of the machinery much better. There may be some people who may want their dividends by exploiting their labour. There may be some people who will be content with smaller dividends but not exploit their labour. There are some people among the shareholders, say, of a mining company who are also interested in an iron and steel company. The interests of those people who are shareholders in a mining company but who have a predominant interest in an iron and steel company and of these who have interest in iron manufacture will not be the same. I, therefore, feel that there are differences among the shareholders and it is much better to recognise these differences and give representation to the minority interests. Sir, much is made of the rivals of the companies getting hold of some shares and securing representation on the directorate. In the first place, this Bill itself is providing that, if the managing agents or the managing directors or the directors do not want some shares to be transferred to their rivals, they can prevent the transfer. That power has been given. And, after all, how many shares can these rivals take? They may take one or two shares; they are not going to take 49 per cent. of the shares of your company. If they had so much capital, they would rather start their own business instead of taking the shares of another company. Moreover, I do not understand how there can be so many secrets in the administration of a commercial concern. We have heard of secrets being maintained and protected in the foreign office and such matters. I had never heard before that the affairs of a commercial concern are conducted on secret lines. I feel, Mr. President, that there cannot be many secrets and it is wrong to believe that there are secrets. Moreover, you have got the power to prevent your rivals getting hold of the shares. But the denial of representation to a minority is intended only for one purpose, namely, the minority of these shareholders should not have any voice, should not have any knowledge of the administration of the company. If you, Sir, know, as I sometimes have known, the uses to which the majority of the directors and shareholders of a company have used their power, you will know that in a large number of cases those who hold the 51 per cent. of the shares swallow the 49 per cent. of the shares. That is one of the dangers of the present method of representation of the shareholders and this Legislature must do everything in its power to see that the 51 per cent. of the shareholders will not be able to swallow the 49 per cent. It is the easiest way of making money but we should not allow that being done. Then, Sir, there is another danger of the minority being prevented from representation on the directorate and that danger is this. There are, as I said, some people who invest their money as honest investors and there are some people who are speculators, people who are supposed to belong to what is called high finance. The object of the people belonging to this class of high financiers is to keep control of these com-

mercial organisations in order that they should be able to make profit by speculation. Moreover, they have got another object and that object is this that by securing 51 per cent. shares in several concerns they concentrate the control of the commercial life of the country in a few hands. Instead of putting 100 per cent. capital in one concern they put 51 per cent. capital in several concerns and secure the benefit of having put in 100 per cent. capital in all these concerns. So, if we refuse representation to the minority of shareholders, to the honest investors, there is a danger of the commercial life of this country being under the control of a few people who possess large amount of wealth. That danger has come over several countries in Europe. It has not yet come over India to such an extent. But if we allow these people to control all the commercial organisations by giving them 51 per cent. representation not only among the shareholders but on the directorate, our life will be in danger in the same way in which the European commercial life is in danger. I, therefore, feel that the Legislature should pass this amendment.

**Mr. F. E. James** (Madras : European) : Sir, I must congratulate my Honourable friend, Mr. Joshi, for his honest trust in competitive companies. He is so apparently and transparently honest himself that he does not appear to see any wrong in them at all ! But I do not want to cover the same academic ground that has been covered by Members speaking on this question. I should like to put forward the plain and practical difficulties in the way of the adoption of this particular proposal. I would, in the first place, observe that it is a system that, as far as I am aware, is not generally known anywhere in company management. I should like also to observe that as far as I know this demand has not come from the democracy whose name has been invoked by my Honourable friend, Mr. Satyamurti. I do not know what particular organisations have put up this request. Naturally, when I saw this on the particular order paper I turned to the Bible according to the Bombay Shareholders Association to find out whether they advocated this and I find that they do not advocate this method.

**Mr. S. Satyamurti** : That should be an argument for it !

**Mr. F. E. James** : When it comes, I am sure my Honourable friend, Mr. Satyamurti, will have a perfectly good reply, but I would remind him that sometimes democracy does go to people's heads. Perhaps this is an allusion to that. Further, the adoption of this method would interfere with all existing arrangements in regard to election and incidentally --and perhaps this is the real motive behind this--it would effectively destroy the managing agency system. Perhaps that is why my Honourable friend, Mr. Joshi, is so anxious to support this proposal, as could be gathered from his remarks this morning. The actual effect on a company of the adoption of this proposal would be very unfortunate. Wherever a company was running into difficult times, it would make it possible for a minority of disgruntled or dis-satisfied or alarmed shareholders to elect a leading agitator to the Board who would not only harass the management of the company, but would probably be able to delay and disorganize the work of the directorate altogether. In a Board, for example, with five directors or five members, there will be five directors on this system each representing approximately one-fifth of the shareholders. A Board, meeting under this system, may easily develop and I think would probably

[Mr. F. E. James.]

develop into a constant struggle within itself for power. On the other hand in general meetings the will of the majority would prevail and constant reference to shareholders might be necessary, adding a great deal to the cost and the difficulty of company management. The adoption of this system would make it impossible for special arrangements to be made for the coupling of finance and representation on the Board or for arrangements whereby a specialist might be elected to the Board. To that extent it would destroy that flexibility which we, on these Benches, believe to be essential in regard to efficient company management. Then, again the adoption of this proposal would make it almost impossible for amalgamations and reorganizations and mergers to take place, where companies are to come together and where part of the conditions are connected with the representation of one company on the Board of another and *vice versa*. Further this system would lead also to periodic changes of representation when continuity of policy and utilisation of experience would be thrown to the winds just at a time when they were most necessary. Prior to elections, the directors would be engaged in canvassing votes instead of attending to the business of the company. In elections under this system, one knows from experience in other directions, there would be all sorts of campaigns started in order that certain minority directors might achieve election. My Honourable friend behind me referred to the Reserve Bank elections. I would first of all point out that the system which applies to the Reserve Bank applies to elections to electoral colleges and not to elections to the Board of Directors. That is an entirely different thing. Also I would remind my Honourable friend of the most unfortunate scenes which took place not very long ago in Calcutta in connection with election on this basis to the Reserve Bank electoral college. That surely is not the kind of thing we want to encourage in regard to elections for directors of companies. My Honourable friend, Mr. Joshi, referred to the possible division between those who wanted quick dividends and those who wanted stability in the financial management of the company. Exactly. This method of election would make it possible for a person who was only interested in getting quick dividends for himself to engineer an election to such an extent that those people who believed in that as against sound and conservative management would get considerable influence upon the Board of Directors, —the very thing we do not want to give an opportunity for. I am glad my Honourable friend, Mr. Joshi, has given me that particular illustration. These are the main reasons why we hold that this method of election would retard the development of joint stock enterprise under reputable management. My Honourable friend has constantly applied the political parallel to company management, but Mr. N. C. Chunder's main argument has still not been seriously assailed in any part of this House. There is no essential comparison between politics and company management. The essence of politics is compromise; but the essence of company management is efficiency, speed and decision. Once the element of compromise, which is necessary in political life, is introduced to company management, then we apprehend that the difficulties will be so great that industrial development on all hands will be retarded in this country. (Applause.)

**Mr. M. Asaf Ali** (Delhi : General) : Sir, ever since the unlocking of the flood-gates of oratory on this somewhat technical question, I have

scrupulously abstained from intervening in the debate for a variety of reasons, the first of which being the immediate fact that I think it is only fit and proper that only those who have had the advantage of participating in the Select Committee should really take a prominent part in the discussion in the House and try to settle the few points which may or may not have been settled in the Select Committee.

**Mr. N. M. Joshi :** Many of us would have liked to be on the Select Committee.

**Mr. M. Asaf Ali :** But there are occasions when even those, who would not like to tread where experts and pseudo-experts have been vying with one another to rush in, and who want to keep silent, may say a word. Yesterday, before the House rose, the Chief Whip of the Government treated us to a political dissertation or perhaps it was just an academical or a mathematical dissertation—it was a disquisition right enough—and in his zeal to try to teach us a lesson in principles and methods of representation he indulged in a lot of facts and figures in which he himself was a little lost and he also left us in a maze. However, the point at issue is a very simple one. The proposition which my Honourable friend, Mr. Satyamurti, and also the Deputy Leader of our Party put forward yesterday only relates to the simple question of adopting some method of electing directors. One part of the House holds one view and we on the other side hold a different view. Before we come to the actual decision as to which of these two methods or which of these various methods which have been placed before the House should be adopted, I think the best course would be to define the objective very clearly. I take it that in so far as the question of managing a company is concerned there is no question of politics. I agree entirely and absolutely with those who say that politics should not be imported into business affairs. I entirely agree with Mr. James also that political parallels will not do so far as business affairs are concerned. I shall eliminate politics altogether and I assure you that in so far as my Party is concerned, there is no political motive behind the proposals which have been put forward. It is a simple, straightforward, and honest proposition which has been put before the House to be adopted, for the simple reason that we want to secure the representation of all interests which may go to the making of a business concern. Nothing more and nothing less; and we would not like the majority of interests which may go to the making of a business concern to submerge, or swamp or wipe out, if possible, the interests of the minority. That is all that we are concerned with. Perhaps at this stage I might be allowed to say just a word about the rule of the majority. I refuse to submit to the rule of the majority if the majority happens to be a majority of thieves and dishonest men; if that majority happens to be a majority of frauds and cheats, I refuse to submit to it. Moreover, when people talk of the rule of the majority I should like them to remember that a majority has its rights and its responsibilities. If a majority is not aware of its responsibilities and if it does not carry out its responsibilities honestly and with the utmost of integrity, then I refuse to submit to it. I would rather that a minority of honest men had the dominating voice in matters which require honesty, and the management of companies will be nothing if it is not based on honesty. Sir, my learned friend, the Chief Whip of Government, told us yesterday.....

**The Honourable Sir Nripendra Sircar :** He is not a learned friend.

**Mr. M. Asaf Ali :** Accepting that correction, I will call him the unlearned Chief Whip. (Laughter.) The Leader of the House has given me a tip and I must accept it. The Chief Whip of Government speaking yesterday said that in so far as companies are concerned, let us not forget that there can be no conflict of interests among the shareholders ; there must be an identity of interests among the shareholders. I once again refuse to accept that proposition. There must be an identity of interests to a certain extent and a conflict of interests in many matters. Now, let me try to visualise the situation here. We take for granted that there is a company which has issued a thousand shares. The majority of these shares, as Mr. Joshi said, we will say 51 per cent., will be held by just a few gentlemen,—probably two or three. These two or three gentlemen will hold 51 per cent. of the thousand shares of the company and the remainder will go to various persons in different parts of the country who may never be able to meet together to be able to decide who the director may be. It is quite possible, because they are putting all their trust in these few men. What really does happen is this. These 51 per cent. shares are owned and held either by the nominees of the managing agents or they are held by those who can spare a lot of money. But their 51 per cent. money will not be able to run the entire show. Therefore, they go to the public and say that they want to issue shares to them, and 49 per cent. is raised by selling shares to these sundry people. I have also noticed,—and I am speaking from personal experience in this case,—that some big companies have lately started issuing a few shares to their workers also. In fact, there is in Delhi a very big concern which has issued a number of shares to its workers so as to be able to say that they are following Fordism so that workers may also have their voice in the management of the company to a certain extent. Now, I ask you, is it possible for those who represent the interest of the workers and those who represent the interest of the small shareholders to have identical interests with those who hold the majority of the shares ? It is utterly impossible. There is a regular conflict of interests between them. Our purpose is merely to see that all these different interests are properly adjusted.

Now, Sir, in so far as the question of smooth running of the management is concerned, it is perfectly obvious that those who hold the majority of shares may be two or three persons or they may be more as against perhaps a thousand. Those who hold the majority of shares, considering the fact that each share will carry one vote, will naturally manage the whole show. Supposing there are five directors to be elected, 51 per cent. will naturally elect the majority of the directors ; only a minority of directors will be elected by the minority, in which case the management of the company will certainly not suffer ; only a minority of the directors who will represent the interests of the minority will be able to watch the interests of the minority. They will be able to tell the minority of shareholders how the management is being carried out. That is all that we want to secure and nothing more. Sir, a certain amount of contempt has been poured over this proposal of introducing the method of proportional representation into the election of directors. I have always heard that familiarity breeds contempt, but unfortunately in this

particular instance it is want of familiarity which has bred contempt, as was admitted by Mr. James. Mr. James said that the system of proportional representation is little known in the country and it is certainly little known in the management of companies. That is the reason why they seem to be unfamiliar with the method and that is why they are either afraid of it or they treat it with contempt. If only they knew the real implications of it, if they realised that the management of the company would not suffer by introducing the method of proportional representation, they would welcome it, for the simple reason that it would then satisfy not merely those who hold the majority of shares but it would also satisfy those who hold a minority of shares. I do not think I need say much more except by way of a word of reply to what Mr. James said towards the end of his speech. He said something about the difficulties which might be experienced in case proportional representation was introduced into the election of directors. Of all the difficulties which he put before this House, I took note of only three which appeared to me to be worth taking note of. To begin with, he said that if this method were introduced it would be extremely difficult to elect specialists on the board of directors. I fail entirely and absolutely to see how this difficulty can ever possibly arise if the holders of the 51 per cent. of the shares make up their minds to put their faith and trust in specialists and elect them as their representatives or they might be able to persuade the minority to elect specialists. But even if they cannot persuade the minority, I do not see why they themselves cannot make up their minds to allot at least one out of the number of seats which they are bound to control in the directorate, to a specialist or more than one specialist. So, that difficulty to my mind is purely illusory. There is no force in that argument.

The other difficulty which he put forth was that if this method were followed the company management would find it difficult to embark upon schemes of reorganisation and amalgamation, etc., etc. That again to my mind seems to be a perfect bogey, because as I have stated before, it is those who will represent the majority of shares—do not let us talk of shareholders, and of democracy and all that—democracy does not enter into this business at all : it is merely a question of majority or minority of money—so many money bags on the one side and on the other so many money bags held by two or three persons and so many held by a thousand....

**Mr. N. M. Joshi :** Honest men !

**Mr. M. Asaf Ali :** ... honest men and thieves or other persons whom the people fear might be thieves and defraud them : however that might be, the point remains that those who hold the majority of votes will always carry the day and therefore I do not see where the difficulty of reorganisation and amalgamation comes in. This fear again is purely illusory.

The last one was a difficulty which really deserved a certain amount of consideration and that difficulty I believe is one which is experienced everywhere, whether it be in political circles or in business circles or in social circles. Wherever there are human beings that difficulty is bound to be experienced and it is up to those who claim to be skilled enough and wise enough to be able to manage human affairs to try to get over

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this difficulty. The difficulty which he mentioned was that as soon as you allow a minority to elect its own directors, there will be intrigues, there will be a campaign to secure votes for minority directors. Supposing there is some such difficulty, supposing some such intrigues are going on : what about those who are still in a position to dominate the minority ? They will still be able to get over this difficulty. Therefore to my mind even this difficulty is not of any very great value.

Having said all this, I do not think I need occupy the time of the House any more. All that I need say in conclusion is that before the House makes up its mind to cast its vote one way or the other, I would request Members kindly to consider the method of proportional representation not as a bogey, not as a hindrance but as a factor which is likely to—and which will probably—end many of the difficulties which company managements have been experiencing for some time and which they are bound to experience in future as people begin to be a little more conscious of their own rights.

**Mr. Akhil Chandra Datta** (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : Mr. President, ordinarily—almost invariably—I worship at the same temple as my friends here on this side. But it is my painful duty on this amendment to have to differ from them. Sir, I do not propose to discuss the principle of democracy, the principle of life or for the matter of that the principle of death. I wish to be very brief and shall offer only a few remarks from the point of view of the practical business man. As was pointed out by the Honourable Mr. James, the system of proportional representation, which is sought to be introduced in the company management by this amendment, is a system which is quite new, a system with which our people are absolutely unfamiliar. We have got to make one uniform rule for all companies, big and small. It is a highly technical and complicated system, a scientific system. Not only big companies in big towns, managed by highly educated people, will be governed by this rule, but also the small companies in the remote mofussil, managed by people who are not very highly educated, will also be governed by this rule. This system of representation is quite unknown to them, and I for one do not know whether they will be able to work it out or not. That is my first objection.

My second objection is that which has been urged by other speakers, that cohesion and not friction should be the motto of a board of directors : they must act as one solid team ; otherwise harmonious working will become impossible. What is the meaning of this majority and minority ? What is the implication of that supposition ? It proceeds on the footing that there are two sets of opinions, two parties. That may be due to honest difference of opinion, or more frequently it may be due to party faction amongst the shareholders. In this cursed country of ours, we know by bitter experience that in almost every town in every place, and in every company, there is party faction. What will be the result of this representation of the minority ? The result will be that in the board there will be a spirit of mistrust, suspicion, bickerings and bitterness ; and I appeal to my Honourable friends to consider this, as to whether it is possible to transact business in an atmosphere like that, an atmosphere of irritation and rancour and all that. We want the coolest and most dispassionate consideration in coming to right decisions on business propositions,

and that will become impossible if there are party factions or if there are two fighting groups in the Board of Directors. Another result will be this, there will be a natural tendency for the minority to attack the majority group of Directors, the minority would always be dissatisfied,—there will be the natural tendency, unconsciously if not deliberately, to disparage the majority group, and the result will be that the whole company will be discredited and the reputation of the concern will be considerably damaged. I am afraid, Sir, that contagion will spread over even to the executive staff of the company and to the employees. Therefore, I think from the point of view of a practical business man, this system of proportional representation, however democratic it may be, however desirable it may otherwise be in other spheres, will not work well in so far as the company management is concerned. Sir, I oppose.

**Mr. Muhammad Nauman** (Patna and Chota Nagpur *cum* Orissa : Muhammadan) : Sir, I had no desire to take part in this debate at this stage, but as my friends, Mr. N. C. Chunder and Mr. Griffiths, have introduced the subject with a sense of “communal philosophy”, of politics I may explain that Mr. Griffith’s effort to explain his view point by the help of mathematics did not prove convincing and I do say that it will not be possible for the minority holding a less number of shares to destroy the company as suggested by opposers of the amendment. I feel it my duty to impress upon the House that we are not concerned with the question of democracy on which so much emphasis has been laid, but with the question of vested interests. A certain class of shareholders, may they be in comparative minority, naturally have vested interests, and they do have every right to look into the management and be represented on the Board if and when they hold a sufficient number of shares. If I have contributed reasonably a large amount of capital in the shares of a company, I must be given a chance to have my “say” there. Of course, Mr. James tried to explain certain difficulties in the way of practice of such a method. Such difficulties are bound to exist in the beginning, but if the companies have once been used to those things, by practice those difficulties will disappear. Mr. James could not adduce any arguments to prove that it would be impossible or is against the interest of a company. The only thing he said was that there were some practical difficulties in the way. Sir, we have seen that in the election of Local Boards of the Reserve Bank, this system has been approved, and the Directors of the Local Boards of the Reserve Bank are elected on the system of the single transferable vote. I, therefore, cannot understand why this system cannot work in other joint stock companies if it has worked so successfully in the elections of Directors to the Local Boards of the Reserve Bank. Every shareholder, Sir, has naturally some interest in the concern, and by the system of single transferable vote, he will have a chance to get into the Board and take practical interest. It cannot be expected that an undesirable person would be able to get in, because the first question to be considered is that of holding a sufficient number of shares to qualify that person for the Board ; again, they should have reasonable vested interests, to the extent that same would qualify them to get elected to the Board. Therefore, it is not at all possible for undesirable persons to get into the Board unless the so-called undesirable persons have a sufficient stake in the company, and if they have such a stake, I cannot imagine why they should be refused to take an active part in the management or to get into the Board.

**Pandit Krishna Kanta Malaviya** (Benares and Gorakhpur Divisions : Non-Muhammadan Rural) : If they have a big stake in the company, they will be in a majority.

**Mr. Muhammad Nauman** : It is not necessary, that a particular set of individuals should have a big stake and not one man. Supposing five directors are required in a company which has 1,500 shareholders. Naturally, if a person or group controls 25 per cent. of the shares, he or this group will be able to get into the Board with only 300 shares, whereas, in the present case, even if a group or a man has 45 per cent. of the shares, he or this group has no chance of getting into the Board. With these words, I support the amendment, and I hope the House will seriously consider the position of shareholders.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

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The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. Deputy President (Mr. Akhil Chandra Datta) in the Chair.

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**Rai Bahadur Seth Bhagchand Soni** (Ajmer-Merwara : General) : I oppose the amendments. The proposed amendments introduce a new principle for election of directors, known as proportional representation by the system of the single transferable vote. Sir, I have very strong objection to these amendments. In ordinary trading and manufacturing companies this principle cannot be of any benefit to the shareholders. It involves a complicated and a difficult process which very few shareholders can understand. We do not see groups or classes in companies which can be called minorities whose representation on the board is required for any purpose. In a public utility company the conditions are different and in them several groups and parties may have different interests and views and their representation could be sought under this system. There are other practical difficulties as well in the case of large companies where the number of shareholders is very large and different shareholders have got different powers of voting. Sir, the directors who could be elected to the board require minimum qualifications and the choice of the shareholders is always restricted to the few persons who have got qualification shares. In some of the companies it may be difficult to get shares in the market and any person who gets elected by such representation and is not approved by other directors may find it difficult to acquire such qualification shares even.

Sir, in joint stock companies, the sole management and supervision of the business lies in the hands of the directors. The sole desire of the shareholders is, as has been said by my Honourable friend, Mr. Griffiths, to have steady and regular dividends, appreciation in the value of their holdings and efficient and profitable working of the company. If these objects are served the shareholders have nothing else to desire.

I do not understand what is meant by minorities in the case of manufacturing or trading companies. This system may be suitable for election of members for Councils or Assemblies where a representation of the minorities is to be safeguarded. Where the political considerations and conditions demand, such a system can be commended. Sir, it is entirely out of place to make such a provision for all types of companies and businesses.

I have great doubts if ordinary shareholders would be able even to understand the principles of such elections, and election by such a method will only add to the confusion and troubles of the electors. The system may only do harm rather than do any good and is entirely not in the interests of the efficient working and successful management of the companies.

With these words, Sir, I oppose the amendments.

**Dr. Ziauddin Ahmad** (United Provinces Southern Divisions : Muhammadan Rural) : Sir, I have very great sympathy with the objects which the Honourable the Movers of these amendments have in view. They want to protect the interests of the small investors, call them a community or what you will, but by whatever name you call them, there is no doubt that if you want the companies in this country to flourish we must create confidence among the small investors, without which the future of these companies will be in the dark. That is really the first object which my Honourable friends have in view. The second object which they have is that the entire affairs of the company should not be left in the hands of a single individual or perhaps one or two individuals. If one person has acquired 51 per cent. shares and he nominates all the directors, it really means that that person represents the company himself. If that is the point of view, then why not have only one clause in the whole Bill, that is, repeal the Indian Companies Act of 1913 and entrust everything into the hands of a single individual ? These are the two objects which my Honourable friends have in view, and I think every one of us must sympathise with these two objects. But the question is whether these two objects can be achieved by the proposals which are now before us. I have given very careful consideration to this question and thought over every possible method of election by means of which these two objects can be achieved. My Honourable friend, Mr. Soni, has pointed out that the shareholders do not take much interest in the company. I think he is perfectly right. So long as the shareholder gets his dividend regularly, he does not worry about anything else. He does not even read the papers sent to him, but if the things are not all right with the company, if the company has ultimately to go to liquidation, then it is but fair to the shareholder that he must know the state of things in time so that he may take whatever action he deems fit. I agree in principle with the arguments advanced by my Honourable friend, Mr. Joshi, but I do not agree with him in one detail, namely, when he said that democracy should be extended to all human affairs. I am not telling you a story, but reciting to you a mere fact. We had a professor in a college, I won't mention the name of the college or the name of the professor, who decided all questions of grammar by the show of hands of his pupils. If there was any doubt whether a particular word was masculine or feminine, he would take the votes of the class and then decide the question. (Laughter) After all, in human affairs there is a stage beyond which democracy cannot go.

Now, the question is, how can we achieve the two objects which I have just described ? By single transferable vote ? I have spent a good deal of time, and I am not afraid of giving mathematical figures, but if I do not give mathematical tables, it is the fault of the Secretary, because he has not provided a black board in this Hall. (Laughter.) If we give one man one vote, it would be exceedingly hard and unfair, because one person may have 1,000 shares and another may have only one share, and surely the interest of the man with 1,000 shares is one thousand times

[Dr. Ziauddin Ahmad.]

greater than the interest of the man who has only one share. So that we cannot have one man one vote, but we can at least have one share one vote. After considering all possible methods, plurality of votes, single transferable vote, and every other possible manner, the conclusion at which I have arrived is that instead of one man giving all the votes to all the directors, one share should be given only one vote and not as many votes as the number of persons whom you are required to elect. If you do that, you can partially achieve the object. If a man has 500 shares he must have 500 votes. But he should vote for only one person or should divide his 500 votes among more than one person, so that he should not give 500 votes to each Director. By this method you cannot achieve all your objects in full. You can only partially achieve it in this way. A person who has got 51 per cent. will no longer have all the directors according to his liking. Another man who has got 25 per cent. will come in the field and he will also have one or two directors according to his liking but even then the interests of the smaller shareholders will not be represented in this manner.

The second point which I want to raise is how to safeguard the interests of the small investors. This is very important and the only way that I can think of is to enact that about one-fifth of the directors should be elected only by those persons who have got less than a certain number of shares. Unless this thing is regulated by law, I think it is not possible to manipulate this result by means of any system of election. Therefore, though I entirely sympathise with the objects of the Movers of these amendments that you must safeguard the interests of the small investors, you cannot introduce the principle of democracy. These two objects are not fully achieved by the amendments which are now before us and I think we should devise some better method for achieving this object.

**Pandit Govind Ballabh Pant** (Rohilkund and Kumaon Divisions: Non-Muhammadian Rural) : At the time I moved my amendment, I sought the permission of the Chair and was allowed to reserve my remarks. I should have very much liked to speak after the Honourable the Law Member but I feel that the debate has already taken some time and there are also certain points which I would like to place before him at this stage, as I believe that he has still an open mind on the question. When this proposition was made before this House, we did think that it was an innovation which would evoke a certain amount of criticism and even opposition but considering the importance of the subject I never apprehended that this matter would be dealt with in a spirit of flippancy and blatancy, mixed or unmixed with folly and intolerance. The question is of great importance and it behoves the House to consider it dispassionately. I do not propose to refer individually to the various speakers who have opposed this amendment but I cannot help offering my thanks to Mr. Griffiths. He very kindly extended an invitation to Mr. Satyamurti and myself to follow him to the lobby so that he might give us some lessons on the subject of proportional representation. For that I am really grateful to him : but what is still more desirable and what I consider appropriate is that I should congratulate him, for on Tuesday afternoon he consulted me and my friend, Mr. Paliwal, as to what proportional representation meant and also wanted to know the distinction between transferable and non-transferable single vote.

**Mr. P. J. Griffiths :** I did not ask Pandit Pant what proportional representation means—I asked him what particular system of proportionate representation he meant.

**Pandit Govind Ballabh Pant :** I thank Mr. Griffiths: Only he seemed to be perfectly satisfied when I explained the process and told me that the explanation that had been given to him by Mr. Paliwal had not made the position clear. Any way, it is in no way derogatory to him that he should have such wonderful capacity for mastering subjects overnight, and I congratulate him on the phenomenal growth resembling the Indian juggler's mango tree that he has shown. The question, as I said, deserves very dispassionate consideration and I regret that while many speakers have tried to rise to heights and to float in the region of clouds, few have so far cared to come to solid ground, to brass tacks. We have talked of democracy, of cabinets, of the Government of India and of other dignified things but very little about company management, about the institution of the Board of Directors, about the methods of management that are in vogue, whether they are efficient or inefficient and whether any reform is needed in that direction or not. These seem to me to be questions which are directly relevant and deserve consideration above everything else. So far as the academic question of proportional representation which is known as the P. R. is concerned, my friends must be acquainted with the names of Hare, Hill and others. If Mr. Griffiths still has some little use for any assistance, he could perhaps get it from Houston, the Secretary of the P. R. Society in London and forthwith from the Secretary of the Assembly who has got to deal with this question every time when there are elections to the Standing Finance Committee or to the Standing Committee on Accounts. In these cases the elections take place according to the regulations in the Manual regarding proportional representation and the process has been elucidated and elaborated there. So if anybody wants to know more about it he can refer to Mr. Rafi who is an expert in that matter and if he wants more information he can refer to some other books. We heard a lot about democracy here and also heard a lot about the executive bodies, about deliberative bodies and so many other things. Some gentleman asked how the Government of India would function if it were selected by that method but is not the Government of India virtually constituted in that manner? If the selection had been made by a majority on a straight vote would Sir Henry Craik, Sir James Grigg, my Honourable friend, the Law Member, and Sir Muhammad Zafrullah and Kunwar Sir Jagdish Prasad all have been returned simultaneously by a common electorate? I wish to impress it on the House that every Cabinet is in reality formed in accordance with the principle of proportional representation. It may not be so in form. The members of the Cabinet are never elected by the majority party. The leader of the party sees which are the distinct groups inside that particular party and he chooses the leaders of such groups as the members of his cabinet. That is nothing if not representation in accordance with the principle of proportional representation. My friends here have enunciated a reverse doctrine in fact, so far as democratic bodies are concerned, proportional representation is not desirable, and so far as executive bodies and administrative bodies are concerned, proportional representation is the best safeguard. That is the opinion even of the unrelenting critics of the system of proportional representation. I have before me a book by Horwell on proportional representation. He is an inveterate enemy of the system of proportional

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representation but even he states that so far as administrative and executive bodies are concerned, proportional representation is the best system by which we can secure the maximum standard of efficiency ; but, Sir, where we want the reflection of political opinions which differ fundamentally, there proportional representation is a misfit and out of tune. Assume the elections to this Assembly were held on the basis of proportional representation and we had been enjoying responsible Government. We might have a number of groups none in a majority and each with a different opinion of its own with the result that no Government would be stable. As Honourable Members are aware, most countries have today introduced the principle of proportional representation in their Governments and the Weimar constitution was based on that. But, the general opinion is that so far as democratic governments are concerned, proportional representation is not sound and wholesome, because then you cannot have a party system of government. Then we would have different groups, and no Government will be stable and in power for a fairly long time, but so far as administrative and executive bodies are concerned, proportional representation is the best method. Now I refer passingly to the way in which we form our Standing Finance Committee in this House. Does the Standing Finance Committee in any way suffer in efficiency because members are elected not by the majority in this House but they are elected by means of the single transferable vote ?

**Sir H. P. Mody :** How does he know ?

**Pandit Govind Ballabh Pant :** Well, my friend, Sir Homi Mody says, " how does he know ? " I can only tell him that formerly we had a system of proportional representation and it was found that it did not work well and, after experience, this method was substituted, which goes to prove that it had been found by those in a position to judge and to decide that the method of the direct vote was unsound and inappropriate and this one was better. That is what we do in the matter of our Standing Finance Committee and also our Public Accounts Committee. Every group of this House is better informed about the finances because of this method ; otherwise those people who would not be represented on the Public Accounts Committee or the Standing Finance Committee would not know anything about the affairs of the Government in the Finance Department. It is not only here. I may remind Honourable Members that in the provinces and in my province at least in the case of the district as well as the municipal boards, while the elections of the members themselves are direct, the elections to all executive and administrative bodies such as the Education Committee, the Public Works Sub-Committee, the Sanitation Committee and so on are held in accordance with the principle of proportional representation. I only want to impress it upon this House that the system of proportional representation is considered to be the best for administrative and executive bodies and not equally good for large, democratic assemblies. We are asked " what will happen if there are differences of opinion ? " It is because the edges are rubbed, the differences are adjusted in small bodies where people sit together to administer matters that cabinets are formed with members holding different opinions. If my Honourable friends, Sir Nripendra Sircar and Sir James Grigg and Sir Frank Noyce, sit together with Sir Muhammad Zafrullah Khan, everyone of them with a regular point of view of his own, I think they are all the better for it and ultimately they must

hammer out something which should be acceptable to all those who are collectively responsible for the final decision. So I submit that this is a very wholesome principle. Experience has testified to it and those who have studied this question have arrived at the conclusion that this is the safest method for achieving the maximum amount of efficiency; Sir, coming now to things that are I think of greater importance, we must see what the amendment is, what the present system of management of companies is, and whether it is the best, or whether it can be improved, and if it can be improved, whether this is or this is not the best method of improving it. Firstly, I may remind Honourable Members of what the amendments exactly are. There are three amendments, one by my friend to the left. His amendment gives discretion to the company to alter the articles but he wants that, subject to such regulations, the companies should elect their directors according to the principle of the single transferable vote. The second amendment has been introduced by my friend, Mr. Bajoria. It has two parts. By the first he wants the tenure of service of every director to be three years. That I think is out of order as, after having adopted regulations 78, 79 and 80 as mandatory which require election every year, we cannot press a motion like this. Then he asks for elections to be held in accordance with the single transferable vote. Well that too gives the discretion to the company. The third amendment is my amendment, and I hope Sir H. P. Mody will agree that this is the best.

**Sir H. P. Mody :** If you two will agree amongst yourselves, probably I might.

**Pandit Govind Ballabh Pant :** You act as arbitrator between us and we will abide by your award. The third amendment which I have moved asks for the introduction of the principle of proportional representation by a non-transferable vote. Now one feature is common to all these propositions and it is this, that the person who can get the quota will be returned. In the case of the transferable vote, if there is any excess left, then it will be transferred to the second preference. In the case of the non-transferable vote, there is nothing like that. The benefit of the non-transferable vote is this that it ensures the return of the man who has the support of necessary number of the individuals who do not fall short of the quota. At the same time, it can be worked in a very simple manner. Now, Sir, I want the House to remember that the first amendment of Mr. Satyamurti gives only discretion to the company to have or not to have proportional representation. The second amendment of Mr. Bajoria does likewise. The third amendment which I had the audacity to place before the House wants to have this uniformly and without any exception.

**Sir Cowasji Jehangir (Bombay City : Non-Muhammadan Urban) :** What do you want ?

**Pandit Govind Ballabh Pant :** I want the mandatory principle that all elections to the boards shall be in accordance with the principle of the non-transferable single vote. Now, Sir, an objection was raised by Dr. Ziauddin. I did not know that a mathematician would find any difficulty or would be staggered if hundreds or thousands were concerned but he seems to have got confused.

Sir, I do not in any way suggest that if a shareholder has a hundred  
 3 P.M. votes, then he will exercise one only. The principle is  
 very simple and it means this that irrespective of the  
 number of vacancies in the Board every shareholder will have only one

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set of votes and these will not be multiplied in accordance with the number of vacancies. If a person has a hundred votes, then there can be a differential method of voting as also a transferable or a non-transferable method of voting. If there is a differential method of voting, what takes place is this. If there are three vacancies, then every one who holds a hundred votes has the right to vote for all and each of the vacancies but if we have the principle of a single non-transferable vote, then the man who holds a hundred votes can only exercise that number of votes and these only once, even if there are three vacancies. He cannot give hundred to one and hundred to the other and hundred to the third. That is the whole merit of the system. Every person's right of voting will be in regard to the holding of the company but it will not be multiplied in the light of the vacancies in the Board and that ensures the return even of those having only a minority support.

**Dr. Ziauddin Ahmad :** May I just explain my position. I said that if you have cumulative voting, you can safeguard the interests of persons who have got perhaps 25 per cent. shares, but you cannot safeguard the interests of the shareholders who have got one or two shares only unless you fix the shares of directors by law.

**Pandit Govind Ballabh Pant :** You can do that if every shareholder is made a director. But so long as you have a Board of Directors which is to be elected by the shareholders, then one share unfortunately is to count as one. Dr. Ziauddin has my genuine sympathy and I am thankful to him for extending his sympathy to us. Well, Sir, so far as the proposal before the House goes, the question has to be judged in the light of concrete facts. The process is simple enough. We were told that the minorities would come in and the majorities would thereby be disturbed and so on. I hate to see the idea of a minority and a majority in a business concern. I see no reason why there should be any idea of a minority and a majority in a business concern at all. They are all shareholders and they have a common concern and they want to run the institution on the best of lines. If 10 or 15 of them think that A is the man who can do their work most efficiently, why don't you let them return A? If 20 shareholders think that B is the best man, why don't you let them return B? You can have this idea of majority only so long as you have the system of direct vote but once you introduce the system of a single non-transferable vote, the very basis for this conflict is gone. The idea of majority vanishes and from that moment onwards every individual, who is returned, will have to look at the management of the company only from the point of view of the company without being tied down to the opinions of any majority among the shareholders or being adverse or hostile to any minority. That is the merit of this principle of proportional representation. It takes away the very idea of clash. It gives the company the opportunity of returning the most efficient men, who, in the judgment of those who have interests in the company, are considered to be the best for administering their affairs. Why should anybody have any objection to it and how could it provoke any antagonism, I fail to understand. Then, we were asked 'why do you insist on it'? I will tell you why I insist on it. For that, I will have to refer to the New Testament. I think we have had enough of the Old Testament. The New Testament is Mr. Lokanathan's book. Before I do so, I would like to meet a few points. The first point con-

cerns Mr. James, because in his researches he had not been able to find from which quarter this arrow had been shot. If he will refer to Paper No. 7 which is not from the Bombay Shareholders Association, a body which takes a partizan view of things, but from a Chamber of Commerce, the very name of which is so dignified. It is a Chamber of Commerce of the class with which, I think, Mr. James and Sir Leslie Hudson are more intimately connected than the Gujaraties in Bombay. It is the memorandum of the Marwari Chamber of Commerce. In this memorandum, they make the following remarks on page 80. I need not read the whole of it.

“ The Committee, therefore, strongly recommends the adoption of the system of proportionate representation by a single transferable vote in the election of directors.”

Well, Sir, the Marwari Chamber of Commerce is not a creature of the Congress people and so far as we are concerned, we have never been attacked more mercilessly than by the Marwari Chamber of Commerce.

Now, Sir, I want the House to consider the question very dispassionately and it is to certain other aspects of the question that I want to refer the House now. You must remember, first of all, that the managing agent is the essential part of our industrial machine. He dominates everywhere, and the entire management rests in the hands of the managing agent. That is one thing which should be borne in mind. The managing agent has been defined in the Bill. He is a person who is in exclusive charge of the whole of the affairs of the company and all powers which have not been retained by the directors are also vested in him. He is the man who bosses the whole show. The managing agent is the man who, in fact, administers the affairs and he is besides independent of the Board of Directors to the extent he holds powers under his agreement. That is a cardinal feature of our industrial system which must be borne in mind. The second thing that we have to remember is this. Our Boards of Directors have proved for the most part inefficient. Not only have they proved inefficient but they have taken no interest and further they are a packed body, being either elected or nominated by the managing agents. The Honourable the Law Member does not seem to agree with me.

**The Honourable Sir Nripendra Sircar :** Why ?

**Pandit Govind Ballabh Pant :** Because you shook your head.

**The Honourable Sir Nripendra Sircar :** It was not meant for you.

**Pandit Govind Ballabh Pant :** I will now read out from the New Testament. It refers to the evil of pluralism in the Board of Directors. The passage runs thus :

“ One reason for this state of affairs is the managing agency system itself. The managing agents practically nominate the directors of all their companies and they nominate one another. The Indian industrial companies have, therefore, Boards of Directors almost wholly manned by the representatives of the managing agents. Even the few men who are outside the managing agency firms are connected with the business of the managing agents in several ways and therefore Indian industry does not contain on the Board of management that variety of interests and experience needed for successful and efficient management. The few Indians that are nominated to the Boards of industrial companies under the British managing agents, become ‘ stock ’ directors in all sorts of concerns.”

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Then, again, I will read another passage :

“ In practice therefore the only persons who count are the managing agents, and so far as technical and administrative efficiency is concerned it is their efficiency that is important.”

Then, he goes on to say :

“ Of these 175 directors in all the cotton textile companies in Bombay, 95 are agency directors, including under that term partners and others connected with one agency firm or another in Bombay, and 80 are outsiders not connected with any managing agency firm, who are practically nominated by the managing agents. These outside directors, even if they are able and experienced men, lack the power and the incentive to be of any real use to industry.”

I have the figures for the Ahmadabad mills, for the coal companies, for the tea companies and also for others. I may as well tell you that 62 coal companies have in all only 50 directors because the managing agents of one serve as directors in the Board of another. Similarly, in the case of textile companies in Ahmadabad, of all the directors 104 persons are themselves either the managing agents or the sons or brothers of the managing agents while 64 others have been virtually nominated by them. Similarly in other cases. I have got a statement with me. We find that the Board of Directors are the *benamidars* for the managing agents. The Board of Directors have no independent element in them at all. But I would not worry about that even. My trouble is much bigger. It is this that industry today is advancing in the world at a marvellous pace and every day we see technical advance, new methods of manufacture and so on. How are you going to make any progress in your industries, if your managing agents are to fill these Boards and if these Boards are to be packed by their own nominees? Sir, I submit that in the interest of the progress of industry, it is necessary that you should make some provision by virtue of which new blood, talent, intellect and energy might be introduced into these Boards. Then, there are other important factors which have to be borne in mind. The interests of these managing agents, we have been told by Mr. Lokanathan, are fundamentally opposed to those of the shareholders. He says :

“ The managing agency system is by no means a perfect one. On the contrary its leading characteristic is the possible disharmony and conflict of interests between the managing agents and the shareholders. In every large industrial concern all over the world, there is a possibility of divided interests between the entrepreneurs and the shareholders. . . . Quite apart from the extent of the managing agent's holdings which may vary from time to time, a divergence of interests occurs because the managing agents regard the earnings from shares as subordinate to their earnings in other capacities and fields of activity. . . . The fact is that the managing agents have found that the profits which they receive from their ownership of the shares in the mill companies are not so important as the profits which a large number of related side activities afford them.”

Now, Sir, we have these hard facts facing us. One is that the managing agents have the sole charge in the management of the affairs of the company, the second is that the legal ownership of the company vests in the shareholders and ultimately the advantage or the disadvantage accrues to them. Thirdly, the Board of Directors who alone can look after the interests of the shareholders, at least to a partial extent, are no more than nominees of the managing agents and their creatures. What is the remedy? How are we going to get over these difficulties?

I may also tell the House what the Tariff Board said about the present Boards of management and about the directors. It says :

“ Both in Bombay and Ahmedabad the constitution of the Board of Directors of the mills was the target of much criticism for which there was, in our view, considerable justification. It was contended, that few, if any, of the directors took an active interest in the affairs of the mills with which they were connected and that fewer still had any technical qualifications for appointment.”

**Mr. K. Ahmed** (Rajshahi Division : Muhammadan Rural) : But they supplied the Congress with funds !

**Mr. S. Satyamurti** : Don't talk nonsense.

**Pandit Govind Ballabh Pant** : We will not refuse anything even from you. I will give you an opportunity to try before we leave this Chamber today. We will oblige you.

Then, Sir, the other feature is that our Boards are inefficient. The other day the Honourable the Law Member referred to the paucity of industrial intellect, I accept that statement as correct ; and yet we want industrial expansion. And there can be no industrial progress unless you allow people outside the caucus to get into these Boards, and enable them to acquire experience and insight into the methods of the industry to accelerate the industrial progress of the country. What is the method by which this can be achieved ? Even from this point of view it is necessary to provide some means by which people interested in the industrial affairs and in the fortunes of such companies may find access to these Boards to work for their benefit and for the uplift and advancement of industry generally.

Reverting to this New Testament, there is another thing which is laid down here and which deserves the attention of this House. It is laid down by Mr. Lokanathan that the Board of Directors in the present circumstances cannot act efficiently. The Board is, in fact, more or less a superfluous body. It is something like the fifth wheel to a coach. Now, Sir, the position is this, that the managing agent has all the powers ; so far as the administration of affairs of the company goes, he has also the opportunity, if he is so base as to have recourse to such devices, to benefit himself at the cost of the company. What it is that can save the shareholders ? It is only the directors. Mr. Lokanathan goes much further. He is of opinion that the Board of Directors has no place in our system and that we must have a Board of Supervisors. But I will leave that alone. Now the position is plain : the managing agents stand in need of supervision. Their vagaries have to be checked and their excesses have to be restrained. The managing agents today dominate the company. I have no quarrel with them. But this is indubitably true that the majority of the shareholders, if not all, are under the thumb of the managing agent. If the thing is left to the majority you can never expect that any light will enter that dark corner. What method then is to be devised ? Government have not proposed anything by way of a board of supervisors or efficiency auditors. If they had done so, we would have considered it. I myself would have been prepared to consider some suggestion as then the functions of the directors would have been clearly defined and their independence ensured. So, Sir, in order to make these boards of directors useful, in order to protect the interests of the shareholders to the extent it is possible, I suggest that the system of proportional representation should be introduced. Now

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what will be the effect ? That too I will tell you. As I indicated in the beginning, the election of directors can be only by way of rotation. Only one-third of the directors will retire at the end of the year. Suppose there are nine directors in a company ; then three will retire. Now suppose these three seats are filled by the system of proportional representation. The men whom you can return to the board of directors should still possess at least the support of between one-third and one-fourth of the shareholders. It is not like a stray shareholder meeting me at the crossing of the road and appointing me as director. He will have to get the support of at least one-third or one-fourth of the shareholders. Will a director take such a suicidal step as to destroy the company ? If such is the state of affairs in this country then there is no hope for industrial regeneration. But I cannot think, I cannot possibly conceive that a man who is elected in this manner and has the backing of one-third of the shareholders would ever behave in that manner. So one should have the support of one-third of the shareholders before he can get in even by means of this method of proportional representation. And may I know why Government have increased the number of directors from two to three ? Why was the minimum number put down at two in the last Act ? Why is the number increased ? It is evidently because the directors are necessary and Government feel that these directors should function intelligently and efficiently, and if the number is small they cannot do so. But you may have three or you may have ten or thirty ; if they are all nominees of the managing agents it serves no purpose. You may have ten crows in a tree or a hundred but if a little clapping makes all of them fly away the number would make no difference. It depends on the strength of the individual, on his nerves, on his independence, on his ability. The number by itself is immaterial and of no use whatsoever. So I claim that it is a very reasonable proposition that I have placed before the House. I assure the House that it has been introduced here with the best of motives, with a view to improve the industrial mechanism of this country. I will not give the figures now but I think I will have an opportunity again to show how very backward we are and how very lamentable is our condition. Do you not want to improve it ? Will you stand by these biassed and prejudiced vested interests and throw to the winds the interests of the millions of people in this country ? Is that how you are going to develop your country or improve your own status or the position even of the richer classes in this country ? Sir, I appeal to the Honourable Members of this House to rise above prejudice, to think of the skeletons that are stalking all over this land, to devise means by which more wealth may be produced so that those who are starving may get at least one meal a day, if not two.

**Sir Cowasji Jehangir :** Sir, it must be admitted very readily that we have had a very pleasant debate up till now ; and let me readily acknowledge the earnest desire of my Honourable friends on the Congress Bench to do their best to improve this Bill ; and when we disagree with them, it is because we feel that they are wrong and have taken a wrong view of the question. The eloquent speech which we have just heard deserved a better cause. I could not help feeling, the whole time I was hearing my Honourable friend, the Pandit, address this House on the condition of the 350 millions of the people of this country, that he might have

reserved his energy and his breath for another occasion. Well, Sir, at any rate, so far as two of the amendments are concerned,—those of Mr. Satyamurti and my Honourable friend Mr. Bajoria,—they are purely academical. My friend the Pandit's amendment stands on a completely different footing. Mr. Satyamurti is quite willing to leave this question to the majority of the shareholders. He is quite prepared to allow them to decide in their articles how they should elect their directors. Mr. Bajoria stands in the same position. But it is my Honourable friend the Pandit who insists upon there being a statutory provision as to how directors should be elected. Now, Sir, we are not talking of the government of a province or of a country or of local self-government. We are talking of pounds, shillings and pence ; and generally in pounds, shillings and pence there is not much room for sentiment. I have already said that I readily admit the earnest desire of the Panditji and Mr. Satyamurti to improve this Bill as far as they possibly can and thus to help on the industrialisation of this country. But I cannot help saying that if the Panditji's amendment were carried, nothing worse could be done in this House to hinder and jeopardise the industrial growth of this country ; and I say that in all earnestness. Sir, the whole question is, if an individual or a group has the majority of shares in a company, whether that individual or group who chooses to risk half the capital of the company should or should not have a predominant voice in the affairs of the company. My Honourable friend the Pandit, says no.

**Mr. N. M. Joshi :** He does not say that.

**Sir Cowasji Jehangir :** You say so too. He says that they should not have the predominant voice, that although they had risked their monies to the extent of 50 per cent. of the capital, the minority of shareholders,—although they might only be 25 per cent. or only 10,—should have the right of combining and sending one or more directors to the board. Now, Sir, I again venture to state with a full sense of responsibility that if that was done, contrary to the wishes and desires of my Honourable friend the Pandit, you would be setting back the industrialisation of this country to a degree and extent that my Honourable friend does not realise. Now, Sir, my Honourable friend the Chief Whip of Government tried to point out yesterday that there is no comparison between a company and the administration of a province or of a municipality or of Government, and suppose we do just consider the analogy for a minute, we find that we get into a most illogical position. If any body of men in a company should be elected by the single transferable vote, it should be the shareholders ; but can you elect the shareholders ? There seems to be a certain amount of confusion about a company : there are in a company, first, the shareholders who have their rights and privileges : then there are the directors ; and then in most companies in India there are managing agents : then there is one more factor, the auditors, which I will not consider in dealing with this question of single transferable vote. The shareholders, if there is any analogy at all, take the place of the legislature : the directors take the place of the executive government.....

**Pandit Govind Ballabh Pant :** Of the Standing Finance Committee.

**Sir Cowasji Jehangir :**.... and the managing agents are a part of the executive government. It cannot be contended that the executive government in any country should be elected by the single transferable

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vote. You may contend that it is the legislature that should be elected by the single transferable vote ; but instead of the legislature, you have the shareholders ; and the shareholders come into existence by the power of the purse. Those who have the financial strength and the desire to buy shares in a company do so. Where is the comparison between a government of a province and a company ? My Honourable friend the Pandit said—and I believe Mr. Asaf Ali also said—that the principle of proportional representation is present in all cabinets : I am unable to follow him. A cabinet in every part of the world where there is a democratic form of government is not elected : it is appointed either by the President of the Republic or by the King on the advice of the Chief Minister whom the King or the President chooses to call upon to form a government.....

**Mr. M. Asaf Ali :** Do you want directors to be appointed or selected by some one ? If so, who will do it ?

**Sir Cowasji Jehangir :** I am coming to that. You gave the example of a cabinet ; a cabinet can never in any country be elected by proportional election : that is what the Panditji said and that is what you yourself tried to make out, that the principle of proportional election is there.....

**Mr. M. Asaf Ali :** I kept politics out altogether.

**Sir Cowasji Jehangir :** It is impossible to compare the two things. Suppose you did give the right to the minority of shareholders to send one or more directors to the board : they would naturally be directors who were elected for the special purpose of opposing the policy of the majority of the directors on the board : otherwise there is no question of a minority : and do you think for one minute that that will help towards efficiency or better administration of a company, the only object of which is efficiency, resulting in better profits for the shareholders themselves ? It seems to me that my Honourable friends, ingenious and clever as they are, desire to bring in a method of election of directors into the Companies Act not to be found in any other country in the world.....

**Mr. S. Satyamurti :** Are managing agents found in any other country ?

**Sir Cowasji Jehangir :** No ; but because there are no managing agents in other countries and there are directors in other countries and directors in this country, therefore you want for directors a method of election unheard of, never suggested and never put into practice in any part of the world.....

**Pandit Govind Ballabh Pant :** Reserve Bank Act.

**Sir Cowasji Jehangir :** That is a very different thing altogether. The Reserve Bank is a government institution, where the shareholders cannot buy as many shares as they want : they are limited to a number of shares only. I applied for shares in the Reserve Bank, but I only got Rs. 500 worth and I can never be allowed to buy more than Rs. 10,000 worth. Where is the analogy between the Reserve Bank and an ordinary company that is floated in this country where any individual can purchase 75 per cent. of the shares ?

**An Honourable Member** : We are not imposing that restriction : it is to your advantage.

**Sir Cowasji Jehangir** : Therefore, there is no analogy between the Reserve Bank and an ordinary company.....

**Dr. N. B. Khare** (Nagpur Division : Non-Muhammadian) : The Reserve Bank is a political institution ?

**Sir Cowasji Jehangir** : No : it is an institution which belongs to the State. It is a nationalised bank where no one individual should have more than a very small number of the shares of the bank. There is no analogy between the two and what I contend most strongly is that if my Honourable friend the Panditji's amendment was carried, there would be no encouragement to start new companies, to promote new industries : there would be no encouragement to buy a large block of shares, or to retain a large block of shares in any company, because you would always feel that your money was at risk, that at any time your policy could be defied by a small minority who had nothing like the stake which you had in the company ; and therefore you would think twice before you promoted a company ; you would think twice before you held a large block of shares in a company, you would think twice before you even helped to finance a company. Sir, that is not what we want to do. We want to encourage the formation of new companies, to open up wide from all areas this great country of India. We desire to see capitalists and the individual small investor come forward to start new industries. You will be doing, contrary to your wishes I know, exactly the opposite.....

**Mr. Muhammad Azhar Ali** (Lucknow and Fyzabad Divisions : Muhammadan Rural) : You want that there should be complete monopolisation by an individual ?

**Sir Cowasji Jehangir** : In company promotion there must be a certain amount of monopoly. Unless the man who puts in a large amount of money is given a predominant voice in the administration of that company, he will not put in that capital ; and you will prevent him from putting in that capital ; and if you prevent him from putting in capital, you prevent the starting of new companies and you prevent the opening up of our country industrially. It cannot be helped. If my Honourable friend, Mr. Azhar Ali, had 55 per cent. of the shares in a company, I feel very confident he would say " My voice shall be predominant and I shall dictate as to how the company is to be run and I shall get the benefit that I deserve from having more than half of the capital of the company " ; I am fairly certain he would say that, and I am also confident he would not talk of monopolies.

Now, Sir, I feel that a great deal has been said in this Honourable House due to a lack of experience. For the third time, I desire to acknowledge and willingly acknowledge the desire, the anxiety of my Honourable friends to do the best they can for the Companies Act and for industries in general ; and therefore when we disagree, we disagree because we feel that we look at this matter from two different points of view. My Honourable friend, the Pandit, looks at it from a theoretical point of view : my Honourable friend, Mr. Satyamurti, also looks at it from a theoretical point of view. I unfortunately am forced to look at it from a practical point of view. I wish I could look at it from a

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theoretical point of view. If I looked at it from a theoretical point of view, I might be able to agree with my Honourable friends ; but I have to look at it from a strictly practical point of view, and therefore it is my duty to place before this House the strictly practical point of view. I know very well that, if my Honourable friends over there and I could be Directors of a Board of a big company for only just a year or two, they would sing a different song.

[At this stage, Mr. President (The Honourable Sir Abdur Rahim) resumed the Chair.]

They would then realise that it is not to the interests of their country to set back the hands of the clock of the industrialisation of this country, and, therefore, I do not desire to take up any more time of this House. . . .

**Mr. N. M. Joshi :** You have already taken up enough time.

**Sir Cowasji Jehangir :** My friend, Mr. Joshi, who up to now has had his say on most subjects and on every subject, who is an authority not only on labour but on how a company should be run, should be the last to complain of the time I have taken up on a question of such vital importance, as the Companies Act.

Now, Sir, I have nothing to say about democracy. I don't think really we can discuss the principles of democracy in the Companies Act. I do appeal to my Honourable friends to consider this question from a practical point of view, and after they have given it the reflection that they ought to, after they have consulted their own friends who happen to be connected with any industry or trade, I feel confident that every one of them will come to the conclusion that they had better give up the theoretical enunciation of principles and come down to brass tacks and let us do the best we can for the Companies Act resulting in the best for all industries in this country.

**Mr. M. S. Aney** (Berar Representative) : Sir, I had no desire to take part in this debate, but somehow the debate has taken such a turn that I thought I should be failing in my duty if I recorded a silent vote on this question. I have very patiently and attentively listened to the earnest and eloquent appeals made by my friends, Pandit Govind Ballabh Pant and Mr. Satyamurti and others, for whom, I think I need not repeat, I have the highest regard and respect. Whenever an appeal comes from a friend like Pandit Govind Ballabh Pant who makes his speeches after a very careful and thorough study of the question which he handles, it deserves to be seriously considered by this House. Yet, if I have the misfortune to differ from him, I think he will give me the credit that I have some convictions on the subject which unfortunately remain unshaken in spite of all the cogent arguments which he tried to advance in support of his proposition.

Now, Sir, we are thinking of introducing the principle of proportional representation in a business concern. That is the point before the House. It is not possible for me, nor is it desirable to do so, to go back to the history of this whole question of proportional representation, but it has come into existence for this reason, that it has been accepted that the mere method of representation by majorities has been found to

be inadequate to represent the interests of certain minorities in matters of State administration, and, therefore, a method has been devised to secure some kind of representation to those minorities whose interests have to be properly safeguarded in the State. Therefore, the question arises only in the case of and for the sake of protecting defined and well recognisable minorities whose existence is clearly presumed. Without it no thought to secure the proportional representation of any interest can at all arise. When my friend, Pandit Govind Ballabh Pant, emphatically told this House that there was no question of minority or majority whatsoever, there was nothing like the separate and conflicting interests between the majority and the minority when we were dealing with the question of company management, and that the interests of all the shareholders were one and the same, I feel that he has given up the entire case for proportional representation which he is urging before the House. He has given away the whole case when he has said so ; there is nothing on which he can take his stand and call on this House to record their votes in favour of his proposition. Leaving aside that theoretical question for the moment, let us see how it is likely to work, and whether it is likely to work in a beneficial manner or in a disadvantageous manner. One thing is admitted both by my friends, Mr. Satyamurti and Pandit Govind Ballabh Pant. There were three propositions before the House, and one thing common to all the three propositions was, that if any person or shareholder secured the minimum quota he was bound to be elected and find a place in the directorate. That, we know, is an admitted feature in the system of proportional representation. That one feature is common to all the 2 or 3 amendments moved by them, namely, if anybody is able to get the minimum quota of votes to be calculated according to a certain basis, he is bound to find a place in the directorate. Now, Sir, let us take this one point and seriously consider its implications and possibilities. I want this Honourable House to consider whether it is not a thing of which a rival company can certainly take advantage to the detriment of the first company and succeed in introducing certain persons on the board of directors and whether such a thing may not lead to the ruin and destruction of the company. Suppose there are 5 directors, and 200 is the minimum quota required. There is a rival company dealing in the same class of goods. If that company wants to know the secrets or the plans which the first company has in mind to undertake, it is quite possible for the rival company to go in for 200 shares and send in a man who, on the strength of those 200 votes, can be returned to the directorate of the first company whose secrets in the interests of that very company ought not to go out, or at least ought not to be known to the rival concern. In my opinion, it will mean giving a handle to secure some kind of representation on the Directorate of the rival company, in the hands of those whose interest it is to see that the first company is ruined. That is a proposition to which no Member of this House would agree. Therefore, Sir, I feel it is very dangerous to introduce a principle of that kind in a business concern, and particularly in the election of its directorate in whose hands will lie the initiation and execution of its policy.

Then, Sir, the third thing is this. It has been pointed out that the only hope for this country lies in the growth of industrialisation in future. That is the only solution by which you can expect the problem of

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unemployment and other problems solved. Whenever we make any suggestion we have therefore to see whether that suggestion is likely to promote the growth of industrialisation at a rapid pace in the near future, or it is likely to hinder it. If the suggestion of proportional representation is likely to create some kind of suspicion in the minds of those who hold the capital and without whose capital the industrialisation cannot progress, and if the capital which is already proverbially shy will become more shy on account of any alteration or any amendment that we may make in the law here, we shall not be helping the progress of industrialisation but we shall be retarding it. What my Honourable friend, Sir Cowasji Jehangir, said on this point deserves to be very seriously considered by us. It is not enough merely to examine the problem from the point of view of seeing whether the board of directors is theoretically perfect or not, but it must be approached mainly to find out whether a directorate formed on that basis is likely to command and inspire confidence in the minds of those from whose hands capital is likely to flow and without which no progress of industrialisation in this country is possible. The question before the House is not limited to the creation of an ideally and theoretically perfect directorate but is essentially one on a proper and practical solution of which the future of industrialisation of the country is to a large extent likely to depend. On all these grounds, notwithstanding the best motive and the earnest desire with which my Honourable friend, Pandit Govind Ballabh Pant, has put forward his suggestion, I must request the House to think over the matter seriously, and in recording their votes they should not go by any preconceived notions but they should give their best thought to each and every aspect of the question : and if they do so, I have no doubt that they will find themselves unable to subscribe to the amendments. (Applause.)

**Mr. K. Ahmed :** What about H. E. H. the Nizam floating a big company in Berar ?

**Mr. S. Satyamurti :** Can Mr. Kabeer-ud-din Ahmed (who was sitting on the Opposition Benches) change sides like this ? (Laughter.)

**The Honourable Sir Nripendra Sircar :** So much has been said on this subject and proportional representation has taken such a disproportionate amount of time (Laughter) that I would not like to tire the House by a long speech. I wonder if the House has realised what the two amendments are. To put it shortly, if Mr. Satyamurti's amendment is carried, it refers to transferable votes, then that is subject to the articles of the company.

**Mr. S. Satyamurti :** Unfortunately, yes.

**The Honourable Sir Nripendra Sircar :** That is to say Mr. Satyamurti does not feel very strongly . . .

**Mr. S. Satyamurti :** On a point of personal explanation. I want to assure my Honourable friend that I have really made a mistake. I should have drafted it differently. I apologise.

**The Honourable Sir Nripendra Sircar :** That is the difference between Government and my Honourable friend. (Laughter.) When we make a mistake we do not persist in it.

**Mr. S. Satyamurti :** I have said that I made a mistake.

**The Honourable Sir Nripendra Sircar :** Be that as it may,—I accept my Honourable friend's explanation—the result is that all these discussions about a new heaven and a new earth under the Government of India Act, democracy, this and that, really is not of much importance. If that horrible managing agent with 60 per cent. of shares in his pocket is stalking the laud there will not be the slightest difficulty in changing the articles, so that this interesting debate, about which I do not complain except for the excess of it, is really a harmless one. My Honourable friend, Pandit Govind Ballabh Pant, as is to be expected, is more thorough-going. He wants his principle to apply whether there are any provisions in the articles or not, because you cannot override the provision in the statute unless the section says subject to regulation, or articles and so on. My Honourable friend, Mr. Satyamurti, in his discourse on the Government of India Act, and particularly on human nature, told us yesterday that this is one of the things which is part and parcel of human nature. Just as the baby cries for milk, so we cry for proportional representation. (Laughter.) I do not know that my Honourable friend really is so very keen on proportional representation. Some question was put to him by that irrepressible interrupter, Mr. Kabeer-ud-Din Ahmed, "What happens in the Congress? You do not follow this proportional representation in the Congress". I think my Honourable friend, rather emphatically, said, and his voice is fairly strong at all times,—he said, "Yes, we follow". But I heard some kind of murmur from that side, "No, no. That is not so".

**Pandit Govind Ballabh Pant :** We do follow.

**The Honourable Sir Nripendra Sircar :** I am very glad to hear it, that they do follow.

**Mr. S. Satyamurti :** Members of the All-India Congress Committee are returned by proportional representation.

**Pandit Govind Ballabh Pant :** I do not know if that would be a reason for the Honourable Member agreeing with that principle or disagreeing with it.

**The Honourable Sir Nripendra Sircar :** Neither one nor the other. (Laughter.) All this juggling about A. I. C. C., B. P. C. C., or C. C. D. D.....

**Mr. S. Satyamurti :** You mind only G. G.! (Laughter.)

**The Honourable Sir Nripendra Sircar :** I did not say d-d. I find from the *Tribune* of Lahore, dated "April, Proceedings of the Lucknow Congress",—let us see what has happened.

"The next big debate was on the question whether proportional representation by single transferable vote as the method of election to the All-India Congress Committee was to be maintained. Dr. Pattabi Sitaramayya on behalf of the Working Committee said the volume of written opinion from the majority of the Provincial Congress Committees was against it."

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The Provincial Congress Committees were fairly reasonable people and they opposed proportional representation :

“ The opposition was led by Mr. Avideshwar Prasad Sinha socialist who supported by Mrs. Kamaladevi Chattopadhyaya and others urged that the minority of socialists would be crushed out of existence if proportional representation was deleted.”

Then, Mrs. Kamaladevi Chattopadhyaya made a speech in support.....

**Mr. M. A. Jinnah :** What did Mr. Satyamurti say ?

**The Honourable Sir Nripendra Sircar :** Mr. Satyamurti, I think, gave a silent vote against proportional representation. (Laughter.)

**Mr. S. Satyamurti :** My Honourable friend is at liberty to have a joke at my expense. But I was not present at the time of voting in the Congress.

**The Honourable Sir Nripendra Sircar :** I accept it. May I say that my Honourable friend did not have to vote because he was not there ? I am very sorry if I made a mistake. I do not want to read all this. Mrs. Kamaladevi Chattopadhyaya made a speech, as is to be expected, in support of proportional representation, otherwise the poor socialists would be crushed out. Then, Dr. Khan Sahib tried to impress upon them that there was no desire to crush, “ You had better agree to what we are doing ”. Somebody else, Mr. Annapurniah, an Andhra delegate, supported the retention of proportional representation. Then Mr. Amrital Seth declared himself non-socialist and supported the retention and so on. Now, I come to Pandit Jawahirlal Nehru :

“ Pandit Jawaharlal Nehru, before putting the motion to vote, said, though the issue before the House was small a great principle was involved. Unless the minority was to be forced to revolt, representation of minorities by means of proportional representation must be safeguarded. There was, however, no truth in the allegation that the proposed Congress executive aimed at crushing the socialists.”

What was the result in spite of Pandit Jawahirlal Nehru's pointing out so forcibly that they must have proportional representation ? The House decided by 37 votes to 32 against proportional representation.

**Prof. N. G. Ranga** (Guntur *cum* Nellore : Non-Muhammadan Rural) : It was not the open session of the Congress ; it was only the All-India Congress Committee.

**The Honourable Sir Nripendra Sircar :** I know the distinction between A.I.C.C., B.P.C.C., and C.C.D.D. I am reading the report from the newspaper. (Interruption.) If my Honourable friend will allow me to go on, I am anxious to finish as soon as possible. The result was that it was lost in spite of Pandit Jawahirlal Nehru.

**An Honourable Member :** It was carried in the open Congress.

**Pandit Govind Ballabh Pant :** I said that the method of proportional representation still holds the field so far as elections to the All-India Congress Committee are concerned.

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**The Honourable Sir Nripendra Sircar :** I accept that, and knew it, and I was only showing that the demand was not general, as part of “ human nature ”.

**Pandit Govind Ballabh Pant** : The Honourable the Law Member has read out a passage which would give one the impression that what I said was incorrect. I have only to point out that what he has read out is a report of the proceedings of the Working Committee, but when the matter went to the open session of the Congress, this recommendation was not accepted and the original proposition about the retention of the principle of proportional representation was retained by a majority of about two to one.

**Mr. President** (The Honourable Sir Abdur Rahim) : I should like to point out that this discussion about what happened in the Congress Committee may not be entirely irrelevant, but I do not think it ought to be carried too far.

**The Honourable Sir Nripendra Sircar** : Sir, I had no desire to carry it any further. I have said what I had to say. Now, Sir, if the idea of this proportional representation is carried out, let us try to see how the Board will function. I was thinking of it last night and I thought that, accepting this principle of representation of different interests, and the Scheme of Government of India Act, democracy, new heaven and a new earth, which are Mr. Satyamurti's arguments, the composition of the ideal Board composed of different interests will work like this. Mr. Satyamurti will represent one party. Let us have Mr. Rajah on the Board as representing the depressed classes and where is Mr. Bajoria....

**Mr. S. Satyamurti** : You have sent him home !

**The Honourable Sir Nripendra Sircar** : He will represent the Mitakshara Sanatanists and Mr. Joshi will represent Labour.

**Mr. N. M. Joshi** : I won't put a farthing in it.

**The Honourable Sir Nripendra Sircar** : I don't suggest you will buy shares. No. (Laughter.) Let us put in Sir Homi Mody on the wholly untenable ground that he has got something to do with business. How will this Board function ? Suppose the company is proposing to erect an additional mill and is intending to buy machinery. Sir Homi Mody, a business man, says ' We have got plenty of money and money after all makes money. That is my motto. Let us have another mill '. Mr. Satyamurti will say " Nothing of the kind. Are we going to buy foreign machinery ? I won't allow it. We must wait until our nationals produce better machinery ". Mr. Joshi will have no objection whatsoever to the mill being started provided it is understood that the company will agree to a 20 hour week, double wages and compensation to any worker who runs away without notice. (Laughter.) This is, Sir, how this Board will function. I submit that the directors are in the position of the executive, they are in charge of the management and they must have certain amount of freedom of action, so that there may be continuity of policy. They have to act on the spur of the moment on the conditions of the money market and so on. It should not be the idea that on the Board you must have representatives of different interests. In the matter of company management the interests of everybody are to secure a dividend.

Then, Sir, I shall discuss one more matter before I resume my seat: Let us suppose there are thousand voters who are going to elect their directors. How do you find out which is the majority and which is the

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minority. My Honourable friend, Mr. Joshi, gave an example. He said supposing some of them are interested in another company which carries on business in steel, then their interests will be hostile. Be it so but here are thousand men coming to vote. How is anybody to ascertain what are the conflicting interests and what is the majority and what is the minority. I submit that all these ideas of majority and minority are a complete misfit so far as company law is concerned. Then my friend, Pandit Pant, throughout his argument based it on the fact that here is the managing agent and that makes all the difference. I do not want to go into details in regard to those arguments, but may I remind him that it is quite true that the managing agent has dominant power by reason of various facts into which I need not go at this hour but what about other companies. It is quite true that the big companies, about 75 to 80 per cent., are run by managing agents but when you take the entire list of companies, including big, medium and small, only 32 per cent. are run by managing agents.

**Pandit Govind Ballabh Pant** : Almost all having a capital of more than a lakh.

**The Honourable Sir Nripendra Sircar** : I can mention offhand the Bengal Chemical Works the capital of which runs into several lakhs, and has no managing agents. If I make research, I can find more. I really do not desire to take up any further time of the House. My friend, Mr. Pant, said that he hoped that the Law Member had an open mind. I would be deceiving him if I said that I had an open mind. I had no open mind. I had thought over this matter very carefully and in my opinion rather than be a party to a Bill which will involve ruining the business by this system of directors, I would not have any improvement on the company law at all.

**Mr. President** (The Honourable Sir Abdur Rahim) : I will first put Mr. Satyamurti's amendment. The question is :

“ That in clause 37 of the Bill, for the words ‘ Section 83B of the said Act ’ the following be substituted :

‘ In sub-section (ii) of section 83B of the said Act, after the words ‘ in general meeting ’ the words ‘ by election on the principle of proportional representation by the system of the single transferable vote ’ shall be inserted and section 83B as amended ’.”

The motion was negatived.

(Mr. Bajoria's amendment was not put.)

**Mr. President** (The Honourable Sir Abdur Rahim) : I shall now put Pandit Pant's amendment. The question is :

“ That in clause 37 of the Bill, after the proposed sub-section (2) of section 83B, the following new sub-section be added :

‘ (3) The election of directors shall be held on the principle of proportional representation by means of single non-transferable vote according to rules framed for the purpose under sub-section (4) of section 151 of this Act ’.”

The motion was negatived.

**Mr. M. Ananthasayanam Ayyangar** (Madras ceded Districts and Chittoor : Non-Muhammadan Rural) : Sir, I move :

“That in clause 37 of the Bill, the proposed sub-section (2) be re-numbered as sub-section (3), and, before the sub-section as so re-numbered, the following be inserted :

‘ (2) The term of office of a director except that of a managing director shall not exceed seven years and a director if otherwise not disqualified shall be eligible for re-election or re-appointment ’.”

My sole object is this. In many a memorandum it is prescribed that some particular persons shall be life directors. I do want by this amendment to abolish that practice. I want that he shall not be a director for a period of more than seven years. If we take the model articles, all directors generally shall have to retire by rotation within a period of three years. Such articles may not be incumbent and need not be followed in all cases. Therefore, it is possible for all companies to have directors continuing like this, once they are elected, and it is to avoid such persons continuing as life directors that this amendment is moved. Sir, I move.

**Mr. President** (The Honourable Sir Abdur Rahim) : Amendment moved :

“That in clause 37 of the Bill, the proposed sub-section (2) be re-numbered as sub-section (3), and, before the sub-section as so re-numbered, the following be inserted :

‘ (2) The term of office of a director except that of a managing director shall not exceed seven years and a director if otherwise not disqualified shall be eligible for re-election or re-appointment ’.”

**Mr. Susil Chandra Sen** (Government of India : Nominated Official) : Sir, I oppose this amendment. My Honourable friend, Mr. Ayyangar, in explaining the reasons, has not said on what grounds he is justified in proposing the exclusion of a director who by reason of experience has got a thorough knowledge into the inner working of a company's business and whose experience ought to be an asset for the company rather than be a disadvantage.....

**Mr. M. Ananthasayanam Ayyangar** : On a point of personal explanation, Sir, I have said towards the end of my amendment that they “ shall be eligible for re-election or re-appointment ”. I say it is not at a stretch that they should be appointed for more than seven years.

**Mr. Susil Chandra Sen** : My friend has apparently forgotten that by the inclusion of the compulsory articles from Table “ A ” we have adopted the principle of rotation and it is not possible, unless the directorate has assumed a disproportionate size, to have a director who will continue for more than seven years without retirement. That is a contingency which will very rarely happen and therefore, Sir, it is not fair to say that this amendment is really meant to hit only persons who will continue without re-appointment or re-election for seven years. If this amendment is accepted, it will surely jeopardise the position of directors who have been on the Board for a long time and whose experience, as I say, ought to be an asset on the side of the company rather than a disadvantage. Sir, the principle is vicious and I oppose it.

**Mr. President** (The Honourable Sir Abdur Rahim) : The question is :

“ That in clause 37 of the Bill, the proposed sub-section (2) be re-numbered as sub-section (3), and, before the sub-section as so re-numbered, the following be inserted :

‘ (2) The term of office of a director except that of a managing director shall not exceed seven years and a director if otherwise not disqualified shall be eligible for re-election or re-appointment ’.”

The motion was negatived.

**Dr. N. B. Khare** : Sir, I move :

“ That in clause 37 of the Bill, for the proposed sub-section (2) of section 83B, the following be substituted :

‘ (2) Notwithstanding anything contained in the articles of a company other than a private company not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that nothing herein contained shall apply to a company incorporated before the commencement of the Indian Companies (Amendment) Act, 1936, where by virtue of the articles of the company the number of directors whose period of office is liable to determination at any time by retirement of directors in rotation falls below the two-thirds proportion mentioned in this section ’.”

Sir, the difference between my amendment and the clause as provided in the Select Committee's report is not very much. There one-third of the directors are allotted to the shareholders and one-third are allotted to the managing agents and the remaining one-third represent no man's land. I want to give two-thirds to the shareholders as I want to further the elective principle. It is often said in this House that this country is hampered by a dearth of competent industrialists, that we have few industrialists. Now unless we put in new men on the directorate, how can we get more and more people who are competent to look after industry ? This will surely give the shareholders one-third more than is intended in the Bill as it has emerged from the Select Committee and also help to create more and more men who would be competent to look after industry. Besides, why should the managing agent, who is the monarch of all he surveys, clamour for more and more directors ? After all, he is the sole master and all the directors are generally under his thumb ; so he should be content with less than one-third. Sir, an objection will be raised that other interests which will form the company, such as Government, the States, Municipalities, etc., will suffer. Sir, this second proviso of mine will obviate that difficulty. After all, the managing agent gets a little less than one-third, and he should be satisfied with that, and in that one-third all the other special interests can be accommodated, and if the managing agent has got a complaint against the directors, he can go to the shareholders. If he wants to have some of his men on the board, certainly they can come through by election. Nothing in this clause prevents that. It only liberalizes and gives more rights to the shareholders. And, Sir, another objection might be raised that mergers may not be possible. I will give a concrete case,—that of the recent cement merger with twenty-two directors out of which only one represents managing agents and seven represent the so-called special interests, the Indian States and fourteen are elected. Of course this concrete example will knock the bottom out of such objections if raised. Sir, I move.

**Mr. President** (The Honourable Sir Abdur Rahim) : Amendment moved :

“ That in clause 37 of the Bill, for the proposed sub-section (2) of section 83B, the following be substituted :

‘ (2) Notwithstanding anything contained in the articles of a company other than a private company not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that nothing herein contained shall apply to a company incorporated before the commencement of the Indian Companies (Amendment) Act, 1936, where by virtue of the articles of the company the number of directors whose period of office is liable to determination at any time by retirement of directors in rotation falls below the two-thirds proportion mentioned in this section ’.”

**The Honourable Sir Nripendra Sircar** : Sir, I think the House should know the history of this provision. In Mr. Sen's report, speaking from recollection, there was no recommendation. Then, when the matter came up before the Advisory Committee, Mr. Davar, who was representing the Bombay shareholders, wanted that the maximum number of directors which could be nominated by the managing agents should be laid down in the statute. That is how it came about when one-third was fixed as the maximum number of the directors to be nominated by the managing agent. That again is from recollection. No one objected and we put that provision in the Bill, *viz.*, of the directors, not more than one-third should be nominated by the managing agents. When the Bill came before the Select Committee, the alteration which was made was this and the present form was adopted, *viz.*, the maximum of appointment by managing agents was one-third, at least one-third by shareholders, and one-third was left as a possible gap because in many companies, under statutes, the representatives of local boards or Government are put in as directors. Also, Sir, sometimes there are directors appointed under agreements contained in debentures. They want their directors and so on. So, this gap of one-third was left, if I may use colloquial language, for the special directors. The result is that in so far as there may not be special directors, after the managing agent's one-third, whatever margin is left, that goes to increase the proportion which has got to be elected by the shareholders at a general meeting. The managing agent cannot get any benefit ; his one-third cannot be increased merely because there are no special directors. Well, Sir, we are not seriously opposing that and, when the Select Committee has decided that, we are quite willing to accept it and Government is quite willing to accept the change which has been made by the Select Committee. If the matter is going to be re-opened, I would very much like to go back to the old provision in the Bill as introduced, that is to say, to have the minimum of the managing agent's nominees being fixed at one-third and say nothing about the proportion to be elected by the shareholders. That is our position. If the matter is going to be re-opened, I would rather prefer going back to the provision in the Bill as introduced, but I am quite willing to accept, if that is the desire of the House, the provision which has been made, namely one-third and one-third. But I object to the amendment the result of which is this that two-thirds will be elected by the shareholders, leaving one-third for the managing agents and if there are any special directors who are to be appointed by debenture holders or under the statute or under any agreement, that will

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come out of the one-third of the managing agents. To that, Sir, I am not agreeable and I oppose the amendment.

**Pandit Govind Ballabh Pant :** Sir, I rise to support the amendment moved by my friend, Dr. Khare. I have not been able to follow the remarks of the Honourable the Law Member. The original clause in the Bill, as it was introduced, ran as follows :

“ Notwithstanding anything contained in the articles of a company other than a private company not more than one-third of the whole number of directors shall be appointed otherwise than by the members in general meeting.”

If he is prepared to accept this clause, we are prepared to stand by it. But, as I observed, I did not quite comprehend the import of what he said. The original clause in the Bill was distinct. It laid down that at least two-thirds of the members should be elected by the shareholders in a general meeting. If he is prepared to accept that, then there is no occasion for any further controversy or discussion. But if he is not, then he must accept that he is going back upon the clause as it was originally embodied in the Bill. There are one or two points which I would like the House to bear in mind. One is this that this clause does not apply to the articles of the companies that exist today. As to how they are constituted, it is immaterial. We are not attacking the articles of the existing companies. The point is this, whether for the future you are prepared to accept or not that at least two-thirds of the directors shall be elected or appointed by the general body of the shareholders ? There is no use, no point and no merit in prescribing that the managing agents will not be allowed to make it more than one-third when they can nominate one-third otherwise. If the provision remains as it is today, what is there to prevent a managing agent from having two or three persons appointed as life directors and then himself nominating one-third ? So, I say it is better to omit this clause altogether and to say that the managing agents will be free to nominate as many as they like than to have a clause like this only to force them to use a subterfuge for having a majority ? The managing agent or the promoters are free to appoint one-third as life directors in some form or other, so that they will have a standing majority of two-thirds.

**Sir H. P. Mody :** Not the managing agents.

**Pandit Govind Ballabh Pant :** What is there to prevent them from doing so ?

**Sir H. P. Mody :** There are special directors, debenture holders and so on.

**Pandit Govind Ballabh Pant :** What I am saying is that a managing agent can always use methods and devices of having one-third nominated according to his wishes and to his liking.

**Sir Cowasji Jehangir :** May I interrupt my Honourable friend for a minute ? The managing agents have one-third in order to represent different blocks of shareholders. Different blocks of shareholders demand that they should have representation. Then the managing agent, when promoting a company, permits such a block of shareholders to have one representation. All that is covered by one-third.

**Pandit Govind Ballabh Pant** : Does my Honourable friend mean that such blocks of shareholders will not then be entitled to take part in the election of the general meeting ? If he accepts that, I have no quarrel with him.

**Sir Cowasji Jehangir** : No, no.

**Pandit Govind Ballabh Pant** : If these people are going to have a voice in the election again, then I do not see any point in the remark that he has just put in. The shareholders will be free to elect only one-third if there are occasions for doing so. My submission is this that if the debenture holders want a director or if any other class wants a director, then it is not excluded by the language of this amendment. All that it lays down is that two-thirds will retire and two-thirds will be elected by such classes of shareholders as you may provide in your articles. There is nothing to prevent you from doing that. But I see no reason why the shareholders should be deprived of their right in a manner like this. If you want that the managing agents should not have more than one-third, then there should be a specific provision to that effect. I am really surprised that after all that we have seen about the way the Boards of Directors have been constituted up to this time, there should be still a desire that at least one-third should be left out for the managing agents. I submit that if the debenture holders or other persons have in any case to put a director who is not to be covered by the two-thirds then one should be allotted out of the remaining one-third. I see no reason for this special tenderness for the managing agent. I see no reason why he should have one-third and in every case why the rest of the entire body of shareholders should be restricted to one-third only. I hope the House will accept this amendment in spite of the wishes of the Government to the contrary.

**Mr. G. E. J. Robertson** (Burma : European) : Sir, I oppose this amendment. Pandit Pant has just stated that as the managing agents are to have the right to appoint one-third of the Board, there is no reason why the remaining two-thirds should not be appointed or elected by the company at a general meeting. He says there is no necessity for leaving one-third for any other purpose. Now, Sir, I think it is very necessary that room should be left for directors who will reach the Board by some other means, than by election by shareholders. It is very common to find provision made for nomination of directors to the Board of a company for the purposes of special representation. This takes different forms. Sometimes it may be that we have a Government representative on the Board of a Railway company or a public utility company. In other cases, a special class of shares carries with it the right to nominate a director. Again in return for taking up a large block of shares, a shareholder or shareholders may have the right to nominate a director and this also arises in the case of debenture issues. Now, Sir, Pandit Govind Ballabh Pant also said, and claimed as a special merit for this amendment, that it would not apply to companies incorporated after the passing of the Act. That is one particular reason why we should keep a margin within which directors may be appointed otherwise than by the company in general meeting. If we do not do that, we shall place a very real obstruction in the way of financing companies. Any provision which restricts a company giving such a right is likely to retard progress, as frequently capital is only subscribed or advanced by a class of shareholders, debenture holders, etc., on the footing that they shall have the right to nominate directors. If there is no provision for such

[Mr. G. E. J. Robertson.]

nomination, we shall seriously restrict the free flow of finance. I would also like to point out that directors who are appointed by the shareholders holding a large block of shares or holding special issues of shares are equally representative of shareholders as those elected by the company in general meeting. The suggestion has been made that these directors will be the nominees of the managing agents. They do not hold their office at the will and pleasure of the managing agents, but by reason of the fact that they represent shareholders and in that respect the qualification of such directors is similar to that of those who are elected by the company in general meeting, that is to say they represent the shareholders. It is just as necessary that we should provide for appointment of directors to the Board otherwise than by election by the company in general meeting in the future, as it is in the case of companies already incorporated, from the point of view of the most important aspect of finance. Sir, I oppose the amendment.

**Mr. Bhulabhai J. Desai** (Bombay Northern Division : Non-Muhammadan Rural) : Sir, I wish to make the position as clear as I can having regard to the stages which the Honourable the Leader of the House has referred to during the progress of the Bill. In the Bill, as originally introduced, the elected number was two-thirds. It has gone through many changes since then, and the objection that is now raised to maintain the original two-thirds elected body was that the interests of bodies like the debenture holders or public authorities may, either under the Statute or under an agreement, have the right to nominate a director. But so long as you provide for that particular limited purpose, there may be something to be said for it, but if you leave the remaining one-third, in all cases where such appointments are called for or not, you are leaving that one-third really as it is alleged, at all events for the purpose of the benefit of the managing agents. May I, therefore, suggest that while providing for these special nominations, you may still maintain the original spirit of the Bill if words to that effect are added after sub-clause (2) as in the amendment :

“Notwithstanding anything contained in the articles of a company other than a private company, not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that in cases where a director or directors are to be nominated by public authority or debenture holders, the two-thirds may be reduced to that extent.”

An amendment like this will get rid of, at all events, this argument that you are not providing for a case where grievances are against the managing agents. But, in that case, you should not go the length of leaving the remaining one-third entirely outside the hands of the shareholders election. I, therefore, suggest that the amendment I have proposed will meet the difficulties which have been raised and also maintain the spirit of the original Bill.

**The Honourable Sir Nripendra Sircar** : It is rather difficult to follow the implications of my Honourable friend's amendment. If he will give us a draft of his amendment, it will probably facilitate matters.

**Sir Cowasji Jehangir** : What does Mr. Bhulabhai Desai suggest ?

**The Honourable Sir Nripendra Sircar** : What my Honourable friend suggests is this. One-third maximum to be appointed by managing

agents and about two-thirds, if there is a question of any special directors like directors nominated by debenture holders or by local bodies, and so on, that will come out of two-thirds. That will not infringe on the one-third maximum which has been given to the managing agents.

**An Honourable Member :** That is the Bill.

**The Honourable Sir Nripendra Sircar :** It is rather difficult to grasp, without more time, what my Honourable friend, Mr. Bhulabhai Desai, has said. I would like to have a draft. All that I want to say is this that the proposition is such that I cannot stand up and say that it is unacceptable.

**Mr. M. A. Jinnah :** May I point out to the Honourable the Leader of the House, that I do not know what the intention is. It seems to me that, under the clause as it is now before the House in the Bill, it is all in favour of the managing agents, because the managing agents, first of all, have the undoubted right to appoint one-third. Having appointed one-third, then at least the remaining two-thirds ought to be chosen by a meeting of shareholders, and in that I suppose the managing agents, holding a large number of shares, will have a finger in the pie. Having assured themselves of one-third, the managing agents will have their fingers in the pie for whatever may be left to the shareholders to choose. It seems to me that the original Bill was much better in the interests of the shareholders leaving aside the question how to provide for special directors.

**Mr. Bhulabhai J. Desai :** That is what I am trying to do.

**Mr. M. A. Jinnah :** We have got these two things before us. The third suggestion made just now, I have not been able to follow, but speaking for myself, I would rather have the original Bill than the one that has emerged from the Select Committee. There is no meaning in that. The agents say, "One-third is my own, and, with regard to the remainder, whatever that is, I will have a finger in the pie, except, of course, special directors". I rather prefer the original.

**Mr. M. Ananthasayanam Ayyangar :** If we are prepared to go back to the original Bill, I have an amendment to that effect, which is No. 90.

**Sir H. P. Mody :** No ; I understand that the draft of my Honourable friend, the Leader of the Opposition, is on these lines that not more than one-third will be reserved. . . .

**Mr. President (The Honourable Sir Abdur Rahim) :** I think I will read out the draft of the Leader of the Opposition :

"(2) Notwithstanding anything contained in the articles of a company other than a private company, not less than two-thirds of the whole number of directors shall be persons whose period of office is liable to determination at any time by retirement of directors in rotation :

Provided that in cases where a director or directors are to be nominated by public authority or debenture holders, the two-thirds may be reduced to that extent."

**Mr. Bhulabhai J. Desai :** I only offer this if it is acceptable to all sections of the House. If not I do not press it at all. I thought it met the case.

**The Honourable Sir Nripendra Sircar :** All that I can say is that so far as Government are concerned, they will be prepared to accept that, but I do not want to commit myself finally. That is my view that it ought to be accepted, but other sections of the House may not like it.

**Mr. Bhulabhai J. Desai :** If they do not like it, I do not press it.

**The Honourable Sir Nripendra Sircar :** Let us have time to think over it.

**Mr. M. A. Jinnah :** Sir, I do not think it right that on a Bill of this importance an amendment is suggested on the spur of the moment and the House should be asked to consider it here and now. If there is an amendment, let us consider it carefully, because it is rather important, rather than decide here on the spur of the moment.

**Mr. Bhulabhai J. Desai :** My friend has entirely misunderstood me. I am not asking for anybody's consent at all here. I thought Government put forward the case that if you make two-thirds entirely rigid and exclusively elective, then there will be no room left in cases where public authority or debenture-holders were under agreement or under Statute. I was only trying to express it. I am not forcing it on anybody whatever. If the House requires time, it can stand over.

**Mr. M. A. Jinnah :** The Leader of the Opposition said just now that if the other side does not accept it, he will withdraw it.

**Mr. Bhulabhai J. Desai :** No, I said that I do not want to press it.

**Mr. M. A. Jinnah :** Therefore, it means that we should either say yes now, or he is not pressing it.

**Mr. Bhulabhai J. Desai :** If my Honourable friend thinks so, I am very sorry indeed.

**Pandit Govind Ballabh Pant :** What happened was this. After this amendment had been indicated, Mr. Jinnah observed that he would rather like to have the original clause as it stood in the Bill. We ourselves on this side would prefer it to the amendment moved by the Leader of the Opposition. So we said that if it was not acceptable to any group in this House, then we are not going to force it, because we ourselves are not very much in love with it. There should not be any occasion for any misunderstanding.

**Mr. M. A. Jinnah :** I do not wish to commit myself in any way at all, and I do not know exactly what arrangement was arrived at in the Select Committee. I merely made an observation that if I had the choice I would prefer the original. That is all.

**Mr. President (The Honourable Sir Abdur Rahim) :** If the Leader of the Opposition wants this amendment to be considered, I am willing to let it stand over till tomorrow.

**Mr. F. E. James :** Sir, may I rise to make a submission? That is, that if an amendment on the lines of the suggestion of the Leader of the Opposition is to be drafted and put in for submission to the House, it should, if possible, be circulated in sufficient time to all

Parties, before the meeting tomorrow. We on these Benches do share the apprehension of Mr. Jinnah, because we had an unfortunate experience where we were forced to accept an amendment which in its present form is nonsense, and we do not want to be put in the same position again. I do very much hope that that course will be followed and we shall be given enough time to deliberate.

**Mr. President** (The Honourable Sir Abdur Rahim) : I understand it can be circulated tonight. I think that will give ample time.

The question is :

“ That clause 38 stand part of the Bill.”

The motion was adopted.

Clause 38 was added to the Bill.

Clause 39 was added to the Bill.

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#### RULING ON THE MOTION FOR ADJOURNMENT *RE* FREEDOM OF INDIVIDUAL MEMBERS OF GOVERNMENT TO EXPRESS PERSONAL OPINIONS.

**Mr. President** (The Honourable Sir Abdur Rahim) : I promised to give my ruling on Mr. Satyamurti's adjournment motion, and I give it now.

The motion for the adjournment of the business of Assembly, of which notice was given by Mr. Satyamurti yesterday, raises the question whether the answer on behalf of the Government to his short notice question regarding Members of Government making public speeches alleged to be against the accepted policy of Government is a definite matter of urgent public importance within the scope of the Rules and Standing Orders. The specific answer of the Leader of the House on behalf of the Government which Mr. Satyamurti desires to be considered in connection with this motion is “ the question of when an avowed divergence of opinion is incompatible with continuance in the Government of the individual Member concerned is a question of degree to be decided by the head of the Government ”. Mr. Satyamurti would seem to urge that “ there should be no freedom of speech at all to the Members of the Government against the accepted policy of the Government ”. It has been definitely ruled by my predecessor in office, as indeed has been the general practice hitherto, that an answer to a question in itself, because it is considered unsatisfactory, furnishes no ground for a motion for adjournment of the business of the Assembly but whether a matter is a definite matter of urgent public importance is to be judged with reference to the question whether the subject-matter of the question and the answer satisfies the requirements of a motion for adjournment. (*Vide* Ruling No. 532 on page 13 of Selection from the Decisions from the Chair, Part II.) Now, the short notice question under consideration apparently arose from the fact, though it is not mentioned there, that the Honourable the Finance Member had, about a year ago, made a speech in Bombay with reference to what is known as the discriminating protection policy of the Government of India, which was alleged to be against the accepted policy of the Government. After the delivery of that speech by the Finance Member it was open to a Member of this House, if he so desired, to move at the earliest possible opportunity a motion for adjournment of the business of the Assembly, as has happened

[Mr. President.]

in similar cases in the British Parliament. But no such action was taken, although there were sufficient opportunities for such a motion being brought forward. I should also mention that a question was asked (question No. 130) on the 4th September, 1936, with reference to the opinions expressed by the Honourable the Finance Member in connection with "industrialisation by a protective policy", to which Sir James Grigg replied "I have already said on previous occasions that as a Member of the Government of India, I accept the policy of discriminating protection coupled with a due regard for the imperative revenue necessities of the country and the other safeguards recommended by the Fiscal Commission and adopted by the Government of India". I do not know whether that answer was considered satisfactory or not by Mr. Satyamurti but the fact remains that neither he nor any other Member attempted to bring up any motion for adjournment based on that statement by the Finance Member. It is, therefore, clear that so far as the protectionist policy of the Government of India and the attitude of the Finance Member in that connection is concerned the matter is set at rest.

Now, all that I have to consider is whether the general attitude of the Government, as disclosed in the answer to the short notice question, with respect to whether and how far, an individual Member of the Government is free to express his own individual opinion, which may not coincide with the avowed policy of the Government of India, can be a definite matter of urgent public importance. I shall suppose for argument's sake that this can be said to be a definite matter, still I fail to see how the general proposition stated in the answer given by the Leader of the House or as formulated by Mr. Satyamurti himself can be said to be an urgent matter in the sense that it would justify an adjournment of the business of the Assembly to enable the Member to consider and discuss it.

Mr. Satyamurti or any other Member can, if he so desires, table a resolution in order to discuss this general question or find some other suitable opportunity for the purpose. But I can see no urgency about it. As has been stated in the House of Commons "By the present rules such a motion for adjournment can only be permitted in case of special urgency". (*Vide* Legislative Assembly Debates, Volume IV, page 559.) The same principle is enunciated also at page 2812 of Legislative Assembly Debates, 1924, Volume IV, part IV.

I, therefore, rule that the motion for adjournment, of which notice was given by Mr. Satyamurti yesterday, is out of order.

The Assembly then adjourned till Eleven of the Clock on Friday, the 18th September, 1936.