

*Wednesday,
24th March, 1915*

ABSTRACT OF THE PROCEEDINGS

OF THE

Council of the Governor General of India,

LAWS AND REGULATIONS

Vol. LIII

April 1914 - March 1915

ABSTRACT OF PROCEEDINGS
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA
ASSEMBLED FOR THE PURPOSE OF MAKING
LAWS AND REGULATIONS,

From April 1914 to March 1915 .

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GOVERNMENT OF INDIA.
LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA
ASSEMBLED FOR THE PURPOSE OF MAKING LAWS AND REGULATIONS
UNDER THE PROVISIONS OF THE INDIAN COUNCILS ACTS, 1861 to 1909
(24 & 25 Vict., c. 67, 55 & 56 Vict., c. 14, AND 9 Edw. VII, c. 4).

The Council met at the Council Chamber, Imperial Secretariat, Delhi, on
Wednesday, the 24th March, 1915.

PRESENT :

The Hon'ble SIR HARCOURT BUTLER, K.C.S.I., C.I.E., Vice-President, *presiding*,
and 58 Members, of whom 51 were Additional Members.

STATEMENT LAID ON THE TABLE.

The Hon'ble Mr. Sharp :—“ Sir, I beg to lay on the table a report* on Indian Education in 1913-14, which was promised at the time of the introduction of the head ‘ Education ’ in this Council on the 9th instant. Copies have also been distributed to Hon'ble Members. These copies are only proof copies. The Volume, when published, will be illustrated.”

QUESTIONS AND ANSWERS.

The Hon'ble Pandit Bishan Narayan Dar asked :—

1. “ (a) Will the Government be pleased to give particulars of the fresh increments (if any) in salaries or allowances given to the Indian Civil, Medical, Police and any other services in the years 1912-13 and 1913-14, and the cost to the tax-payer of such increments ? increments in salaries or allowances given to members of certain services in India.
- (b) Will the Government be pleased further to state the total cost of the increments (if any) sanctioned since the outbreak of the War ? ”

* Not published with these Proceedings.

[Sir William Meyer; Raja Jai Chand; Sir Robert Carlyle.] [24TH MARCH, 1915.]

The Hon'ble Sir William Meyer replied :—

"I understand that the Hon'ble Member desires information regarding any general increment of pay which may have been sanctioned for the Imperial branches of the major services engaged in the general administration of the country.

"There has been no general reorganisation of the pay of the Indian Civil Service, the Indian Medical Service or the Imperial Police since the commencement of the year 1912-13. The only important modification with regard to the pay of any of these services has been the temporary introduction of a minimum time-scale of pay for members of the Indian Civil Service of over seven years' service in the Punjab, the United Provinces and the Central Provinces, subsequently extended to the Bombay Presidency, with the object of partially protecting them from loss owing to an abnormal block in promotion. Since the outbreak of the war this system of a special minimum time-scale of pay has been extended, subject to certain conditions, to all Indian Civil Service officers of over two years' service throughout India, in order to compensate them in part for the loss of the normal expectations of officiating promotion which they would have enjoyed but for the present crisis, which has necessitated the recall of officers already on leave and the restriction of fresh leave facilities. A similar system has been introduced, for the same reason, in the case of the Imperial Police service throughout India.

"A normal time-scale of pay was introduced in 1912-13 in the cadre of Assistant Collectors belonging to the Imperial Customs Service, at an additional cost of Rs.2,196 a year. With regard to other major Imperial Departments, no general reorganisation of pay has been brought into effect since the beginning of the year 1912-13.

"It is impossible to state the exact cost of the introduction of the special minimum time-scale of pay in the Indian Civil Service and in the Police, since this does not supersede previous pay arrangements, but merely guarantees that an officer of a certain standing shall not draw less than a certain salary. Nor could the information asked for by the Hon'ble Member be tabulated without an elaborate investigation of the difference between the time-scale pay, if applied, and the rates of salary which each officer would have drawn had the scale not been introduced."

The Hon'ble Raja Jai Chand asked :—

Production
of ground-
nuts and
linseed.

2. "(a) Is it a fact that, in the last few years, some tendency to grow ground-nuts, like those produced in Madras, and linseed is being steadily developed in other provinces of India? If so, will the Government kindly state what has been the average produce per acre, and the annual export (if any) of ground-nuts and linseed for the last—say—four years from these provinces?"

(b) Have the Provincial Governments encouraged and countenanced agriculturists to develop the products on experimental lines, and otherwise?"

The Hon'ble Sir Robert Carlyle replied :—

"The cultivation of ground-nut is rapidly extending in Bombay, Burma, the United Provinces and the Central Provinces and the Provincial Departments of Agriculture are devoting attention to the introduction and maintenance of disease-resistance varieties. The cultivation of linseed is more firmly established and requires no special encouragement. Linseed is grown for export and the area under this crop is largely determined by the ruling price. The Agricultural Departments have not found it possible to devote much attention to this crop.

2. The last volume of the 'Area and Yield of Principal Crops' and a statement showing the exports of ground-nuts and linseed during the last four years are placed on the table.*"

* Not published with these Proceedings.

[24TH MARCH, 1915.] [Raja Rai Chand; Mr. Sharp; Mr. Dadabhoy; Mr. Clark.]

The Hon'ble Raja Jai Chand asked:—

3. "(a) Will the Government kindly state whether agricultural education Agricultural education. has been introduced, and made compulsory in primary schools?

(b) If the answer be in the affirmative, have sufficient additional funds been provided therefor?

(c) If the answer to part (a) be in the negative, do the Government propose to consider the feasibility of introducing agricultural training, side by side with literary education?"

The Hon'ble Mr. Sharp replied:—

"The accepted policy of Government, from which they see no reason to depart, is that, while it is undesirable to teach agriculture as such in primary schools, an attempt should be made to give to the teaching in such schools an agricultural colour and to encourage the power of observation of pupils by nature study."

The Hon'ble Mr. Dadabhoy asked:—

4. "(a) Has the attention of Government been drawn to the statements Coasting freights for export of Bengal coal and increase in import of foreign coal. at pages 13 and 34 of the *Review of the Trade of India* in 1913-14 that high coasting freights have interfered with the expansion of the exports of Bengal coal to Bombay and Karachi?

(b) Do Government propose to take action, in consultation with shipping companies, with a view to secure a reduction in coasting freights?

(c) Is it a fact that imports of foreign coal on Government account, even of the quality produced in India, have increased of late?

(d) If so, will Government be pleased to state the reasons for such increase?"

The Hon'ble Mr. Clark replied:—

"With regard to the first two questions, Government are aware that the high level of coasting freights is one of the causes which are alleged to have contributed to check an expansion in the exports of Bengal coal to Bombay and Karachi. It has never been their policy, however, to attempt to fix any standard for coasting freights.

2. With regard to the third and fourth questions, Government are aware that the imports of coal, coke and patent fuel by sea on their account increased up to the year 1913. The figures for 1914, however, show a very large decline."

The Hon'ble Mr. Dadabhoy asked:—

5. "With reference to the statement in the Assam Administration Report for 1912-13, that with a view 'to meet the changed conditions when there will no longer be a penal contract, and to give employers some remedy against the enticement of labour which they have imported at considerable cost, proposals which have been administratively approved by the Government of India have been framed,' do Government propose to lay on the table the correspondence on the subject between this Government and the Assam Government?" Enticement of labour in Assam.

The Hon'ble Mr. Clark replied:—

"The Government of India regret that they are unable to lay the papers on the table."

570 QUESTIONS AND ANSWERS; THE ASSAM LABOUR AND
EMIGRATION (AMENDMENT) BILL.

[Mr. Dadabhoy; Mr. Clark; Mr. Das; Sir [24TH MARCH, 1915.]
Reginald Craddock.]

The Hon'ble Mr. Dadabhoy asked:—

Wages of
indentured
labour in
Assam.

6. "(a) Will Government be pleased to state if there has been any improvement in the wages of indentured labour in Assam, and, if so, to what extent since the enactment of the Assam Labour Laws ?

(b) What is the present rate of the wages of indentured labour in Assam ?"

The Hon'ble Mr. Clark replied :—

"(a) As far as can be ascertained from the returns furnished under the present Act, the average wages earned by indentured labourers in Assam at present show an improvement over the average wages earned since the statutory minimum wage came into force in 1903 of approximately 3 annas, 3 pies a month in the case of men and 15 annas in the case of women.

(b) The statutory minimum wage for men and women respectively is :—

R5 and R4 for the first year ;
R5-8-0 and R4-8-0 for the second and third years ;
R6 and R 5 for the fourth year.

On some gardens, however, the rate of pay is above that prescribed by law, and on almost all the labourers can, if they wish to, earn at least double their pay for a considerable part of the year by working over-time.

The Assam Immigration report for 1913-14 (the latest published) shows that the average of monthly cash wage including *ticca*, diet, rations, subsistence allowance, and bonus per head is as follows :—

Of total number on books

Men	R5-11-5
Women	R5-5-9"

The Hon'ble Mr. Das asked :—

Quarterly
lists of
petitions
withheld by
the Govern-
ment of
Bihar and
Orissa.

7. "(a) Did the Government of Bihar and Orissa, during the year 1914, forward to the Government of India quarterly lists of petitions which were withheld by the former Government, giving reasons for withholding them ?

(b) If such quarterly lists were received during the year 1914, will the Government be pleased to lay on the table copies of the same, with the reasons for withholding them ?"

The Hon'ble Sir Reginald Craddock replied :—

"Quarterly lists of petitions withheld by Local Governments under the rules are received by the Government of India, but it is not considered that any public interest would be served by laying them before this Council. If the Hon'ble Member desires information about any specific case the possibility of furnishing it will be considered."

**THE ASSAM LABOUR AND EMIGRATION
(AMENDMENT) BILL.**

The Hon'ble Mr. Clark :—"Sir, I move that the Bill further to amend the Assam Labour and Emigration Act, 1901, be taken into consideration."

The motion was put and agreed to.

The Hon'ble Mr. Clark :—"Sir, I move that in clause 4 of the Bill after the word 'substituted' the following shall be inserted :—' for the words "the employer" the words "his employer or the association or firm which has applied in respect of such Local Agent under section 64, sub-section 2 and "'

[24TH MARCH, 1915.] [Mr. Clark; Mr. Graham.]

“Under clause 3 of the Bill, it is proposed to amend section 64 of the Act so as to allow ‘any association or firm duly authorized by general or special order of the Governor General in Council’ apply for a licence for a Local Agent. Now the term ‘employer’ under the Bill as introduced has the definite technical meaning assigned to it under section 2 (1) (f) of the principal Act, namely, the manager of the tea-garden for which the Local Agent mentioned in section 67 (i) of the Act as amended by the present Bill has been licensed to recruit coolies. It will therefore be insufficient to provide, as originally proposed in the Bill, that the application for the cancellation of the Local Agent’s licence can be presented only by the employer, *i. e.*, by the manager of the tea-garden, seeing that many Local Agents do not work under the orders of an individual manager, but under those of an Association representing a group of tea-gardens, controlled by a number of different managers, and, therefore, this amendment is necessary.”

The motion was put and agreed to.

The Hon’ble Mr. Clark:—“Sir, I beg to move that in clause 5 of the Bill in sub-section 6 of the new section 116-A. inserted by that clause, for the words ‘by the Board’ the words ‘in the manner prescribed by such rule’ shall be substituted. In the Bill it is provided that the Assam Branch of the Indian Tea Association and the Surma Valley Branch of the Indian Tea Association are to be represented on the Executive Committee of the Board. Under the Bill, as drafted, it was provided that representatives of these two Branches should be chosen by the Board. The Branches, however, wish to choose their own representatives, and it is obviously a better arrangement that they should do so. It is therefore proposed now to put it in a general way by substituting for the words ‘by the Board’ the words ‘in the manner prescribed by such rules.’”

The motion was put and agreed to.

The Hon’ble Mr. Clark:—“Sir, I move that in clause 7 (2) (iii) of the Bill in the new section 172 (1) (a) inserted by that clause, after the word ‘emigrate’ the words ‘under Chapter IV as modified by any notification issued’ shall be inserted.

“This amendment is designed to remove any ambiguity which may arise from the fact that section 91 of the Act does not of itself provide any specific method of emigration. It merely empowers Local Governments and Administrations to relax, by means of Gazette notifications, any provisions of Chapter IV in the case of Garden-sardars.”

The motion was put and agreed to.

The Hon’ble Mr. Clark:—“Sir, I now move that the Bill as amended be passed into law. I should perhaps explain that with the abolition of indentured labour in Assam and of recruitment by contractors, Act VI of 1901 is becoming less and less suited to existing conditions, and the whole question of what legislation is necessary for the control and regulation of recruitment for Assam and of labour in the Province will have to be taken up very shortly. The Government of India, however, were anxious that there should be no further delay in the introduction of the measures for the closer and more satisfactory control of recruitment embodied in the present Bill, and decided to proceed therewith at once and not to wait until the larger question could be taken up. We recognise therefore that though the provisions in this Bill dealing with the constitution of the Labour Board have been carefully framed, the measure is necessarily to some extent a tentative one and may in itself need some amendment at some future date when more experience has been gained of the improved system of recruitment, which is now being introduced.”

The Hon’ble Mr. Graham:—“Sir, a complex subject and a complicated Act describe, I think, the Assam Labour question and Act VI of 1901. Since the first Government inquiry in 1859, there has been much

[*Mr. Graham ; Mr. Clark ; Sir Ibrahim Rahimtoola.*] [24TH MARCH, 1915.]

legislation and much controversy on this matter of labour, and looking back on it now it would seem that a great deal of it might have been avoided had there been more co-operation between Government and the industry. The proposed Labour Board it is hoped will effect this co-operation, and as such it is very welcome. That the necessary legislation to establish this Board has been added to Act VI is a matter of disappointment to the Industry, having in view the fact that both Government and the Industry are agreed that the Act should be gradually abolished. Apparently, however, it was not possible in the short time available to arrange matters otherwise, and we can only hope that the odium which has attached to Act VI will not extend to the Board. In some other respects the Bill does not accord with the desires of the Industry, and although we have suggested a number of alterations, Government have not seen their way to accept these. More freedom in the matter of recruiting is what is required to produce the conditions best likely to remove abuses, namely, cheap and plentiful labour—when I say cheap labour, I am referring to the cost of recruiting, not to the coolies' wages,—and although with the changed conditions likely to be created by the abolition of the contractor this is not immediately possible, we hope that the establishment of the Labour Board will lead to a more sympathetic and consistent administration of the Act and a less rigorous enforcement of the somewhat rigid restrictions, which at present abound. In these circumstances, and with this understanding, I support the Bill."

The motion was put and agreed to.

THE SEA CUSTOMS (AMENDMENT) BILL.

The Hon'ble Mr. Clark :—"Sir, I move that the Bill further to amend the Sea Customs Act, 1878, be taken into consideration.

"Perhaps I may take this opportunity of removing a misapprehension which, it has been brought to my notice, might possibly arise in connection with this Bill, namely, that the Bill might perhaps be regarded as indicating an intention on our part to increase customs duties in the near future. This is in no way the case. As Council will remember, my Hon'ble Colleague the Finance Member informed us in his Budget speech that the question of the imposition of additional taxation had been very carefully examined in the last few weeks; and it was in the course of this examination that attention was drawn to the anomaly in the law, which it is now proposed to remove. It seemed to Government clearly desirable that the law should be amended, and we thought it best that the amendment should be carried out without further delay, not for present use but to simplify the position if tariff revision should be required hereafter."

The motion was put and agreed to.

The Hon'ble Mr. Clark :—"I move, Sir, that the Bill now be passed."

The motion was put and agreed to.

RESOLUTION *RE* STATE MANAGEMENT OF RAILWAYS.

The Hon'ble Sir Ibrahim Rahimtoola :—"Sir, I beg to move the following resolution :—

'That this Council recommends the Governor General in Council to consider the desirability of the future policy in regard to State Railways being one of management by Government instead of by Managing Companies.'

[24TH MARCH, 1915.] [*Sir Ibrahim Rahimtoola.*]

“I will open my remarks, by pointing out that my resolution does not deal with the question of the nationalisation of railways, as some people have imagined. It was so early as 1880 that the Government of India laid down as their future policy that they would acquire all the railways at the time when the option resting with them under the contracts with Railway Companies fell due. So that, so far as the word ‘nationalisation’ means the ownership of railways, practically all trunk lines in India have been acquired and are now owned by the State. My resolution deals with the far simpler question of the management of railways, in other words, whether the lines owned by Government should be managed by themselves or whether they should be managed by Managing Companies. The present system of management of railways is divided into two parts. Government own 25,125 miles of trunk lines in India, out of which approximately 6,800 miles are managed by themselves. The balance of 18,325 miles are leased to Companies for the purpose of management. My resolution asks Government to lay down, as their future policy, that the 6,800 miles which they manage now may gradually be extended as the contracts with existing companies fall due, and that ultimately, when all the contracts have fallen due, to have the entire management of the State-owned railways put under one central Department of the State. The advantages that I expect to result from such a system may be summarised as follows :—

- (1) The saving to the State of the share of profits now paid to the Managing Companies.
- (2) The development of trade and commerce on natural lines instead of the present artificial diversion by means of block rates.
- (3) The growth and development of industries especially in the interests of this country.
- (4) The promotion of inter-provincial trade.
- (5) The centralisation of control in a single State Department located in India and amenable to Indian public opinion instead of in Boards of Directors in London.

“I do not propose to deal with other minor advantages such as the utilisation of the entire rolling stock as one system, etc. I will confine my observations to these five main points which I wish to place before the Council.

“The saving to the State under item 1, namely, the share of profits now paid to Managing Companies, is a very important factor in the determination of this question. You are aware, Sir, that the Government of India have been during recent years providing large capital expenditure for the development of railways in India and for the more efficient working of the trunk lines. The annual figure has reached 12 million pounds and although the next year’s provision is reduced to 8 millions, my Honourable friend Mr. Marshall Reid, representing the Bombay Chamber of Commerce, only recently stated to this Council that their ideas had advanced and they wanted 15 to 16 millions per annum. In providing these large sums of money for the more efficient working of State railways trade has been undoubtedly helped, but at the same time the share of profits going to Managing Companies has largely increased. There may be other reasons why this is so, but the one I have mentioned is most important. In the year 1909-10 the amount paid to Managing Companies as their share of profits was 18 lakhs of rupees. In 1912-13 it went up to one crore and 6 lakhs and in 1913-14 it was 66 lakhs for 9 months, which if the same average is maintained would work to about 88 lakhs per annum. There will therefore be a substantial saving at the time when all the trunk lines are taken over by Government, a saving of about a crore of rupees to the State on the present basis, which cannot possibly be regarded as a negligible quantity. Dealing with the question of development of trade and commerce on natural lines instead of the present artificial diversion by means of block rates I wish to point out that it is a curious phenomenon that though railways belong to the

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State, the interests of different Managing Companies, because they share in the profits, are divergent and each tries to draw the traffic its own way. Each management tries its best within the minimum and maximum rates laid down by Government to divert trade to the ports which it serves. They want to carry the largest quantity of cargo over the longest distance over their rails and in order to be able to do so all the cargo which is offered to be carried to ports other than those they serve, block rates, which mean full maximum rates authorised by Government, are levied. I should like to inquire what effect this has upon the cultivators. The cultivators growing their produce in a given centre find that the best outlet for their produce is, say, either Bombay or Calcutta. To illustrate my meaning I will take the instance of the East Indian Railway. My point is common to all railways and when I am taking for my illustration one particular line I do not wish it to be understood that that is the only line that is adopting this system. Each line that serves a different port avails itself of the maximum rates for the purpose of drawing as much cargo to its own port as possible. Supposing as I have said that the produce grown in a given centre has to be carried over the East Indian Railway for a short distance before it can be taken over by the Great Indian Peninsula Railway to the port of Bombay which is found to be the most suitable outlet for it, it has to bear the burden of block rates for the short distance over the East Indian Railway. If India had a monopoly of the produce under consideration it may well be argued that the extra charge thus levied will be paid by the consumer, but only recently the Hon'ble Member for Commerce and Industry pointed out, and very rightly too, that the values of India's principal articles of export are governed by world prices, that the rates which exporters pay in the different ports are governed by what they expect to realise in the home markets or the markets to which these goods are exported. Therefore, if excessive rates are charged for any distance during the passage to the ports, it is, I venture to submit, the cultivators who have to pay them and not the consumers. Now, Sir, it appears to me that the interests of the cultivators should command greater consideration than those of Managing Companies and the merchants. After all, we merchants are the middlemen between the producer and the consumer, and whether the charges levied for transport are high or low they cannot directly affect us. In calculating our prices between the rates we pay for purchase and the rates we sell at, we take into consideration all the charges that we have got to find. Of course it does affect merchants who have their centres of business in different ports in the matter of volume of trade, but so far as these block rates are concerned they prejudicially affect the cultivators only. As I have said it is a curious phenomenon that, when the State owns all these railways, such a system should prevail to the prejudice of a class of people in whom Government profess to feel the deepest interest.

“The management of State railways by different companies is responsible for the formation of spheres of influence of the different ports in India. I cannot understand why any produce should be forced to specific ports by different Managing Companies having a monopoly of transport over their lines and thereby create the different spheres of influence of different ports? I venture to submit that the State should encourage the export of Indian produce through its natural ports, without allowing manipulation of rates. Not only in this respect, but in sanctioning new railways, in providing necessary links to existing railway lines, the same policy of port interests governs their action. The Bombay Chamber of Commerce had to press for, I think, nearly 17 years before they succeeded in obtaining sanction for the Nagda-Muttra line, and now for the last few years they have been pressing without avail for the construction of the Muttra-Aligarh section. It is a section extending over 41 miles only and will unquestionably promote the interests of the cultivators in taking the produce to its natural port.— But Government have refused to sanction this link on the ground that it would be an invasion upon the sphere of influence of the East Indian Railway. Now, Sir, I venture to ask what has that got to do with the development of trade and the

[24TH MARCH, 1915.] [*Sir Ibrahim Rahimtoola.*]

natural outlet for produce? Can there be any justification for talking about the sphere of influence of particular railways when all railways belong to Government or the sphere of influence of different ports justifying artificial methods for the purpose of diverting trade?

“Sir, when railways are owned by the State I think the foremost consideration must be to help to the utmost of their power the development of trade and to let the trade go to its natural outlets. In making these remarks I am not asking for any preference to be given to the port of Bombay. I am dealing with the question generally in the interests of the Indian people as a whole and especially the interests of the producers who are primarily affected by this manipulation of rates. I venture to submit that if the management of railways was vested in one and the same central authority, namely, the Government, most of these abuses would be removed.

“Sir, the next question I will deal with is the growth and development of industries and the encouragement of inter-provincial trade. The Government of India must have been convinced from the number of interpellations and resolutions on trade matters which have been coming before this Council, of how keenly the growth and development of industries in India is now being felt by the people of this country. It appears to me that railways are one of the principal means by which substantial encouragement can be given to the growth of industries in the interior of the country. Only recently during the discussion which took place on the Sugar resolution it was explained to us what methods are adopted by foreign countries to capture the trade of India. The payment of bounties and subsidies, the compulsion to plant and grow particular crops, and to sell them to particular manufacturing industries, the carriage by sea and land at less than commercial rates of freight are all considered legitimate means by foreign Governments to capture our trade. Surely it is not too much to ask that State railways, for which the country has paid enormously in the past, should be used for the purpose of helping and encouraging industries in the interior of the country. I know it is no use saying on the present occasion anything about, or asking, that these imports which compete with Indian industries should be made to pay higher rates of carriage on Indian railways, but surely, Sir, it is in no way unreasonable to ask that when goods are manufactured in India and are offered for transport they should be carried at special rates even though the quantities be smaller and the distances shorter than similar goods manufactured in other countries. I have no intention at present, I have not the time, to go into the large mass of figures I have; but it will suffice for my purpose to say that the general principle I am enunciating is certainly justified on the grounds of principle and policy. It is certainly not too much to ask that State-owned railways should carry raw materials to industrial factories and locally manufactured goods to the consuming markets in the neighbourhood at special rates. Such a policy may affect the railway revenue but if it does it will be to a very infinitesimal extent and that only for a time. When local industries have developed they will form a source of substantial increase both in traffic and revenue. Apart from these considerations it is certainly not unreasonable to expect that the people of the country should reap some small advantage out of State-owned railways. Take the instance of oil manufacture. Oil seeds in India are sent for carriage over long distances in large quantities and are consequently quoted at very low rates, while oil manufactured in India is carried at second class rates. If you carry oil seeds at very cheap rates it is but fair in the interests of the development of industries in India that you should carry oil pressed out of these seeds at equally low rates, for the encouragement of local industries. Sir, the time at my disposal is so short that I cannot deal with the entire question as well as I should like to. I will therefore say a few words on the next question, namely, to centre the control of State railways in a single State Department located in India and amenable to Indian public opinion instead of as at present vesting it in different Boards of Directors in London. I have never been able to understand why, when the entire railways are owned by Government, when almost the whole of the Capital has been provided by Government, the Managing Companies’

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share being only 7 per cent., that the practical control in regard to management should vest in Boards of Directors in London.

"The more I have thought over the question the more I have been convinced that there can be no justification for governing these lines from 6,000 miles away from India instead of a central department in this country. Sir, I may be pardoned if I again refer to one point about which I feel keenly, and that is that when the Members of the Executive Council of His Excellency the Viceroy have adopted the name of 'the Government of India,' I want them to be in reality 'the Government of India,' largely independent in most matters affecting the interests of this country. One reason which was urged by the Hon'ble Mr. Clark in his speech on the last occasion was that he could not promise anything because the sanction of the Secretary of State would have to be obtained, Sir, when the non-official Members, drawn from different parts of India, meet here to urge what the needs and requirements of their countrymen are, they are constantly met by the reply that the matter does not rest with the Government of India but with the Secretary of State, and as regards the present question of railways, that the matter rests with the Managing Boards in London.

"Sir, I think that the time is fast coming, if it has not already arrived, when the Government of India should in reality be the Government of India, working in co-operation with the people of India, in promoting the best interests of this country, and I do feel, Sir, that this is one of the directions in which substantial reform is urgently needed.

"I will now deal with the actual effect of my resolution. My resolution merely asks Government to consider the desirability of laying down a policy of extending the State-managed railways from 6,800 miles gradually up to the time when all the lines are brought under their management. In the terms of the contracts existing between Government and Managing Companies, the only line that comes into consideration at present is the East India line. The contract with the East India Company falls due in 1919, and under its terms notice for determining it has got to be given in 1917. We are now in 1915, and it is high time that Government should begin to consider very seriously the problem as to whether they will not, in the case of the East India line, give notice to terminate the contract in 1917. Sir, dealing with the East India line alone, I will in a few words point out what the position is. The East India Railway Company's share capital is, I think, 6½ millions, or 10 crores of rupees. It will become payable, if the contract is terminated, along with the annuities which go on up to 1950. The contract with other lines fall in from 1925 to 1950, so that if my resolution is accepted, and if the policy which I advocate is laid down, it will not burden Government with the management of the entire system all at once. They will, at the interval of some years, get each line and bring it under their own management. In the case of the East India Railway, we have paid to them as their share of profits the sum of Rs. 25·93 lakhs for the previous year, and for the nine months during the last year, which is the latest date up to which figures are available, the sum of Rs. 17,88,000. That is to say, in addition to the rate of interest of 4 per cent per annum which is payable to them on their share capital, the amount of profits taken on the basis of 25 lakhs per annum gives them 2½ per cent more.

"Sir, I hope you will allow me about five minutes more to sum up. I have got a great deal more to say, but I will try to be as brief as possible.

"It therefore follows that on the 6½ millions of share capital which the East India Company has provided, you are paying them, on this basis, about 6½ per cent per annum. Surely the Government of India can well expect to obtain the capital necessary for the purpose without having to pay such excessive rates of interest, and, what is of even greater importance to the interests of the people of this country, vesting practically full control in the Board of Directors in London.

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“ Sir, in conclusion I will merely draw the attention of Government to what was stated by the Hon’ble Member last year as the advantages of the present system. He said that the foremost advantage was that of obtaining capital through the Managing Companies. The other two advantages which he mentioned were, (1) that Government would not be able to bear the entire burden of State management all at one time. I have already dealt with that point. If the policy advocated by me is laid down, you will get the management of the East Indian Railway in 1919, the Great Indian Peninsula Railway in 1925, and so on till 1950, so that you will not have the entire system in your hands till a long time hereafter. It will be a gradual working up of the area till you reach the maximum many years hence. (2) The question of training up experts for the purpose of management was the second advantage mentioned. I think that is also explained away by the point which I have already made. You are not going to have the whole system of railways under your management at once. When you do get the whole system by 1950 you will surely have reached the stage when you will be able to provide the requisite expert machinery necessary for the purpose.

“ The only other point to which I should like to refer and on which much stress is laid is the help which these Managing Companies are said to give in the provision of capital. Sir, I venture to think that a great deal too much is being made of that. If you refer to the railway reports you will find that during recent years they have been borrowing at the rate of 4 per cent. All the debentures that are issued by the railways are guaranteed by Government. Surely Government need not employ middlemen, as these Managing Companies obviously are, for the purpose of borrowing money at such a high rate of interest and accept in the bargain company management of our railways. Sir, I venture to submit that if the suggestion which I put forward last year was accepted, namely, that if Government were to borrow at the rate of 4 per cent, which is the rate at which these Managing Companies are at present borrowing, they would secure what capital is necessary for their purposes. When Government are paying much higher rates under the present system both in the rate of interest on debentures *plus* the share of profits, surely there will even under that head be some saving to Government and the necessary funds will be available.

“ I am of course not dealing with the special circumstances of the war, but when during ordinary times the Port Trusts, the Municipalities and Improvement Trusts, of Calcutta, Rangoon, Madras, Bombay and Karachi are able to borrow every year large sums of money at 4 per cent in India, it is not unreasonable to expect that Government on their own guarantee and with the security of the Railways, will be able to borrow both in India and in England, large sums of money at the same rate of 4 per cent. There is no meaning in not agreeing to pay 4 per cent direct and then paying not only 4 per cent through the Managing Companies, but also something more in the shape of profits, and accepting the control of Managing Companies in addition.

“ It appears to me, Sir, that the interests of India demand that the centre of control of the management of the entire system of railways should rest with the Government of India and that they should be worked primarily in the best interests of the people of India.”

The Hon’ble Sir Fazulbhoy Currimbhoy :—“ Sir, last year we had a resolution about railways and about this point of their management, and I favoured the present arrangement of management by Companies on certain grounds. The opinion I then expressed as regards the economic aspect of the question was formed in view of the fact that State management is more expensive than management by Companies. The percentage of working expenses to gross earnings is higher under State management than under management by Companies. But now, on hearing the exhaustive speech of the Hon’ble Mover, I am convinced that the advantages of economy are counterbalanced by the disadvantage incidental to the present arrangement for division of

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profits. For a proper elucidation of this point a detailed and exhaustive analysis of the whole position would of course be necessary, such as a body of experts, working jointly with the Railway Board, alone can undertake. And this I confidently hope Government will take in hand at an early date.

“Apart from the commercial and business aspect of the question, there are facts which would make one pause in his advocacy of management by Companies. The first and most foremost of course is the one relating to the differential treatment as regards rates on these Company-managed lines of internal and sea-borne commerce, to which the Hon’ble Mover has referred. The general complaint among merchants connected with the inland trade is that the schedule of freights on these lines for exports and foreign imports is much higher than the schedule for goods moved from one part of the country to another; or to be more precise, the rates inland from seaport towns are generally lower than between two intermediate stations. I am quite prepared to concede that, in cases where goods have to be transhipped at a junction station, an extra charge for handling is fair. But making every allowance it is difficult to believe that the higher rates are unavoidable. We have every right to insist that both external and internal trade should receive one and the same treatment on our railways, and all distinctions in favour of the former should be removed. Special facilities for the internal trade may perhaps be justified in principle; but no principle will sanction the imposition upon it of particularly onerous terms and conditions. Government might possibly succeed in enforcing a fairer adjustment of rates, but it is doubtful if, without State management, perfect equality of conditions for the two branches of the trade could be secured.

“Then there is another fact of serious importance connected with management by Companies. Public opinion in India is ripe for a large expansion of feeder railways by Companies formed by Indians or by firms doing business in the country. The recent revision by the Secretary of State of the Branch Line terms testified to the earnest desire of Government to encourage the people. But it appears that under some arrangement between the big Companies and Government, these Companies have a powerful voice as regards sanction of schemes of feeder lines. They are only fractional owners of the railway systems, and yet with them lies the final say whether a proposed feeder line to a particular railway should be constructed or not. This is wrong. Messrs. Killick, Nixon and Company, for instance, had some time ago two schemes—Nadiad to Kapadvanj and Godhra to Lunavada—connecting the Bombay, Baroda and Central India Railway with the interior. The Government of India sanctioned them, but the British Company raised difficulties in the matter of ‘Rebate Terms.’ The assistance required was, however, granted out of the general revenues. But everybody would not be so fortunate. The control is practically now in the hands of these British Companies who are expected shortly to appear in the field as competitors for the construction of feeder railways also. This situation is intolerable, and should there be no means of taking away this control from these Companies, that will be reason enough for the State to overhaul the whole system and to assume the management itself. If the system cannot be mended, the drastic alternative of ending it will have to be adopted, however inconvenient the course may be in other ways. There is undoubtedly a case for inquiry, and the time has come when a definite policy with regard to railway management should be enunciated by Government. I accordingly support the resolution.”

The Hon’ble Sir Gangadhar Chitnavis:—“Sir, I beg to support the resolution so ably moved by the Hon’ble Sir Ibrahim Rahimtoola. I have more than once expressed my views about the comparative merits of State management and management by Companies of these railways, and I still hold the view that the former has certain disadvantages from which the latter is free. Broadly speaking, it is a question of balance of advantage. Both managements have certain points in favour of them, but the main issue is, on

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which side lies the greater advantage. I have always been of opinion that State management is less economical under existing conditions. It may, however, be that the present disadvantages of this management will in future be considerably minimised. If they are, I would certainly prefer that to management by Companies. The question has to be decided one way or the other by Government with due regard to the interests of the Indian public. But as the time is coming on for a general renewal or revision of contracts, discussion at the present time is welcome. I feel certain Government will settle their future policy of Railway management on the broad grounds of public advantage and efficiency at a minimum of cost. The war will perhaps introduce for a good long time new conditions in Railway finance. This may involve the raising of increased capital under more difficult circumstances, and also an increase of activities on the part of Government in undertaking new lines without unnecessary delay. What they will be it will be idle to guess now. We must await developments, and when we reach again a settled state, Government will undoubtedly proceed to reconsider the whole position, and to decide upon a policy which will be conducive to the best interests of the country. Whatever arrangement is decided upon, greater liberty of action to the Government on the spot is essentially necessary. It will reduce unnecessary correspondence and enable people here to reach the authorities much more easily than if the central seat of Railway management under this dual control were so far away as in London. If management by Companies is ultimately decided upon, Government will necessarily consider and enforce improvement in the conditions. The presence of the Hon'ble Sir Henry Burt at the head of Railway affairs at the time of the final settlement of Government policy would have been a great help. He has, throughout his long official career, been watchful of Indian interests, and has worked hard to promote them. But he is leaving India, and may be succeeded by an officer of conspicuous ability and large experience. I am sure these interests will be safe in the Hon'ble Mr. Gillan's hands if he succeeds to the post. As the resolution presses forward a consideration of the settlement of railway policy only, there is nothing to object to in it, and I support it."

The Hon'ble Mr. Marshall Reid:—" Sir, I have listened with the greatest interest to the very able speech of my hon'ble friend. I fancy his object has been mainly to provide us with an interesting academic discussion in what is necessarily a rather dull session: my reason for thinking so is that he has enunciated a principle directly contrary to that which he stated, and with which I agreed, on Monday. He then stated that it was not desirable that the Government of India should involve itself in the details of commercial and other undertakings! He now proposes that the Government of India should involve itself in an enormous undertaking. I am glad to see my hon'ble friend Mr. Clark is looking a little happier than he might be under these conditions: from this I gather that it is not his intention to leave to his successors what would be a most terrible burden.

" Now, Sir, the resolution as worded presupposes that there is no Government control: I have been in this country some 27 years, and from railway men I have heard nothing but complaints of Government control and interference with private Companies. I know it is not nearly so bad as it was, but it still exists and we hear of it frequently in public speeches at Chambers of Commerce and other such places.

" My main objection to the principle here enunciated is that it reverses one very important principle, namely, decentralization. My hon'ble friend's proposal, instead of spreading out responsibility and general control, aims at bringing it all into one place, where Hon'ble Members and many of the public, apparently, will come in and take their part. My second objection is that it is adding a great deal of responsibility to a Department which is already overburdened with work of a very varied nature. My third, and I think a very important objection, is that it aims at reducing the power and the initiative of the managers who are primarily responsible for controlling railways.

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“Company management is not, of course, perfect, but I think, on the whole, it is possibly rather more so than State management, and I should like to see the object aimed at rather to improve the system of Company management than to introduce what I feel to be the disabilities of Government control. I presume it is not suggested that one individual could possibly personally control all the railways in India: the question therefore is how best to secure decentralization and efficiency. To get the best out of individuals and out of corporations it is desirable to create an *esprit de corps* and enthusiasm for the service to which they belong, and managers should have a free hand to enable them to produce and carry out original and good work and they should be sufficiently long and sufficiently permanently in their posts to enable them to complete important works which they have undertaken. These, I think, come much more through Company management than through Government control: they may to some extent be present under Government management, but it is undoubtedly the case that State railway managers are transferred from one place to another and they do not know when they are going to be so transferred; therefore, they have not the same inducement to build up and carry out important and original works as Company managers have. I have said that Company control is not perfect, but I think it is more calculated than State control to get the best out of things: Company management would be more effective if some of the restrictions which are now placed on it were removed and if managers were also more free from the control of their Boards at Home in matters of detail. Presumably a railway manager, like other managers, is appointed because he is at the top of his profession, and he is absolutely trusted. If that is so, surely a Board or a Government should place the utmost reliance in and give the utmost power to the man on the spot whom they have appointed because they think he is the best man. Home Boards are valuable because of the experience, among other things, of those who form these Boards: they naturally should be consulted and should deal with all important matters of policy and other large questions; and no doubt they are exceedingly useful in that they are in touch with the largest money market in the world, and they also are able to get into close touch with the Home Government: but I should be inclined to reverse the present position as between the railway managers and the Company Boards. Instead of limiting the control of railway managers, I should be inclined to limit and confine the control of the Home Boards to vital matters and to large questions; I should leave details and ordinary routine work to the general management of the man on the spot who has been appointed because he is supposed to be capable of carrying out his work: if he prove not to be capable of doing so, then the simple solution would be to remove him and to replace him by another.

“My hon'ble friend's proposal that railway companies should gradually be eliminated with a view to State control seems to me to remove a very important incentive to progress, namely, healthy competition between two separate entities. What he said with reference to the Muttra-Aligarh railway is, in my opinion, perfectly correct: we in Bombay, during my considerable experience, have several times had to press on Government the necessity of constructing and extending certain lines: we have had to wait very often a great number of years, but I do not remember any line which we have believed to be necessary that we have not in the end succeeded in getting. I feel perfectly confident that in good time—perhaps in a good long time—we shall, in the matter of the Muttra-Aligarh line, also achieve our object.

“With these remarks, I should like to say that I do not desire to support the resolution which is now before us.

The Hon'ble Mr. Abbott:—“Sir, I rise to oppose this resolution. I feel that if it is accepted, competition will be killed, red tape will rule. Companies are as a rule open to be convinced that the minimum rates should be introduced in certain cases. I have not found State-managed railways equally so. Heads of State-managed railways are usually Royal Engineer Officers, continually being transferred to other lines, to military duties or sent

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off suddenly on field service. We cannot expect men under such conditions to be commercial experts. We must have commercial experts managing railways. What State railways are better or equally as well managed as the Great Indian Peninsula, the East Indian Railway or the Bengal Nagpur Railway? I feel that this will be a blow to private enterprise, and I hope that Chambers of Commerce will be consulted."

The Hon'ble Mr. Setalvad:—"Sir, it is with great hesitation that I venture to take part in this debate, because I am not a business man, I am not a man connected with commerce and do not claim to have that experience which both my Hon'ble friends * on my right and left have. But I venture to offer a few remarks on this question that strike me as relevant. Following closely and with great interest the speech of my Hon'ble friend Sir Ibrahim, so far as I can gather, his complaint against the present system was that the Companies who are in charge of the management of these railways appropriate a good amount in the shape of their share of the profits, and he suggested that if Company management was done away with and State management substituted in its place this amount would accrue to the State. That seemed to me to be the main ground of his proposition. No doubt he brought in other heads of argument, namely, the present disadvantages of different Companies working different railways—resulting in what are called the block rates, and other disadvantages to trade that he pointed out. But, so far as those disadvantages are concerned, I do not think that those difficulties are insuperable. Even, at present, Government have no doubt certain powers of control over these Companies, and those matters which affect trade adversely in the manner my friend has pointed out can certainly be dealt with by the State, and measures taken for their removal. If that is so, really it comes back again to the first point that my Hon'ble friend tried to make, namely, that a share of the profits, representing very large amounts, go to these Companies which could well be earned by the State. True, at first sight, that does appear to be so, but what strikes a layman like myself is this, that the management of railways or of any commercial venture by a department of the State can never be so economical or so efficient as management by Companies having a direct interest in the profits. And I should not be surprised to find, if it ever happened that the State undertook the management of these railways, that the profits dwindled, and that even after saving the present share of profits taken by the Companies, the State did ultimately in the result not make more than what is made by it under the present system.

"But besides that, what I do feel, Mr. Chairman, is that you can never have the enthusiasm, as my Hon'ble friend Mr. Marshall Reid said, imparted to a Government Department, that is shown in the management of these Companies. The great solicitude that the Companies have to show for the convenience of passengers, for the convenience of their customers, in order to serve them better day after day, is not a spirit that you can infuse into a State Department that works under ordinary routine rules, and that has no direct living interest in the success of the venture such as a Company and its employees have. Therefore, speaking as a layman, it does strike me, Mr. Chairman, that you cannot have an efficient economical or progressive management of railways by a State Department, and that the better course is, to my mind, to pursue the present policy, by which the management is vested in Companies who have a direct interest in making their services so acceptable to the public as to bring in every year more and more profits.

"As regards the other disadvantages, as I have pointed out, they can and should, in public interest, be dealt with and removed by proper State control or intervention. Taking this view, I for one am not in favour of the substitution of State management in place of the present system. As I said, I intervene in this debate with great hesitation because I cannot claim to have that great business experience which my Hon'ble friend Sir Ibrahim has, but it does

* The Hon'ble Sir Ibrahim Rahimtoola and the Hon'ble Mr. Marshall Reid,

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strike me, considering the matter in a logical way and judging it by common sense and general experience, that the substitution of State Agency as suggested by him may not prove successful or desirable. But I understand that all that his proposition seeks at this stage is that Government should give consideration to his suggestion."

The Hon'ble Mr. Ghuznavi :—" Sir, I think we have all listened with very great interest to the speech which my friend Sir Ibrahim Rahimtoola has made at the time he moved his resolution, and I desire to congratulate him particularly on the manner in which he was able to marshal out his facts in the time at his disposal, particularly as he is unfortunately suffering from slight ill-health.

" Now, Sir, there is a Member of this Council whose genial presence we miss to-day and whose wit and repartee have not resounded in this Council Chamber this session—I mean the Hon'ble Mr. Vijiaraghavachariar. Mr. Vijiaraghavachariar was also very much interested in the question of railways, and last year he also moved a certain resolution, not quite of the same nature as the present one, though a certain portion of it had the same effect as the present resolution. His resolution I would point out was more in the nature of a mandate. He wanted the Government to straightway appoint a Commission to inquire into the whole question, whereas the resolution which my friend the Hon'ble Sir Ibrahim Rahimtoola has moved merely urges that the question of the future policy with regard to railway management may be considered.

" Well, Sir, this is a very large question and I venture to think that there may be something to be said against it, but there is a good deal also to be said in favour of it. I should like, with your permission, Sir, to draw the attention of this Council to some of the salient points in the history of railway development in India. Between 1850 and 1869 the first railways constructed in India were built by Companies under contract with Government, which guaranteed to them a fixed interest on the capital. They were also given, by the Government, land free of charge, and under the terms of those contracts the Government reserved to itself the power to purchase those lines at the end of 25 or 50 years. Now, as early as 1853, Lord Dalhousie, however, laid down the principle that the maintenance and control of the railway system should be in the hands of the State. This resulted eventually in the State constructing and managing all railways between the years 1869 and 1879 until, I think, the time of Lord Ripon. From 1880 up to the present time, owing to various circumstances over which the Government of India had no control, construction and management of railways have been carried on partly by the State and partly by Companies with capital raised partly by Government and partly by Companies, the result being that some of the most important lines, such as the Eastern Bengal, North Western and the Oudh and Rohilkhand Railways are managed and owned entirely by Government, whereas the only lines of magnitude not owned by Government are the Southern Punjab, the Bengal and North Western Railways. The rest are nearly almost owned by Government and managed by Companies. Therefore, as my friend the Hon'ble Sir Ibrahim Rahimtoola very forcibly pointed out, out of a total of about 25,000 miles, 6,800 miles are already worked and managed by the State. And thus it will be seen that the net result has been that the greater part of the railways already belongs to the State.

" Looking at the financial side of the question, we see that out of a total outlay, up to 1912, of a sum of 352 millions, Government have already found means to provide 334 millions and the Managing Companies only 18 millions. It seems to me, therefore, that it is only a question of finding the remaining 18 millions to enable the Government practically to own all the railways. The disadvantages of management by Companies under these circumstances are primarily financial loss to the State and therefore to the tax-payer. There are other serious disadvantages in the system. Having regard to the costs in the working of Indian railways, the rates are certainly

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very excessive compared to those of other countries, and therefore local trade suffers. This again, has been very effectively pointed out by the Hon'ble Mover. The principle which guides Railway Companies in managing their lines appears to be a question of making the greatest profits without due regard to the broader policy, namely, the convenience and welfare of the public. One instance will suffice, namely, the condition of third-class passengers and third-class carriages. I do not desire to detain the Council by giving a description of what prevails as regards third-class carriages and third-class passengers, because I find that my friend, to whom I have already referred—I mean the Hon'ble Mr. Vijiaraghavachariar—dealt very exhaustively with the subject, and painted in vivid colours the state of things which prevails. In other countries of the world,—England, France, Italy,—third-class carriages are patronised by almost everybody, and they are very well managed; but unfortunately in India third-class passengers are put to the greatest hardship.

“Then again, Sir, there is the question of the employment of Indians. I find that out of a total of something like 58,900 employees, including both those on the railways managed by the State as well as those managed by the Companies, there are altogether 57,000 odd Indians; but these Indians are mostly in the lower grades of service. In the higher grades the number of Indians I feel certain is comparatively small.

“Therefore, generally speaking, the objection to State management can be summed up by saying that as the controlling agency and the central authority seem to be divided between the Government of India here and the Board of Directors of the managing Companies in London, this dual control stands in the way of progress, and is a distinct disadvantage both to Government and to the people; whereas if the entire control and management had been centred in the State the people of the country would have had much greater chance of getting their grievances redressed by approaching Government, as Government is always amenable, I hope, to public opinion in this country. We are not very much concerned with feeder lines and branch lines. They are certainly on a different footing and Government can well deal with them as they think best. Again, the question of the supply of capital and the aid received from Companies I certainly regard as a myth. My friend the Hon'ble Mr. Abbott has pointed out the fact that if the management of railways was taken over by the State, competition will be killed. In that connection I would only like to say that, as far as I have been able to understand from what has fallen from my friend the Hon'ble Sir Ibrahim Rahimtoola, he only meant that the management of trunk lines should be taken over by the State and wishes to leave out the question of branch lines entirely; there is no reason why branch lines and feeder lines should not be made over to different Companies and why healthy competition should not be encouraged. With these few words, I have very great pleasure in according my hearty support to the resolution which my friend the Hon'ble Sir Ibrahim Rahimtoola has moved.”

The Hon'ble Mr. Banerjee:—“Sir, I am very much in the position in which my Hon'ble friend Mr. Setalvad is; I am not a business man nor a railway man and I have not the smallest desire to intervene in this discussion. But, Sir, there is a distinct advantage in a Council like this, where there are Hon'ble Members who are experts and Hon'ble Members who are not experts, there is a distinct advantage in the fact that technical considerations can be judged from the large stand-point of common sense. I have listened with great interest to the arguments for, and the arguments against, the proposal of my Hon'ble friend, and I will say at once that I am in strong sympathy with the resolution which has been moved by him. It is in fact an old resolution which was discussed in this Council, and which I think met with the general approval of the non-official Indian members of this Council. Mr. Setalvad objects to the resolution, I think, chiefly on the ground that economic and progressive management would not be ensured if Company management was superseded by State management. Well I wholly dissent from this view. At any rate it is a view which has not been tested. We have a large number of railways which are managed by the State. We have the expression that the

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proof of the pudding is in the eating. What has been the outcome of this management? Is the Government satisfied with it? Has the management in these cases been progressive and economical? Has it come up to the standard of expectations on the part of the Government? I am inclined to think that the answer will be in the affirmative. At any rate we look forward to an answer on this point being given by the Hon'ble Member in charge. If in the past State-managed railways have been conducted upon progressive and economic lines, if they have given a fair dividend, if they have not been a burden upon the State, we are entitled to ask the Government to extend the sphere of State operations in this direction. But my Hon'ble friend has not met that point, which I regard as the strongest argument in favour of the resolution which has been moved by Sir Ibrahim Rahimtoola. Sir Ibrahim Rahimtoola complained of the large profits which year after year go to the pockets of the Companies. I think he fixed it at about a crore of rupees a year. My friend Mr. Setalvad has nothing to say to that. What about those profits? Should they not go into the pockets of the Government and the tax-payer rather than into the pockets of Companies located in England? What is the answer to this question? I take my stand upon that crucial position. Unless there are overwhelming reasons in favour of this drain of public money I think we ought to stop it, and such reasons have not been stated in this Council. At any rate Mr. Setalvad has nothing whatever to say to this argument. Therefore, unless we are compelled by the necessities of the situation, by the exigencies of administration, to put this large amount of money year after year into the pockets of the Companies, I say that State management must be preferred to Company management. Then, Sir, it has been suggested by my Hon'ble friend Mr. Marshall Reid that it would be opposed to the principle of decentralisation. I am entirely in favour of decentralisation. I think we in this Council Chamber are all advocates of provincial autonomy. We all look forward to that consummation. No Indian member would oppose the development of the principle of decentralisation. But I am convinced that the principle of decentralisation will not be jeopardised by the acceptance of the resolution of my Hon'ble friend. I think I can suggest a means out of it. You have these railways in different provinces, Bengal, Bombay, Madras and so on. Why not place the administration of these railways under the provincial Governments, which I think would be much more feasible, having a central board to co-ordinate the administrative agencies of the different Governments. That would be decentralisation coupled with the exercise of central authority for the purposes of co-ordination. What has my Hon'ble friend got to say to this? Then, Sir, another argument brought forward by my Hon'ble friend is that the department is overburdened. Surely with the growth of administration every department is over-burdened. I am sure my Hon'ble friends on the other side, Members of the Executive Council, find their departments getting more and more over-worked year after year, according to the growth of administrative exigencies. That is a fact, a permanent fact, which we must face year after year. What is the obvious remedy? Strengthen the department. Surely a great scheme of reform is not to be postponed or sacrificed on account of a ground, I do not wish to use the word disrespectfully, so flimsy as this. Then, Sir, another argument which has been brought forward by my friend is, that the manager ought to have large powers of initiative. Surely the Government can give these powers to the manager on the spot quite to the same extent as the Companies can. I will give a concrete instance. We have Colonel Browne, Manager of the Eastern Bengal State Railway, an admirable officer; I believe he has got a large power of initiative; I do not think the Railway Board interferes with him in matters of detail. Therefore, tested by the arguments on the other side, the proposition is unassailable and ought to be accepted. Tested by the arguments in favour of it the proposition is of overwhelming cogency. State railways, State management, means management by the Government. Sir, year after year, the Government is becoming more and more national, year after year our voice is becoming more and more potent; therefore within a measurable distance of time State management will mean management of railways by the people and through the representatives of the

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people. That is what State management will ultimately imply. But perhaps it may be said that I am looking far ahead. Let me confine my vision nearer home. At present State management means a management more responsive to public opinion than Company management can ever be. State management means a management which pays greater attention to the requirements of the people than to the requirements of £ s. d. Therefore having regard to these considerations, I do hope that Government will see their way to accept this resolution. And what after all is the resolution? A most modest resolution, requesting not that the Government should introduce any revolutionary change all at once, but that it should consider the desirability of what should be the future policy in regard to State railways.

“ Sir, it is a very modest resolution, I think Government might accept it, Government might consider the proposal, if Government finds that the proposal should not be accepted, it may be rejected. But, surely, in view of the fact that in 1919 and 1925 the leases of two Companies will expire, the resolution raises a question of public policy that should be considered and I hope and trust that the Hon'ble Member in charge of the Department will be able to accept it.”

The Hon'ble Mr. Rayanigar :—“ Sir, the question as to the relative merits of State management and management by Companies of State-owned railways is not an easy question. We have to consider several aspects of the question before we can solve it. To begin with we have to determine whether from an administrative point of view the State can conveniently take over the management of all its 25,000 miles of railway. Besides, there is the financial consideration. No doubt State management is in some respects more advantageous. As the Hon'ble Mover has pointed out if the State takes up the management it can secure to itself all the profits without having had to share them with Companies. Sometimes we want preferential rates, if the State has control over the working of its railways there will be greater chance for such rates being allowed. These rates are necessary for the economic advancement and the development of agriculture in the country. Under State management convenience of the travelling public will be better attended to. If the management is in the hands of the State, public convenience will be of primary consideration. Then, again, if the management of the State railway is in the hands of the State, the State can directly deal with complaints and suggestions for improvement. As it is, Government has to refer them to the managing Companies. In many cases provincial Governments have to approach the Companies through the Government of India. The procedure involves delay. If the management is in the hands of the State and some of the powers of the Government of India being delegated to provincial Governments, small matters could be dealt with on the spot and delay and correspondence avoided. These are some of the apparent advantages. Do these advantages outweigh the difficulties? It is a question for experts to answer, they alone can say whether on the whole State management is advantageous or not. What the resolution seeks is the consideration of the policy of State management. It cannot be said that the matter is not worth being considered. On the other hand, in view of the fact that the period of some of the contracts will expire by 1919, I think an early consideration is necessary. With these observations, Sir, I support the resolution.”

The Hon'ble Mr. Monteath :—“ Sir, the question of State *versus* Private management of Indian railways was unofficially before the commercial public in 1907 when, as a Member of the Bengal Chamber of Commerce Committee, I remember that there were rumours of the transference of certain lines from State to Private management. The subject was one that had been talked about and was publicly brought up at the annual meeting of our Chamber at the end of that official year, early in 1908, when the Vice-President spoke in favour of State management and was supported in a speech by Sir Ernest Cable. I refer to this as I wish to say that these were personal opinions and not those of the Chamber as it was known that commercial views were divided.

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This latter was proved on a subsequent reference to the membership as a result of which no action was deemed necessary in following up the proposals. On the whole the feeling was that opinion tended distinctly in the direction of rather relieving the Government of the commercial part of its administration of the railways. The late Mr. Thos Robertson, who came to India to study and report on Indian Railways, arrived at the conclusion that the disadvantages of direct State management outweighed any advantages which it might possess. He favoured the leasing of all our railways to Companies to work, giving his reasons: firstly, that Government would be in a stronger position to watch over the interests of the country and to hold the balance between contesting parties; and secondly, that the public would have the results from healthy competition between different Companies. The question is a debatable one as we have seen from to-day's speeches, and I do not propose attempting to answer the many points raised by members, though I would like to ask one question on the one brought forward by several speakers as to the amount paid for home management. Is it supposed that Government are going to work railways for nothing? From opinions previously gathered State management will cost more than Private control. Then with regard to the suggestion of the Hon'ble Mr. Surendranath Banerjee that a Central Board could be relieved through provincial management, I think that if this system was introduced the tug of war over the Muttra-Aligarh extension would be just as great, if not greater than at present. The subject is debatable and all I ask on behalf of our Chamber in Bengal is that if it is to be considered the matter should be made the subject of full reference and inquiry commercially. Meantime, I have no authority to give an opinion from the Chamber but for myself feel that the outcome of any inquiry would involve no great change in the present system, as in my opinion, subject to improvements in details which we all recognise are possible, we are best as we are. In principle we do not in these days seek centralisation, but rather decentralisation; and on this ground I would not support any motion for change."

The Hon'ble Pandit Madan Mohan Malaviya :—" Sir, there is no doubt that the question raised by the resolution is a somewhat technical one, and it might well, as such, frighten off a layman from discussing it. But it seems to me, Sir, that if the layman finds the money which experts experiment with and sometimes waste, the representatives of layman are entitled to bring to the notice of the Government points which affect the layman, *i.e.*, the general tax-payer. In dealing with the question, I will first take up the objections raised by the Hon'ble Mr. Marshall Reid, the Hon'ble Mr. Abbott, and the Hon'ble Mr. Monteath. The Hon'ble Mr. Monteath at one time seemed inclined not to commit himself to any particular view, but in his concluding remarks he, too, distinctly showed himself in favour of leaving things as they are. I was surprised to hear the Hon'ble Mr. Marshall Reid characterise the discussion raised by the Hon'ble Sir Ibrahim Rahimtoola as an academic discussion. I cannot think of a discussion having a more practical bearing and importance than the present one. I do not think that the mere circumstance that my friend Sir Ibrahim Rahimtoola enunciated a principle to-day which the Hon'ble Member Mr. Reid thought was in conflict with another which he had enunciated another day, affords sufficient warrant for such a remark as he has made. Mr. Reid further said that Sir Ibrahim Rahimtoola's remarks would appear to presuppose that there is no Government control over railways at present. I do not think there was anything in the remarks of Sir Ibrahim Rahimtoola which would suggest that that was so. I thought he distinctly said, on the contrary, that the Government did exercise a certain amount of control over all Railways in the country through the Railway Board and in other ways.

" But the most important objection taken by Mr Reid was that the resolution runs counter to the principle of decentralisation. I did not know, Sir, that the Hon'ble Member was so deeply attached to the principle of decentralisation. I thought he had only a practical business man's regard for the principle which was found to be favourable to the business in hand at a particular moment. At any rate there are some business men who answer that description.

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When we ask for decentralisation in matters of political administration, these good friends say : ' Decentralisation will lead to deterioration and inefficiency ; it will lead to a weakening of the central authority, which enforces economy and ensures efficiency.' But when we ask that the State should manage the railway lines by its own direct agency and not through Companies, the merits of decentralisation are preached to us, and we are asked to continue to make an annual sacrifice of a crore and more of the public money at its altar. Mr. Reid admitted that the management by Companies did leave something to be desired ; but he said that the fault lay in the restrictions that were imposed by Government upon Railway Companies and in the restraints that were imposed by the Boards of those Companies upon the managers out here. Mr. Reid would leave the man on the spot practically entirely free, except in certain important matters of principle, which the Board might lay down. That would lead, Sir, to a larger amount of public money being swallowed by these Companies than is being done at present.

" The Hon'ble Mr. Abbott complained that if the resolution were accepted it would kill competition. Competition between whom ? Competition between persons whose sole concern is to make as much profits out of the business as they can and who care for the interests of the public only in so far as it affects the prosperity of their business. The Hon'ble Mr. Abbott also urged that the Government will find it difficult to obtain the services of commercial experts. Well, I wish my friend had made himself sure of his facts before he made such a statement. He would then have found that it was the State that supplied the largest number of commercial experts to the Companies both in this country and even on the Boards of these Companies in London. I will tell him something about it by and by.

" This therefore is the position. The object of the resolution is to suggest that the system of State management of Railways should be extended as the Government will thereby save a large sum of money which it pays at present to Companies as net profits and the public will receive other benefits besides. We all know that the railways have cost the people of India a tremendous sum, nearly 600 crores, or £400 millions, has been invested up to this day in railways. Up to 1900 railways did not yield a profit ; from 1900 upwards they have yielded a profit. True, last year, owing to the special exigencies of the war, the profits came to 53 per cent, and they are estimated to be 32 per cent only in the following year. But they have yielded better returns in previous years and the sum total of the net profits they yield to us is not an insignificant amount and there is every reason to think that if the Government takes up the management of all the railways in its hands, the money invested can be made to yield a much larger return. The Irrigation Department affords an excellent illustration and argument. A large sum of public money has been invested in it. That Department is entirely managed by State agency and it yields the handsome profit of over 5 per cent. Railways have been largely managed by the agency of Companies, and they have never given much above 1 per cent of profit ! I doubt not, Sir, that if the management of all State railways is taken up by the State, there will be a distinct and a large gain in the sum total of our profits from them.

" It was stated by one speaker that railways managed by Companies are managed more cheaply than those managed by the State. That is not so. If I had the time, I would show that the smaller percentage of working expenses shown by some Company-managed lines is due to causes which can easily be explained. For instance, the East Indian Railway Company shows a much smaller percentage of working expenses than the Oudh and Rohilkhand Railway and the North-Western Railway. The reasons are that the East Indian Railway has passed through better soil than the other two lines ; and owing to its comparative nearness to a port, has had greater facility in getting materials for construction and equipment. Then the East Indian Railway traverses the most densely populated parts of the country ; it has got a large number of large towns and cities on the railway line ; and thus commands both a large passenger traffic and a large goods traffic ; it has a port for both exports and imports ; and has less haulage on account of up and down traffic. Its

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wagons carry grains to Calcutta, and bring back imported articles and coal, and lastly, what is a most important thing, it has got coal-fields on the line. For these reasons the working expenses on the East Indian Railway are smaller than those on the other lines. The Great Indian Peninsula, North-Western Railway, and Oudh and Rohilkhand Railway have to carry coal from much longer distances and on that one ground alone their working expenses are very largely increased. So far as regards working expenses. I will now notice another argument which has been raised in favour of Company management, namely, that the capital invested in the railways has been provided by the Companies. My friend, Sir Ibrahim Rahimtoola, has pointed out that 93 per cent of the capital invested in railways in India has been provided by the Indian tax-payer, and only 7 per cent by the Companies. No one will question that this small fraction also can be easily provided by the people, if the substance of the proposal before the Council commends itself to the Government of India.

“ Then, Sir, there is the question whether Government can command the services of men competent to manage these railways. The Hon'ble Mr. Abbott has said, it cannot. In answer to that I would point out that at present the State trains a large number of the experts who work the railways which are managed by Companies. Look at the chief officers of those Companies, their Agents, Engineers, Auditors, Traffic Managers, etc. A large percentage of these officers are drawn by the Companies from men who have been employed in the first instance and often for a long time by the State. Their services are taken either on loan or after resignation or retirement. Take the Great Indian Peninsula Railway. We have Major Hepper there, who was formerly employed by the State. Take the East Indian Railway, its late Agent, the late Sir W. R. Dring, its present Chief Auditor, Mr. Marshall, won distinction in the service of the Government and then transferred them to the Company. Similarly on the Madras Railway we find Captain Magniac, as Officiating Agent, and Mr. P. C. Mole, as Chief Auditor. The Agent of the South Indian Railway, Mr. A. Muirhead, till lately belonged to the Oudh and Rohilkhand Railway. On the Bombay, Baroda and Central India Railway, we find that the late Agent, Major Shelly, the late Chief Auditor, Mr. Hoskyn, and the present Traffic Manager, Mr. Wood, were all at one time in the service of the State. The late Agent of the Bengal Nagpur Railway, Mr. Manson, belonged formerly to the Oudh and Rohilkhand Railway, and the late Auditor, Mr. B. Dinwoodie, was also formerly a servant of the State. So also Major Carew Smyth, Agent of the Nizam's Railway.

“ Even after retirement it is the men who have received their training and acquired experience and distinction in the service of the State that guide the affairs of the Railway Companies. For instance, Colonel Sir William Bisset, who held a responsible office under the Government is now the Chairman of the Bombay, Baroda and Central India Railway, the Madras and Southern Mahratta Railway, and the Assam Bengal Railway Boards in London. Sir Frederick Upcott, late President of the Railway Board, has joined the Board of the East Indian Railway Company as Chairman. Our late colleague Sir T. R. Wynne, who retired about six months ago, as President of our Railway Board, and who was appointed by the Secretary of State, Government Director of Indian Railways in England, *i.e.*, to represent the Government of India in all the Boards of Railway Companies in England, has, it is stated in the papers, accepted the Managing Directorship of the Bengal Nagpur Railway Company! The Managing Director of the South Indian Railway, Mr. Neville Priestley, was formerly a Traffic Manager on one of our Railways, and the Secretary to the Railway Board at another time. I can give many more instances of this kind, but I will not. I have said enough to show that so far as expert knowledge and talent for business is concerned, the State has commanded it in a much larger measure than any Company can command, and that it is high time that a system were adopted by which the Indian tax-payer, and not the Company manager, should receive the full benefit of the services of men who have been trained at his expense.

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“ We might now consider the advantages of State management of Railways. The first advantage would be the saving of a crore of rupees a year, the loss of which I am sure the Hon'ble the Finance Member cannot look upon with complacency—not only the Finance Member, but I am sure no Member of the Government of India can conscientiously allow a crore of rupees to be given away year after year as net profits to Railway Companies, when that crore saved and spent upon the education of the people can, in the course of a few years, change the face of the country, by rescuing the people from the ignorance in which they are steeped and the misery and helplessness to which they are consequently exposed. That will be the certain initial gain. But I claim that if the State takes up the management of its railways from Companies the net profits will steadily increase. Under the prevailing system, the working expenses have been growing enormously; under the system we advocate, they would, we expect, be sensibly cut down. There would be more economy generally,—less expenditure, more economy and larger profits: this will be no mean advantage.

“ The second advantage would be to passengers. At present the interests of passengers are not much cared for. The third-class rate ought to be lowered. It may be said that it is the lowest in the world. But labour also is cheapest of all the world in this country, and the people have contributed the money which has been invested in the building up of the railways. The third-class fare should be brought down to $1\frac{1}{2}$ pies per mile throughout. At present some Railways are quoting the maximum of $2\frac{1}{2}$ pies per mile. On every railway of which the State takes up the management, the rates should be at once made uniform and reasonably low. This will not involve loss to the State, but as the post-card has increased the postal revenue reduced rates will lead to greater traffic, and therefore to a greater total income in the end.

“ Nor is the change advocated less peremptorily called for in the interests of Trade. The need for it here is, if anything, greater. As my Hon'ble friend, Sir Ibrahim Rahimtoola, has pointed out, there are differences in rates that cannot be justified for a moment; there is an absence of the right principle in fixing them. Rates for raw exports are more favourable than rates for finished articles; rates for foreign imports are more favourable than rates for indigenous articles and for inter-provincial trade. The Council will be surprised to hear that the rates for imported wines and spirits are of the 1st class, namely, $\frac{1}{3}$ rd of a pie per maund per mile, while the rate for Ganges water is of the 4th class, namely $\frac{3}{4}$ ths of a pie! Wines and spirits imported from abroad are thus far more favoured under the present system than the holy water of the Ganges, which the vast millions of this country regard as a thing which every human being will be blest to have a portion of! Then look at other rates. The rates for *ghee*, an essential article of food for the people, and for oils, are very heavy, while the rate for oil-seeds is very low. There is no doubt a General Classification Committee which fixes rates, but notwithstanding that there are these anomalies, and these would certainly be avoided and corrected if the Government took over the management of all State railways in its own hands and put an end to the competition between the various Companies. There would be then no mercenary interests left which would rejoice in earning large profits at the expense of the general public.

“ A third advantage to which I would invite attention will be a larger employment of Indians on the Railways. It is notorious that at present the number of Indians who receive appointments on them in the higher grades is very small. The Government, I am thankful to say, have taken note of this fact, and have done something to improve matters. I hope that improvement will continue, but the present state of affairs is deplorable. Not only is the number of Indians employed very small, but the few that are employed do not receive fair treatment. As an instance, I may mention, that the Great Indian Peninsula Railway exchanges passes for Eurasian employes of other railways with its own, but it does not issue exchange passes for Indian employes. Indians therefore suffer doubly under the existing system. For all these reasons it is necessary, Sir, that the question raised by the resolution should be seriously taken up and settled once for all in a statesmanlike manner.

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"My Hon'ble friend Mr. Marshall Reid and some other members seemed alarmed at the suggestion that the Government of India should take up more burdens of a commercial nature. The Government of India, Sir, of all the Governments know of—and I know of a few—occupy a very peculiar position. The Government of India are one of the biggest banking, trading, commercial concerns known to mankind. They are a large business firm dealing in different kinds of businesses. Take the Salt Department and the Irrigation Department—these are very large departments. The Government have managed them, and managed them successfully too. Any department of business which the Government have thought it proper to take up in their hands, they have found men and money to manage them. And here in the matter of the Railways the policy was laid down, as my friend Sir Ibrahim Rahimtoola has pointed out, in 1880. The Government decided then that the Government should buy up all the Railways from the Companies as soon as possible. It had steadily carried out that policy. The question raised by the resolution is not that the State should become the owner of the Railways, for that it already is, but that it should like the management of its railways in its own hands. The time for it has come. The existing lease of the East Indian Railway will expire in 1919. If it is not to be renewed, notice must be given to them in 1917. I hope the Government will decide to give them such notice. The East Indian Railway Company have earned enormous profits. They were given a present of 6½ millions when the line was purchased by the Government. Of the 32 millions of capital, at which the price of the line was fixed, 26 millions was paid in hard cash and credit was given to the Company for over 6 millions as their share of the profit. They are now receiving interest on that amount, and, over and above that, they are receiving a good share of the net profits for working the railway. This last should be saved to the people.

"Sir, some Hon'ble Members have said that, if the Government took up the management of the railways, the working expenses would swallow up much of the profits of which we have been talking. That is due to want of acquaintance with the facts—"

The Hon'ble the Vice-President:—"The Hon'ble Member has already used up his time. I must ask him to draw his remarks quickly to a close."

The Hon'ble Pandit Madan Mohan Malaviya:—"I will, Sir. A glance at the Financial Statement which was placed on the table yesterday will show that what my friend the Hon'ble Sir Ibrahim Rahimtoola has his eye upon is the net profits, which are left after excluding all working expenses, and after excluding all the interest payable on the amount invested in the railways. They are net profits pure and simple, no deduction will have to be made in them, if the Government should take up the management of the railways in their hands. It will only mean that instead of allowing those profits to go into the hands of the Companies who manage the railways from London, they should be retained by the Government in their hands. The Government of India are in an immensely better position to manage the railways, to protect and promote the interests of the public, both in the matter of passenger traffic and trade, than Companies in London can ever be. I, therefore hope, Sir, that the resolution will commend itself to the Hon'ble Member for Commerce and Industry, and generally to the Government of India, and that a decision will soon be arrived at laying down that when the existing contracts expire, the State shall take over the management of the East Indian Railway, and subsequently of the Great Indian Peninsula and other Railways."

The Hon'ble Mr. Das:—"Sir, I had no intention of speaking on this resolution, which, as the Hon'ble Mr. Banerjee said, is a very simple one, if you look at the resolution as it is worded. The resolution simply requests that the Governor General in Council will consider whether

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the policy that now exists with regard to the management of these railways should continue in view of past experience on a review of the results of the past management, or whether there should be a departure and a new system should be introduced. If the resolution, as worded, is accepted, these questions would have naturally to be decided and discussed by men who are experts in this line. But the discussion has been drawn into a wider area and opinions have been expressed on matters on which even a layman feels inclined to take a part in the discussion. The two or three Hon'ble Members, the Hon'ble Mr. Reid and the Hon'ble Mr. Setalvad and the Hon'ble Mr. Monteath who have spoken opposing the resolution, have said (that is the Hon'ble Mr. Monteath and the Hon'ble Mr. Setalvad have said) that they do not like to express any definite opinion as they are laymen. As regards the Hon'ble Mr. Reid, he says that the managing agency system may be improved. So far as the opposition goes, nobody has given any definite opinion to the effect that the present system has been eminently successful and should be continued. So no reason whatever has been shown as to why the resolution as it stands, which is that it is *desirable* that the matter should be reconsidered, should not be accepted. We have been referred to questions of a very important character, and the matter has been viewed in the light, as it were only of a question of commercial importance. I ask, Sir, is the railway system in India to be managed merely on the grounds of profit and loss? Is it actually a commercial business? Have the railways no other purpose to serve? We have been told that, to remove the present system of management would kill competition. Is the management of the railways in India to be thrown open to world competition? Any managing Company that undertakes to work it on the smallest percentage of return, is such Company to be allowed to manage it? What would it be if a German Company undertakes to work it on the cheapest lines? Sir, mere financial considerations should not outweigh other considerations for which it is the duty of the State to maintain railways. Managing agencies are always influenced by commercial motives. When we were discussing the Companies Bill, the Hon'ble Member in charge of Commerce and Industry observed that managing agents sometimes might use their influence to the detriment of those who are really interested in a Company, and we were told then that he (Hon'ble Member for Commerce) had received opinions to that effect. I do not know what his opinion with regard to managing agents is now. If he has changed his opinion, I would congratulate the managing agents of railway Companies. At any rate, Sir, a thing, whatever it be, which Government has to maintain for the growth of prosperity of a country, for strategic purposes and for other purposes of a very important nature, should not be controlled by commercial influences or motives only. The dominant motive ought to be something other than commercial. We have had experience of commercial motives dominating over other more important motives in the case of the East India Company, and we know how objects which are of a nobler nature, which are more befitting the position of a Government were sacrificed to commercial motives. In fact, anything in which the people are interested, and in which the Government is interested, should not be allowed to be controlled by commercial motives only.

"It has been said that to deprive the managing agents of the control of these Companies would be subversive of the principle of decentralisation. As far as I understand decentralisation, it means that there must be a central authority, and delegation of the powers of that authority descends to other subordinate authorities. What is sought here and was expressly advocated by the Hon'ble Mr. Reid, was to increase the power of the manager on the spot, and to let the Home Board of Directors remain as it is. Where is the central power of this present decentralisation system? Would this all powerful manager be the central authority? If so, why have this Home Board? Decentralisation must have a central authority from which flows all authority by means of delegation.

"Sir, the supreme consideration which ought to guide Government in determining the system of management for these lines ought to be the

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interests of the people. The Mover of the resolution has referred to certain instances where the industrial interests of the people have suffered under the present management, and we have managing agents who represent the commercial interests of another country of a foreign character. What guarantee is there that we are not unwittingly being carried back to the days of the East India Company ?

“ As regards expenses and how it will be a saving, much has been said ; therefore, I will not repeat them. Besides that, I am not sure when the guillotine of the time-limit is likely to descend on me. With these remarks, Sir, I support the resolution.”

The Hon'ble Mr. Barua :—“ Sir, I must admit that in this matter I am as much a layman as many of my Hon'ble friends have admitted themselves to be ; and as a layman I will only speak a few words that strike me as matters of common sense. My Hon'ble friends Mr. Surendranath Banerjee and others have very effectively answered all the objections which have been advanced against the resolution and I endorse all their views.

“ The first point that strikes me, Sir, is that it seems absurd on the face of it that the Government should have so little control in the management of a concern in which it pays more than 90 per cent of the outlay. The amount of control which Government now has over the Company-managed railways is really so insignificant that it can exercise very little power in their internal administration. It can never have that effective control of affairs to which as by far the major partner it is entitled to have. Some of my friends have suggested that Government management will not be economical and will lead to loss, and others that Government will be in want of proper experts. Arguments like these only prove the weakness of the cause they advocate and have to be advanced only because there are none better. It is really little compliment to Government to suggest that it is a wasteful uneconomical body, the body that is managing all the affairs of the Indian Administration. To say that by taking over railways into its own hands it will by its wonted want of economy make them a burden on the people is to cast a reflection that Government has been wasting our money in all that it is doing and has been a burden to the people rather than a help. This is, I am afraid, too sweeping a remark which very few of my friends will be prepared to accept. As regards finding experts also I cannot believe that the powers of the Government will not equal or even excel the powers of the Companies. I hope the Government will not be in any difficulty about getting hold of the best of experts and any number of them that may be required.

“ Another thing which the Hon'ble Mr. Malaviya pointed out and one that cannot be ignored is the question of the employment of Indians both in the upper and lower grades of the railway service. It is only proper that the people who directly contribute to the maintenance and traffic of the railways should have a fair field for employment in the railway service. For this it is essential that the Provincial Governments should have an effective control over the appointments available on the lines that pass through their respective Provinces. This will be possible only if the entire management rests with Government and a process of centralization and decentralization is adopted as in the case of other Government departments.

“ Further, the course suggested in the resolution is really no adoption of a new policy or departure from any policy laid down by Government. The original agreements with the Companies to the effect that they would have the leases for a certain period only and that after the expiration of that period the Government will have the right to take up the working of the lines into its own hands, by themselves indicate that the Government always contemplated taking over the railways as soon as they had gone through the earlier stages of their development and allowed the Companies sufficient remuneration for their trouble. When Government has found almost all the capital for the railways, it is unjust to the people as well as to the Government that

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such an important department should be left in the management of private Companies perpetually, merely because they had contributed an insignificant percentage of the outlay. The contracts with some of the Railways are going to expire shortly ; and, as the Hon'ble Mover pointed out last year and has repeated now, it is time that the question is brought pressingly forward for the consideration of the Government. The people want that the Government should have the railway management in their hands ; they have greater confidence in Government management than in Company management. And I think the Government should make up its mind, in the interests of the people and in response to their desire, to satisfy them by taking all railways into its own hands as contracts fall due. This will add to the coffers of the State and the convenience and comforts of the public. I trust the matter will receive the favourable consideration of the Government. I whole-heartedly support the resolution as many of my friends have done."

The Hon'ble Mr. Clark :—" Sir, I trust that the Hon'ble Member who has moved this resolution and those Hon'ble Members who have supported it, will not think me lacking in courtesy if I make no attempt to discuss in detail the complex question which has been raised, the question, that is, of the rival merits of Government or Private management of railways. If I do not do so, it is not that I fail to appreciate the great importance of the problem to Indian industry and commerce, but last year, as Council knows, there was a debate on this same question, in the course of which I reviewed the main factors on either side, and it would be a waste of the time of Council, if I were now once more to go over the same ground. I explained then that it would be entirely outside the scope of the debate, were I to offer personally or on behalf of Government any opinion on the merits of the conflicting considerations which can be urged on either side of the controversy, and it would be equally unsuitable if I were to attempt to do so now.

" At the same time I think I ought to offer some comments on some of the points which have been raised in the course of what—I think we shall all agree—has been a very interesting and very instructive debate. It was opened by the very able speech of my Hon'ble friend Sir Ibrahim Rahimtoola. I listened very carefully to it, and it seems to me that the questions which the Hon'ble Member raised resolve themselves into two main questions of principle, firstly, should we work our railways on competitive lines ? and secondly, should our railways be run on commercial lines ? I am aware the Hon'ble Member did not specifically put the matter in that way. For instance, he raised the question of block rates, and complained that there was harm done to agriculture and industry by the system through which one Railway Company is enabled to charge a specially high rate for short distances over its own railway in order to prevent goods getting on to another line. Well, I will go so far as to agree that sometimes that block-rate system may cause injury to agricultural interests. But block rates are only one aspect of the competitive system and represent only one side of the competitive system. Following the principle which I have just enunciated, I do not propose to say whether I regard the competitive system to be better or the non-competitive system. But we must regard it as a whole, and if there is that disadvantage, we must also realise that there are advantages on the other side. It is owing to competition that the type of accommodation has improved. One line competes with another and endeavours to give better accommodation to passengers. And similarly they compete to get traffic not only by block rates but by offering lower rates over long leads on agricultural produce down to the ports and agriculture benefits very markedly thereby. On the whole question of rates it seems to me to be too readily assumed that there can be no real control unless the State takes over the railways. Of course that is not necessarily the case. If complaints are brought to the Railway Board about rates now, we bring them to the notice of the Administrations and the Administrations approach them, I think, in a very reasonable spirit. Also I may point out that it is not necessary for the State to take over the whole of the railways in order to get more control than we

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have at present. It is also conceivable that on the revision of the contracts, the question may be taken up of giving Government a greater measure of control over rates. Control over rates is conspicuously rigid in some countries where the railways are not nationalised; in no country in the world, for instance, is control stronger than in the United States; and in France also there is very close control over rates on private railways as well as on railways worked by the State.

“I will turn now to the other point, should our railways be run on a commercial basis? The Hon'ble Sir Ibrahim raised this issue when he referred to the possibility of using railways for the promotion and development of our Indian trade. He skated over it, if I may say so, rather ingeniously, for while urging that Government should give especially low rates for local industries, he contended at the same time that to do so would not cost the State any appreciable amount. I do not think we can at all safely assume that to be the case. It may very easily cost the State a great deal. At any rate, we should be put into a state of complete uncertainty as to our railway revenue if we were once to admit that principle. We had an interesting debate in this Council in 1912 on the question of the Railways' methods of fixing their tariffs. The question was raised by Sir Vithaldas Thackersey, and while he complained of the existing management of railways in respect of rates, he admitted very freely that the difficulties arose from their being run on a commercial basis. If you once decide that the railways are to be used as a means of promoting and encouraging industry, you will have abandoned that basis and it seems to me that you must be prepared for possibly a severe loss in your revenue which will have to be made good in other ways. I think that aspect of the case also becomes important in connection with a further question which was raised by Sir Ibrahim. He urged—and many other Members urged—that large economies could be made by abolishing the Companies and so avoiding all expenses of Boards in London, etc., and by having one centralised administration. That may be so: but if you take those two things together—the ceasing to run railways on the commercial basis and the economy effected by abolishing the Boards and other expenses in London, and set the one against the other, it seems to me a quite possible thing, I won't put it at more than that—it seems to me a quite possible thing that you may come out on the wrong side. We have heard it urged this morning that railways should be run on very much the opposite of a commercial basis. I can imagine the shudder that must have run through my Hon'ble Colleague, the Finance Member, when he heard the Hon'ble Mr. Surendranath Banerjee urging that they should be worked by the people for the people, urging as he did last year, that Government in managing railways should have a totally different object from a company, in managing railways—”

The Hon'ble Mr. Banerjee:—“Not immediately, Sir; later on, I think I said.”

The Hon'ble Mr. Clark:—“At the present moment at any rate, there is no difference. Our administration of State-worked lines is run on the same lines as Company administration. It is run with a view to make a profit. So far as we can, we endeavour to meet the requirements of new industries, because it is part of the commercial working of railways to work up a new industry with a view to getting more traffic later on, but we have not gone beyond that.

“Now, the present resolution merely recommends the Governor General in Council to consider the desirability of the future policy in regard to State railways being one of management by Government instead of by Companies. It is a great pleasure to find myself in the fortunate, and I am afraid, not too common position, not only of being able to meet my Hon'ble friend's wishes, but even of having anticipated them. Government has already with the sanction of the Secretary of State, taken up an inquiry into this matter, especially in regard to the vital question of the comparative economy of the two methods of working. I am very glad, therefore, to be able to accept the

[24TH MARCH, 1915.] [*Mr. Clark ; Sir Ibrahim Rahimtoola.*]

resolution. But in doing so I must make it absolutely clear that we are only considering the question of the relative efficiency of the two systems of working. Some Hon'ble Members seem to have thought that if Government accept this resolution, they will be committed to the policy which the Hon'ble Sir Ibrahim Rahimtoola hopes will be the outcome of the inquiry he advocates. That of course is not so; if it were so, I could not possibly accept the resolution. It must be understood that in accepting this motion and in instituting the inquiries which we have instituted, the Government of India are in no way committed as to the conclusions which they may eventually form. We are merely comparing the respective results of the existing working of the lines which are now managed by the State and of those which are now managed by Companies, and the sole object we have in view is to collect the necessary data for forming a judgment on this question. I should like to add in regard to what was said by the Hon'ble Mr. Monteath that in any inquiries which we may make on the subject we shall certainly consult Chambers of Commerce and other bodies in order to ascertain the commercial view. I accept the resolution on the terms, which I have explained."

The Hon'ble Sir Ibrahim Rahimtoola:—"Sir, I am indebted to the Hon'ble Member for accepting my resolution and I trust that when the question is considered, and before a final decision is reached, all sets of commercial opinion in India will be consulted by Government; I understand that that is the intention. I would have, under the circumstances, not troubled the Council with any reply at all, but I hope, I will be permitted to say a few words in regard to the criticism that has been offered by some of the non-official members. I will frankly confess that I never expected the support of the representatives of Chambers of Commerce for the very lucid reason which the Hon'ble Mr. Marshall Reid gave. He said 'it will take time, but we will have our way in the matter of the Muttra-Aligarh Section as we have always had our way, with Government.' Sir, we cannot expect support from contented and self-satisfied people. I have brought forward this resolution in the interests of the Indian tax-payers and I think the general concensus of non-official opinion in this Council must have convinced Government that they regard it as a matter of great importance that the management of railways should vest in the State. Sir, I have only one more word to say in conclusion, and that is with reference to the point that the railways are worked on a commercial basis. No one disputes the fact that the railways should be worked on a commercial basis. What we object to is that they should be worked *purely* on a commercial basis, irrespective of every other consideration. All we ask is that in working on a commercial basis, care should be had to the economic and industrial interest of this country. In the consideration of all these questions, I want that Government should bear prominently in mind not only the question of making revenue out of a monopoly which they hold, but that in getting such revenue they shall bestow careful consideration to the question of encouraging industries in India and promoting the economic interests of the people of India; even at the sacrifice of some portion of such revenue. I need not add that so long as I am a member of this Council I shall continue to press vigorously to the notice of Government that India wants satisfactory measures to be adopted for the promotion of the economic interests of this country."

The resolution was put and adopted

The Council adjourned to Thursday, the 25th March, 1915.

W. H. VINOENT,

*Secretary to the Government of India,
Legislative Department.*

DELHI ;

The 29th March, 1915.