PART TWO

THE PROBLEMS OF RAILWAYS IN INDIA

Chapters: Six to Eleven
1. The Acworth Committee on Railway Finances.

1.1 With the opening of the twentieth century, there was an enormous increase in the traffic to be handled by the railways, owing to the development of trade and commerce. This needed the extension of the railway plant and accordingly a steady annual expenditure of capital programme for it. But the railways could not realise the importance of these immediate requirements¹ and failed to take advantage of periods of easy money and to raise funds in excess of immediate needs. The First World War further accentuated the chaos and things went from bad to worse. Public complaints about inadequacy of railway facilities began to increase day by day. The mass of evidence collected by the Acworth Committee, 1921, proved that the failure of the Indian Railways to meet the needs was not confined to certain places or to certain periods, but was universal and protracted.

¹ The Report of the Committee on Indian Finance and Administration (cd. 4111) 1908.
1.2 The complaints made by the public were not new. They were markedly noticeable in the pre-war days, though the war must have enhanced the existing difficulties. It was noticed that the root of all the evil was financial system and a proper scheme of rehabilitation was felt necessary by all the parties concerned.

The Secretary of State, therefore, appointed the Indian Railway Committee\(^2\) with very comprehensive terms of reference, on the 1st November 1920.

1.3 The Acworth Committee, while observing the failure of the railways to cope with the traffic, examined the financial system of railways and concluded that the inefficiency in railway working would remain permanent unless bold measures were taken to deal with the situation. The defects were primarily due to the failure of the Government to provide the railways with adequate funds for capital expenditure on development and extensions, and even for the essential operations of renewal and repairs. They were the "inevitable results of a paralysing system" which was not adapted and developed to meet the imperative requirements. In fact, the whole financial machinery was rigid and unbusiness-like. The railways were considered just like any other

\(^2\) hereinafter referred to as the Acworth Committee.

\(^3\) already enumerated in Chapter IV of this thesis.
department of the Government of India, the Budget, framed by the Government, appropriated a certain sum to railways just as it appropriated to any other Department, whatever portion of this appropriation was not spent within the year automatically lapsed, and the Department had to make a demand for fresh appropriation for the next year. This system had undesirable effects. For, many a time it was revealed that, as soon as the general financial position unexpectedly improved, the Finance Member used to encourage the railways to spend more freely. In some years, the allotments used to be very meagre, whereas, in some years, the allotments used to be very extravagant.

1.4 The Capital Programme lacked uniformity. The expenditure sank as low as Rs. 4.50 crores in 1916-17 and went up as high as Rs. 26.55 crores in 1919-20.\(^4\) This irregularity in annual allotment, and the fear of the guillotine of 'lapse' which descended on 31st March, tempted the railway officials to start to spend lavishly the money unexpectedly thrusted upon them. The system assumed that the concern went out of business on 31st March, and recommenced on April 1 following. The crux of the situation was that the railway finances were made

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\(^4\) The Railway Administration Reports of the respective years.
dependent on the General Finances of the Government of India. Thus, the irregular allotments and the system of lapse were the main factors that made the railway financial machinery rigid and unbusinesslike. The railway revenue was given no liberty to choose its own course. On the contrary, it was applied by the Finance Member to the relief of other departments instead of being applied to the requirements of the railways. In 1919, for instance, the railways contributed four crores of rupees to the general purposes of the Government after they had paid their own working expenses, full interest on all debt outstanding on their account, and a further sum of about one crore in redemption of the principal. And this unhealthy practice, this suppression of the railway finance under the General Finances, resulted in granting insufficient amounts for capital expenditure on development and extensions.

1.5. Again, it was further complained that funds were allotted on the personality of the Agent rather than on the need of the line. To add to this primary irregularity funds were curtailed or largely augmented during the course of the financial year, creating an uncertainty. Uncertainty always endangers commercial success, and results in waste of public money. The railways suffered from this defect also.

1.6 There were still other instances. In 1921-22, the Assam Bengal Railway was granted a provisional allotment of Rs. 25 lacs for its capital expenditure. This allotment was inadequate. At least about Rs. 8 lacs more were needed. But for want of this amount, Mr. Nolan, the Acting Agent of that Railway, had to cancel many of his requisitions for Stores and had telegraphed to his Board of Directors to cancel certain contracts. One result was that some Rs. 43 lacs worth of rolling stock materials from England lay idle for want of Rs.8 6 lacs for the cost of erection in India. Similarly, Colonel Cameron, Agent of the Eastern Bengal Railway, also observed that as there was a certain amount of rolling stock for replacement, a number of engines had been ordered, but owing to the difficulty of financing the payment for them, he had suggested their being transferred elsewhere. The history of Itarsi-Nagpur line affords the same tragic state of affairs. The line, only 238 miles in length, even though it presented no serious engineering difficulties, took 17 or 18 years for its completion simply because of inadequate annual allotments.


1.7 The Acworth Committee, therefore, correctly observed that the system of these irregular allotments could be easily given up as soon as the railway finances were emancipated from the clutches of the General Finances. The separation of Railway Finances from General Finances was bound to ensure the certainty of regular allotments of funds for capital purposes and then the Railway Officials would not try to carry out any plans hastily.

1.8 Even before the Acworth Committee, the Mackay Committee was appointed, in 1908, to report on the Railway Finance and Administration but it did not include among its members anyone with experience of practical railway management. Whatever the reason might be, the Committee came to the conclusion that the objections taken to the system of 'lapse' had no valid ground. The Mackay Committee stated, "If a certain railway has been allotted during a given financial year the sum of, say, Rs. 100 lacs, and of that sum only 80 lacs have been actually spent, technically the 20 lacs would lapse. But then, the resources of the Government of India will be increased by this 20 lacs surplus at the opening of the new year, and they will be able to allot to the railway for the ensuing year 20 lacs more than they could have supplied.

The Committee on Indian Railway Finance and Administration, 1908.
The whole arrangement works back to the fundamental principle that the Government of India provides as much money in each year as it possibly can, for expenditure on railways, and distributes that money in the way which it conceives to be most advantageous for the country as a whole. This view was based more on general considerations than on the actual needs of the railways in India. The Committee was primarily concerned with the financial administration of the Government and not with the railways. The Committee wanted to see how best the railway management could be fitted into the rigid framework of the then existing financial system of the Government of India. The Committee thought that the case of railway was just like the case of education and sanitation. For example, the Government as a guardian of the State finances has always before it many objects to spend, provided the money is available. The Government may spend on sanitation or education as much as they like. But neither of these services is directly remunerative. So the Government will have to think first whether the amount required for the expenditure on these items would be recovered by the imposition of taxes, because, the demands from such non-remunerative services can only be met ultimately by taxation. But the case of the railway was different. There was no question of new taxation in order to spend more freely on it for its further rapid development. It was productive of revenue, and conse-
-quently, in meeting its requirements, no new taxation would have been involved. Its self-sufficiency was a strong argument for raising money on its net profits. There had been no occasion for many years past to call upon the tax-payer to come to its assistance; on the contrary, year after year, since 1901, the revenues of the railways had been applied for his relief. The Government did not require to spend a pie for the railways. The railways had always spent their own working expenses, full interest on all their debts and the further sum in redemption of the principal. And yet the Government did not give more liberal allotments to the railways. As a matter of fact, it was merely a question of allowing the railway undertaking to finance its own requirements out of its own resources and at its own time. Yet, the Government showed reluctance to allow the railways to utilise their own net profits for their own purposes. The Government spent liberal grants on sanitation and education, whenever the money at their disposal used to be ample. It would have been better had the Government allotted some of these grants to the development of railways also. For, there were many a tract of the country that had remained backward for want of railway development.

1.9 It was for these reasons that the financial methods of railways had needed radical reforms. The
most urgent reform was the complete separation railway from the general budget of the country. essence of the reform lay in the form of such a as "freed a great commercial business from the of a system which assumes that the concern goes business on each 31st of March and recommences on the 1st of April." 10

1.10 The separation of railway from the budget was expected to give the proper recognit the commercial nature of railways. The Acworth committee remarked prudently that "the authorities mately responsible for Indian railway finance h tinely failed to appreciate the position of the railways as a commercial undertaking. The rail takings, in which great capital has been invest have been held up for the lack of relatively sm investment in new machinery required year by ye make the plant efficient."

1.11 Robertson also had observed, in same fact that "the great railway undertaking are reduced more or less to the same level a Departments of the Government and are not a

10 The Acworth Committee Report, Vc
as large commercial concerns on the lines on which such undertakings can only be really successfully worked".

Pressed for money on all sides, the Government attempted to reduce grants to the minimum. Government should not have hesitated to borrow for a concern commercially sound. "Had the Government thought fit to borrow money even at a rate considerably higher than the rate of net return that the railways could earn on it, we believe its action would have been abundantly justified," reported the Acworth Committee. If the railway finances had been independent of the general finances, the railways would have borrowed money, like a prudent commercial entrepreneur, even at a higher rate, but it would not have allowed its undertaking to be held up for want of relatively small new investment in machinery. The separation of railway budget was thus a much-needed, as well as a practicable proposition.

1.12 There was one more serious charge brought against the dependence of the railway upon the general finances. It was not proved in practice that the financial control, purely from the financial point of view, had resulted in correct and unimpeachable financial orthodoxy. Every commercial concern always takes good care that its revenue is debited with its full share of expenses. The principle is that, by the time the life
of an asset expires, its original cost is written off out of revenue. But although the railways had been profitable since the beginning of this country, this ordinary commercial principle of debiting revenue with its full share of expenses was not observed.

1.13 There was no replacement reserve at all. It was physically impossible to replace all the plants of which the productive life was exhausted, within a short period; whereas they stood in the books at the original figure. If the Government had formed a separate replacement reserve, "at a very moderate estimate, pounds 12,000,000 should have been available in a depreciation fund at the close of 1921." Emancipation of the railway management from the Finance Department and separation of the railway budget from the general budget were the only solutions.

1.14 The financial system which produced such bad results as discussed above was, no doubt, condemned by those who viewed the position without any vested interests against the railways. It was surprising to learn that when the expenditure during the war years was postponed owing to the shortage of materials from abroad, 

the money was treated as part of the net profits of
the State Railways. Had there been a separate railway
budget, "the money underspent would have been earmarked
in it as advanced to the Government for general pur-
poses." But this was not done and the railway
position at the end of the war became lamentable.

1.15 This only shows that the importance of rail-
ways to be run as commercial undertakings was not under-
stood. Today, when it is generally accepted that rail-
ways are to be run as commercial undertakings, it is
contended that the Government is, at best entitled to
obtain, on its investment, a fair adequate return. And
commercialism demands that even this should be treated
as merely in the nature of bank charges for advances and
the railway cannot be considered solvent unless this
amount is regularly paid.

1.16 The Acworth Committee made an exact analysis
of the defects of railway finance and made out an un-
assailable case for two radical reforms: viz., the
separation of railway from the general finances, and
the emancipation of railway management from the Finance
Department. These reforms, the Committee added, had

13 Vide, Castellino, J.E., 'Commercialism on Rail-
ways', Article in the Bombay University Journal, January
1955, p. 43.
quite a long history in other countries. When Bismark nationalised the railways in Prussia by about 1878, his scheme provided for a separate railway budget. In Italy, the railways have a separate budget. In France, the railway budget is prepared separately, and is treated as an "annexe" to the general budget. In South Africa, the railway system has provided that the surplus in railway receipts should be devoted either to improvements in facilities or reduction in rates. In Belgium, though there had been no separate railway budget, the bill to that effect was drafted and submitted by the Government to the Chamber of Deputies. In Switzerland, there has been a provision of separation of railway accounts from other Federal accounts in order to ascertain clearly the financial position of the railways at any time. The railway budget is compiled by the Railway Board of Management and then it is submitted to the Council of Ministers. In Japan, the railway budget has been entirely separated since about 1909, by the promulgation of the Railway Special Accounts Law. The Act of 1909 provided that "Japanese railways shall have a separate Capital Account, and railway profits shall be devoted to extensions and improvements".

1.17 The Committee, however, did not suggest that the railway organisation should be completely in-
-dependent of the control of the legislature. In the words of the Committee, "The Indian Government owns the railways, the Indian Government must control them." What the Committee proposed was that the railways should have a separate budget of their own and assume the responsibility for earning and expending their own income. The first charge was to be the interest on the debt incurred by the State for railway purposes.

1.18 There were many and valid grounds for not making railways completely independent of Government control. Firstly, the railway revenue has been a very valuable national asset to the public exchequer who would not have surrendered this revenue easily. Secondly, the tax-payer would have been at a loss. The tax-payers had suffered enormous loss on account of railways in the past, when they were a losing concern, and the tax-payers had a right to demand their share when the railways had become a paying concern. It is argued that the tax-payers should take their share in the form of cheap and efficient transport facilities instead of demanding it in the form of contribution to the general revenue. But there was no guarantee that the tax-payers would be able to get cheap and efficient transport

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facilities if they sacrificed the railway contribution to the General budget. It was not therefore unreasonable if some fixed railway contribution to the general budget was assured for the relief of the taxpayers who had suffered an enormous loss on account of railways in the past when they were a losing concern.

1.19 The Acworth Committee also considered the claim for railway contribution fully legitimate. It further added that the large questions of policy and the raising of new capital must be controlled by the Government. The Committee further made a salient recommendation that the railway budget should be presented to the Legislative Assembly, not by the Finance Minister of the Council, but by the Member in charge of railways.

2. The Resolution adopted in September 1924.

2.1 The recommendations of the Acworth Committee took shape in the Government resolution which separated the railway from the general finances. The important clauses in the Resolution were as follows:

"(1) The railway finances shall be separated from the general finances of the country and the general

revenues shall receive a definite annual contribution from the railways which shall be the first charge on the net receipts of the railways.

(2) The contribution shall be based on the capital-at-charge and working results of commercial lines, and shall be a sum equal to one per cent on the capital-at-charge of commercial lines (excluding capital contributed by companies and Indian States) at the end of the penultimate financial year plus one-fifth of any surplus profits remaining after payment of this fixed return, subject to the condition that, if in any year railway revenues are insufficient to provide the percentage of one per cent on the capital-at-charge, surplus profits in the next or subsequent years will not be deemed to have accrued for purposes of division, until such deficiency has been made good. The interest on the capital-at-charge and the loss in working strategic lines shall be borne by general revenues and shall consequently be deducted from the contribution so collected in order to arrive at the net amount payable from railway to general revenues each year.

(3) Any surplus remaining after this payment to general revenues shall be transferred to a railway reserve; provided that if the amount available for transfer to the railway reserve exceeds in any year three crores
of rupees, only two-thirds of the excess over three crores shall be transferred to the railway reserve and the remaining one-third shall accrue to general revenues.

(4) The railway reserve shall be used to secure the payment of the annual contribution to general revenues; to provide, if necessary for arrears of depreciation and for writing down off capital, and to strengthen the financial position of railways in order that the services rendered to the public may be improved and rates may be reduced.

(5) A Standing Finance Committee for Railways shall be constituted, consisting of one nominated official member of the Legislative Assembly from their body.

(6) The railway budget shall be presented to the Legislative Assembly if possible in advance of the general budget and separate days shall be allotted for its discussion, and the Member in charge of Railways shall then make a general statement on railway accounts and working.

Apart from the above convention, this Assembly further recommends: (1) that the railway services should be rapidly Indianised, and further that Indians should be appointed as Members of the Railway Board as early as possible and (2) that the purchases of
stores for the State railways should be undertaken through the organisation of the Stores Purchase Department of the Government of India."

2.2 The Resolution also laid down another principle. Hitherto, the military lines were allowed to transfer their loss to the commercial railways and thus to weigh them down with the result that the progress of railways was discontinued and their development hindered. Henceforth such losses were to be borne by the general revenue.


3.1 The Resolution of 1921 marked an inauguration of a Railway Reserve Fund and a contribution to the general revenue from year to year as decided by the convention in the resolution. The provision of the Railway Reserve Fund considerably added to the strength of the Indian Railways and helped them in times of adversity. Since 1921-25, the Indian railways have been paying the contribution to the general revenue up to this date except in the years of deficit.

3.2 The following table shows the contribution paid by the Indian railways to General Revenues and the balance transferred to Railway Reserve Fund, now renamed as Revenue Reserve Fund.
### Table 16

<table>
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<th>Year</th>
<th>Contribution from Railway to General Revenues (In lacs of Rupees)</th>
<th>Balance transferred to Revenue Reserve Fund (In lacs of Rupees)</th>
<th>Net Gain (In lacs of Rupees)</th>
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<td>1954-55</td>
<td>3496</td>
<td>Nil</td>
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(a) The Railway Board Report, 1947-48, p. 16 and 17.

(b) Figures, in column 2, represent dividend at 4% on the capital invested out of general revenues. No separate interest charges were paid from this year.

(c) 'Indian Railways' (Report), 1950-51, p. 7.

(d) 'Indian Railways' (Report), 1951-52, p. 10.
3.3 Some explanation is needed to understand this table fully. Upto the year 1945-46 the net gain derived by the State from the railways was distributed as shown in the above table. In 1946-47, the State received a net gain of Rs. 852 lacs. Out of this net gain, Rs. 540 lacs were transferred to the general revenues and only 12 lacs of rupees were allotted to the Revenue Reserve Fund, the remaining Rs. 300 lacs having been credited to the Railway Betterment Fund.

3.4 The Railway Betterment Fund was instituted with effect from 1st April 1946 with a view to financing out of revenue betterments, such as provision of amenities to the travelling public, works connected with the staff welfare and unremunerative operative improvements. The Fund was received an initial credit of Rs. 1200 lacs by transfer from the Railway Reserve and Rs. 300 lacs from the net profits of 1946-47.

3.5 In 1947-48, the year of Partition, two different figures have been shown in the table. The figures of the full year 1947-48 relate to the undivided railways. There was a net loss of Rs. 750 lacs and hence no contribution was made to the general revenues. In the case of divided railways, the figures relate to the period

from 15th August 1947 to 31st March 1948. As there was a net loss of Rs. 274 lacs in that period, no appropriation was made to the Railway Betterment Fund also. In 1948-49, out of the net surplus of Rs. 1996 lacs, Rs. 734 lacs were credited to the general revenues, Rs. 84 lacs to the Railway Betterment Fund and 1180 lacs of rupees to the Depreciation Fund. In 1949-50 Rs. 759 lacs were appropriated to the Depreciation Fund and no additional appropriation was made to the Revenue Reserve Fund.

3.6 From 1950-51, the contribution to the general revenues was calculated at four per cent on the capital-at-charge according to the revised 1949 Convention Act. Though the figures of contribution from 1950-51 appear to be overwhelmingly large, it may be noted that in these two years the Government had not paid interest charges in addition to it. From 1950-51, the Railway Betterment Fund was renamed as the Development Fund.


4.1 (1) The Convention fixed the minimum limit of surplus that Indian railways ought to earn but was silent on the maximum permissible figure of profits. The one

18 Prof. L.A. Natesan has also referred, very aptly, to some of the glaring defects of the 1924 Convention in the concluding chapter of his volume 'The State Regulation and Control of Railways in India', Calcutta, 1946.
per cent over and above the interest charges was an in-
flexible minimum, while the one fifth of any surplus
profit, (clause two) and the remaining one third (clause
three) did not constitute any upper limit for the rail-
ways at earning unlimited surpluses. This was paradox-
ically at variance with the earlier views of the Govern-
ment contemplating 'the lowest rates consistent with
yielding a fair and reasonable return on the capital
laid out.

(2) The Convention differed from the British and the
American regulations in that it was not declared to be a
measure dealing with rates or rate level. It was ex-
pressly designed as an earning measure. Under the British
regulation a substantial part of the excessive profit
must be turned to traffic in the shape of reduced rates
or improved service. The Indian Convention did not
necessarily ensure reasonableness of rates or the regu-
lation of profits.

(3) The Convention however, had a definite influence
on rates, though it was not declared to be a rate measure.
There was obvious reason for the Government to adopt cer-
tain rate policies, because the Convention fixed a minimum
inflexible obligation on railways. Business conditions
demanded temporary rate adjustments during the depression.
But the Government did not concede them. There was a
positive enhancement of rates in 1936 as arrears to the General Revenues began to accumulate under the convention.

(4) The convention was subject to the grave defect that unlike the British and American measures it did not mention efficiency and economy of management or proper accounting as a factor precedent to an adjudgement on the resemblance of Indian railway profits.

(5) The convention did not stipulate any provision whereby a public body with authority could call the rate level into question. The Railway Rates Advisory Committee existed as a poor parallel to the Rates Tribunal of Great Britain and the Inter-State Commission of the U.S.A. The Indian Rates Advisory Committee could not raise the question of unreasonableness of the rate level. The Convention did not permit any one except the Railway Board to determine the level of profits and rates. Even the Railway Board never determined the level of profits in the sense of fixing a ceiling.

(6) One of the consequences of the convention was to prevent a rapid accumulation of the Railway Reserve. In fact, it involved total withdrawals from it for the sake of paying the arrears of contribution to the General Revenues. Re-investments had, therefore, been negligible on Indian railways.
The main reason for the adoption of the Convention was to emancipate railway finances from the vicissitudes of general finances. But "the attempted cancellation of the loans from the depreciation fund, the resort to the moratoria and the general policy of Government during the thirties paid scant respect to the principles of the convention" and clearly indicated that the convention failed to achieve the principle object for which it was adopted. "The fact that the present arrangements rest only on a convention between the Assembly and the Government has exposed it to changes dictated by the exigencies of national finance, by expediency rather than principle. The constitutional position was not unfavourable to its successful working, for there could be no question of any party in power reversing the policy to serve any political interest. If the bureaucratic machinery of the Government of India, entirely free from influence of pressure groups, could not resist the temptation of weakening the authority of the convention, the danger in the future with a Government dominated by important political groups in the/ is even greater."

20 Ibid.
5. Failure in the working of the Convention.

5.1 The Resolution of 1924 provided for two things. It provided for the fixed proportion of contribution to the general revenues and satisfied the claim of the taxpayers who had vested interests in railways. It also inaugurated the Railway Reserve Fund and assured the railways of their independence which would enable them to strengthen their financial position. The Railway Board built up a reserve of Rs. 18,80 lacs by the end of 1928-29. But with the advent of trade depression, the railways were faced with deficits. The 1924 Resolution laid down a fixed proportion of contribution to the general revenues. The deficits had therefore to be financed by withdrawals from the Reserve Fund. In 1928-29, Rs. 2,06 lacs were withdrawn from the Fund to make good the deficiencies in the contribution to the general revenues. In 1929-30, Rs. 10,93 lacs were similarly withdrawn. In 1931-32, Rs. 4,95 lacs were again withdrawn. Within thus only three consecutive years, the Reserve Fund was practically depleted, leaving the balance less than Re. one crore. From 1931-32 to 1936-37 there was a net loss in each year and therefore there was neither a contribution to the general revenues nor to the Reserve Fund throughout this period. Owing to the setting in of the Second World War, however, the position of the railway finances again improved and the Railway Reserve and other funds could be well built up.
5.2 The Resolution came in for severe criticism when, in the years of depression, practically the entire Reserve Fund was depleted and the tax-payer was favoured by making compulsory contribution to general revenues even though the railways had suffered a net loss. The compulsory contribution to general revenues in spite of net losses imposed an onerous burden on the Indian Railways, and it was bound to weaken the financial solvency and efficiency of the railway system during bad years. What was worse was that even the future surplus profits of expected good years were asked to be utilised for making up the arrears in contribution of bad financial years. This was, really speaking, financially too heavy a financial burden.

5.3 In order to meet the obligations of the contribution to the general revenues, by 1935-36, the railways drew upon the Depreciation Fund to the extent of Rs.31 1/2 crores. This raiding of the Depreciation Fund to the extent of such a large sum stood itself self-condemned from the view point of the sound principles of railway finances. The 1924 Convention did nothing but favour the general tax-payer and discounted the necessity of the solvency of the railway finance. The aim and objects of the 1924 Convention might be good but the ways and means with which the objects were to be achieved were defective inasmuch as, while ensuring a contribution to the tax-
-payer from year to year, the solvency of the Railway Reserve Fund was not given a good support. This showed that principles of commercialism, warranted by any undertaking to be run on business lines, were not practised.

5.4 The need for an adequate Reserve Fund cannot be exaggerated as it is essential for a sound business concern. This Reserve Fund ought to be used for unforeseen contingencies, for meeting interest charges and as far as possible for reducing the rates and fares. In any case, it must not be used for swelling the receipts of the general budget.

5.5 To expect contributions from railways to general revenues at the cost of the Depreciation Fund was a sheer neglect of one of the national industries, on which the trade, commerce and wellbeing of the people depended. The shareholders of even an ordinary joint-stock company cannot expect any dividend in times of adversity. On the same lines, the general budget also cannot claim a dividend from the railways in times of their adversity. Even during normal years, no contribution should be expected from the railways which should be in a position to build up equalisation or reserve funds to help them to tide over the financial strains during the days of adversity.
6. The Clean-Slate Proposal.

6.1 It is thus clear that there was no rational ground for the continuance of contribution to general finance during bad years. The liability in respect of loans from the Depreciation Fund and the Suspended Contributions, amounted to about Rs. 31 crores each by the end of 1936-37. This total liability of Rs. 62 crores and the future obligations in respect of annual contributions, the railways were not expected to discharge completely even for a decade. The Railway Member, therefore, suggested that "the wisest plan in the circumstances appears to be to write off all these liabilities and to start the next year on the basis of a clean slate so far as these liabilities are concerned." This proposal was most beneficial and sound. Of course, the liability in respect of depreciation was valid and does not stand for commendation.


7.1 It was revealed, though late, that the 1924 Resolution did not achieve its required objects. On the second March 1943, therefore, the Legislative Assembly

21 Vide, Budget Speech, 1937-38, para 9, New Delhi.
passed a Resolution, the provisions of which ran as follows:

"(1) For the year 1942-43, a sum of rupees 2,35,32,000 shall be paid to the general revenues over and above the current and arrear contribution due under the Convention,

(2) from the 1st April 1943, so much of the Convention as provides for the Contribution and allocation of surpluses to general revenues shall cease to be in force,

(3) for the year 1943-44, the surplus on commercial lines shall be utilised to repay any outstanding loan from the Depreciation Fund and thereafter be divided 25 per cent to the Railway Reserve and 75 per cent to general revenues, the loss, if any, on strategic lines being recovered from general revenues, and,

(4) for subsequent years, and until a new Convention is adopted by the Assembly, the allocation of surplus on commercial lines between the Railway Reserve and the general revenues shall be decided each year on consideration of the needs of the railways and the general revenues, the loss, if any, on strategic lines being recovered from general revenues."

7.2 To consider the matters arising out of Clause (4) of the 1943 Convention Resolution, the Railway Convention Committee was appointed by the Legislative Assembly.

22 The Administration Report. 1943-44. Appendix A.
According to the 1943 Convention, every year an ad hoc Committee was to be appointed to decide the allocation of the surplus between railway revenues and general revenues. This continued until the new Convention was passed by the Legislative Assembly in 1949. The 1943 Convention was widely held as a reasonable mean between the claims of railway and general finance as the railways were relieved of a fixed contribution which was hanging over their heads, regardless of whether a surplus was actually earned or not. 23


The main provisions of the 1949 Convention Resolution, passed on 21st December 1949, were as follows 24:-

"(a) The general tax-payer shall have the status of the sole share-holder in the railway undertaking,

(b) For the quinquennium commencing from 1st April 1950, general revenues shall be paid an annual dividend of four per cent on the capital invested in other than strategic lines.

(c) The Railway Reserve Fund shall be renamed as the Revenue Reserve Fund.


24 The Administration Report, 1949-50, Appendix A.
(d) An annual contribution of not less than Rs. 15 crores shall be made to the Depreciation Fund, and,

(e) a Development Fund shall be instituted for financing expenditure for the following purposes: (a) passenger amenities, (b) labour welfare, and (c) railway un-project, necessary but/remunerative."

8.2 The Transport Minister, in his Budget Speech for 1950-51, declared that the old Betterment Fund would be merged with the new Development Fund, with the main idea of preventing overcapitalization and reducing interest liabilities.


9.1 As contemplated in clause (c) of the Convention Resolution of 1949, a Committee representing both the Houses of Parliament was constituted on 12th May 1954 to review the rate of dividend. The main recommendations of the Committee were as follows:

Firstly, the then annual rate of dividend, viz. four per cent, paid to the general revenues on the capital invested should remain unaltered for the further period of five years commencing from 1st April 1955.

25 Vide, para 12, p. 7.

26 For the text of the Resolution see Appendix A of the 1954-55 Annual Report of Indian Railways.
Secondly, the annual contribution to the Depreciation Fund should be raised from Rs. 30 crores to 35 crores during the five years commencing with 1955-56 and the scope of expenditure from the Development Fund should be widened to include amenities for all 'users of railway transport' instead of 'railway passenger' only.


10.1 The new Convention was in healthy contrast to the original Convention, in that it made obligatory on the railways to pay a fixed annual dividend, as against the unlimited claims of contributions under the old Convention. The general tax-payer is a fixed-claim shareholder rather than an equity share-holder.

10.2 The 1954 Convention removed the former handicap of inflexibility over a long period. The Convention cannot change its claims on the railways even if conditions change materially over time. It is, of course, true that a revision of the Convention would be more favourable to the Government than to the railways, for the Government thereby provides for its best financial advantage with every change in the economic conditions of the country. There is, however, no guarantee that the interest of the railways is 'likewise' protected. They may in fact be made to contribute both in boom and in adversity.
10.3 The revised Convention removes the impulse on the part of the Government to raise the rates with a view to gaining unlimited contributions. This does not, however, provide a guarantee that unreasonable profits cannot be aimed at under the Convention. The revised convention is, therefore, good as an internal arrangement between the Government and the railway industry. But it may not be satisfactory as between the railways and their users.

10.4 It is interesting to note that the purpose of the Reserve Fund mentioned in the revised Convention is not the same as that specified in the former Convention. For instance, now the Reserve Fund is not intended to serve the purpose of writing down and writing off capital, or of reducing rates and improving the services.

10.5 The revised Convention protects the interest of railway maintenance more surely than under any earlier arrangement. The prospect of a transfer to the Reserve Fund is itself subject to the needs of the Depreciation Reserve Fund being fully satisfied.

10.6 On the whole, the new Convention has improved the earlier arrangements. It would, however, be desirable to introduce the following principles in the Convention to remove certain unhealthy elements in the profits
regulation:

(a) In years of good business, the railways may be required to pay, over and above the interest charges, within a specified limit. For this purpose, years of good business must be prescribed in terms of either railway profits, or general economic conditions, e.g. price level.

(b) During years of bad business and low net revenues, the railways must not be asked to pay beyond the interest charges.

(c) There must be a limit to the reserves that the railways may build up. Or else there would be no chance for the rate level to fall.

(d) Lastly, there must be a limit to self-financing. A ceiling or an annual limit may be prescribed on the aggregate amount of self-financing over a decade.

11. The Depreciation Fund.

11.1 As the Separation Convention of 1924 constituted the Depreciation Fund, a brief review of the working of this fund has to be made before we arrive at the concluding remarks over the history of the Separation Conventions. This Fund was introduced with effect from
1st of April 1924. Till then, one of the root causes which starved the development of railways was the inadequacy of maintenance and renewals. The Acworth Committee pointed out that there were scores of bridges with girders unfit to carry heavy train loads, there were many miles of rails, hundreds of engines and thousands of wagons, whose rightful date for renewal was long overpast. Their cost had not been written off. Even the ordinary commercial concern sets aside a certain portion of its profits for the depreciation of its property. The Government merely sanctioned grants as the need for replacement and renewal arose. The stability in the provision for renewals assumed a great importance in the post-war period, and it became, therefore, imperative to institute a Depreciation Fund for the railways. The amount to be appropriated to this fund was decided as follows:

11.2 "The Depreciation Fund will be credited annually, with an amount to the total expenditure to the end of the previous financial year, on all units of each class of assets, divided by the number of years assumed as the normal life of that class of assets, and the credit

27 Vide, the Committee's Report, para 68.

multiplied from year to year in each case until the period assumed for the normal life of each unit has expired. At the end of the assumed normal life of each unit, the Depreciation Fund will thus have received credit for the original-cost of each asset. When any such unit has to be renewed, the original cost of the article replaced will then be available in the Depreciation Fund."

11.3 "When, however, the article is replaced at a cost higher than the original cost of such an article, the original cost is charged to revenue (depreciation) and the excess over the original cost to capital. The 'Standard of original cost' principle of allocation, coupled with the fundamental conditions that capital will be relieved of (a) the original cost of all property abandoned or destroyed and not replaced, and (b) the difference between the original cost of property and the cost of its replacement, whenever the latter happens to be lower than the former, will operate to bring the amount of charge to capital into consonence with the actual cost incurred on existing structures and equipment." These conditions, as will be noticed, prevented the danger of over-capitalisation.

11.4 The Depreciation Fund did not provide for non-wasting assets such as land and works, as it was
considered preferable in the event of large expenditure in connection with individual cases, to make special arrangements for the expenditure, such as borrowing from the Depreciation Fund or from capital and recouping the expenditure by equated payments spread over a series of years.

11.5 When the Fund was instituted, the question of providing arrears accumulated up to 1923-24 was decided to be taken into account in determining the contribution payable by railways to General Revenues. The problem of ascertaining what the balance would have been in the Depreciation Fund on 1st April 1924 if the Fund had been started from the opening of each line was too complicated to be rationally solved. The Depreciation Fund Committee put the figure at Rs. 22 crores on 31st March 1922. The Inchape Committee estimated the war arrears as Rs. 18.5 crores. The Government, however, did not impose on Railways the responsibility to provide for the arrears within a fixed period of years.

11.6 Sir Arthur Dickinson, who reported in 1926-27 on the system of accounting, auditing and statistics of Indian railways, went into the question of the Depreciation Fund and observed, in connection with it, that estimated lives in several cases were pitched too high.

29 Appointed in 1922 for the purpose.
his view being that no asset should have a life of more
than 50 years and in the case of electrical equipment
not more than 25 years. He recommended the most con-
servative methods of providing for depreciation.\(^\text{30}\)

11.7 It was pointed out, later on, by several
authorities, such as the Auditor-General, the Public
Accounts Committee and the Financial Commissioner,
Railways,\(^\text{31}\) that the principles and procedure connected
with the depreciation accounting system had some draw-
backs. The main points of drawbacks were as follows:

(1) Assumed lives were on the low side.

(2) The system of allocation of expenditure between
Capital and Revenue brought into operation tendencies
towards overcapitalization.

(3) To counteract the tendency towards overcapita-
lization, there should have been a provision for amorti-
zation.

(4) The system of accounting required elaborate re-
cords which, though maintained, were unreliable, in-
accurate and unnecessary. Several irregularities of a
serious nature were found to have crept in, in the records
of the depreciation fund transactions.

\(^{30}\) Dickinson Enquiry Committee Report, Part I,
paras 278, 281 and 285; p. 68 and 69.

\(^{31}\) Vide 'Financial Commissioner's Review', 1934-35;
pp. 50-51, New Delhi.
11.8 In 1934, the basis of appropriation to this fund was slightly modified. The previous rules of appropriation were found rather complicated and hence the Government fixed the contribution as 1/60th of the Capital-at-charge. This change did not materially alter the quantum of the provision. It was just a convenient way of expressing the result produced by the original basis of estimated lives. The Wedgwood Committee, 1937, however, stated that it was not impressed with the advantages of calculating depreciation on this flat percentage basis. 'This method is less laborious.... but we doubt if the labour saved compensates for the loss of accuracy... the apparently unscientific character of the flat percentage may weaken the authority of the Fund', it observed. 32

12. Depreciation Fund in pre-independence period.

12.1 The following table 33 shows the position of the Depreciation Fund upto 1947:

32 Vide, the Wedgwood Committee's Report, para 207, p. 125.

33 Compiled from the Wedgwood Committee Report, the Railway Board Reports; Figures, from 1939-40, compiled from 'Railway Finance in India', Saxena, R.C., p. 214, 1955, Agra.
<table>
<thead>
<tr>
<th>Year</th>
<th>Allocations</th>
<th>Withdrawals</th>
<th>Net Accretions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1924-25</td>
<td>1,035</td>
<td>729</td>
<td>306</td>
</tr>
<tr>
<td>1925-26</td>
<td>1,067</td>
<td>798</td>
<td>269</td>
</tr>
<tr>
<td>1926-27</td>
<td>1,089</td>
<td>805</td>
<td>284</td>
</tr>
<tr>
<td>1927-28</td>
<td>1,138</td>
<td>1,095</td>
<td>43</td>
</tr>
<tr>
<td>1928-29</td>
<td>1,200</td>
<td>960</td>
<td>240</td>
</tr>
<tr>
<td>1929-30</td>
<td>1,259</td>
<td>1,176</td>
<td>83</td>
</tr>
<tr>
<td>1930-31</td>
<td>1,307</td>
<td>1,139</td>
<td>168</td>
</tr>
<tr>
<td>1931-32</td>
<td>1,346</td>
<td>826</td>
<td>520</td>
</tr>
<tr>
<td>1932-33</td>
<td>1,377</td>
<td>635</td>
<td>742</td>
</tr>
<tr>
<td>1933-34</td>
<td>1,356</td>
<td>808</td>
<td>548</td>
</tr>
<tr>
<td>1934-35</td>
<td>1,372</td>
<td>866</td>
<td>506</td>
</tr>
<tr>
<td>1935-36</td>
<td>1,325</td>
<td>916</td>
<td>409</td>
</tr>
<tr>
<td>1936-37</td>
<td>1,317</td>
<td>786</td>
<td>529</td>
</tr>
<tr>
<td>1937-38</td>
<td>1,259</td>
<td>800</td>
<td>459</td>
</tr>
<tr>
<td>1938-39</td>
<td>1,256</td>
<td>752</td>
<td>504</td>
</tr>
<tr>
<td>1939-40</td>
<td>1,259</td>
<td>653</td>
<td>606</td>
</tr>
<tr>
<td>1940-41</td>
<td>1,264</td>
<td>719</td>
<td>545</td>
</tr>
<tr>
<td>1941-42</td>
<td>1,268</td>
<td>535</td>
<td>733</td>
</tr>
<tr>
<td>1942-43</td>
<td>1,280</td>
<td>495</td>
<td>785</td>
</tr>
<tr>
<td>1943-44</td>
<td>1,687</td>
<td>664</td>
<td>1,023</td>
</tr>
<tr>
<td>1944-45</td>
<td>1,701</td>
<td>818</td>
<td>883</td>
</tr>
<tr>
<td>1945-46</td>
<td>1,725</td>
<td>1,201</td>
<td>524</td>
</tr>
<tr>
<td>1946-47</td>
<td>1,321</td>
<td>1,237</td>
<td>84</td>
</tr>
</tbody>
</table>


13.1 With the advent of trade depression and the dislocation of financial structure of railways, a serious injustice was caused to the Depreciation Fund by taking temporary Loans from the Fund to make the contributions to the general revenues. The following amounts were borrowed from the Depreciation Fund to enable the railways to meet their interest charges in full.
<table>
<thead>
<tr>
<th>Year</th>
<th>Borrowings from Depreciation Fund (in lakhs of Rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931-32</td>
<td>4.25</td>
</tr>
<tr>
<td>1932-33</td>
<td>10.23</td>
</tr>
<tr>
<td>1933-34</td>
<td>7.96</td>
</tr>
<tr>
<td>1934-35</td>
<td>5.06</td>
</tr>
<tr>
<td>1935-36</td>
<td>3.99</td>
</tr>
<tr>
<td>Total</td>
<td>31.49</td>
</tr>
</tbody>
</table>

13.2 The effect of this borrowing was that whereas the nominal balance, by 1935-36, was Rs. 41.18 crores, the actual credit balance was no more than Rs. 9.69 crores. Such a borrowing from the Depreciation Fund was not, in fact, sound from the point of view of ideal financial policy. The railways were not expected to discharge completely the liability of loans from the Depreciation Fund even for next ten years. The Railway Member observed this and suggested, in his budget speech, in 1937, to write off this liability. This suggestion, was obviously, unsound, for the Depreciation Fund, which was already inadequate, would not have properly maintained the capital investment intact, and provided for the wear and tear and replacement of the property.

34 Compiled from the Wedgwood Committee Report, 1937, para 206.
13.3 The amount contributed to the Depreciation Fund increased substantially from the year 1950-51. The Government discovered that the amount of Rs. 15 crores, proposed in the 1949 (Separation) Convention Resolution, was grossly inadequate and increased it to Rs. 30 crores. The Convention Resolution of 1954, later on, increased this contribution to Rs. 35 crores a year. From 1955-56, the amount equivalent to Rs. 45 crores is being contributed to the Depreciation Fund.

14. The Development Fund.

14.1 A reference to the institution of Betterment Fund, from 1st April 1946, has already been made in the foregoing pages of this chapter. The Seventh Clause of the 1949 Convention Resolution related to the constitution of a Development Fund which was, as a matter of fact, a change in the name of Betterment Fund, although it is true that the scope of objects of the Development Fund was designed to be wider than that of the Betterment Fund.

14.2 The Development Fund was constituted for financing expenditure for (a) passenger amenities, (b) labour welfare and (c) railway projects which are necessary, but unremunerative.
15. Concluding Remarks on Separation Convention.

15.1 Ever since the Separation Convention Resolution was adopted in 1924, not a little controversy has been occasioned on the questions of railways contribution to general revenues during the budget debate of the Indian legislature.

15.2 Some critics argued that the amount which has to be paid as contribution to general revenues, according to new 1949 Convention, was far in excess of contributions made to general revenues prior to the adoption of the new Convention. But this criticism was not justified. On the contrary, the 1949 Convention introduced a simplified formula for the determination of the railway contribution to the general revenues. Hitherto the Contribution was really split up into two types of payments: (1) Interest payments of Capital-at-Charge, and (2) a specific contribution determined according to the formula adopted in 1924. Now both these had been amalgamated, and the Contribution had been fixed at four per cent interest on the Capital-at-Charge. In considering the payments made under the revised formula, we should be careful in comparing the railway contribution under the new arrange-

35 For details, refer to Commerce Weekly, 3-12-1949, p. 982, Bombay.
-ment with both the interest payments and the contribution under the old formula.

(In crores of Rupees)\(^{36}\)

<table>
<thead>
<tr>
<th>Years</th>
<th>Interest Payments</th>
<th>Contribution to General Revenues</th>
<th>Sum of Columns 2 and 3 - Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948-49</td>
<td>22.36</td>
<td>7.34</td>
<td>29.70</td>
</tr>
<tr>
<td>1949-50</td>
<td>23.18</td>
<td>7.00</td>
<td>30.18</td>
</tr>
<tr>
<td>1950-51</td>
<td>..</td>
<td>31.85 (dividend)</td>
<td>31.85</td>
</tr>
<tr>
<td>1951-52</td>
<td>..</td>
<td>33.37 (dividend)</td>
<td>33.37</td>
</tr>
</tbody>
</table>

15.3 The comparison shows that in effect the total payment which the railways have now to make is not materially different from the payments they made upto 1949-50.

15.4 The adoption of the revised formula does not amount to any real separation of railway finance from the general finances. As the Transport Minister observed in his Budget Speech for 1950-51, "even the new Convention

\(^{36}\) Figures quoted from 'Indian Railways', 1950-51 and 1951-52, p. 7 and p. 10 respectively, Ministry of Railways Publication, New Delhi.
does not bring about a complete separation of railway from general finance. The separation has reference only to railway revenue and the expenditure chargeable thereto vis-a-vis the non-railway (General) revenue and expenditure chargeable thereto. It does not affect a separation of the ways and means parts of the two accounts. The railways have no working balance of their own, whether opening or closing. General Finance acts as the Banker for railways and the Reserve Funds of the railways are deposited with their Banker who is free to utilise them for his ways and means financing. General Finance, however, pays to the railways interest on the balance accumulated in these Reserve Funds. It involves a certain limitation on the freedom to draw upon these balances at their discretion which Railways might otherwise have."

15.5 A solution of this problem will have to be ultimately adopted on different principles altogether. The railways are today worked as State department, with a Minister in charge of the Railway Board which technically operates the railways. The Railway Board is not strictly a Board in the sense of the Coal Board on the

Transport Commission in Great Britain with large autonomous powers and separate finances. The Board will have to be constituted on such lines if the separation of the railway finances is to be real.
Chapter VII

THE HISTORY OF RAILWAY MANAGEMENT IN INDIA

1. Early State Control of Railways.

1.1 The railway organization in India had undergone a change along with the changes in railway mileage and traffic. As, in the early days, the Indian railways were guaranteed by the State, the State laid down some terms of contracts with the Companies. According to those terms, the Government exercised their control on railways by appointing several Consulting Engineers to the guaranteed railways. The real fact was that, in the early days, communication was a subject within the jurisdiction of the military board. Lord Dalhousie also was of the opinion that, as the railways were national works, the Government should exercise statutory control for the interest of the State and for the protection of public. By 1856, when the railways assumed a more diversified character, the Government established the Public Works Secretariat. This Secretariat was also military in character\(^1\), but it was

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\(^1\) Even in Great Britain, one of the first difficulties of the early lines was to find suitable officers. The army was drawn upon heavily for men capable of controlling a large staff and executing detailed large-scale plans. Vide, Bonavia M.R., 'The Economics of Transport', p. 75, 1949 Ed., Cambridge.
made civil in 1866. Since then, the Government decided to turn their attention towards decentralising railway control, and the appointments of local consulting engineers was the first step taken in this direction. But this method was soon found to be inefficient and ineffective as the railways were developing rapidly since the State construction of railways in 1869. The efficient control over growing complex nature of railways needed a centralised authority to whom all the powers could be delegated. In order to cope with the increased work of State construction, a Director-General of State Railways was appointed by the Government. He was authorised to control both the company and the State lines.

1.2 In 1877, a further change was made. The post of the Director-General of Railways was abolished, the railway system was divided into three divisions and each territorial division was placed under the charge of one Director. In addition, a Director of State Railways Stores was appointed. The system was found to be cumbersome and inefficient and had to be given up. Accordingly, in 1879, the two posts of Divisional Directors were abolished and their work was entrusted to the Consulting Engineers of the guaranteed companies. Thus, now, the whole power of regulating railway policy, was vested in the hands of a single individual, the Director-General of Railways.
1.3 In 1897, the most important change took place in the reorganisation of railway management. The head of the whole show till then was the public works member. He had under him the departments of roads and building, telegraph, irrigation and railways. Thus all the departments of communications were under the control of one member who might have safely been called the Member for Communications. It is interesting to note that what the Acworth Committee had recommended later on, was, more or less, the same thing.

1.4 Attached to the P.W.D. Railway Branch Secretariat, there was one consulting engineer to the Government of India at the headquarters. There were other Consulting engineers in other parts of India. They did both administrative and inspection work and were regarded as Government representatives. The Agents of railway companies had to communicate with the Consulting Engineers in all matters in which Government orders and sanctions were necessary and were not allowed to communicate directly with the Government of India.

1.5 As regards the State railways, the Consulting Engineer had no administrative control at all. He had to exercise the function of only the Government Inspectors under the Railways Act. The Agents of the State railways were then called Managers who could communicate
1.6 Such was the nature of the organisation of the State-managed and the Company-managed railways. Yet, the railway regulation was largely ineffective and inefficient. It was already felt that the change in the system of administrative control of the railway department was necessary. Lord Curzon, therefore, appointed Sir Thomas Robertson during the cold months of 1902 and 1903 during which he closely studied the working of the Indian railways.

1.7 Robertson observed that the Government had not yet realised the economic importance of railway industry and had relegated it to a secondary place of the Public Works Department. He found that the administrative head of the railway department had never any training in the railway working and management. On the contrary, in every other department of the Government, the administrative head was an expert in his own business. The military department had a military officer, the finance department had a financial expert, the legislative department had a trained lawyer and thus each department

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had an officer trained in his subject. It was the railway department which had, at its head, a non-expert officer. There being no expert officer in technical and engineering knowledge, the control could not be exercised without the help of Consulting Engineers and though these Engineers were bound to keep the Secretary well informed about all the matters connected with the working of companies, the progress of railways could not be accelerated with a desired speed. Sometimes, much difference of opinion used to occur between the Consulting Engineers and those of the Companies. Many a time, estimates and plans put forth by a Railway Engineer were not passed by the Government Engineer.

1.8 Robertson, therefore, recommended that the control of railways should be entrusted to a small Board of specially qualified railway men. The members of the Board should be free from unnecessary trammels and they should be allowed to conduct the railways on some definite principles which should be in the interest of the development of railways.

1.9 The Government of India had not till then realised that the railways were a public utility concern with a heavy fixed investment and that, therefore, regulation by expert Board was essential both for the preservation of ruinous railway competition and the
exploitation of the users of the railway services. Especially in India, the need for an effective regulation of rates policy to protect the interest of the users, through an independent and expert tribunal, became more imperative when some of the railways were a State property, because the State, being in power, was apt to shield the railway inefficiency by increasing the receipts with the help of raising rates and fairs. Robertson's recommendations were mostly based on the British experience. Britain had a Railway Commission as early as 1666. The decision and the orders of the Commission were regarded as final by the amended regulation of Railways Act of 1673. By the Railways and Canal Traffic Act of 1668, it was decided that no appeal should be made against the decisions of the Commission to a superior court.

1.10 Thus, it can be observed that the question of management was not satisfactorily solved ever since the commencement of railways. Moreover, in India, although the railways, especially since the beginning of this century, had been mostly State-owned, the bulk of them had been managed for the Government by a number of different Companies. Thus, the advantages of a common railway policy, generally to be expected from a single ownership, were not obtained in India. A meaningless competition between the different railway
Companies had been so harmful to the general interests of the country that Robertson definitely stated it as his opinion that the railways should either be completely State-managed or completely Company-managed. In the scramble for foreign trade and by reason of the policy of dual management, there was one very important function which the railways did not fulfil. They almost entirely neglected the question of the development of local industry along their lines.

2. The Establishment of the Railway Board.

2.1 The Government accepted the recommendation of creating a new Railway Board which was formally constituted in March, 1905. The Railway Board was treated as the separate Department of the Government. It consisted of a Chairman and two Members. It was entrusted with all the detailed administrative duties but it was soon realised that the Railway Board was not vested with sufficient authority and its power were strictly limited.

2.2 The Railway Board had to function without the power of decision with regard to the railway programme and railway policy. It was made subordinate to the

\[3\] Ibid., Chapter One.

\[4\] Ibid., Chapter Three.
Member-in-charge of the Department of Commerce and Industry. It was the Commerce Member who represented it in the Executive Council of the Viceroy. The Commerce Member, being a Civilian, was not necessarily fully equipped with the technicalities of railway administration. Thus, in mutual practice, constant and needless interference of the Government impaired the efficiency of the Railway Board. Another reason which added to the inefficiency of the Railway Board was the load of multifarious duties assigned to it.

3. The Mackay Committee.

3.1 The Mackay Committee, appointed in 1907, recommended that the Government should allow a free hand to the Board in technical and detailed matters, and in matters of importance, the Board's opinion should be treated with special consideration. Most of the recommendations of the Mackay Committee were carried out and the constitution of the Railway Board was accordingly modified. The President of the Board was given direct access to the Viceroy as the Board was treated as a distinct department of the Government, and the Head of the Railway Board was treated as a Secretary to the Government of India. The Railway Department was not,  

5 Vide, Report of the Committee on Indian Railway Finance and Administration, 1908, para 33.
however, still given an independent representation in
the Executive Council of the Governor General and con­tinued to be under the administrative charge of the
Commerce Member who also represented the Railway
Department.

4. Failure in the working of the Railway Board.

4.1 It was noticed by the Mackay Committee and
afterwards by the Acworth Committee also, that there were
serious complaints in regard to the working of the Rail­
way Board.

(1) Its defects were more harsh than those of
the preceding system, i.e. when the Consulting Engin­
eers used to be appointed. Since the Board was estab­
lished, the former well-diversified organisation of
appointing Consulting Engineers in various parts was
suddenly violated. And the three isolated members of the
Board with whom the entire railway organization was
centralised failed to evolve a proper railway policy
as they were already loaded with multifarious duties.

(2) The proper function of the Board should have
been to shape policy, to watch, to think and to plan,
but it ignored this and fritted away its energy in looking
after clerical routine work. 6

6 The Acworth Committee Report, para 110.
(3) The Board could not pay prompt regards to the claims of the Railway Department. It was due to this reason that the construction of lines during this period was slow.

(4) The Board lacked intimate knowledge of the transport requirements of the areas under their control. The contact of the Railway Board with the business community was just nominal.

(5) Even though there were only three members, the work among them was not distributed properly. Each one of the three members was expected to possess intimate knowledge of the problems of transport of the whole country. The members, overburdened with their duties of routine work, could not naturally develop such capacity.

(6) Almost equal voting power, possessed by the members, led to needless delay and indecision on important problems of policy, where prompt action was essential.

(7) The Commerce Member could not pay adequate attention to the Railway Department due to pressure of his own work. His supervision was, therefore, more nominal than real. Besides, his knowledge of railway problems was secondhand and incomplete. He was merely the titular head of the Railway Department. It was then
no wonder that he did not plead the cause of the Railway Department as strongly as he did of the Commerce Department. The Railway Board was, in effect, in the position of a step-child and like most step-children tended to be less well-treated than the other children of the family.

(8) The Board suffered from want of touch. It could only be remedied by frequent tours to the various localities and it was precisely this that the members of the Board could not do.

4.2 The Acworth Committee made appropriate recommendations to remove the drawbacks in the Constitution and functions of the Railway Board.

(1) Until the railways were represented on the Viceroy's Council by a Member who was fully in touch with daily work and not by the Commerce Member, as the case was, the Indian railways would not render a satisfactory account of themselves.

(2) There should be a Member of the Viceroy's Executive Council in charge of Communications whose portfolio should comprise Railways, Ports, Inland

7 Vide, the Acworth Committee Report, Para 95.
Navigation, Road Transport and Posts and Telegraph. This system would keep a closer contact between the different agencies and induce a well-ordered general programme.

(3) There should not be a constant interference of the Government in the details of the Railway Executive management. The Railway Commission should consist of a Chief Commissioner, a Finance Commissioner and three Territorial Railway Commissioners with Minister of Communications as Chairman. The Chief Commissioner was to be made responsible for deciding technical problems and should advise Minister of Communications on matters of railway policy. He should be technical railway man and would have the status of a Secretary to the Government and so should have a right of access to the Viceroy.

(4) The entire railways should be divided into three divisions with a Commissioner for each division. These territorial Commissioners would be able to supervise the working of an individual railway closely and intimate to the Railway Board of the necessity of its action, if any, upon it. There would be also a healthy division of labour between the three divisions for the maintenance and preparation of statistical work. The trading and travelling public also would find advantageous
to put forth their grievances to a particular Commissioner who would, as the Public would expect, be sympathetic to them owing to his thorough knowledge of his division.

(5) A Railway Commission should be responsible for its administration. It should prepare its programme of work and expenditure and, within the limit of its Budget, carry it into effect. In short, it was to be an independent administration subject to control on broad questions of policy.

4.3 Though the Government of India did not accept all the recommendations of the Acworth Committee, the Railway Board was reorganised. The Government did not accept the recommendation of creating a new Department of Communications.

4.4 The Chief Commissioner of Railways was appointed in November 1922. He was made solely responsible for arriving at decisions on technical railway questions and for advising Government on matters of railway policy. He was not liable to be overruled, as the President was, by his colleagues in the Railway Board. The Finance Commissioner was appointed in April 1923. The Acworth Committee had suggested that there should be three territorial Commissioners. But
it was decided to appoint only two Commissioners on
the basis of subjects, instead of three, on the basis
of territory. The appointments of responsible Direc-
tors at the head of each of the main work relieved, to
some extent, the Members of the Board from the heavy
work and they could therefore devote their attention to
larger questions of railway policy. They could also
win the public confidence by means of frequent and ex-
tensive tours. The routine work was separated from
the general and broad work of questions of policy. This
change was calculated to increase the efficiency of the
Railway Board.

4.5 The re-organization was mostly in accord
with the recommendations of the Acworth Committee. Only
one of their suggestions was brushed aside by the
Government. The Government retained the Railway Board
under the Commerce Member who was designated as the
Member for Commerce and Railway.

5. State Management.

5.1 The demand for State Management of Railways,
which was endorsed by the Acworth Committee and which has
now been an accomplished fact, was pressed partly on
economic and partly on political grounds, namely:

Vide, Natesan L.A., op.cit., p. 420, vide also
Chapters XI and XII for details.
"(1) the desire, due to national consciousness, for national control of railways,
(2) the demand for Indianization of the higher ranks of the services,
(3) the desire to adapt the railway rates policy and purchases of stores to the needs of Indian industries; and
(4) to secure better conformity from railways to public opinion than was thought possible from railways controlled by London Board of Directors."

5.2 On theoretical grounds, the case against railway management by the State may be conceded to be strong. But actually, historical causes, rather than theoretical considerations have determined any particular system in operation, and different countries are prospering, more or less, under different systems. The Government undertakes railway business for various reasons, either political, or in order to make up for the lack of private enterprise, or again, in order to secure for the people cheaper rates, better facilities and more impartial treatment of the various interests. All these reasons had been more or less powerful in India in

strengthening the case for State management. The Acworth Committee, while recommending the emancipation of Railway Budget from the General Budget, gave a rude shock to the private companies by its recommendation in favour of the State management of railways.

6.1 The Wedgwood Committee, 1937.

6.1 The Indian Railway Economic Enquiry Committee, in 1937, criticised the economy campaign of retrenchment with regard to the higher administrative posts, as in times of depression, the need for best brains and the driving power always becomes more imperative for the discovery of more economical methods and for their immediate application. It was observed that the administrative Officers of the Railway Board were overburdened with their routine work and could not, therefore, maintain sufficient personal intercourse between them and the Managers of the various railways. The Wedgwood Committee recommended that one Member of the Board, expert in industrial and commercial knowledge, should visit the headquarters of all railways for guidance to and consultation with the various general managers. It also observed that a large proportion of the time of Managers was absorbed in dealing with correspondence

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and therefore recommended that the rules on establishment matters should be codified and simplified and that each Manager should have a deputy with expert knowledge to deal with establishment matters.

6.2 The Wedgood Committee was not in favour of the establishment of the Federal Railway Authority which was going to be constituted under the Government of India Act of 1935. The Federal Railway Authority was to consist of seven members, to be appointed by the Viceroy, of which not less than three were to be appointed by him in his discretion. The Committee expressed the fears that the Federal Railway Authority was most likely to be affected by the political intervention in deflecting Railway Policy from the strictest line of sound business management and economy and also by the administrative interference of the Government.

6.3 In 1939, the Railway Board consisted of 20 class One officers. But the War necessitated special organisations and the creation of number of additional posts. By 1947, the personnel occupying the Class One posts on the Railway Board increased considerably. Moreover, owing to the termination of the contracts of the old Company-managed railways, the number of State-managed railways had increased from four, prior to 1942, to nine by 1947. The Board was further overburdened
with the heavy work regarding Central Pay Commission's scales of pay, the implementation of the Adjudicator's Award and the work arising out of the Partition.


7.1 The Kunzru Committee observed, in 1947, that though the Board was both the policy forming and supreme executive authority for railways, the Board could not frame its policy unless it consulted with other Ministers. Thus, their powers were 'circumscribed'. The Committee was also not convinced of the need for the large strength of the Railway Board's staff. Inspite of the increase in the size of the Board, the committee did not find that the size of the business had speeded up. The important recommendations of the Committee, therefore, were as follows:

(1) The Board should pursue the policy of decentralisation of work to settle the problems quickly, to reduce the volume of correspondence in the Board's office and to effect economy in the size of the Board's office.

(2) The strength of the Board's personnel should be reduced to the prewar size when conditions would become normal.

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12 Vide, the Committee's Report, pages 183 to 185.
13 Ibid.
7.2 It was in pursuance of this recommendation that the various administrative posts were held in abeyance since 1949. The post of the Chief Commissioner for Railways was abolished in 1951. The Railway Minister now controls the work of the Board and all the directives given by him are carried out by it. The Secretary of the Transport Ministry is an ex-officio, additional, Member of the Board. The Board has been reconstituted with three functional Members and the Financial Commissioner. One of the functional Members is appointed the Chairman of the Board, and in that capacity, functions as the ex-officio, Secretary to the Ministry. He is also responsible for the intra-board coordination required for the efficient working of the Ministry. He is also in charge of the small secretariat attached to the Board in addition to being a functional Member.

7.3 The Board now works as a corporate body advising the Minister on all major questions of policy and issues such executive orders as are required for the administration of the railways.

8. Statutory Railway Authority.

8.1 The Kunzru Committee observed that the Railway Board was 'not the sole policy forming authority'. It
recommended, therefore, the setting up of a Central Controlling Authority,\textsuperscript{14} consisting of a Chairman and six members, receiving directions from the Transport Minister. 'The Authority should suggest a Convention to divide the surplus between the Railway Reserve and the Revenues of India. On vesting day of this Authority, all railway servants should cease to be Government servants, and should become servants of this Authority. The Authority should have a right to sanction the works not included in the yearly 'capital programme', if costing less than Rs. one crore'. The advocates of this idea have suggested the setting up an Authority not for the railways only but for all the branches of transport together.

8.2 The idea of setting up an autonomous public Corporation is not new. Mr. M.R. Bonavia rightly points out, "As a result of lengthy experience, it is now generally accepted that public ownership yields the most favourable results when combined with management on mainly commercial principles. The tendency is thus to turn publicly-owned transport systems into independent organisations on the lines of commercial concerns on the cooperative principle. The community, or the users of

\textsuperscript{14} Vide, Committee's Report, p. 177, Chapt. XII.
transport, share in the divisible surplus, but do not usually have a voice in the management."


9.1 As soon as the task of regrouping of railways was over, the next important step taken by the Government was the decision to adopt divisional system of organization on all railways. The Divisional system, it is claimed by the Railway Board, will ensure better coordination at lower levels and help improve operational efficiency to a great extent as it is based on the principle of decentralisation.

9.2 A railway organization, having widely varying activities, and conducting them at many places, can divide its work in two different ways, namely, functionally and regionally. That is to say, all the activities of the undertaking are first classified and grouped; and each group of activity is entrusted to a set of officers whose education and training have suitably


But such a corporation owning and operating all forms of transport, presents formidable problem also. It may prove possible to solve the problems of organisation and administration, but it will be very difficult to preserve the flexibility which is important for efficient transport service. Vide, op.cit., pp.196, 197.

16 Which is already referred to, in Chapter V of this thesis.
equipped them for the discharge of their functional responsibilities. Then the area in which the undertaking operates is divided into regions of a size that one functional officer can efficiently discharge his functional responsibility throughout one region.

9.3 Next, organizational system has to be so contrived as to ensure that the work of all these officers can suitably be directed, coordinated and controlled. This can be achieved by having a General Manager as the executive head, assisted by a group of functional advisers. Efficient coordination between these officers, at the headquarters, and those working in the regions may be secured by two different methods of organizations.

9.4 The first is Departmental organization in which each regional officer is directly responsible to the Chief Officer of the particular functional department at the headquarters. The second is the divisional organization in which a Divisional Superintendent is appointed for each region to whom all regional officers, in his region are responsible. The Divisional Superintendent, in turn, is directly responsible to the General Manager.

9.5 The Kunzru Committee, 1947, observed that, 'in a country like India, with a relatively small railway mileage compared with the vast area of the country, there
would appear to be a much better case for divisionalisation than there would be with the very much compactor railway systems found in Europe. But, in the light of the evidence, it was unable to make out a case for recommending the adoption of the divisional system. The Committee found that the speed of goods train in miles per hour was definitely better on all railways with a departmental system. The Committee agreed that it was difficult to draw any firm conclusions as to whether good or bad performance of a railway was due to its organisation. Nevertheless, it was of the view that, from the general trend of available data, it was apparent that, the railways organised on a departmental system had produced far more satisfactory results than those run on divisional lines.

9.6 The Committee also expressed the view that, under the departmental system, the Divisional Officer, with a smaller beat and residing well within it, had a more direct control over, and intimate contact with, his staff; the result being a better standard of discipline and efficiency, as compared with the conditions on divisional railways.

17 Vide the Committee's Report, page 191.
9.7 The critics of the divisional system argue that there is no concrete proof to justify the superiority of the divisional system and that its introduction at the present juncture would adversely affect the railway efficiency. Their other arguments are as follows:

9.8 Firstly, the change over will create a host of administrative problems. Operational efficiency will, therefore, be the first victim of this change. Secondly, severe dislocation and therefore loss of efficiency would be caused by the wholesale transfer of administrative and technical personnel. Thirdly, wholesale transfers will create the problem of rehabilitation which will divert the attention of the top officials from the urgent task of lifting the everincreasing volume of traffic.

9.9 It must, however, be remembered that most of the apprehensions raised by the critics of the divisional system have turned out to be exaggerated. Similar apprehensions were expressed at the time of regrouping of railways also. Given the proper tact and vigilance on the part of railway authorities, the change-over from the departmental system to the divisional one may not necessarily raise any unsurmountable difficulties. It must be remembered that the Kunzru Committee had not
condemned the divisional system and had recommended a further careful examination of its merits. 18

9.10 In countries like India, having greater geographical areas covered, decentralisation can offer special advantages. Thus, Mr. M.R. Bonavia, in this connection, refers to the American type of divisional organisation and writes, "The result is that inter-departmental friction can be eliminated, local conditions are reflected in the method of business, and decisions can be more quickly reached than if they have to pass back to headquarters". 19

19 Vide, Bonavia, M.R., op.cit., p.78.

18 Vide the Committee's Report, page 191.
Chapter VIII

THE PROBLEM OF RAILWAY GAUGES

1. A country of multiple gauges.

1.1 At present, our railways, run on four different gauges, involve considerable waste of time and energy due to difficulties connected with the loading and unloading of wagons at each of the gauge junctions. The importance of this problem can very well be brought out by the example of Australia where variation in gauges had so much affected the general efficiency of traffic management that their unification throughout Australia was one of the fourteen points in respect of which all the federal units were to delegate exclusive powers to the Central Commonwealth Government by means of a special referendum.

1.2 Although, India, even today, is essentially a multiple gauge country, it would be a mistake to consider this as due to the ignorance on the part of the railway authorities in the past. Almost all the eminent railway authorities in the past had realised the importance of uniformity of gauge. Every one of them tried his

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best, whenever the occasion permitted to adopt a policy of uniform gauges. It has been admitted that the problem does not present a ready solution in the immediate future.

2. A start with a 5' 6" gauge.

2.1 When the Government of India decided to assist the 'East India' and the 'G.I.P.' Railways, which were formed in 1845 in England, the Government laid down the recommendation of a gauge of four feet and 8 1/2 inches for the employment on these railways. Mr. Simms, the then Consulting Engineer for Railways, however, reported that a gauge of five feet and six inches should be adopted on the ground that the more space, which the wider gauge would make possible, would lower the centre of gravity of both engines and carriage and thus might ensure the safety to the trains. Lord Dalhousie also expressed the opinion in his Minute that a narrow gauge of 4' 8 1/2" was not the proper gauge for the general purposes of a railway and that something between 4' 8" and 7' would give increasing advantages. Lord Dalhousie, who had acquired valuable experience in England on railway administration, as a President of the Board of Trade, had observed the numerous and grievous evils which arose by introducing the mischievous error of permitting the introduction of two gauges into the United Kingdom, and
he desired to avert these evils in India by rigidly enforcing the uniformity of gauge from the first. In order that such uniform gauge should be scientifically the best, he recommended the gauge of six feet. But the Court of Directors agreed with the views of Mr. Simms and recommended the five feet six inches gauge as the most suitable. The Government of India had to accept at last, five feet six inches gauge as the standard one for the trunk lines in British India. This was, in a sense, a very unfortunate decision. The gauge became expensive in later years and Lord Lawrence had to adopt the less expensive narrow gauge. This gave rise to the evils of multiplicity of gauges which it was intended to avert in the beginning.


3.1 The policy of the uniform gauge of 5' 6'' was not given up till 1863. There were many companies which were projected for building light railways in India, but till 1863, they were not permitted to deviate from the policy of uniform gauge. The Indian Branch Railway Company was the first one that actually proceeded to make light lines in India and the first break of gauge occurred on 21st December 1863, when a Nalhati Azimgunge branch was opened on a four feet gauge on the conviction that
it would be replaced by full gauge lines if the development of traffic made it necessary to do so.

3.2 Moreover, it was seen by the Government that in sanctioning such light lines, they would not be allowed to compete with the national standard gauge. For instance, Lord Elgin's Government did not allow the break of gauge, in subsequent years, except on detached and fragmentary sections. The Secretary of State also expressed his policy of discouraging any gauge narrower than 5' 6". Yet, two years later, another break occurred, when the Indian Tramway Company built a line, 19 miles in length, between Arconum and Conjeveram and opened it on 8th May, 1865.

4. 1869 - A change in the gauge policy.

4.1 The second phase of railway development started in 1869. The finances of the country at this time were heavily strained and the Government had to change the gauge policy also. The immediate extension of railways was absolutely imperative for the proper development of the resources of India and a narrower than 5' 6" gauge was the only alternative to relieve, to some extent, the financial burden of the proposed additional railways. After a careful observation, it was found that undue preference had been attached to the uniformity of the
gauge system. In a country like India, where the distances to be traversed are great and State finances limited, it was in the interest of the nation to have a well-stretched net of light railways linking together numerous distances of the centres of production than to have a few lines on a gauge too costly for the tax-payer to bear. This was agreed to and the break of gauge was accepted as a necessary evil.

4.2 The Government, therefore, proposed to divide the railways of the country into two classes, the primary trunk lines or the broad gauge, and the second lines were intended to be constructed in less productive areas on the narrow gauge. The Government was firmly convinced of the sufficiency of a narrow gauge to carry the traffic of their secondary lines and they were fully satisfied that a definite economy would be achieved in the aggregate over the whole extension of the system.

5. 'The battle of the gauges' on the Punjab and the Frontier Lines.

5.1 The decision of the Government to adhere to the policy of a narrow gauge raised a knotty problem of the Punjab and the Frontier lines. The acute controversy, which could not be solved for full four years from 1870 to 1874, arose in the following way. A railway line was being built between Karachi and Lahore, and eventually
on to Peshawar. The Government desired to make the whole line on a narrow gauge. But the railway line to the extent of 319 miles was already opened to traffic on a standard (broad) gauge. These 319 miles of railway were divided into two sections. One section was from Karachi to Kotri of 105 miles and the other was from Multan to Lahore of 214 miles. Between Multan and Kotri, there was a gap of 500 miles which had yet to be constructed. From Lahore onwards to Peshawar, the surveys were completed but the lines were yet to be constructed.

5.2 The Government desired to adopt a narrow gauge over the gap of 500 miles between Kotri and Multan and also from Lahore onwards to Peshawar. The narrow gauge on the gap of 500 miles was going to save a substantial amount. The adoption of the narrow gauge on this gap, however, necessitated the conversion of 319 miles of railway, which were already built on the broad gauge, into the narrow gauge, because the rails on the broad gauge were heavier than would be required for the improved stock of the narrow gauge. Accordingly, these proposals were placed before the Secretary of State.

5.3 The Secretary of State concluded by leaving the question of gauge to be decided by Lord Mayo. Lord Mayo was bent upon adopting the narrow gauge. Immediately, in December 1870, therefore, he recorded his final deci-
-sion that the Indus Valley and the Peshawar lines should be on a narrow gauge of 3' 3". As to the actual width of the narrow gauge, Lord Mayo preferred 3' 3" gauge. In the meanwhile, the question of adopting in India the metrical system of weights and measures was at that time under consideration. As the gauge recommended by Lord Mayo was so near the proposed standard of a metre of 3' 3 3/8", it was decided to accept the metric gauge as the narrow gauge for Indian railways.

5.4 But the so-called 'battle of gauges' on the Punjab and Frontier lines was not yet over. The decision of Lord Mayo to adopt the metre gauge was still hanging in the balance. Owing to the frequent changes, thereafter, in the personnel of the high officials, what was finally resolved at one time was rediscussed and modified at another time. Indian railways have often suffered by such changes in policies. Of course, sometimes, this has its merits too. New men bring new ideas and a change for the better takes place.

6. Reinstatement of the broad gauge.

6.1 At this time, in order to discuss the question of gauge from a political and military point of view, the opinions of the Commander-in-Chief and his military advisors Col. Dickens and Sir G.L.Molesworth were demanded.
They did a great deal to bring back the broad gauge into favour. The Commander-in-Chief reasserted that for military transport purposes, the existence of the broad gauge was indispensable. He put forth the statistical figures of the relative values of the two gauges in support of his statement and showed that the necessity of the broad gauge was regarded as acute in spite of the increased cost and the expenses involved in the reconstruction of the already constructed portion. He further added that the extra expenses of the adoption of the broad gauge in that case should be regarded as a military and political expense, and not as a part of the general system of the extension of railways in India. Various other authorities had different types of views on the matter and all these views were contained in a Despatch to the Secretary of State, dated 19th July 1873. But the Secretary of State did not reply to the above Despatch until November 1873. In the meanwhile, the military viewpoint of the case was reconsidered by General Strechey and Major Williams. They did not think that there was any concrete evidence to show that the metre gauge system was inadequate. They did not approve at all the conclusions drawn by the Quarter-Master-General in India regarding the want of capacity of the metre gauge for military purposes.

6.2 The whole question of gauges was, thus, once
more in a state of flux and no final decision could be taken. It will be observed from all this that throughout this controversy, the Governor-General was always at a disadvantage. Although he was a man on the spot and as much more likely to know what was the best in the circumstances, he was always liable to be overruled by the Secretary of State, who, at best, could only have a passive interest in the problems to be decided.

6.3 This 'battle of gauges' continued for more than four years and then it was over in 1874 by adoption at last of the broad gauge by the Government. This prolonged problem brought in its train several disadvantages and a financial loss to the Government of India. It also exposed the inability of the Government to take steps firmly and promptly.

7. The predominence of the broad gauge.

7.1 From 1874, the broad gauge was in favour. The following important lines were constructed on the broad gauge.

6. The Agra-Gwalior broad gauge line.

6.1 During the year 1874, the question of gauge for Gwalior-Agra line arose. Mr. Ellis, who was strongly opposed to the broad gauge, represented that this line
belonged to the Rajputana system of narrow gauge lines. But the Maharaja Scindia of Gwalior had promised to lend the Government of India 75 lakhs of Rupees at four percent if the line was constructed and that also on the 5' 6" gauge. Moreover the line was considered to be important from the strategic point of view and so the Government sanctioned the 5' 6" gauge for the Agra-Gwalior line. If this line had been constructed on a narrow gauge, a Central Railway passenger, today, would not have directly reached Delhi without changing the trains at Agra and Gwalior.


9.1 The Ahmedabad-Ajmer section also created an interesting controversy about the gauge alternative. The E.B. and C.I. Railway, the guaranteed old company, had constructed their line from Bombay to Ahmedabad on the broad gauge. For several years, it had been desiring to extend their line towards the Gangetic Valley. The Company had even carried out the surveys as far north as Agra and Delhi. But, in 1869, Lord Mayo changed the railway policy and the Government itself conducted the surveys with a view to running the trains on the metre gauge. When a reference was made to the Government of Bombay to ascertain their views on the matter, they regretted that they were not in favour of the metre gauge.
The break of gauge was, of course, inevitable at some or other station. The Government of Bombay recommended that the break of gauge should take place at Palanpur instead of at Ahmedabad. It was because of the whole Gujerat area was very fertile and it demanded a railway on the broad gauge. The Gujerat area was extended upto Palanpur. But the Government of Bombay could not press their demand more as they were informed by the Secretary of State that there was no deviation to be made from Lord Mayo's policy and orders were issued that the break of gauge should take place at Ahmedabad. The B.B. and C.I. Railway Company, which had an earnest desire to construct their own lines on the broad gauge northwards, made a strong protest against these orders. When the Maharaja of Baroda himself urged that the Ahmedabad-Palanpur section should be on the broad gauge, the Secretary of State had to consent to this, as the Maharaja of Baroda had contributed largely to a loan. But, though, the Secretary of State permitted the broad gauge for the Ahmedabad-Palanpur lines, the Government of India adhered to the scheme of the metre gauge system in spite of large mercantile opinion against it for the following reasons:

(1) The metre gauge will save about 12 lacs of rupees.
(2) It is better to have a break of gauge at military station like Ahmedabad than at an outpost like Palanpur.
(3) Even if the extension towards Sind is built, it will
not be built on the broad gauge, but on the Rajaputana system. (4) The metre gauge has full capacity to carry the traffic, whatever it is, between Ahmedabad and Palanpur."

9.2 Sir Andrew Clark, Member of Council for Public Works, strongly protested against the above arguments. He pointed out that the metre gauge would save, not 12 lacs of rupees, but only six lacs. He also rightly pointed out that there would be so heavy traffic that not the metre gauge would have sufficed for it. But the Government stood firm. The question was thus finally set at rest.

9.3 The arguments of Sir A. Clarke were not unsound. Now-a-days, the traffic on that railway has become over-congested and the metre gauge has become inadequate to accommodate all the traffic.

10. Government's policy of advancing broad gauge system by 1890.

10.1 After the Ahmedabad Palanpur gauge question, no other controversy arose upto 1882 from which year the new policy of 'mixed (State and private)' enterprise was adopted. With the revival of this policy, almost every new project created the question of gauge. In this connection, the Parliamentary Select Committee, in 1884, gave
the opinion that all the leading trunk lines and their principal feeders should be on the broad gauge, and that the metre gauge should be confined to places where the traffic was likely to be so light that the cheapness of construction more than outweighed the disadvantages of the break of gauge. They also added that the metre gauge should be continued where it had already become successful in operation. This decision was intended to afford permanent guidance to the Government of India in dealing with questions of gauge. But its substance was too vague. A need for more definite statement was soon felt.

10.2 In order to avoid any waste of expenditure and to solve the gauge problem once for all, the Government framed, in June 1890, their proposals for a definite gauge policy in which it was proposed to lay it down as an absolute rule that no new main line should be constructed except on the broad gauge. This decision distinctly showed that the Government now unequivocally stood by the broad gauge. The scheme of Lord Mayo’s Government to spread a large network of railways with light lines seemed to be slowly losing the day. This new decision of the Government set at rest the gauge controversy and marked a definite step for the advance of the broad gauge in India.

10.3 By this time, the broad gauge mileage had
grown to 8,000 miles and the metre gauge to 5,000 miles. The statistics of the two gauges in ton-miles were compared and the broad gauge was proved to be superior. The metre gauge was considered to be fit only for subsidiary lines on financial grounds.

11. The laissez faire attitude.

11.1 Though, in principles, the definite areas were confined to both the gauges for their constructions, in actual practice, however, this policy was not strictly followed. Construction went on at a feverish speed on the metre gauge. By the end of 1902, more than 14,000 miles of broad gauge and 11,000 miles of metre gauge lines were constructed. Moreover, the metre gauge was allowed to be constructed in the area allocated to the broad gauge, thus permitting the railway lines to overlap each other. The metre gauge was intended to act as a feeder. But it became the competitor of the broad gauge. It was often used to lower down the rates and fares on the older lines.


12.1 To add further to the evils of the break of

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gauges by creating a still more disuniformity in gauges, a new feature was noticed in 1898 when 2 1/2' and 2' gauge lines were permitted. The total mileage of such railways was as much as 968 miles in 1902. The development of this new feature was also the outcome of the haphazard and laissez faire attitude of the Government.


13.1 Sir T. Robertson, who was appointed, in 1903, to examine and report on the administration and working of Indian railways, remarked that the adoption of the broad gauge was a great mistake.³ There were no less than 10,896 miles of metre gauge railways in India, as compared with 14,312 miles on the broad gauge. Thus, the broad gauge, he stated, could not be spoken of as the standard gauge. As regards the defects of the broad gauge, he explained, "In India, the width of the vehicles for the 5' 6" gauge is 9' 6", whereas it would need to be 12 feet three inches wide." He thus showed that the Indian railways on 5' 6" gauge were working about 22 1/2 per cent under power. On the other hand, the width of the metre gauge was quite sufficient to obtain the full benefits on the metre gauge." He therefore concluded that

³ Vide Sir T. Robertson's Report - 1903, paras 313 to 316, Government of India Publication.
the broad gauge railway was not so good a servant to
the country as a metre gauge.

13.2 Robertson stated that the uniformity of
gauge was extremely desirable. But the question seemed
to be something else. If the uniformity of gauge was
desirable, which was the best gauge to adopt for the
standard? He discouraged the 5' 6" gauge for the stand­
ard. The conversion of all the 5' 6" gauge lines to the
metre gauge lines also was practically impossible. So
he suggested a middle course of the adoption of slowly
working upto an eventual conversion of all Indian rail­
ways to the European and American standard of 4' 8 1/2"
gauge. The adoption of this quite a new gauge, he
stated, would require no change in the roadway of the
broad gauge railways and no reduction in the size of
their rolling stock. It was found that it would also
cost less to convert the metre gauge to the 4' 8 1/2"
gauge than to convert it to the broad gauge. This was
quite a novel suggestion.

13.3 As regards the 2 1/2 feet and two feet gauges
lines, he stated that they should not be allowed to deve­
lo into through lines of communication and that they
should act as feeders. He warned the Government to
check this third gauge lest it should ramify throughout
the country and raise still more complications.
13.4 The recommendations of Sir T. Robertson were, no doubt, valuable, but they were not practicable in the circumstances. The process of conversion, which they involved, would have taken a very long time and even after that, it was not possible to say whether it would be a success. The Government, therefore, did not put the idea of $4' 8\ 1/2''$ gauge into practice.


14.1 By 1920, the controversy had become still more complicated. The Government of India had not still a definite policy as regards the two gauges. The mileage of both the gauges was allowed to increase. The broad gauge, even though it was called the standard gauge, did not remain a standard one. Of the 36,735 miles of railways then in India, only 17,990 miles were on the broad gauge. The other gauges occupied more than half of the railway mileage in India. There were 15,000 miles of metre gauge lines, nearly 3,000 miles of 2' 6'' gauge lines and over 600 miles of two feet gauge lines. The Acworth Committee remarked that a thorough investigation of the problem was urgent even though they could not suggest anything more on it. Acworth, in one of his famous

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4 Vide, Acworth Committee's Report, 1920, para 182.
statements, characterised the metre gauge as the fifth wheel of a coach, meant to assist in speed but actually functioning as a drag on progress.  


15.1 The Government of India neither adopted any definite policy nor appointed any Committee to solve the gauge problem. By 1922, the railway's network was such that the through communications were on the broad gauge and the feeder lines were on the metre gauge.  

15.2 Owing to the competition of road transport in the thirties, many of the narrow gauge lines began to be rendered useless as motor vehicles began to be increasingly utilised. It was incumbent on the part of the Government to investigate immediately into the gauge problem and modify the gauge policy. But the Government did not implement any change in respect of gauge policy in this period.

16. The situation today.

The situation has become worse today. The Kunzru Committee observed, in 1947, that the evils of the break

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5 Quoted by Mr. Castellino J.E. and Prof. Deshpande A.S., Co-authors of a Railway Rates Supplement, Eastern Economist, (Weekly Publication, Calcutta), Nov. 30, 1956, p. VIII.
of gauge had become more harsh. "There are as many as 53 transhipment points for the connection of the broad and metre gauge systems, 31 are in North India and 22 in South India." Many of these handle large volume of traffic and any delay or congestion there have far reaching effects. Among the larger transhipment points, are included Mokameh Ghat, Benares, Agra East Bank, Sabarmati, Ghorpuri (Poona), Bangalore City and Guntakal. There are often serious complaints at these transhipment points about the slow handling of traffic while carrying it from one gauge to the other one. These transhipment points have become, not only a potential source of loss, damage and misdirection, but also have positively discouraged the movement of traffic. The traffic at these transhipment points will not at all increase unless the serious complaints of the traders are properly redressed.

16.2 In 1947, the Kunzru Committee recommended that in about three years time, a small technical Committee of senior officers of the Transportation (traffic), Civil Engineering and Accounts Departments should be set up to examine the gauge question generally and to make recommendations for gauge conversion with the object of reducing the number of transhipment points and volume of transhipment traffic.

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6 Vide, The Kunzru Committee's Report, para 112.
17. Conclusion.

17.1 It should not be forgotten that the metre gauge, though it introduced the evils of a break of gauge, was in a sense, a distinct boon to the country. It played a significant role in Indian railway economics. In capital cost alone, the difference between the metre and standard gauge was found to represent about £1,100 per mile of line. Had the broad gauge been insisted on throughout the country, many a district now prospering under railway communication would for many a year have had to see its produce still carried by bullock carts and the financial burden on the Government would have been so much that Indian railways would have permanently become the crushing burden to the revenues of the State. That is why, the introduction of the metre gauge was not considered as an evil by the businessmen or passengers, so long as it implied cheapness. The metre gauge certainly afforded the highly required economic satisfaction to poorly populated regions, as it was cheaper than the broad gauge. Thus, in introducing two gauges in our country, we have lost something, but not everything.

17.2 One interesting solution to the break of gauge problem was suggested by R.N. Framji Mirza in his article on "Reform of Rail Gauge". He states that we cannot

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convert about 26,000 miles railway of broad gauge into metre gauge. We would never want to slip backwards in progress by converting broad gauge lines into metre gauge lines. So if we think at all of having a uniform gauge for the whole of India, metre gauge lines, which form only small gaps, can be converted into broad gauge lines. At the top in the North is Bhatinda where a network of metre gauge lines all abruptly halts at a point. Then there is a gap of about 180 miles between Khandwa and Hingoli, a railway station on the (then) Nizam's State Railway, unlinked by any railway. If that gap is filled with by constructing the metre gauge line, there will be no break of gauge right from Bhatinda to Katpadi, a railway station 80 miles to the South of Madras. Then there is a gap of 112 miles between Chamrajnagar, 32 miles from Mysore City, and Podanpur on the S.I.Rly. If this gap were also linked by the metre gauge line, through communication is possible right away from Bhatinda in the extreme North to Trivendrum in the extreme south. The cost of this scheme would be between six or seven crores, a very small portion of any 'Development Loan' which the Government of India can easily float. It is gratifying to state that the Government has already undertaken the construction of Khandwa Hingoli line on a metre gauge.

17.3 There appears to be no definite and quick
solution to this vexed problem of railway gauges. Different views are expressed by different railway experts on this problem. The question of rationalisation of gauges loomed large in the first hundred years, but, it is criticised, it has received comparatively scant attention in recent years. The protagonists of the metre gauge argue that it is too late to think of converting metre gauge systems to broad gauge and hardly necessary or justifiable as, according to them, metre-gauge systems are rendering cheap and reliable service. They advocate the step of reducing the breaks in the gauges in well-defined areas which are served to a great extent by one or the other. They plead that a metre-gauge system is much less expensive in capital and operation costs than broad gauge. For instance, it has been suggested that South India is predominantly a metre-gauge area and the conversion of Madras-Bangalore-Cochin-Mangalore lines to metre gauge will eliminate any break of gauges in the region, and lead to better utilisation of stock, enlarge the hinterland of Cochin harbour and serve to fit the links of Quilon-Ernakulam, Mysore and Mettupalayam and Hasam-Mangalore into a uniform pattern. The alternative route between Bombay and Poona which has been in the blue-

\[\text{Vide, The Times of India, February 16, 1956, p. 6.}\]
print stage for a long time, it is suggested, if laid metre-gauge, will serve to knit the ports of Bombay-Cochin and Madras providing flexibility to shipping.

17.4 While this suggestion cannot be said to be fantastic, the policy of the Railway Board appears to be to abolish metre-gauge lines in the country by stages. Mr. K. B. Mathur, Member in charge of Traffic, the Railway Board, told pressmen at Vijaywada, on 29th September, 1956, that the Government had decided to convert metre-gauge lines between Kurduwadi and Miraj stations on the Central Railway. Stating that the Railway Estimates Committee had recommended the abolition of the entire metre gauge system, Mr. Mathur said, "The metre gauge in our country is an eye-sore."

17.5 Mr. Mathur explained that main industrial centres in the country were situated in the broad gauge and that movement on the metre-gauge was slow. He said that the Bezwada-Cuntkal metre-gauge section carried only 440 tons per train, while broad gauge train could carry 1200 tons. Similarly, a metre-gauge train could carry only 350 passengers on the same section as against 700 carried by a broad gauge train, he said. It will be interesting to see how the Government tackles this vexed question of gauges quickly and smoothly.

9 Cf. The Times of India, First October, 1956, p. 3.

10 Cf. The Times of India, 29th September, 1956, p. 3.
Chapter IX

THE RAILWAY RATES POLICY: EARLY HISTORY

1. Introductory.

1.1 It is not the purpose of this and the following chapter on railway rates policy to conduct a detailed analytical survey of the railway rates practice as affecting different trades and industries of this country. These chapters outline the evolution of railway rates policy, discuss the reactions, if any, of the business community to it and elicit some points of broad observation on the rates policy. This chapter adumbrates the developments in railway rates policy till the beginning of the Second World War. The rates policy in recent years has been discussed in the next chapter in view of the appointment of the Freight Structure Enquiry Committee in 1955, and its salient observations and recommendations in regard to the railway rates policy and practice.

2. Early History.

2.1 The railway rates policy in India has undergone various changes since the early days. At the very outset, the Government retained the power of approving the rates and fares chargeable and to reduce these when the net
receipts exceeded ten per cent. The Railway Companies were further bound to carry the Mails and Post Office servants free of charge, and military officers, soldiers and their materials at special rates. In the early stages of the development of railways, charges were fixed on an experimental basis, owing to the scarcity of the reliable information concerning the probable traffic offering. It was thought that the Railway might get nothing from the passenger traffic, and goods traffic was to be the main stay of their income. The Home Authorities had actually instructed the Government of India to draw the remuneration for Indian railways from the conveyance of merchandise and not from passengers.  

2.2 Till the end of 1860, the Indian railways were characterised with two features. One was the excessive interference of the Secretary of State in the railway affairs making thereby the control of the Central Government ineffective and difficult and the other was the absence of inter-railway competition thereby offering the railway authorities a wide discretionary latitude to manipulate the rates to suit their own aims. These two reasons were at the root of the chaos in rates and fares.  

2 Several writers have pointed out the brighter
2.3 The chaos of the rates and fares was further brought to the forefront by the opening of the Rajputana-Malwa Railway in 1881. The R.M.Railway brought Bombay nearer than Calcutta to Delhi. Formerly, the distance between Bombay and Delhi was 1,234 miles, via Allahabad and Jubbulpore, but now it was 889 miles, 345 miles less, via the R.M. Railway. Moreover, the B.B. and R.M.Railways reduced their rates for grains and cotton from 13 annas and six pies to 11 annas per maund while that between Delhi and Calcutta remained 13 annas, i.e. as before. This reduction in rates by the R.M.Railway in favour of Bombay caused a diversion in the movement of traffic from the North in favour of Bombay, and against Calcutta. The Calcutta merchants petitioned against this competition between the E.I. and R.M. Railways, but the Secretary of State favoured the competition between the railways and allowed the R.M.Railway to lower the rates in favour of Bombay, with the idea that the interests of the railways and the trade generally would be better served by accepting the consequences of competition.

Footnote 2 continued from previous page.

side of the railway too. For instance, the Railways, by connecting different places, contributed to the equalisation of prices, whereas in the pre-rail-road era, variations in prices were as high as two-hundred per cent. Vide, Weld, W.E. 'India's Demand for Transportation', p. 87, Columbia University, 1921.
2.4 The lower rates for grains from Delhi to Bombay fortunately coincided with the demand for wheat by Europe. Naturally, the lower rates set in by the R.M. Railway which encouraged the diversion of wheat to Bombay were welcomed. But, this flow of traffic encouraged merely export trade, and inter-provincial trade suffered to such an extent that some concrete scheme of Government control over railway rates policy was felt needful. Accordingly, a Select Committee of Parliament was appointed in 1884. It was found that the level of rates was injudiciously high. And yet, the Government could not remedy the situation owing to lack of control over railways. This was due partly to the attitude of the Secretary of State which encouraged the companies to appeal to him on the slightest pretext and to interpret the contracts in their own interests and partly to the legal difficulty which Government experienced in controlling rates and fares. The Select Committee, therefore, suggested that the power of fixing or varying the maximum of fares and rates should be given to the Government. Another difficulty was the inability of the Government to check competition amongst the railways themselves, which resulted in numerous complaints by them in the matter of rates. The Government, therefore, proposed to establish a clearing house for the railways which
would settle their disputes and introduce a uniform classification. But, here again, the Secretary of State, who was not convinced of its utility, rejected the proposal. The Companies also thought this an invasion upon their liberty as the separatist tendencies among them were growing fast. Thus the idea of a clearing house did not materialise.

2.5 Upto 1880, the policy of Indian railways, then mainly under private enterprise, was contained in the typical statement of a direction of the C.I.P. Railway, that, "the object of the Company was to secure the best dividends from a small traffic at high rates." The Companies were reluctant to undertake reductions for two reasons. Firstly, they did not have sufficient initiative to solicit traffic by means of an appropriate experimentation with freight rates. Secondly, they were complacent that they would not suffer from the possible consequences of inertia or errors in rate policy, because they had the Government guarantee of interest. The Government had enough powers to bring the level of rates down, but did not exercise them, because it exposed itself to the risk that the Companies might advance such Governmental interference as the cause of poor financial results.

Refer Ghosh, S.C., 'Monograph on Indian Railway Rates', p. 47, 58, 104 et seq.
2.6 During the period from 1860 to the first World War, rates showed a definite tendency to decline. The reason was not that governmental control suddenly improved.

Main reasons for the reduction in rates during this period were as follows:

(a) There was competition among the expanding railway lines, on the one hand, and between them and the waterways, on the other.

(b) The Government began to announce rate reductions on the railways already under its management.

(c) The export needs of the country made a strong impression on the railways with the result that the internal traffic was debarred from it.

(d) Experts, like Robertson and Priestly recommended substantial reduction in rates. Robertson calculated that goods rates in India ought to fall by 30-60 per cent, coal rates by 40-50 per cent and third class passengers fares by 18-40 per cent, if they should be on a comparable basis with the British rail rates. Priestly likewise observed that Indian railways made their income by large profits per unit and smaller volume.
(e) Lastly, there were other extraneous but compelling circumstances like famines. For instance, the Indian Famine Commission, 1880, had recommended the reduction in rates.

3. Classification of goods in 1887.

3.1 The Government thereupon introduced, in 1887, a new schedule of maxima and minima rates for goods which was adopted for the first time in the history of classification of goods in India. It was as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Maximum pies per maund per mile</th>
<th>Minimum pies per maund per mile</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st class</td>
<td>1/3</td>
<td>1/10</td>
</tr>
<tr>
<td>2nd class</td>
<td>1/2</td>
<td>1/2</td>
</tr>
<tr>
<td>3rd class</td>
<td>2/3</td>
<td>2/3</td>
</tr>
<tr>
<td>4th class</td>
<td>5/6</td>
<td>5/6</td>
</tr>
<tr>
<td>5th class</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

3.2 The maximum rates have been fixed in other countries also. But the idea of fixing the minimum rates was peculiar to India and was done in order to prevent reckless competition among the railway companies.

Quoted from "Law and Theory of Railway Freight Rates", p. 152, Chapter IX, by K.G. Srinivasan, Madras, 1928.
3.3 But this schedule also was criticised by the Companies. In the rates for goods, except for the first class, the maxima and the minima were the same, and therefore, the Companies had no liberty to alter the rates. To add to this, through traffic passing over more than one line was not charged a single sum based on the total distance. As the railway companies were strongly critical of the above rate schedule, it was revised in 1891, as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Pies per maund per mile</th>
<th>Maximum</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Class</td>
<td>1/3</td>
<td>1/6</td>
<td></td>
</tr>
<tr>
<td>2nd Class</td>
<td>1/2</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>3rd Class</td>
<td>2/3</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>4th Class</td>
<td>5/6</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>5th Class</td>
<td>1</td>
<td>&quot;</td>
<td></td>
</tr>
<tr>
<td>Special Class</td>
<td>1/3</td>
<td>1/10</td>
<td></td>
</tr>
</tbody>
</table>

3.4 Under the revised schedule, the railways were given full latitude to alter the rates, as the gap between the maxima and minima was not large. But even the new schedule could not secure sufficient uniformity.

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5 Ibid., p. 152.
in rate-making and created complexity in tariffs. Railway companies, having full latitude to levy the charge they thought proper within the maxima and the minima, made the long-distance traffic suffer most by creating a diversity in the basis of charge on different railway systems.

3.5 Sir T. Robertson, in his famous railway Report (1903), criticised the high railway at which the rates and fares were fixed and the lack of uniformity and simplicity in the tariffs of Indian railways. He emphasised the divergence between the railway charges and the economic conditions of the people and stressed the need for lower charges in view of the then prevailing poverty in India. He especially suggested the introduction of tapering and telescopic rates to help long distance traffic which, he felt, was common in India. Although, the Government had made a provision in the Railway Act of 1890 for through rates, the through rates in India were the sum of local rates of individual railways over which the consignment travelled.

4. Block Rates.

4.1 The Acworth Committee (1920) observed another

6 See Robertson's Report on Administration and Working of Indian Railways (1903), as well as Weld, W.E., 'India's Demand for Transportation', p. 38, Columbia University, 1920.

7 See Indian Railways Act, Sec. 12, Clause 1.
disastrous feature of the rates policy adopted by the railways. The railways adopted the 'block rates' which could retain traffic on the line on which it originated and prevent or block it from passing off, after only a short lead, on to a rival route. These block rates were used for blocking traffic passing over other railways, as well as against the water-ways, thereby restricting the natural movement of traffic.

4.2 The Acworth Committee, in its report, has quoted several instances of the policy of cut-throat competition by means of 'block rates'. The fact that the Government also was a party to the unscrupulous practices resorted to by the railways has been widely criticised by several writers on this subject. It was held that the Government, being a predominant partner in the railway enterprise, should have prevented unfair competition between the public carriers, and instead, should have fostered the co-ordinated growth of railways and waterways alike, each in its own sphere.

5. Schedules revised in 1910 and 1922.

5.1 The Schedules of rates framed in 1891 continued till 1910. The Traffic Simplification Committee

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8 Vide the Report, para 152, 153, et. seq.
of the Indian Railway Association evolved a general classification of goods for through traffic, which was enforced on Indian Railways from the 1st July 1910. In this new Schedule, the Special Class was withdrawn and amalgamated with the first class and the maximum rates in many cases were raised. This new Schedule was again modified in 1922.


6.1 The period of competition between railways was closed with the outbreak of War. During the War, prices began to rise, the operating expenses began to increase, the earnings of railways fell off and, consequently, all the railways discerned the advantages of combination or agreement for the division of traffic, and had practically mapped out their own spheres of influence. The railways decided to enhance the rates and fares and these were effected from 1st October 1916. Accordingly, maxima for passenger fares and a surcharge for the carriage of goods by railways were raised from 1917.

6.2 As regards passenger fares, it was decided that, on all principal broad gauge lines, the third class fare should be increased to the authorised maxima,

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9 Vide, Ghosh S.C., op.cit., p. 35.
and on others, where ordinary fares had been only two-thirds of the maxima, they should be increased by 25 per cent.

6.3 As regards the goods rates, the Freight Tax Act of 1917 was passed authorising the railways to levy a surcharge of one pie per maund on coal, coke and firewood and of two pies per maund on all other goods carried by rail or any inland vessel. The income out of surcharge was treated as Government revenue and not as railway revenue. This surcharge was further increased in 1921. The Railway Companies, however, opposed this surcharge on the ground that it constituted a breach of contract on the part of the Government, as it was not treated as a part of gross earnings of the railway, to be shared by the Company with the Government. The traders also opposed the surcharge, for they had to pay it as if there was an increase in the rates and yet they derived no compensating advantages which would have accrued to them, had this revenue been expended on railway property.

6.4 The protests against the surcharge grew so strong that it had to be abolished in April 1922.

Government, accordingly, replaced the surcharge by higher maxima and the new schedule, put into force in April 1922, was as follows:

1922 Schedule: Increase in Class Rates

<table>
<thead>
<tr>
<th>Class</th>
<th>Pies per maund per mile</th>
<th>Maximum</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>.36</td>
<td>.100</td>
<td></td>
</tr>
<tr>
<td>2nd</td>
<td>.42</td>
<td>.100</td>
<td></td>
</tr>
<tr>
<td>3rd</td>
<td>.58</td>
<td>.166</td>
<td></td>
</tr>
<tr>
<td>4th</td>
<td>.62</td>
<td>.166</td>
<td></td>
</tr>
<tr>
<td>5th</td>
<td>.77</td>
<td>.166</td>
<td></td>
</tr>
<tr>
<td>6th</td>
<td>.83</td>
<td>.166</td>
<td></td>
</tr>
<tr>
<td>7th</td>
<td>.96</td>
<td>.166</td>
<td></td>
</tr>
<tr>
<td>8th</td>
<td>1.04</td>
<td>.166</td>
<td></td>
</tr>
<tr>
<td>9th</td>
<td>1.25</td>
<td>.166</td>
<td></td>
</tr>
<tr>
<td>10th</td>
<td>1.37</td>
<td>.166</td>
<td></td>
</tr>
</tbody>
</table>

The former five classes with one special Class were now increased to ten classes. The maximum rates were increased by about 20 to 25 per cent. But this classification also did not escape criticism.  The

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12 Mr. K.C. Shrinivasan has criticised that the minimum rates were continued at the pre-war level. See, op.cit., p. 166.
increase in maxima was not approved by Companies which argued that the Railway Board did not give sufficient thought to the problem of classification, and hastily interpolated four additional classes by splitting up each of the four former classes into two.

7. Railway Rates Advisory Committee.

7.1 During the course of these events, various attempts were being made to establish some permanent Rates Advisory Committee. The attempts were made since as long back as 1872, in which year two Committees were appointed to inquire into the rates policy of the E.I. Railway. In 1876, the Government invited a conference of the tariff officers of all the railways to discuss the feasibility of a Clearing House. But owing to the famine, the Conference could not meet. In 1887, the Government themselves formulated a policy of guidance and laid down that "the various railways should serve as one management and the rates should not be calculated on different scales if the goods were to pass over more than one railway." But the Railway Conference, held in 1888, again allowed a free latitude to each railway to make its own classification. No effective steps could be taken in this direction owing to the absence of the adequate control of the Government over railway companies, e.g. the elaborate rules framed
by the Government for the carriage of articles were severely criticised by the public because the railways were making very little use of them.  

7.2 Between 1886 and 1920, in which latter year the Acworth Committee was appointed, no effective efforts were made to form any rates advisory body though it would have been desirable to do so. In 1920, the Acworth Committee recommended the establishment of a full-fledged and independent Rates Tribunal for India.  

7.3 In recommending the creation of a Rates Tribunal in India on the lines of the body of that name brought into existence in England by the Railways Act, 1921, the Government felt that the Acworth Committee had not given adequate consideration to the outstanding differences in the conditions in England and India. In England, the Parliament had set its face against the nationalisation of railways. But in India, within a few years, the State was to own and manage two-thirds of the railways of the country. It had provided the greater part of the capital on the guaranteed lines. It was questioned whether in such a system, there was a place for an independent authority  

13 "Railways in Upper India", Col. J.G. Medley, 1884, may be referred to for details.
to settle 'Standard rates' in relation to 'standard revenue'. The Government, therefore, considered it advisable to 'go slow' and create, in the first instance, an advisory body, on purely experimental basis which would have no statutory powers and which could not, on its own initiative, either take up or decide complaints. The Government thus established a 'tame body', known as 'The Railway Rates Advisory Committee' which was in the nature of a compromise, and as is inherent in all compromises, it failed to go far enough.

7.4 The Committee consisted of an experienced lawyer as President, a wholetime officer, a railway member and a commercial member. The public and various commercial institutions argued that the commercial and railway members would not give impartial judgment on questions brought before the Committee. There should have been independent, paid and permanent members having no connection with railway or commercial interests.

7.5 In this connection, it is worthwhile to note that, in 1906, the Railway Conference had stressed the desirability of establishing some rates advisory body to consider the feasibility of favourable rates to be charged by the railways on the interior traffic for the development of local industries. The Government also showed their support to this Resolution. But the
railways concerned replied that the favour to the local industries by charging them lower rates would 'kill' the traffic in the imported commodity which was detrimental to their interests. The railway companies did not alter their old and traditional views of undue discrimination in rates policy. The crux of the problem was that the Indian railways were making their income by larger profits per unit. This policy restricted the progressive utility of the 'iron horse' in India.

7.6 In October 1931, the Railway Retrenchment Sub-Committee recommended that the Railway Rates Advisory Committee should be abolished and an 'Ad hoc' Committee, appointed from time to time to deal with the cases as they arose, would be enough for the purpose and their expenditure should not be more than Rs.50,000 a year. The Government did not agree with the idea of ad hoc Committee and held that the Committee might not ordinarily be employed for more than six months. The President was to be paid a permanent pay of Rs.1,000 per month in addition to a salary of Rs. 3,000 per month during the period in which the President was employed on cases. The Railway Member, who was a permanent whole-time officer, was to be selected from the Railway Administration for each case, drawing his substantive pay plus a Special pay of Rs. 300 per month when the Committee sat. The Office Staff was to be reduced from
ten to three, during the period when the Committee was not working. These changes were going to save Rs. 50,000 annually.

7.7 But while the Government effected a saving, the Committee lost popularity and prestige. The Government thus seemed to have made haste in reducing the cost. The reduced cost weakened the traders' belief in it because they thought that the ad hoc Committee would not work efficiently and in its proper spirit. Besides, the existence of the Committee was scarcely known to the public due to lack of publicity. Most of the people were unaware of its existence whereas those who were apprised of it were disappointed as its procedure was slow and as it was too much under the wing of the Railway Board.

7.8. The Committee was empowered to investigate and report on only such cases as might be referred to it by the Railway Department affecting,

(1) Complaints of undue preference,
(2) Complaints of unreasonableness of rates
(3) Disputes in respect of terminals,
(4) Complaints regarding the unreasonableness of any conditions regarding the packing of articles liable to damage in transit,
(5) Complaints in respect of conditions regarding packing attached to a rate,
(6) Complaints that the Railways did not fulfil their obligations to provide reasonable facilities under section 42 (3) of the Indian Railways Act.

7.9 The powers of the Committee were, however, very limited and did not include authority to regulate the Railway Rates. The Government also laid down that their recommendations were not binding at all. It was, therefore, natural that the Committee could not maintain or inspire confidence in the business community.

7.10 The Procedure for the Committee:- An application for a reference to the Rates Advisory Committee had to be made in writing, signed by the applicant and addressed to the Government of India. A copy of this application had to be sent to the Agents of the Railways concerned. Every such application had to be accompanied by a deposit of Ten Rupees. Before 1927, this deposit was Rs. 100/-. The Agent of the railway concerned was given two months time within which he had to prepare a statement of the case and submit it with his observations thereon to the Secretary of the Railway Board. If then the Government decided not to forward the application to the Rates Advisory Committee, the applicant used to be informed accordingly. The applicant had no remedy thereafter. But if the application was referred to the Committee, the parties concerned were informed accordingly.
7.11 The procedure described above suffered from the following serious defects:

1. The complaint had to be submitted to the Government of India in the first instance and if the Government thought it proper they might refer the same to the Committee. If the public complaints were to be given real consideration, the merchants should have been given a direct access to the Committee.

2. The Government, many a time, actually rejected the recommendations of the Committee. It was no wonder that the public lost confidence in the utility of the Committee.

3. The composition of the Committee was defective. The Railway Member, who was selected from the employees of the Railway Administrations, could not be expected to exercise an independent judgement which might go against the Railway Administration.

4. The complainants had no further right of appeal.

5. The onus of proof was usually upon the complaint. But, as it mostly happened, he found it difficult to prove the validity of his complaint owing to the unavailability of the mass of statistical information which was essential to prove a case of unreasonableness.
of rates, undue preference, etc.

(6) Once the Committee issued an order, the Courts had no power to review it, except when the complaint was issued by the complainant on the plea that it lacked jurisdiction, in which case, the Court had to decide the question of jurisdiction.

7.12 It was thus quite clear that the Committee had become unpopular, and the establishment of altogether a new tribunal became necessary.

8. The Railway Rates Tribunal.

8.1 According to the Indian Railways (Second Amendment) Act, 1948, the Railway Rates Advisory Committee was abolished, and a new Railway Rates Tribunal was set up. It came into effect on 4th April 1949 with Headquarters at Madras. The Secretary of the Tribunal took up his duties on 9th April 1949, and the President on 11th April 1949. The old prescribed procedure of receiving the complaints was cancelled.

8.2 The Tribunal consists of a President, and two other members, appointed by the Central Government. The Tribunal is assisted by two panels of assessors,

13a"Indian Railways Act, 1890" (amended), page 15, Sections 31 to 460.
constituted by the Central Government, viz., (1) the trade, industry and agriculture panel and (2) the railway panel. The first panel consists of not more than six persons chosen by the Central Government. One-third of the number represent trade, one-third industry and one-third agriculture. The Railway panel consists of not more than thirty persons with railway experience, chosen by the Central Government.

8.3 The most significant thing is that the Tribunal has been empowered now to re-classify any commodity in a higher class on the application of the Central Government. Both, the Tribunal and the Central Government, have power to re-classify any commodity in a lower class. As regards the rules governing practice and procedure of the Tribunal, the Railway Rates Tribunal themselves are empowered to frame the rules.¹⁴ The decision of the Tribunal is to be held as final if it is taken by a majority of the members sitting.

8.4 The new Rates Tribunal thus served a long-felt want in Indian Railway Reform. The creation of two panels for giving advice to the Tribunal was a definite improvement. The powers of the Tribunal were increased, and hence, it was hoped, it would regain the confidence of the business community. The criticism against the Rates Tribunal by the business community and

the recommendations of the Freight Structure Enquiry Committee, appointed in 1955, in regard to it have been discussed in the next chapter.

9. The need for a revised classification.

9.1 We have already seen in the foregoing pages that the Schedule of the classification of goods revised in 1922 was unscientific. Moreover, even though the maximum rates were raised by 25 per cent, the minimum rates were unaltered and that gave a wide discretionary latitude to the Railway Companies. The Railway Board, therefore, invited the Indian Railway Conference Association, in 1932, to consider the various points in connection with revision of the old schedule of classification of goods. It debated for about four years but their efforts proved fruitless due to lack of adequate statistical data, which it was estimated would cost about Rs. 20 lacs and take some four years for completion. This suggestion was, however, concluded to be 'formidable' by the Railway Authorities.

9.2 After the efforts of the Indian Railway Conference Association had come to naught, the Classification was revised and put into force on 1st May 1936. It was as follows:

<table>
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<th>Class</th>
<th>Pies per maund per mile</th>
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</table>

9.3 The revised classification of 1936 and the previous schedule of 1922 were just similar except that the number of classes was increased from ten to sixteen by the interpolation of six new classes. The maximum and the minimum rates for the previous ten classes were
kept unaltered. The only difference was that some classes were split up into new classes and the maximum and the minimum rates were applied to them.


10.1 In 1924, the Railway Member was criticised when he enhanced the fares for the Third Class traffic with the argument that the Third Class traffic was increasing, both in volume and the receipts. This argument was not sound because this was working against the principle of "Charging what the traffic will bear (reasonably)". The enhancement of the Third Class fares usually discourages the rapid growth of traffic. But in this connection the authorities pleaded that they did not want the development of Third Class traffic owing to 'lack of sufficient coaching stock to carry the increased traffic'.

10.2 As regards the upper classes, it was observed that though the fares for them were reduced in 1924 to encourage that traffic, the upper class traffic did not respond to it. On the contrary, the reduction in rates brought about the fall of earnings considerably till they fell to about a crore of Rupees.

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16 'Budget Speech, 1925-26', page 12, New Delhi.
10.3 But the Third Class traffic increased from 1924 onwards also, even though its rates were increased. The Railway Authorities should have taken a more far-sighted view and should have reduced the rates for the Third Class traffic. The Inter Class compartments were also not paid sufficient attention to by the Authorities. Had they been properly well-provided, a large number of middle-class passengers travelling Third Class would have been attracted to it.

10.4 In 1930, the fares and rates were raised in order to meet the financial loss. The Railway Board pleaded that they were enhanced to "increase the revenue and this would not affect the movement of traffic." But it was soon observed that the Railways were compelled to take immediate steps to lower the rates for lower classes, lest the competition from roads should encroach upon the railway earnings.

10.5 With an intention to overcome the road competition and to neutralise the effects of depression, most of the Indian Railways altered their rates and fares, during the period of 1934 and 1937. The general tendency in the direction of altering the rates was to enhance the upper class fares and to reduce the lower class rates.


11.1 The effects of depression were more severe on goods traffic than on passenger traffic. The movement of most important commodities like jute, oil-seeds, wheat, cotton, etc., decreased and the earnings of Railways began to be affected. The Railways, therefore, resorted to the most 'obvious remedy' of increasing the rates. In 1932 rates on coal were raised by the imposition of a surcharge of 15 per cent. Some other commodities also had to bear the enhanced rates. 

11.2 During 1932-33, the movement of commodities still further declined. But then it was realised that the reduction in, and not the enhancement of, rates would encourage their traffic. So during 1932-33, many reduced station-to-station rates were introduced on all Railways, with a view to assisting indigenous industries, encouraging traffic or meeting competition with sea, river and road transport. This policy increased the movement of commodities and relaxed the toll of depression during 1933-34 and 1934-35. The traffic receipts also increased during these two years.

11.3 In the inter-war period, rates showed an upward trend; firstly, because working costs rose during

and after the first war. Secondly, combinations followed the inter-railway competition characteristic of the earlier period. Thirdly, economic activity was locating itself in such a way that railway facilities soon assumed a great importance. Several industries and agricultural areas had, in course of time, no choice but to depend on railway transport. Railways could then exploit the situation. Lastly, the Government began to treat railways as the milch-cow. 1910-classification was revised in 1922. During depression (1929) however, the Government postponed the revision of classification although the public expected a reduction of rates.

12. Railway Rates and Indigenous Trade and Industries.

12.1 Without belittling the advantages of railways, it must be stated that the railway rates, in general, were so contrived as to favour the transit of goods to and from the harbours, rather than to favour the development of Indian industries and trade. The Government failed to make adequate provision for protecting the Indian industries against unfair and uneconomic discrimination in rate making. Numerous instances of preferential rates, in this connection, have been

cited by Professor R.D. Tiwari in his work on 'Railway Rates in Relation to Trade and Industries in India'. To quote the instance, piece-goods and blankets from the Raymond Woollen Mills at Thana, about 20 miles from Bombay, were charged higher rates than the similar products from Bombay. The rate from Bombay to Nagpur was Rs. 1.11.0 per maund for 520 miles, whereas from Thana it was Rs. 2.10.2 for 500 miles. Similarly, to Jubbulpore the rate from Bombay was Rs. 2.3.10 per maund for 616 miles, but from Thana the rate was Rs. 3.2.1 for 595 miles. Again to Bhopal, Jhansi, Kanpur, etc., the rates from Thana were higher than those from Bombay, even though the distance in the former case was lower than that from the latter. Similarly, the lower rates offered by the East Indian Railway on the imported sugar, carried over 600 miles and more from Calcutta, were certainly needless.

12.2 Another feature of the railway rates policy was the individualistic policy pursued by the railways. The contrast between the class and special station-to-station rates from Bombay was a case in point. It was seen that whereas to Agra, for 838 miles, the rate for sugar was Rs. 1.11.9 per maund, to Kanpur for almost

the same distance Rs. 1.8.6 was charged. This most obvious inconsistency was due to the competition of the East Indian Railway, or, in other words, port competition. Similarly, there were a few reduced rates on imported paper, detrimental to Titaghar Paper Mills, to centres like Delhi, Agra, Meerut City, Saharanpur, etc., from Calcutta. The reports of the Tariff Board were full of complaints regarding the unfortunate tendency of Indian railways in this connection which often nullified the effect of protective measures passed by the Indian legislature for the growth of industries.

12.3 That the railroads not only carry traffic but create one is a well-known dictum. In industrially advanced countries, railways are being worked on these lines. In Germany, railway rates are carefully regulated to serve alike the local industries and agriculture. The American railways have moulded their rates policy so as to bring about the widest developments of markets. Our rates policy did not serve as an important and effective link in the general economic policy of the country. This was but inevitable as the alien Government was not expected to help Indian enterprise at the cost of British enterprise.

13 Observations of the Wedgwood Committee (1937).

13.1 The Railway rates structure, then in force,
seemed, to the Wedgwood Committee, to meet commercial needs. The Committee, however, found the system of rates structure and practice 'cumbrous' and 'illogical' in two respects only, viz. (a) the number and complexity of the class and schedule rates, and (b) the application of the 'discontinuous' mileage system as between individual administrations.

13.2 As regards the variations in the application of schedules, the Committee observed that "there are many circumstances which may justify the maintenance of different schedules for the same commodity even on one railway system. Costs may be widely dissimilar on different sections owing to gradients or gauge; while scarcity of traffic may warrant a higher schedule of rates just as density of traffic may make a lower schedule remunerative. The demand for a lower schedule for each commodity is unreasonable and, particularly so, in a vast country like India where the conditions vary so remarkably between one district and another." The Committee, however, recommended that the Railway Board should initiate a special enquiry into the system of charging schedule rates with a view to simplification.

21 Vide the Report, para 126, et seq., 1937.

22 It is interesting to note that the points on similar lines have once again been propounded in a thought-provoking article 'Commercialism on Railways' by Mr. J.E. Castellino. The Article appeared in Bombay University Journal, February 1955.
13.3 The Committee examined the effects of charging upon 'discontinuous' mileage, and recommended that "hard cases be dealt with by the quotation of Station-to-Station rates". The Committee examined the suggestion that there was too wide a margin between owner's risk and the railway risk rates, and recommended that the Railway Board should examine the British practice with a view to the adoption of a similar practice suited to the special conditions of India.

13.4 General complaint was made that rates favoured import and export traffic to the prejudice of indigenous industries; the Committee felt that such grievances could best be redressed by freer recourse to the Railway Rates Advisory Committee.

13.5 Complaints were made that the outlook of railways in quoting rates was too individualistic. The Committee thought that the Railway Board should, through the Traffic Member, be prepared to deal with complaints of these kinds and that the Railway Rates Advisory Committee should be more freely called in by aggrieved traders.

13.6 The Committee recommended measures designed to expedite the procedure of the Railway Rates Advisory Committee and to give its proceedings and decisions wider publicity.
14. Conclusion.

14.1 The Commercial Committee of the Indian Railway Conference Association immediately started to investigate the question of reducing the number of schedule rates in use, and considerable progress was made in this respect during the war years. They later came round to the view that the introduction of telescopic rates in continuous mileage might be possible without too seriously disturbing the existing rate structure and might help to eliminate from the Tariff large numbers of station-to-station rates as well as some of the schedule rates.

14.2 The events referring to developments in railway rates policy and practice during and after the war and in the post-Independence period have been described in the next-separate-chapter in view of their importance and the appointment of the Freight Structure Enquiry Committee which submitted its report recently.

14.3 The foregoing history of rates and fares in India shows that it is a chequered story of confusion of principle and anomalies of practice. It elicits following aspects: -

(1) In the British period, there was a definite tendency to favour the upper class traffic at the expense
of the lower class traffic.

(2) The rate structure lacked uniformity and scientific basis. There was a long-felt need of a regular Rates Tribunal instead of a mere Advisory Committee. This need was fulfilled in 1949.

(3) Very often, increase in rates and fares were used as a remedy to improve Railway earnings in different years. This was not always justified.

(4) The most striking feature of the railway rates policy was the individualistic policy pursued by the Indian Railways Companies. This policy affected more internal trade than foreign trade, because while the ports were linked with the internal centres by direct lines of usually the same system, the internal traffic, as a rule, had to pass over more than one railway.

(5) Competition between the different railways for traffic to and from the ports resulted in the lowering of the rates on competitive traffic and thereby subsidising the export of raw materials and the import of finished products, to the detriment of local industries.

(6) The prevalence of numerous preferential rates was another defect in the rates policy. It was due to the lack of effective regulation of rates policy on right lines. The State failed to make adequate provision for protecting the Indian industries against unfair and un-economic discrimination in rate making.
Chapter X

RAILWAY RATES POLICY: RECENT DEVELOPMENTS

1. The Rates during and after the Second World War.

1.1 The War, which began in September 1939, affected materially the movement of traffic on Railways. The goods and passenger traffic which showed disappointing results up to the middle of August soon started an upward trend. Under these conditions, the Railways, by increasing their efforts for improving the efficiency of the railway working, could have increased the traffic. But, again, the Railways pursued their traditional policy of raising rates as one of the war measures. The Railway Member pleaded that the obvious remedy to increase their revenues was to enhance the rates and that this enhancement was quite justified as the traffic could bear it.

1.2 The rates were raised from 1st March 1940, with a view to meeting the contribution of the Railway revenue to general revenue. The surcharge on coal was increased from 15 to 20 per cent in November 1940. From

1 'Vide Budget Speech, 1940-41', para 16.
the year 1941-42, in order to discourage the traffic movement by rail, the railways launched a campaign, "Travel only when you must". With this end in view, all concessions were withdrawn. All concessional rates were cancelled. The movement of non-essential commodities was restricted. In order to secure better wagon loads, the charges for consignments of foodgrains moving in small lots was raised by two annas per rupee. Charges on luggage and parcels traffic were enhanced from two annas to four annas per rupee on total freight, to discourage traffic.

1.3 Immediately when the hostilities ceased in 1945, the problem of revision of the entire structure of railway rates came to the fore. So, in 1946-47, the Board appointed, directly under its control, an Officer on Special Duty in order to examine the problem of revision of rate structure. The Board also appointed a Standing Advisory Committee of experienced Rates Officers from Railways to consider the implementation of revised rate structure. From 1st February 1947, the universal application of transhipment charges was introduced at all break-of-gauge junctions. Formerly, the transhipment charges at various break-of-gauge junctions varied from place to place. The traders grumbled whenever they had to pay high transhipment charges at a particular
break-of-gauge junction. But now the adoption of this measure reduced the possibility of conflicts between the traders and the Railways.

1.4 According to the new post-war rating schemes, which were adopted in October 1948, three special Classes, viz., A, B and C were introduced in addition to previous 16 classes of goods. The telescopic rates were made applicable to the classes from four and above as well as to the classes A and B on continuous mileage over all the Indian Government Railways. Thus, the previous complaints made by the traders in the early period of Railway development that the rates were based on different scales on different Railways were removed. Class C and Class one to three continued to be subject to flat rates. It was also decided that all traffic should be booked by the shortest route, and that 75 miles should be added to the mileage for each transhipment. These arrangements appeared to be very sound and beneficial to the public. Uniformity was brought into effect on 1st January 1948 as regards passenger traffic also on all Indian Government Railways. Though, the public did not complain against the increased charges from January 1948, it was observed that upper class earnings were affected by the reduction in the number of classes from four to three and by the reluctance of the public to travel upper class. So, early in December
1949, Class II Special was introduced, with the basis of fares at 14 pies per mile. This introduction of Class II Special improved the number of passengers of both the Class II Special and Class II and earnings therefrom. The Railway Authority found the need for Inter-Class by the middle class people still indispensable and restored as usual four classes by introducing Class II Special.

1.5 The Kunzru Committee, 1947, while expressing satisfaction that the complaints against the old rate structure would be removed to a large extent by the introduction of the new telescopic class rates and wagon rate schedules, observed that the new experiment would be gauged by the number of station-to-station rates that railways would find it necessary to quote. The Committee expressed dissatisfaction regarding the solution of the problem of relation between Owner's Risk and Railway Risk rates. In pre-war years, manipulation of rates by individual railways had led to numerous cases of anomalous routing of traffic, the cheapest route between two points often being by no means the shortest route. While the introduction of telescopic rates structure on 1st October 1948 was calculated to solve the

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2 Vide the Committee's Report, para 134 and the following.
routing problem and ensure that traffic would move by the shortest route, in some cases, the physically shortest route between two stations involved passage through one or more break-of-gauge transhipment points. Such a route, though the shortest in distance, was likely to be, by no means, the shortest in time and might well be less economical in cost of operation to the railways concerned than the longer one-gauge route. The Committee approved the proposal of the Indian railway Conference Association that, to arrive at the shortest route, 75 miles should be added for each break-of-gauge transhipment involved. The Committee felt that the question of level of rates and fares was a matter for Cabinet consideration and, therefore, did not comment on it.

2. Reform of the rate structure.

2.1 There had been a persistent demand, since the War was over, for a re-orientation in railway rating policy from the business community whose complaint was that the Government had often resorted to the facile expedient of making railway rates and fares a source of additional revenue for their budgetary requirements. The Indian Merchants' Chamber, for example, stated that

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internal trade was not receiving sufficient encouragement, and the needs of the indigenous industries for quick and cheap transport facilities were not being attended to. Dr. John Matthai, the then Minister for Railways, stated, in reply to this Memorandum of the Chamber, that the problem of reforming the existing rates structure was being gone into, at the moment, at an expert level.

2.2 The Rates Advisory Committee, which was set up in 1947, to advise the Railway Board on matters connected with railway freights, presented a new classification of goods in June 1948, which was adopted in October 1949. According to this classification, the commodities were divided into 15 classes and the railway rates into three classes, viz., (a) standard telescopic rates, (b) standard telescopic wagon-load rates and (c) station to station rates.

2.3 On the basis of the standard telescopic rates, rates for all classes of commodities have been fixed for the first 300 miles, the next 300 miles and beyond that. The standard telescopic wagon load rate is fixed for a few commodities only, e.g. station to station rate is charged for a distance between two stations only and is lower than the telescopic rates. The new classification of goods telescopic rates, the maxima and the minima are shown in the following table.
### Standard Telescopic Rates in Pies *(Per Md. per mile)*

<table>
<thead>
<tr>
<th>Class</th>
<th>First 300 miles</th>
<th>Next 300 miles</th>
<th>Further Maxima</th>
<th>Minima</th>
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<td>2.11</td>
<td>1.41</td>
<td>1.18</td>
<td>2.11</td>
</tr>
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4 In view of the introduction of the decimal coinage system from 1st of April, 1957 the table will have to be converted into rates in decimal coinage.

5 Quoted from 'Transport Development in India', Sri-vastava, S.K., p. 91, Ghaziabad, 1956.
2.4 If the distance is less than 75 miles, a surcharge at the rate of six pases per maund is levied. There are separate rates for coal, coke and fuel. For providing facilities to the traders and the public, the Railway Board has instructed all the railways to maintain Rates Registers.

3. The Railway Rates Tribunal (established 1949).

3.1 The composition, powers and the working of the Rates Tribunal have been already referred to in the previous chapter. While, the Tribunal is regarded as definitely a better substitute for the old Railway Rates Advisory Committee which had no statutory powers at all, the trading public has not been found to be completely satisfied about its location, and to a certain extent, about its working.

3.2 When the Director (Traffic), Railway Board, stated that during the four years of its existence, only 16 cases were referred to it and hence there was no need for the revision of the freight structure, the Federation of Indian Chamber of Commerce and Industry pointed out that many aggrieved parties were not aware

6 Communication No. 2972-TC dated 30th March from the Director to the Federation of Indian Chambers of Commerce and Industry.
that they could prefer a complaint before the Tribunal which is situate in Madras. Again, the distance and the expenses prevented the parties in the North from filing a complaint before the Tribunal. The Federation suggested that the Tribunal should undertake a regular planned tour of the country. Another deterrent to a party to prefer a complaint was the lengthy and costly judicial process involved in the disposal of cases and each case cost a party anything like Rs. 25 to 30 thousand.

3.3 The Federation of Indian Chamber of Commerce and Industry also stated that the scope and jurisdiction of the Tribunal were also quite narrow as compared with those of the Tribunal in the United Kingdom. Complaints relating to standardised terminal charges or class rates, it was pointed out, were not entertained by the Tribunal.

4. Criticism against the 1948 rate structure.

4.1 Although the rate structure was revised in 1948 and adopted in 1949, the details of which have been given earlier in this chapter, the business community felt that even the revised freight structure was not in consonance with its business requirements. Its criticism

on the subject of rating policy related mainly to following points:

With the revision of the rates structure and the introduction of telescopic rates, most of the station-to-station rates have been abolished.

The basis of class rates have been upgraded in the name of rationalisation and the new rate structure has adversely affected the trade and industry inasmuch as it has resulted in increasing the charges.

On one ground or another, the rates in 1948 structure have been increased and the net burden on the industries has also correspondingly increased.

The new rates structure is rigid and unsuited to the needs of the developmental economy and does not allow a liberal use of the method of special rates for the purpose of development of the industries.

The new rates structure has imposed a heavy burden on short distance traffic.

The standard terminal charges have been fixed for all commodities irrespective of variation in cost, adversely affecting movement of certain commodities.

4.2 To these points of criticism raised by the business community, the Railway Board replied that the
businessmen overlooked the important fact that the effective increase in railway freight rates had so far been modest as compared with the increase in the index of wholesale prices in the country and in the working costs of railways.

4.3 The Railway Board further pointed out that:

the rate structure was revised in 1948 after prolonged investigation by a special organisation which worked for four years and every effort was made then to ensure that the increases in rates made did not affect traffic movement adversely,

the steady increase in the index of industrial production bears ample testimony to the reasonableness of the rates structure as a whole,

the Railway Rates Tribunal set up to consider all complaints of unreasonable and/or undue preferential rates had, during the past four years of its existence, only a few cases referred to it indicating that complaints were few, and,

the railways have been given powers to quote reduced rates where a convincing case has been made out.

5. The counter-criticism by the business community.

5.1 The Federation of the Indian Chambers of Commerce and Industry submitted that the above reply of the Railway Board could not really stand the test of scrutiny.

Communication No. 2972-TC dated 30th March, 1954 to the Federation of Indian Chambers of Commerce and Industry.
Its criticism against the Rates Tribunal has been already referred to earlier in this chapter. The Federation submitted the following points in reply to the Railway Board's statement:

While it is true that the rate structure was revised in 1948 after prolonged investigation, the investigation itself was purely departmental and at no stage of this 'prolonged investigation' were trade and industry given a chance to express their viewpoint.

The economic background during the war and immediate post-war period, when the investigation was carried out, was entirely different from what it is now.9

Increase in the industrial production does not necessarily bear testimony to the reasonability of the rates structure. The progress of the economy of the country depends on other conditions also, such as the business climate, Governmental policy, the view investors take of the future, etc.

Although the Railways have been given powers to quote reduced rates, those engaged in business have brought to the notice of the Federation that Railways have not been as sympathetic as they should be.

9 i.e. in 1954. The Federation submitted its reply on 11th October, 1954.
The outlook of the Railway Administration in regard to the rates structure is exceedingly circumscribed by the financial implications of any revision. Although, nobody would like to see this national enterprise to be bankrupt, the Railways have a due responsibility towards the economic development of the country.

6. Complaints about classification

6.1 The classification is complicated and the description of goods overlaps. Items of the same nature or quality are put under different classes whereas one commodity in the same category and cheaper in cost has to pay higher freight and another lower freight.

6.2 An examination of the classification list of commodities is also quite revealing. To promote a wider distribution of manure for the fields and foodstuffs; grain, pulses and manure have been classified for charge under the lowest first, but for some inexplicable reason, it is found that milk and ghee, butter and blankets, have been assigned the same class for charge as billiard tables: In a poor country, where the average man finds it difficult to buy books, it is anomalous that books

10 as pointed out by the business community.
and stationery should be charged at the same rate as hardware, artificial flowers, iron safes, rubber goods and toilet requisites. Vehicles like autorikshaws, manual rikshaws, bicycle, and motor cycles have been classed together, ignoring the difference in their price utility and volume.  

6.3 In revising the freight structure, the businessmen wanted the Committee to see to it that low-priced commodities were not charged at par with costlier goods, that raw materials were charged at a much lower rate than finished products and that necessities of life were not charged a higher level of freight to ensure an even distribution of goods.

6.4 From the national point of view, it is harmful to make the traffic move over longer distances by differential rating policy, irrespective of the fact whether it is necessary or not for the traffic to move. Such a measure as the levying of a premium freight on short-distance haulage of traffic cannot but have a detrimental effect on the economics of location and marketing. The Indian railways levy a short-distance surcharge for traffic over a distance of less than 75 miles on the

11 Vide also the interesting Article by EMESUS, Times of India, 9th April, 1956, p. 6.
plea of increased costs. It is difficult to understand why such a surcharge is necessary under the telescopic system with its higher charge for the first leg. Actually, the surcharge amounts to a penalty paid by goods for not moving over long distances even for valid reasons.

6.5 A comparison of the lead of traffic before the introduction of the 1948 structure with the subsequent results, shows that the movement of goods, do not correspond to the variations in freight. Only in a few cases, like matches, sugar and rice, can lower freight be associated with a longer lead of traffic. Salt, iron and steel-products and groundnuts have moved over the same average distances inspite of lower freight rates. An increase in the average freight has failed to reduce the distance in the case of piecegoods, jowar and bajra, wheat, cement, fodder, and coal.

6.6 The appropriateness and the adequacy of the number of 'legs' or the distance range between the legs under the scheme of telescopic class rates will have to be judged in relation to the average distance over which normal movements take place under the existing conditions. The first 'leg' in the existing schedule covers 300 miles and for this distance the rate applicable is the highest. Under the existing pattern of trading activities,
the bulk of the articles moved on the Railways are for much shorter distances than the range covered by the first leg. Therefore, the first leg under the telescopic schedule of rates should not exceed 100 miles.

6.7 As regards terminal charges, uniform rates are charged at different places, although the facilities available or services rendered may be of a varying degree. If they represent a charge for specific services done, it is obvious that in the case of articles, which are booked in bulk and in open wagons without weighment, labelling, packing, storage in covered accommodation, etc., the question of any such charge should not arise, for the reason that no such special service is rendered in such cases.

6.8 While transhipment charges are justified, the users of the Railway should have the facility of referring complaints about the reasonableness of such levies in particular cases for consideration by the Railway Rates Tribunal. Greater resort to mechanised methods of transhipment by the introduction of automatic cranes, etc., would increase the speedy disposal of goods and incidentally enable the Railways to reduce the present rates of transhipment charges.

6.9 The business community disagrees with the idea
of a freight pool that would subsidise the long-distance movement at the cost of the shorter hauls in the same commodity. Any such attempt at equalisation of rate incidence, it holds the view, would have no economic justification and should not be the function of the Railway Administration.

6.10 It is further pointed out that while it is legitimate to expect that the Railway Administration should render special assistance to the establishment and development of new industries, care must be taken to see that other units are not thereby placed in a position of comparative disadvantage. In short, there should be a high-level machinery to examine and assess claims for assistance in this direction.

6.11 In the context of the foregoing discussion, it is interesting to read the thought-provoking points raised by Mr. J.E.Castellino in one of his many articles on Railways. When it is indisputably admitted that railways are to be run as commercial undertakings, commercialism, he states, does not justify the same level of charges throughout this vast country having varying geographical features and staggering variations of stages.

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of economic development in different regions. After pointing out ironically and with apt illustrations that even in respect of passenger traffic, neither the cost-of-service principle is necessarily honoured, he states that, in a way, the law of supply and demand is also violated when a fixed charge is levied for a special train to be run at any time of the year and at any period of the trading activity, ignoring all considerations of seasonal demands, traffic peaks, track availability, staff requirements and such factors which considerably affect the cost of service principle.

6.12 One major reason for the public demand, the nature of which has been outlined in the previous few pages, for revision of the rate structure was that, in the post-independence set-up, railway rates policy should accept developmental requirements as one of its guiding principles. Even the Tariff Commission has recorded its findings repeatedly in a number of enquiries that the incidence of transport cost on new expanding industries must be reduced by special rates the margin of which will have to be enlarged in an adequate scale if railway rate policy is to function as one of the instruments of development. For instance, "The reform of telescopic rates on the basis of continuous mileage irrespective of the frontiers of individual railways, introduced in 1946, has not been carried to its final
stage. The length of the first leg, which is fixed at 300 miles, is inordinate and also co-extensive with the normal distance covered by the bulk of traffic which is, therefore, in effect, deprived of the benefit of telescopic rates.\textsuperscript{13}


7.1 Although it is always held that the complaints of the business community are often of an exaggerated nature, the grievances and suggestions, narrated above, were considered fully by the Railway Freight Structure Enquiry Committee, 1955, which has submitted its report quite recently. The two questionnaires, issued by the Committee, one dealing with the aspect of the freight structure and the other dealing with the aspect of responsibilities of Railways as carriers of goods and the working of the Railways Rates Tribunal, it is indeed appreciative to note, were sufficiently exhaustive to analyse various expectations and grievances of the users of the Railways.

7.2 In view of the crucial and momentous period through which India's Second Five Year Plan is passing, the findings and recommendations of the Committee were eagerly awaited both by the Government and the business

\textsuperscript{13} Ms. J.E. Castellino and A.S. Deshpande have made a correct and analytical exposition of the present rate

Continued on next page.
community. It was imperative that the committee should suggest such measures and point out such necessary alterations in the present freight structure which would, once for all, remove the cause for the grievances of the business community and throw open to them a challenge for rendering an honest and active cooperation to the Government to execute the present and subsequent economic plans.

7.3 The Committee was appointed, in June 1955, to review the freight rates structure on the railways, to examine the responsibilities of the railways as carriers and to suggest changes in the constitution, jurisdiction and rules of procedure of the Railway Rates Tribunal. The Committee had to consider the financial needs of the railways on the one hand, and the plea by the users of the railways for keeping the freight rates at as low a level as possible on the other.

7.4 At the outset, the Committee has reviewed the evolution of the railway freight structure. The Committee has felt that there has been a need for some revision in the telescopic rate structure of 1948. It observed that the average lead for several commodities was very much higher than 300 miles. This was due to the growing industrial activity in the country. It has been a feature of all industrialised countries that as in-

Continued from previous page.

...structure, the grievances, legitimate or otherwise, of the business community and suggested valuable changes in their blue supplement 'Railway Rating Policy', Eastern Economist, Nov. 30, 1956, New Delhi.
-dustries develop, movement of goods is over longer and longer distances. The Committee also noted that the regional development of industries might have an effect in the opposite direction. The Committee has recommended that the first leg of 300 miles should be split up into four legs - 1 to 25, 26 to 75, 76 to 150 and 151 to 300. The first leg of 1 to 25 miles was meant to avoid, as far as possible, traffic over short distances. The Committee felt that, in many parts of the country, the movement by motor lorries was possible over the next leg (26 to 75 miles) too. The Committee has done well to emphasise the role of road transport.

7.5 In regard to the scale of rates to be applied to these legs, it was desirable that the scale of rates should be on regular progressive basis from the lowest to the highest class. The Committee, therefore, considered that this could be achieved by having one rate as a base and expressing all other rates as percentages of that rate. It has also shown what percentage each class will represent. It has recommended for all commodities a wagon-load classification and a 'smalls' classification. For a few commodities, for which separate 'smalls' and wagon-load rates will have no special significance, the rate will apply on an 'AQ' (any quantity) basis. Other recommendations made by the Committee include the following:
The terminal charges as such should be abolished, but this fact should be taken into consideration in evolving the revised freight structure.

The additional short-distance charge is not justified.

The separate levy of transhipment charges and of 'ghat' charges should be discontinued.

The minimum distance for charge should be raised to 25 miles and should apply only once (in bookings) whether the movement is over one or more railways.

The minimum weight for acceptance per package by goods train should be 20 seers and the charge should be based on 20 seers.

The overall minimum charge of Rs. 1.75 per ton for wagon-load consignments should be abolished.

New scales of rates should not bear too heavily on long-distance traffic, should be an all-inclusive one enabling the abolition of terminal and other charges and, to the extent possible, help bridge the anticipated gap of Rs. 300 crores in revenue and expenditure for the five years of the plan period.

The annual allocation of Rs. 45 crores to depreciation fund needs a further increase.
Practically for all commodities, rates should be quoted only at railway risk. A few commodities may continue to be carried at owner's risk but in regard to which the railway risk rates may also be quoted.

A specific independent Committee should be set up to examine the existing classifications with a view to removing certain anomalies. There should be a revised lower classification for commodities which deserve special considerations in the interest of industrial development or of preventing a rise in cost of living. In regard to products of cottage industries, a concession of 25% of the normal freight rates should be granted when these products are booked by recognised cooperative societies.

Although freight pools may look attractive, this method of encouraging certain areas where industrial development is needed is not justified.

In regard to the constitution of the Rates Tribunal, it should consist of an experienced High Court Judge as President with two other members chosen for their knowledge or experience of commercial, industrial and economic conditions in the country or of the commercial working of the railways. The President and the Members of the Tribunal may be appointed for a period of five years and may, in suitable cases, be eligible for re-
-appointment. The jurisdiction of the Tribunal should be divided into mandatory and advisory functions. The Tribunal will have mandatory powers of decision in matters which arise out of complaints of undue preference and the levy of unreasonable rates and charges. Its advisory functions will relate to classification of goods, scales of charges for the carriage of passengers and their luggage, military traffic and traffic in railway materials and stores and demurrage charges. Necessary provision should be made in the Indian Railways Act so that the Tribunal may adopt an informal procedure in dealing with cases where a formal hearing is unnecessary and may be dispensed with.

7.6 The freight structure recommended by the Committee will have far-reaching implications. Keeping in view the financial needs of the railways, the Committee had to recommend, in general, an increase in railway freight for almost all classes of commodities, raw materials as well as finished products. The reaction of the business community to this increase has not yet been known fully.
Chapter XI

SOME CURRENT RAILWAY PROBLEMS

1. Introductory

1.1 The advent of Independence was a unique occasion in the history of Indian railways, because the management and control of this national asset have, in the process of political evolution, passed on to the hands of a popular national Government; and called for a re-orientation in policy so as to evolve comprehensive and integrated transport development that would render the railway services a real instrument of progress, subserving the larger economic needs of the country. The industrial and agricultural development envisaged in India's economic plans required the efficiency and sufficiency of all the means of transport. While carrying out the responsibilities that devolved on railways in the context of the needs of our economic plans, the railways, in the last few years, have come across multitudinous problems of economic and technical nature. A brief review of the current problems of Indian railways has, therefore, been considered to be necessary.

2. Adequacy of Railway Services.

2.1 Is it true that the railways would not be able
to meet the traffic that might be offered in the Second Plan? The spokesmen of the business community have commented that, unless, additional transport capacity can be created in the Second Plan period at a pace faster than the increased industrial and agricultural output, the whole plan, particularly in the private sector, may be wrecked through lack of transport.

Mr. A. D. Shroff, commenting on the transport bottleneck, pointed out, "In the first quarter of 1954, outstanding registration of wagon indents amounted on an average, to more than 150,000 on the last day of each month, against daily average loadings of less than 22,000 wagons, so that traffic, not given special priority, had sometimes to wait up to three months for wagons. . . . Throughout 1955-56, although railways carried the record traffic of 115 million tons, the transport shortage was acute. In April 1955, railway bookings from Bombay via Poona were closed for two months. From the latter part of May, Goods Bookings from Bombay via Nagpur and Bhusaval and also to Delhi remained closed for three weeks. Towards the end of 1955, the jute industry was also affected acutely, with Calcutta mills also complaining of severe restrictions and often

1 Vide his Articles in: (i) Times of India, 24.9.1956, p. 6.
   (ii) Times of India, 25.9.1956, p. 6 of Bombay.
total stoppages of bookings from the U.P. In January 1956, 1,500 wagon-loads of jaggery were bottled up in Kolhapur.... It has been calculated by experts who ought to know the volume of transport needed for the overall production in the Second Plan that the shortage of railway capacity in 1955-56 was nine million tons and the shortage in 1960-61 will be 30 million tons." It has been frequently admitted by the Railway Board also that the proposed investment on railways in the Second Plan has been inadequate to carry out the requisite railway expansion programme.

2.2 Two alternatives for the solution of the problem of transport bottleneck are often presented in the form of two questions, viz.

(a) Is it necessary that the railways should plan to accommodate all the traffic offered? and,

(b) Whether investment has been planned with a view to effecting the maximum economy in capital outlays for the task to be performed?

2.3 As regards the first question, the appointment of the Rail-Sea Coordination Committee indicates that the Government is not unaware of the possibility of profitably diverting some traffic to alternative modes of transport. It has been suggested that railways should
divert the traffic, especially passenger traffic, of short distance to road transport. It is pointed out that substantial part of the energies of Indian railways is devoted to the movement of passengers and this provides a little less than one-half of the revenues of the railways. The chief reason for this lop-sided increase in passenger traffic on only one form of transport is considered to be the maintenance of a relatively low level of railway rates. 'In 1953-54, third-class fares were 157% of the 1938-39 level, although commodity prices in general were 367% of pre-war period.' The advocates of this view argue that the Government should not support cheap passenger travel. 'Thus, all concessional fares and excursions for pleasure-touring must be reduced. India has inadequate supply of Steel. If there is a choice between steel for steel mills and machines and steel for coaching stock and rails, the preference should be for the former.'

2.4 As regards the second question also, the critics point out that maximum economy in capital outlays is not achieved in the plan for investment in railways. Improvement in wagon turn-round, adequate programme of

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2 Vide two Articles on this subject appeared in 'Industrial India' July 1956, p. 7 and August 1956, p. 7 Bombay (Monthly Publication).

3 Ibid.
rehabilitation, efficient yard-marshalling, introduction of dieselisation, pruning of expenditure on passenger traffic with a view to discouraging it are some of the measures that will have to be more effectively enforced for raising the operational efficiency of the railways.

3. Operational Efficiency.

3.1 The Kunzru Committee Report \(^4\) (1947) and the Report of the Estimates Committee (1955) entitled 'Statistical Studies of certain Railway Problems' present sufficient evidence that, whatever may be the reasons, the operational efficiency of railways has declined in recent years. It is true that the scope for bigger improvements is limited by various practical considerations, such as, engineering works, like doubling, remodelling of yards, etc. that impose a large number of speed restrictions. The prospects of improving the operational efficiency are sometimes obscured by difficulties that are beyond the control of the Railway Ministry. It is also true that within the limited means that are at its disposal, the Railway Ministry is attempting to do its best to meet the growing needs of the country. The Reports of the Kunzru Committee, 1947, and the Estimates Committee, 1955, are, however, pertinent

\(^4\) Vide paras 50 to 52, 101, 102, 105 and 123 of the Report.
in commenting on the operational efficiency of Indian railways. The Kunzru Committee observes, 'The performance could have been even better, inspite of the deteriorated condition of the locomotives brought about through excessive wear and tear during the war years and the increasing age of locomotives.... The railway transport situation in the country is still unsatisfactory. In spite of the increasing number of locomotives and wagons, the tonnage of goods handled has declined. There has been a large increase in the number of passengers carried but at the expense of serious overcrowding. The falling off in the railways' ability to move goods traffic at the war time level is, to a large extent, due to reduced efficiency and reduced output of work by staff'.

3.2 The Estimates Committee of 1955 also has calculated that, in 1953-54 and 1954-55, the Railways have consumed 15 lakh tons and 14 lakh tons more coal respectively than they would have consumed if the efficiency of coal consumption had been maintained at the level of 'best performance' in the preceding years. Therefore, at the cost of Rs. 32 per ton in 1953-54, Rs. 4.8 crores were spent 'extravagently' and at the cost of Rs. 33 per ton prevailing in 1954-55, Rs. 4.6 crores were spent 'more'. Although railways have no control over such factors as coal price and quality of coal, the
Committee felt that other factors could have been easily controlled.

3.3 The Estimates Committee further observes that 'there is also scope for more economic utilisation of wagon stock and locomotives. The inadequacy of rolling stock has been already a chief weakness of Indian railways. What is worse, much of it is over-aged. At the beginning of the First Plan, 25 per cent of locomotives, 40 per cent of coaches and 20 per cent of wagons were over-aged. Although, the major portion of Rs. 400 crores allotted in the First Plan has been utilised for the replacement of the rolling stock, much remains yet to be done, and, in view of the inadequate financial allotment to the railways in the Second Plan, it has become necessary to reduce the number of wagons under repairs and also to effect their intensive utilisation. The reduction in the number of wagons under repairs in spite of its need has not gone down appreciably'. For intensive utilisation of wagons, turn-round of the wagon must be improved and yard-marshalling also needs efficiency and economy. The period of wagons lying

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5 Vide for details, Commerce Weekly, 14th April, 1956, p. 698, an Article on 'Estimates Committee on Railways'.

idle at sidings must also be drastically curtailed. The Estimates Committee found that, 'had efficiency been maintained in 1953-54 and 1954-55 at the best performance of the previous years, the traffic moved in those years could have been moved with 13,120 and 7,620 wagons less. Accordingly, capital assets of the value of Rs. 18 crores and Rs. 10.5 crores may be considered to have been unutilised. At four per cent interest, this would correspond to about Rs. 72 lakhs and Rs. 42 lakhs additional revenue expenditure in 1953-54 and 1954-55 respectively. Then again, the earning capacity of a broad gauge wagon is about Rs. 20 per day. Accordingly, the extent to which earnings could have been increased by more efficient working could be placed at about Rs. 9.5 crores and Rs. 5.5 crores in 1953-54 and 1954-55, respectively'. Similar calculations have been made by the Estimates Committee in respect of metre gauge wagons also. In the utilisation of locomotives also, on broad gauge, there was a 12 per cent loss and on metre gauge, 20 per cent loss in efficiency. The Estimates Committee observes, 'Thus, on broad gauge, in 1953-54 and 1954-55, 650 more engines were kept on line. At the value of Rs. five lakh per B.G. Engine, the capital assets amount to Rs. 32.5 crores. At the rate of four per cent over this, the annual loss amounts to Rs. 1.3 crores'. Similar calculations were made for the metre gauge also.
3.4 The speeding and punctuality of passenger and goods trains would go a long way in improving operational efficiency. A team of American Railway Engineers, whose services were made available, under the Indo-American Technical Co-operation Programme, and which recently submitted a report, found ample room for improvements in locomotives, signalling yards, workshops, running sheds, sick lines and training programmes. Improvements in these respects would result in speedier and more punctual working of trains. One more factor inhibiting the improvement in operational efficiency is the multiplicity of gauges in our country. The discussion of the problem of gauges has been carried out in details in Chapter VIII.

I. Programme of Rehabilitation.

4.1 Inadequacy of rolling stock is another handicap under which railways have been working in the last few years. What exists at present is not only insufficient, but much of it is over-aged. A large number of locomotives, coaches and wagons have outlasted their normal span of life and need to be replaced.

4.2 It cannot be denied that the railway administra-

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6 Vide the Article on this subject in 'Commerce Weekly', 9th February 1957, page 272.
tion has prosecuted the development programme with speed and vigour over the past five years. It has utilised the entire allocation for rehabilitating and developing the system; it has even spent Rs. 32 crores more than the amount allocated under the First Five Year Plan, and procurement targets have been exceeded in the case of locomotives and wagons. The Railway Minister's budget speech for 1966-67 showed that a total of Rs.240 crores was spent on the purchase of 1,589 locomotives, 4,837 coaching vehicles and 61,773 wagons, against the targets of 1,036 locomotives, 5,674 coaches and 49,143 wagons. But arrears of replacement still remain. The final Report of the First Five Year Plan Period says, "The new stock received during the plan period has been used in part for the replacement of over-aged stock which could no longer be kept in service. The stock on line at the end of the First Plan will be 9,262 locomotives, 23,779 coaches, and 268,019 wagons. Of these, 2,813 locomotives, 6,305 coaches and 49,566 wagons will be over-aged and due for replacement. Thus, despite large-scale procurement in recent years, there will be heavy arrears of replacement to be overtaken during the period of the Second Plan".

4.3 The railway development programme for the current plan period provides for the purchase of 2,258 locomotives, 107,217 wagons and 11,364 coaches for
replacement as well as development purposes. The figures represent a curtailment of the railways' original procurement programme. The need to restrain expenditure, particularly when a considerable amount of foreign exchange is involved, is understandable. Yet more than one-third, i.e. Rs. 425 crores of the revised capital outlay of Rs. 1,125 crores in the railway development plan will have to be spent abroad, mostly for rolling stock purchases.

1.4 The prospect that the railways' relative ability to handle all the traffic they are offered might well deteriorate suggests the need for urgent rethinking on the size of their expansion plan. On at least one aspect, some change seems essential - the provision for wagons. The target is to procure 107,247 wagons, which gives an average of a little over 20,000 a year. A large proportion of these is to be imported, as in the foreign exchange budget of the Railway Plan, a sum of Rs. 81 crores is earmarked specifically for wagons and Rs. 125 crores for special types of rolling stock. A bigger share of the total orders could perhaps be placed with local producers who have already have a rated capacity of 15,000 wagons and produce over 13,000 wagons annually. The efforts of the Administration in tackling the problem of rehabilitation and replacement will, in the above context of difficulties and handicaps, will be watched with great interest.
4.5 The Railway Board has completed plans for a major expansion of India's 35-year old railway wagon building industry in order to raise its present installed capacity by about 60 per cent. Sixteen new Indian firms have been selected by the Railway Board to assist in realising the new installed capacity of 36,000 wagons per annum. At present, the wagon building industries are located in Calcutta and Kanpur. The new manufacturing units will be located in the States of Rajasthan, Uttar Pradesh, Saurashtra, Madras, Bihar and Bombay.

4.6 The Integral Coach Factory, at Perambur, Madras, which commenced its production work in 1955, has also shown a remarkable progress in the first year of its production work. In its first year, the Factory could bring out the production of 350 coaches, i.e. approximately, one coach a day, which indeed, is a remarkable achievement.

5. Rationalisation in Railway Workshops.

5.1 A specific policy of modernising railway workshop within a period of ten years was envisaged by the railway administration to increase the productive

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7 Vide, 'The Times of India', February 6, 1957.
8 Vide, 'The Times of India', September 2, 1956.
9 Quoted from Radio Broadcast New Series, All India Radio, Ministry of Information and Broadcasting, New Delhi.
capacity of the workshops and to reduce the cost of produc-
tion. The Central Committee, which was set up for
effecting rationalisation, formulated a scheme to promote
the manufacture of parts (which were imported) by one
organization in India. The technical research has been
guiding the railways in the various aspects of railway
operation. Several standardisation committees have
been set up which prepare designs and specifications.
Fuel economy measures have also been adopted by the
Administration. The fuel Test Car of the Mechanical
Engineering Wing is attached to educate the operating
staff in the correct technique of coal consumption.

5.2 In September 1952, the Research Section was
organised and established under the Research directorate
of the Railway Board. A research controlling committee
was formed in 1952. The Committee chalked out a priority
research programme according to which problems tending
towards greater safety, economy and efficiency are to
be considered first. 10


6.1 In 1956, when the Planning Commission gave the
Railway Board a broad indication, on the basis of the

10 For a detailed reference to the latest modernisation
programme of Indian railways, vide the informative
Article published in 'Major Industries Annual', 1954-55,
pp. 217 to 225, Bombay.
Plan-frame, on the extent of industrial development expected during the Second Plan period, it was estimated that there would be an increase of 60.8 million tons in freight traffic. The more important increases related to steel, coal and cement. As for passenger traffic, the volume handled in 1950-51 was about 250 per cent of the traffic handled during 1938-39. Since 1954-55 again, signs of exceptionally speedy revival have been noticed. The plan-frame furnished by the Planning Commission envisaged an increase of 30 per cent in train-miles to account for an increase of three per cent per annum, while the balance of 15 per cent would help ease overcrowding.

6.2 It was against this background that the Railway Board set out to prepare the details of the Second Five Year Plan. Owing to financial limitations, however, the Railway Board was subsequently asked to re-adjust the plan within an allocation of Rs. 1,125 crores. The plan was revised. The allocation of Rs. 1,125 crores, as now finally provided for the railways, includes a contribution of Rs. 750 crores from the General Revenues and Rs. 375 crores from the railway revenues. 11

11 Vide article by Mr. P. C. Mukherjee, 'The Times of India', April 16, 1957.
6.3 The effect of this reduction in the size of a railway plan from about Rs. 1,400 crores to Rs. 1,125 crores was not insignificant. New line constructions were restricted mainly to operational lines required for the movement of coal and steel traffic aggregating about 850 miles against the 3,000 miles originally provided for; electrification schemes were cut down from 1,600 miles to 826 miles; doubling and conversions from metre gauge to broad gauge sections were cut down from 3,500 miles to 1,700 miles and the provision for additional traffic was reduced from 60.8 million tons to 42 million tons in the case of goods and from 30 per cent to 15 per cent in the case of passengers.

6.4 Out of the proposed allocation of Rs. 1,125 crores to be utilised, it is expected that about Rs. 380 crores will be spent on the procurement of the rolling stock, about Rs. 66 crores on new lines and Rs. 100 crores on the renewal and strengthening of the track. Works intended to increase the line capacity, which include conversions to broad gauge, remodelling of important yards, etc., have been allocated a sum of Rs. 186 crores. A sum of Rs. 65 crores has been provided to remodel workshops and set up new ones to take care of additional rolling stock. The 850 miles of new lines, required mainly for coal and steel industry, will cost
Rs. 66 crores. Tracks will be electrified over a length of 826 miles at an expenditure of Rs. 80 crores. On number of sections, the introduction of diesel engines is being actively considered but this will not affect the outlay to any extent. Emphasis on providing amenities to rail users will continue unabated during the second plan period. Rs. 50 crores have been provided for housing essential railway staff and for staff welfare measures. This is about two and a half times the sum spent during the First Plan period.

6.6 The task before the Railway Board now is how to produce the maximum possible transport out of the funds placed at its disposal. There is a large body of informed persons who consider that the targets laid down for rail transport, as now revised, are definitely inadequate. In fact, many of them even contend that the original targets of the plan-frame itself were inadequate, specially for goods traffic, and feel that, in every sphere, there is going to be an unprecedented degree of development which will astound the planners also.

7. Road Transport vs. Railway Transport.

7.1 Some suggest restricting passengers travel by all possible means while others would like the railway
plan to be whittled down further because they feel that the development in other sectors will not come up to the targets provided for.

7.2 Some have advocated the larger emphasis on the development of road transport even by means of pruning the plan for railway development. According to these advocates, investment in railways may mean more increased and uneconomical expenditure than in roads. For instance, railway vehicles are grossly wasteful on steel already in short supply. "The new integral coach uses 23 tons of steel to carry 60 third-class passengers i.e. one ton of steel for a little more than 2 passengers. A motor bus, on the other hand, uses only 1 1/2 ton to carry 25 passengers, and that too, comfortably, if roads are quite in order. For freight, the railway extravagance on steel is even more pronounced. To carry a ton of goods, a railway wagon requires a ton of steel - twice as much as road truck requires. A road truck weighs 2 1/2 tons and carries between five and six tons of goods". There is, however, a flaw in this argument. It has been ignored that a wagon, when manufactured, lasts for a longer period than the motor truck. Development of road traffic, by pruning the plan for railway expansion, is considered to be untenable from another point of view also. The road transport would also

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12 Vide, the Articles by Isaac, "The Times of India", Bombay, July 17th and 18th, 1956.
require considerable allocation of funds on a ton-mile basis, as the requirements of petrol and diesel oil would be dependent upon more foreign exchange. Although, it cannot be stated at this stage whether the radical suggestions of these critics will be immediately accepted, it is but certain that plans for the development of alternative modes of transport and their coordination with railway transport deserve a careful consideration.

6. Problem of Rail-Sea Coordination.

6.1 At a time when the country has launched a planned programme of development and the process of economic regeneration is gathering momentum, it is imperative that efforts should be made to coordinate the different forms of transport services. The ever-increasing requirements of traffic on account of trade and industry generated by a growing tempo thereof would require transport facilities on a much larger scale. It was in this context that the appointment of the Rail-Sea Coordination Committee was welcomed in all quarters.

6.2 The Committee had to devote a considerable attention to explore ways and means of stimulating coastal traffic, in addition to the task of suggesting recommendations of increasing the efficiency of the performance of Railways and the coordination of sea and
railway transport by the diversion of traffic from the railway transport to coastal transport wherever possible. It is also suggested that consideration should be given to the proposal for arranging movement of bulk cargo, such as coal, salt, foodgrains, cement, fertilizers, etc., by sea, particularly in respect of port to port movements where the cargo is required to be delivered to interior places situated very near the port centres.

6.3 Efforts will have to be made to provide sufficient cargoes to the ships in order that their voyages in both directions are made economic and remunerative, so as, in the result, to bring down the costs of maintenance and operation for the shipping companies. Attention will have to be given to the problem of rationalisation of the working conditions in the different ports of the country, so as to make it possible for the ships to render quicker service at a comparatively lower cost.

8.4 The Government will have to consider the question of extending liberal financial assistance to coastal

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shipping for a rapid increase in its tonnage and may have to take necessary steps to equalise the incidence of freight burdens on account of traffic movement either by sea or by rail. Finally, the Government will, most probably, consider the pros and cons of the question of nationalisation of coastal transport if the maximum degree of coordination can be achieved by doing so.


9.1 The extent of this problem in big cities like Bombay is a matter of common knowledge. The position is so acute that the phenomenon of crowds of passengers waiting for their turn and of overcrowding passengers travelling on foot boards and gang-ways is quite common. The suburban traffic has gone up by about three times over the corresponding pre-war figure in 1938-39. The appointment of the Suburban Train Overcrowding Enquiry Committee in 1955 was, therefore, a long-awaited need. The general impression entertained by the travelling public is that there has not been a corresponding increase in the service both in the matter of number of trains and in the matter of the necessary coaches. It is pointed out that the increase in the effective number of Electric Motor Coaches is not even 50% over the pre-war position.  

9.2 The queries contained in the Questionnaire issued by the Committee are sufficiently exhaustive and deserve full consideration by the public. The problem basically is one of augmenting resources which would permit of quick movements, increased movements and movements by larger numbers. This has to be, of course, adjusted to the operational capacity in all its bearing. The main task before the Enquiry Committee was an assessment of that capacity with a view to indicating the scope and direction of the acceleration possible in the matter of number, frequency and the time of the suburban movements.

9.3 The causes underlying periodical breakdowns; a factor occasionally contributing to an accentuation of the problems; should be more thoroughly investigated. The provision of cross overroutes in the more important stations will help to obviate long delays resulting from such breakdowns. The provision of colour lighting for signalling will make it possible for increasing the speed of the suburban train. A team of American railway engineers, whose services were made available for conducting an expert survey of the handling of goods traffic on the Indian railways, had also urged that a more modern system of signalling should be installed on Indian railways.

Provision of shuttle service between certain stations designed to feed the regular train service may also assist in easing the situation.

9.4 As regards the notions of staggering of the opening and closing time of offices and industrial concerns, the business community considers this solution out of question as functioning of commerce is interconnected with the functioning of other essential services. The office hours of commercial establishments must be interrelated to the hours of work in banks and Government departments like the Customs, Port Trust, etc.

9.5 The idea of spreading of rush hours by the introduction of different fares for the peak and non-peak periods would not have the effect of spreading the hours of travel as most of the travellers in the peak-period are regular passengers and season ticket holders. It is unreasonable to expect that they would change their time of travel to their great inconvenience just to secure the advantage of a reduced rate.

9.6 The provision of increased buses in the cities might help slightly ease the situation provided the bus authorities are persuaded to introduce a system of concessional season tickets. But, this introduction of season tickets on bus service may not be necessarily practicable.
9.7 Finally, it is realised that the real and lasting solution lies in augmenting the resources of and improving the efficiency in the suburban train services. There is no denying the fact that the problem of over-crowding will not disappear in the immediate future as the trend of increase in the population of big cities still continues. With the increasing tempo of economic development, larger number of people will be attracted to the cities. Owing to shortage of housing accommodation, the bulk of the additional population will have to spread to suburban centres which inevitably would increase the daily movement.

10. Electrification of Railways.

10.1 The capital costs of electrified railways are even higher than steam-operated system, because elaborate over-head wires, together with the necessary feeders, sub-stations, etc., have to be provided. Where traffic is heavy, or where there is a considerable difference in cost of coal and hydro-electric power, electrification has many advantages.

10.2 The electrification of railways helps substantially to conserve coal which may be used to speed up industrialisation. It reduces the consumption of coal. For instance, thermal power stations can be designed to burn very low grade coal. It enables the locomotives to
maintain better average speeds because these locomotives have not to stop for coaling, watering and fire cleaning. The Kunzru Committee, 1947, estimated, that "an electric locomotive is capable of twice the annual mileage of a steam locomotive, so giving considerable saving in capital costs of locomotives required for a particular service, despite the fact that a capital cost of an individual electric locomotive may be 50 per cent higher than that of a steam locomotive of equivalent power." The incidence of labour cost in operating is also reduced.

10.3 Electric operation has the additional advantage of eliminating smoke nuisance. It provides increased comfort to the passengers, reduces the cost of station cleaning and permits the clear view of signals. It leads to better timing of the services and better utilisation of the vehicles. Where the traffic outgrows track capacity, electrification enables more trains to be operated on existing tracks, and accordingly, the distribution of the population to the suburban areas can be effected.

10.4 The first electrified line in India was opened on 3rd February, 1925. It was the Harbour Branch section of the C.I.P. Railway from Victoria Terminus to Kurla.

16 Vide, the Committee's Report, page 123.
The G.I.P. electrification was by stages and the main line electrification was done up to Poona by the end of 1929 and up to Igatpuri early in 1930. On the B.E. and C.I. Railway, electrification was extended, from Churchgate to Virar. The scheme pertaining to Calcutta did not materialise at that time, but the electrification of the suburban services of Madras was completed in 1932. Prof. L.A. Natesan points out clearly the difference that electrification made in the transportation service. 'Each rake of the electric train was designed to accommodate 1000 passengers, or a third more than was possible in the steam-hauled rake'. Since then, very little progress has been made in this direction. Meanwhile, the dieselisation programme, which is capital saving, has also received considerable attention. Although dieselisation requires imported fuel, it is argued that it would be so for a short period, after which it can be replaced by electrification programme when the heavy engineering products would be available in plenty in India.

10.5 The setting up a Fuel Economy Training Centre at Dhanbad, in pursuance of one of the recommendations of the Railway Fuel Enquiry Committee, is appreciated in all quarters. The railways are largest single consumers

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of coal, accounting for roughly 33 per cent of the total production. As their annual coal bill runs into about Rs. 39 crores, the advantages of any economy achieved in the consumption of coal are obvious. 'It is evident that utilitarian application of the limited funds of strategic points in the railway system will yield better results'.

11. Railway Research.

11. In view of the need for efficiency and economy required in the working of railways owing to the limited funds at their disposal for increasing their capacity in the present Five-Year Plan, the importance of research cannot be exaggerated. The Pope, the Wedgwood and the Kunzru Committees had already stressed the importance of railway research in their reports. Research was restricted during the war but in the post-war period, the research staff was expanded. The Research Organization of the Central Standards Office has been doing a commendable progress in this field. The inadequacy of the present research efforts and organization, however, has been recognized even by the Railway Board. Coordination of research work, collaboration of work with that of the foreign

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institutions and the mutual exchange of technicians from this and other advanced countries would help railways achieve a considerable speed in the progress of research work.

12. Ticketless Travel.

12.1 Ticketless travel causes very serious loss of public revenue. To quote an illustration, during 1952-53, nearly 8,415 thousand persons were detected without tickets and the amount realised was Rs. 16556180.

12.2 Ticketless travellers can be divided into three classes:

(1) The cheat: the man who has money but evades payment, if possible. Introduction of station fencing, appointment of more, and better trained checkers, appointment of more railway magistrates, introduction of more trains to reduce over-crowding, siting of booking offices outside stations and appointment of watchmen at the ends of platforms are some of the measures that would reduce the number of 'cheat' passengers.

(2) The Penniless Passenger. Nothing can be recovered from such a passenger. If ticket checking is effective, he disappears.

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(3) The victim of circumstances. This type of ticketless traveller is a responsibility of the railways: Railways 'create' such passengers by their inefficiency. For instance, inadequate number of booking windows. Disciplinary action against staff not working diligently and promptly, keen supervision, opening of information bureau centres outside stations etc. may reduce the number of this type of ticketless traveller.

12.3 There is no possibility of stopping, or even reducing, ticketless travel until the railway staff exert themselves more energetically to combat this evil. The Kunzru Committee has criticised that, in many parts of India, the staff are turning a blind eye to the ticketless traveller.\(^\text{21}\)

13. Public Relations.

13.1 It is of the greatest importance that the 'railway case' should be kept constantly before the public; by the issue of notifications from time to time, by the writing of suitable replies to the letters written by disgruntled travellers, by holding occasional press conferences, and generally by getting to know and gaining the confidence of the Press.

\(^{21}\) Vide the Committee's Report, para 149.
13.2 Both the Wedgwood and the Kunzru Committees had deplored the lack of adequate efforts on the part of railways to develop healthy public relations. The Wedgwood Committee stated, 'if we may judge from the evidence which we have collected, the Indian railways are unpopular. We would almost say that they are the most unpopular institutions in India'. While, the Kunzru Committee remarked, 'That unfortunately, is as true in 1948 as it was in 1937'.

13.3 The Wedgwood Committee had recommended the setting up of Railway Information Offices, closer contact between the railway administrations and the trading public and the maintenance of closer relations with Provincial Governments. Accordingly, Public Relations Offices had been opened at Bombay, Calcutta and Madras. But the Kunzru Committee observed that the energies of Public Relations Officers were being side-tracked on extraneous work, such as negotiations with trade unions or propaganda to the staff and staff welfare.

13.4 In the post-independence period, the Railway Administration carried out the directive, given by the Wedgwood and the Kunzru Committees, of strengthening the public relations. Although it is true that today

22 Vide, the Kunzru Committee's Report, page 101.
Railways are not in a position to provide enough transportation to the public, it is imperative on the part of railways to keep the public well-informed and satisfied about the working and activities of railways. The progress of the railways, as the greatest national undertaking, will ever be watched by the politically conscious public. Commercialism also demands the existence of a competent and cordial public relations organization.


14.1 In their report in 1937, the Wedgwood Committee commented that the corruption in Railways ranged, from the mere offering and acceptance of customary tips for duty done, to the exaction of heavy payments by officials as the price of securing the performance of duties which were clearly incumbent on them without payment.

14.2 The complaints regarding corrupt practices became more pronounced in the War and post-war period. During the War, the entire resources of the railways were mobilised for the movement of Defence Forces and materials, with the result that the movement of other commodities suffered a heavy set-back. This led to the system of priorities which was introduced to regulate the movement of goods. The transport facilities available after meeting the Defence Department were extremely limited. The result
was that various new forms of corruption crept into the railways. The organization created for granting of priorities was also not free from corruption. Even after the termination of war, as the transport position remained unsatisfactory, corrupt practices continued.

14.3 The Kunzru Committee of 1947 had also expressed the view that the evil was there and needed tackling. It therefore recommended that the Rule 11, regarding the declaration of immovable property by the railway servants, of the Railway Servants Conduct Rules should be rigidly enforced. But no action was taken on this recommendation. Serious complaints about corrupt practices continued to be voiced in Parliament. The claims bill of the Railways also remained abnormally high. This necessitated the appointment of the Railway Corruption Enquiry (Kripalani) Committee (1953-55) which went into the question thoroughly and made exhaustive recommendations in its report.

14.4 The most important recommendations of the Committee were as follows:

(1) A concentrated drive should be made and sustained for a long period for removal of corruption.

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(2) When there is a suspicion about an officer's integrity, his actions and financial position should be investigated.

(3) There should be a steady drive for improving wagon position. Ambiguities in the classification of goods should be eliminated.

(4) Monthly suburban tickets should have a photograph and signature of the owner of the ticket to facilitate checking and avoid misuse.

(5) System of giving refreshment and vending contracts to big contractors should be abolished.

(6) Complaint books should be provided at all stations, Dining Cars, Refreshment Rooms and goods sheds.

(7) Recruitment of Class IV staff should be made only through Recruitment Boards with some officers belonging to departments, other than those, for which recruitment is done.

(8) Chambers of Commerce should make it a rule that an individual or a firm found to have indulged in offering illegal gratification would be debarred from the membership of these bodies.

14.5 The Committee was aware of the good work done by the railwaymen in the War and post-partition days. But
the enquiry of this evil served to spotlight the menacing proportions the corrupt practices were likely to take if they were not curbed in time.

15. Conclusion.

15.1 The study of history and problems of Indian railways, as referred to in the introduction, makes a fascinating and instructive reading. In fact, it would not be fantastic if it is claimed that the study of the entire history and problems of Indian railways brings in its train, at least implicitly, the study of economic, political and sociological history and features of India and Indian people.

15.2 It will have been gathered from the foregoing chapters that the development of railways in India has passed through various, at times revolutionary, changes; and that it is even yet far from having reached finality. Almost every Committee, appointed to investigate into and report on the working of Indian railways, had exposed some or other drawback in connection with the proper working of railway finances. In this connection, one serious charge of weakness and vacillation was always laid at the door of the Government. The serious charge was that the Government always made a fruitless attempt to have a recourse to one expedient after another for improving the
financial results of the railways. But this criticism is not only unreasonable but unjust. On the contrary, it would be much nearer the truth to credit the Government with unusual courage and persistence in having pushed on railway communication in the face of embarrassments which might well have daunted others in a similar position.

15.3 One point of criticism, however, must not escape our consideration. Though the whole history affords a striking testimony to the purpose which animated Government; it is criticised that its erstwhile pre-independence railway policy was not free from such sinister influences as political jobbery and that the construction of railways was extended with a view to mainly finding an outlet for the English manufacturer. It is argued that the earlier State policy of railways was swayed by political motive. When Lord Dalhousie arrived in India, the map of British territories was indistinct and disconnected. His forward policy of conquest and annexation brought about an extensive programme of territorial homogeneity, the preservation of which was the motive underlying his policy of railway extension. Even while admitting this criticism to be true, there is nothing surprising in it. Even the ordinary person desires to preserve his property once when he acquires it with great efforts. The motive of the Lord Dalhousie's Government in preserving their territorial homogeneity was inevitable.
15.4 Whatever might have been the motives, there is no doubt that this particular activity of the British Government turned out to be of great advantage to this country in the twentieth century. The Indian railways made a startling progress from the commencement of the twentieth century. From humble beginnings, with a route mileage of 20 in 1853, the railways have developed into gigantic organisation, commanding a route mileage of about 34,000. It is true that the railways have yet to make up a great leeway, considering the existence of vast regions which are by no means very adequately served by the railways. There is yet a problem of rehabilitation and even the Second Year Plan touches only the fringe of these problems. Despite these shortcomings, the growth of the railways over the last 100 years has, indeed, been quite remarkable.

15.5 Mere growth in mileage of railways cannot be an all-abiding objective. Efficiency in working must now be the first and foremost criterion of the progress of railways. In this connection, it would be in the fitness of things to conclude this by quoting extracts, containing appropriate remarks, from the article written jointly by Mr. J.E. Castellino and Prof. A.S. Deshpande. Vide the articles: (1) by Mr. A.C. Chhatrapati, in Economic Weekly Annual, January 1956, p. 153; (2) by Mr. M.N. Ghosh, Economic Weekly, July 7, 1956, p. 797 and (3) by Issac, ibid., p. 801.

can be interpreted in many ways: the simplest, the most naive and yet, in a sense, the most satisfactory is the yardstick of solvency. Railways must balance their budget. .... Commendable though it be, this objective is not always acceptable to the mercantile community, whose dissatisfaction with a purely accountancy method of efficiency draws its inspiration from an unparalleled economic situation in the country, namely, the absence of any effective competition with the railways. It is urged, and with great deal of justification, that with the virtual monopoly which the railways enjoy, a good balance sheet is no proof of efficiency. The validity of this argument is further endorsed by the suspicion that every shortfall of revenue can be made good by an alteration in the formula for depreciation or by window dressing in the various reserves which the railways have to maintain. There is also the fear (which unfortunately has some historical background) - that an anticipated deficit can be met by an increase in rates!"

15.6 "In this context, apart from operating economies and increased efficiency in train working, there must be earnest exploration of every possible avenue of revenue and inducement to traffic for wagons required to be towards an interchange junction; a concession for train load movements between one marshalling yard and another and an encouragement for bulk traffic in the direction
empties - all these commercial devices must be tried so as to create traffic where none exists. Some of these measures will be purely and shockingly temporary; others will be required for a period of days, or even months, depending upon the pattern of the flow of ordinary traffic. What is exciting is that local initiative can be brought into play - thus demolishing the criticism of rigidity and lack of commercial sense which is a favourite Aunt Sally with the public."