PART III

CONSTRAINTS
CHAPTER 8

RAILWAY FREIGHT RATES IN ASSAM

From the point of the economy as a whole cost of transport refers to both real as well as monetary factors. But from the point of users of transport services it is the freight rate which primarily indicates cost. In case of Assam the reduction in costs in terms of money and time as achieved by railways was not small, and waterways could not have supplied all or most of the services, that railways provided, without increasing charges.

Cost of Transport

The direct benefit from railways originates from the reduction in transport cost in the economy, for, it is this reduced cost of transport which enables resources to be cheaply and efficiently exploited and helps enlarging the domestic market.

The impact of railways is well felt when we realise that water transport is not necessarily cheaper than motor, rail or even

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1 In fact a reduction in transport costs may increase producer's profits and at the same time may lower consumer's prices thereby, doubly stimulating the exchange. Sometimes it is even claimed that a decrease in transport costs means a rise in productivity, even though the profits of transportation enterprises decline when freights are low and investors in such enterprises are forced to bear part or all of the burden of the lower rates. It is said that the less paid for transportation the more remains for production. (Daggett, S.: Principles of Inland Transportation: 1955 : p.286) This appears to be more significant when we find that often transport charges amount to more than 50 per cent of the selling price of articles which have considerable intrinsic value.
air transport if all cost factors such as speed of movement, labour and energy consumed and seasonal availability etc. are taken into account. In 1854-55, for example, freight by riverways for packages exceeding 35 lbs per cubic foot, from Calcutta to Goalpara or Gauhati was Re. 1 per foot or 12 pie per seer and for implements of husbandry, machinery, and other weighty articles freight was 12 annas per maund (about Rs.20 per tonne). The freight rate downwards for any distance between Gauhati and Calcutta was 6 annas per maund for packages not exceeding 35 lbs. However, if transit time is also considered, the real cost appears to be much higher than the money cost. In 1884, when there were no railways to connect Assam with other parts of the country, a tea planter remarked:

"The costliest part of getting machinery sent out from England is the transport between Calcutta and Assam: curiously enough the freight between these points is higher than between Calcutta and England, rather an illogical fact, seeing that one is a seventh or eighth part of the distance of the other." 4

Around 1900-01 when Assam was still not connected with any outside place by railways the average hire charge of a cart per day was about Rs.1-6 annas. It was calculated that even when a bullock cart was hired at Re. 1 per day to carry a load of about 1,000 lbs over a distance of 15 miles a day the freight rate by bullock cart amounted to be 2 annas 5 pies per ton per mile, while the cost of carrying by rail turned out to about 8 pies per ton per mile or only

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2 1 pie = \frac{1}{12} \text{ th of an anna} : 1 \text{ anna} = \frac{1}{16} \text{ th of a rupee}


4 Barker, G.M.: A Tea Planter's Life in Assam (1884), p.142

As regards the real cost of journey, it was said that the journey from Dhubri to Calcutta by 1885 was somewhat tedious: "you vary between steamers, boats and trains in a promiscuous manner." (Bishop, S.O.: Sketches in Assam : 1885 : p.255)

5 G.O.A.: Assam Administration Report 1900-01
a little over a quarter of that by bullock cart. If in Assam the cost of cart transport was about four times that of transport by rail, the saving due to the introduction of railways was three times the actual cost by rail. Moreover, during the rains there was frequent difficulty in securing a sufficient number of bullock carts to take away the tea from the factories in Assam.

While emphasising the impact of railways on cost of transport it may be observed that if we put the entire 'working population' (4.3 million in 1971 Census) of Assam to work carrying freight and kept them at it 365 days per year without any holidays, it would take them about 32 years to carry the revenue-paying freight (of about 2,000 million tonne kilometres) hauled by the railways in Assam in 1969-70, on the assumption that in Assam an average of 40 kilograms can be carried over a distance of 1 kilometre per day by each man and


It may be noted here that in 1898 and 1902 the average cost of carrying per ton per mile over the A.B. Railway was 6.38 pies and 5.91 pies respectively. During the above mentioned years the average distance goods were carried over the D.S. Railway was 55.21 miles and 54.80 miles as against 50.07 miles and 87.08 miles respectively in case of the A.B. Railway. By 1950-51, the average lead of a ton of goods increased to 137 miles and the average rate charged per ton mile stood at 14.4 pies.

While discussing cost of transport we also note that the average rate charged per passenger per mile in 1898 and 1902 was 4.42 pies and 4.35 pies respectively in the D.S. Railway as against 3.10 pies and 3.11 pies in the A.B. Railway. The average cost of carrying each passenger per mile in case of the D.S. Railway was 3.36 pies in 1898 and 3.00 pies in 1902 as against 1.82 pies and 2.18 pies in case of the A.B. Railway during the corresponding years. By 1902 the D.S. Railway handled about 3 lakhs and the A.B. Railway about 18 lakhs passengers, whereas a smaller railway, the J.P. Railway, although handled about 1.3 lakh passengers, charged the average rate of 4.00 pies per passenger per mile. (G.O.I.: Railway Board: Administration Reports on the Railways in India)

7 It was even opined that the virtual effect of substituting 500 miles of railway transport for cart transport was equivalent to taking off a duty of 5 per cent. (Knowles, L.C.A.: The Economic Development of the British Overseas Empire: 1928: p. 141)

8 Barker, G.M.: A Tea Planter's Life in Assam: 1884: pp. 149-150
woman. In case of the United States of America this worked out to 26\textfrac{1}{2} years with reference to the revenue-paying freight in 1940, on the assumption of movement of 1 ton-mile per worker per day.

Again, the Transport Study Group, appointed by the Government of India, found out that the cost of carrying 1 million tons of goods by railway was Rs. 4 crores whereas by road it was nearly Rs. 11 crores. Although a precise comparison cannot be made in case of Assam, as development of road transport here is a recent phenomenon, yet it cannot be denied that even at low cost per tonne-kilometre, the road transport may be advantageous only up to about 240 kilometres. The findings of the Road Transport Survey in Assam (1958) reveal that freight rates for trips of 120 kilometres and above were lower than those for trips below 40 kilometres in all districts of Assam.

In other words, for every tonne of traffic carried for the longer distance by railways instead of by road transport the Assam economy was spending a substantially lower amount in terms of money cost.

10 Quoted by Johnson, J.: The Economics of Indian Rail Transport (1963), p.89
11 The road transport has been found to be cheaper up to 320 kilometres only when compared with rates on 'smalls' and not wagon loads. (Srinivasan, R.: Road-Rail Coordination: Ministry of Railways: 1965 : p.31)

There were examples in Assam where the cost of transport by road even for distance within 240 kilometres was the highest in the whole of India. For example, it would cost Rs.22 to move one quintal by road transport from Silchar to Aijal (179 kilometres) and Rs.45 from Aijal to Lungleh (208 kilometres) in the Mizo district, as revealed to the present researcher in 1971 by the Mizo Merchants' Association, Aijal.

12 In case of several districts such as Goalpara, Kamrup, Darrang, Sibsagar, Lakhimpur and Cachar road freight rate in 1957-58 varied between 0.28 paisa and 0.36 paisa per tonne-kilometre for trips below 40 kilometres while the rates varied between 0.15 paisa and 0.30 paisa per tonne-kilometre, in case of trips above 120 kilometres. (G.O.A.:Compiled from Report on the Survey of Road Transport: Goods : 1958: Department of Economics and Statistics, G.O.A.)

13 The Origin Destination Survey of Traffic (1954) at Guwhati area also showed that the cheapest means of conveyance was the train (Rs.0.5 or 9 pies per mile). (G.O.A.: Quarterly Bulletin of Statistics: Assam, volume II, December 1955, No.II, p.5)
The savings to the economy of Assam owing to the railways become more apparent when we find that most of the origin and destination points, relating to all essential traffic moving into or from the State, were separated by a distance of more than 240 kilometres. An analysis of imports into Assam shows that important booking stations (which despatched many important commodities to Assam) are situated at a distance for which road transport cost is higher, and conversely saving to the economy due to the railways is considerable. It appears that cost of transport to the economy by other modes would have been more because of the preponderance of long distance heavy traffic for which rail transport has a comparative advantage. Even in case of light consumer goods imported to Assam the advantage of the road transport is to some extent neutralised by the longer distance (exceeding 320 kilometres or so) involved. It is also quite obvious that in case of traffic from railway zones such as the Western, the Central, the Southern and the South Central the cost of road transport becomes higher than that of rail transport owing to distance being

14 The North Eastern Railway has 62 important loading centres for Assam traffic, the Western Railway 39, the Northern Railway 22, the Eastern Railway 19, the Central Railway 10, the Southern Railway 6, the South Eastern Railway 4 and the South Central Railway 3. The bulk of the traffic to Assam originates on the Eastern, the North Eastern and the South Eastern Railway, as may be seen from the figures below.

<table>
<thead>
<tr>
<th>Eastern</th>
<th>South Eastern</th>
<th>North Eastern</th>
<th>Northern</th>
<th>Western</th>
<th>Central</th>
<th>Southern</th>
<th>South Central</th>
<th>Total</th>
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<tbody>
<tr>
<td>33</td>
<td>20</td>
<td>20</td>
<td>11</td>
<td>11</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>100</td>
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</tbody>
</table>

The bulk of the traffic which originates on the Eastern and the South Eastern Railway consists mainly of iron and steel, cement, asbestos, fertiliser, wheat, military traffic, paper, medicines and various consumer goods. The traffic originating on the Northern, the Western and the North Eastern Railways consist of sugar, gur, vegetables, mustard oil, groundnuts, groundnut oil, grain and pulses, salt, and military traffic.

(Compiled from N.F.Railway Headquarters, Maligaon)
more than 320 kilometres, a distance up to which road transport's advantage is claimed in respect of 'smalls'.

Similarly, in case of outward traffic from Assam mainly, tea and jute, the distance between production centres and the demand centres is much more than that which is warranted for economic road transport. The use of rail transport for these traffic, therefore, led to substantial saving of cost to the economy as a whole. In the subsequent pages we observe that apart from lesser cost of transport by rail, the lower railway freights had an impact on the economy.

Railway Freight Structure: Pre-independence Era

In the early days of the development of railways in Assam rates were fixed on an experimental basis mainly owing to lack of information on railway operation. The railway freight structure in Assam was characterised by a number of features. Firstly, railways tended to charge flat class rates levied at uniform level without much regard for distance. Although railways had lower schedule rates and special station-to-station concessional rates from time to time, these could promote trade and industry in the State only in a restricted way. Secondly, rates to and from the ports tended to be lower. Thirdly, on certain sections rates were charged on the basis

15 Refer to footnote 11

16 It was generally opined that the freight rates on the movement of goods within the country were higher than the rates charged on the movement of goods between the ports and inland towns. But about the preferential treatment of import and export traffic and other rates both the Acworth Committee as well as the Public Accounts Committee of 1934-35 were of opinion that the allegations of discrimination were not fully supported by facts.

of inflated mileages. Again, sometimes higher mileage rates were charged on short distance traffic of one railway system before the traffic moved on to another railway system. Such a procedure induced to block the passing of traffic from one railway to another railway. Fifthly, each railway company charged its own rate for the same commodity (mainly to attract traffic) which ultimately led to emergence of varieties of rates. Apart from these features, in the initial stages, there was a tendency to carry a relatively small volume of traffic at relatively high rates. Even though certain rates were adjusted downward the existence of such lower rates in Assam was not the result of railways' own policy but the effect of river competition. However, the railway rates before the independence were conducive to the development of few industries as the railways were anxious to promote these in their own areas of operation through special station-to-station rates. Yet in the early decades, railways in Assam influenced more directly the mining and agricultural sector when large volume of bulky traffic was moved at surprisingly low rates.

17 As an example of inflated mileage, the A.B. Railway introduced double-mileage rates over the Hill Section as early as in 1903 (June). However, these rates were withdrawn in 1905 for passenger and in 1907 for goods traffic. The A.B. Railway reintroduced these in 1917 with the approval of the Railway Board on the ground that the Hill Section was restored at great cost. However, the A.B. Railway did not propose to enhance rates for certain important commodities, such as tea and coal, which were considered unable to bear an enhancement. (N.A.I.: Delhi Records: Railway Board: Proceedings March 1917: Case No.427-17)

18 On 1st December 1936, the A.B. Railway made an important experiment with passenger fares when it abolished first and second class to create a single upper class with fare slightly higher than the old second class (18 pies per mile for the new upper class for all distances) but lower than the old first class for the distance up to 300 miles. It was a drive against the policy of earning maximum revenue with minimum traffic and as such this was an example which other railways were to follow in those days. (Tewari, R.D.: Railways in Modern India: 1941: pp.179-181). However, it may not be assumed that the Railway introduced such measures without any pressure from any quarter. In fact, in view of the circumstances prevailing, it would be difficult to agree with the Acworth Committee that around 1920-21 railway rates and fares were among the lowest in the world.
As we have already mentioned, an important feature of railway freights in Assam, not found anywhere in India to such an extent, was that the railway rates were adjusted to be in tune with river rates owing to competition from river steamer services. In fact, the A.B. Railway was open to competition with water transport throughout the entire system and as such it was compelled to quote low rates during various periods. Moreover, although the A.B. Railway had direct access to the Chittagong port, without having to depend on any other railway system or river services, the Calcutta port had more comparative importance owing to favourable sea freights from Calcutta and the prevailing trade conditions. And as such all tea exports did not automatically move into the Chittagong port and the A.B. Railway

19 In order to meet competition from river services the A.B. Railway rates were kept so low that up to 1907 the highest rate for grain including rice in wagon loads was fixed at 1/6th pie per maund per mile. In fact, this was also the rate charged for short hauls.

The A.B. Railway's rate for jute traffic to Chittagong from Nowgong district and Gauhati area was 0.13 pie per maund per mile. And the railways quoted special station-to-station rates for jute to meet competition from water transport.

The A.B. Railway also revised slack-season rate for coal in 1914 and traffic was thereby attracted to it. The rates were 0.10 pie per maund per mile for distance up to 300 miles and 0.05 pie per maund per mile for any distance in excess of 500 miles.

In case of salt also the A.B. Railway attracted the traffic to the Chittagong port in competition with Calcutta by introducing a rate of 1/8th pie per maund per mile during the period 1903 and 1915 for all distances from Chittagong. In 1916 the rate was raised by making it 1/6th of a pie per maund per mile for distances up to 250 miles.

When in 1898 the Burma Oil Company started operation in Chittagong the A.B. Railway attracted kerosene oil traffic by quoting 1/6th pie per maund per mile.

In case of cotton also the rate charged was 1/4th pie per maund per mile which was low enough.

The A.B. Railway rates on timber were also low enough as Rs.0-2-6 pie per wagon (of 10 ton load) per mile resulted in a rate of about 1/9th pie per maund per mile, which was lower than the low rates charged by the Bengal Nagpur Railway on timber traffic. However, it was opined that owing to the failure of the Forest Department, the timber traffic did not develop to the desired extent.

had to depend on river services or on the E.B. Railway for exports to
the Calcutta port.

Another feature, namely, the existence of varieties of rates in Assam
was characterised by the fact that the D.S. Railway and the
A.B. Railway rates for the same commodity were different at the same
time. The D.S. Railway's rates were so arranged that these tended to
draw traffic by the rail-cum-river route to Calcutta as against the
rail route over the A.B. Railway to Chittagong. The representative of
the A.B. Railway in fact stated that there was a certain degree of
competition between the state and company managed lines, each trying
to excel the other. The difference in rates in Assam may, therefore,
be attributed to some extent to this factor.

Moreover, different rates were charged by the same railway on
the branch line and the main line. For example, in 1915 higher
'exceptional' rates for goods were existent on the Chaparmukh-Silghat
branch of the A.B. Railway although the main line rates were much lower.

20 In case of export of tea reduced rate was more conspicuous
in spite of the fact that by 1918 about 75 per cent of the tea areas
in the Upper Assam, especially on the south bank of the Brahmaputra,
was covered by the A.B. Railway. The rail rate to the Chittagong port
from Sylhet and Cachar was initially fixed at 0.40 pie per maund per
mile, and concessions were granted later on to help the tea industry.
But as the steamer rates from the Brahmaputra and the Kusiara river
stations to Chandpur were much lower, the A.B. Railway had to keep the
rates to Chandpur from Sylhet and Cachar area lower (than 0.40 pie)
so that tea might not go direct from the gardens to the river stations.
The A.B. Railway's freight for tea from Tinsukia to Chittagong, for a
distance of 574 miles, was about Rs. 1-2-0 pie per 1 maund which
worked out to about 0.37 pie per maund per mile.

In 1916 the rates for the Assam Valley tea for Calcutta via
Gauhati worked out to about 0.33 pie per maund per mile which were
lower than the rates obtainable via Chandpur. (Ghose, S.C.: Op. Cit.)

4561, p.71

22 The main line rates (maximum) in regard to 1st, 2nd, 3rd,
4th and 5th class varied between 0.33 pie and 1.00 pie per maund per
mile as against the exceptional rates (maximum) in branch lines which
varied between 1.50 and 3.00 pie per maund per mile for the correpsonding classes.

The maxima and the minima class rates were introduced for
the first time on 1.4.1910. (I.R.C.A. Goods Tariff No.1)
(Compiled from Records of the Railway Board, New Delhi)
In fact, the A.B. Railway urged that the branch line rates should not be reduced to the level of the rates on the main line till the traffic developed to such an extent that return on capital would be at least 6 per cent at main line rates. It thus appears to be unusual that in spite of the backwardness of the area traversed by the branch line low rates were not allowed as a temporary measure to build up new demand, and on the contrary there were higher rates for traffic over the branch line.

That the railways did not facilitate the movement of traffic by the cheaper and 'legitimate' route was demonstrated by pattern of movement of sugar traffic from the then United Provinces and north Bihar to Assam. Owing to peculiar system of arrangement of rating and/or routing sugar traffic moved to Assam river side stations via Burhajbazar or the via Ravelgunge routes, which were circuitous, causing loss to producers and consumers. As a result the freight

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23 N.A.I.: Delhi Records: Railway Department: Traffic A: March 1930: Case No.1122-T/11-54, pp.5-7

In fact this idea went against Pigou's conception that "... in certain conditions, a railway ... may find it profitable as a temporary measure, to charge exceptionally low rates for transport between certain places or for certain selected commodities, with a view to building up a new demand. ... if the cost of service principle ruled universally ... certain lines would not be built ..." (Pigou, A.C.: The Economics of Welfare: 1962: p.290 and p.311)

24 Of course, the schedule of maxima and minima fares and rates for passenger (coaching) traffic over the A.B. Railway and the lines worked by it (such as Chaparmukh-Silghat, Katakhali-Lalabazar, Furkating-Badulipara-Jorhat, Sibsagar-Khowang) were almost same during the same period.

25 Actually the B. & N.W. Railway (Bengal and North Western Railway) entered into a pooling agreement with the E.I. (East Indian) Railway, E.B. Railway and A.B. Railway for moving sugar from its stations to Assam by circuitous routes and showed 'undue preference' to the E.B. Railway and A.B. Railway as against the river steamer companies which would have carried the traffic by rail-cum-water route at cheaper rates. As the B. & N.W. Railway was interested in all-rail route, it could not grant through rates by river. (The Calcutta Review, January 1934, p.48)

Moreover, while as early as in 1916 the low freight policy of the East Indian Railway subsidised the imported Java sugar, in 1926 the first sugar factory in Assam at Khagrabari (North Kamrup) had to be closed owing mainly to transport difficulties in spite of the fact that the Industrial Commission (1916-18) suggested that indigenous sugar industry should be protected by means of a high tariff wall.
rate differentials in these two routes were as high as 14 annas per maund (as may be seen from the Appendix III) as the traffic could not move in through booking with river services. When through routes were not followed in the interest of public or in the interest of the industry, it was natural that the traffic was compelled to take the dearer all-rail routes. Although similar examples are not absent in other countries, it appears that there was little justification on the part of the Railways in artificially 'blocking' the traffic. In the light of this example the benefit from railway services on the economy, mainly on the consumers, appears to be smaller than what it would have been had there been movement by the rail-cum-river route in those days.

26 In the United States also "railroads refused to quote through rates with the water lines, and they reduced their water-competitive rates to noncompensatory levels, recouping their losses elsewhere". The decline in the percentage of river receipt of cotton at New Orleans from 68.8 in 1873 to 40.1 in 1885 and to 9.5 in 1904 was due in part to direct competition of parallel railroads. (United States, Office of the Federal Coordinator of Transportation, Public Aids to Transportation, volume III, 1939, p.18). However, the example of the United States cannot be extended to compare with Assam as railway rates, in our present case of sugar traffic, instead of going down surpassed the rail-cum-river rates.

27 There was thus an example of the imposition of block rates, often defined as rates manipulated to block a certain route, in regard to certain traffic, and which went against Section 42 (2) of the Indian Railways Act 1890. (Ghosh, H.: The Indian Sugar Industry, in the Calcutta Review : January 1934, p.50). The Indian Railways Act, 1890 enjoined that the railway should not subject any particular description of traffic to any undue or unreasonable prejudice or disadvantage in any respect whatsoever. It was suggested that owing to such block rates traders interested in sugar industry should place the matter before the Indian Railways Rates Advisory Committee for redress of their grievances. But the difficulty arose from the fact that the Railway Board did not allow the Railway Rates Advisory Committee to have the status of a tribunal. The traders felt helpless against the respondent who was also his own judge. The Board rejected the recommendation of the Committee substantially in some cases. In Manik Lal Pal and Others versus A.B. Railway, the respondent railway was willing to agree to the recommendations of the Committee but the Railway Board disagreed. In another case, Merchants of Tinsukia versus A.B. Railway, (Case No. 63 : 1940) no action was taken. It appeared that the decisions of the Advisory Committee was dealt with by the Railway Board according to its own liking. (Prasad, A.: Indian Railways : 1960 : p.284)
Coming to the first characteristic feature mentioned above, it is observed that in the first two decades of railway development in Assam there were few applications for reduction of railway rates with a view to developing new industries, although the A.B. Railway stated that its policy was to quote low rates in order to develop areas served by it. During those years the E.B. Railway also granted concessions in rates to develop local industries as may be clear from the Appendix IV. Though the concessions were significant, being more than 50 per cent in many cases, these covered mainly oil products. And the benefit did not diffuse evenly to different sectors of the economy as the direct benefits owing to concessional rates accrued to few enterprises such as the Assam Oil Company and the Assam Railways and Trading Company, which were foreign-owned and foreign-managed.

As regards another characteristic feature already mentioned, namely, the tendency to carry a small volume of traffic at high rates, it was alleged in 1910 that exorbitant fares were charged by the J.S. Railway from passengers travelling in first class. The rates were arbitrarily fixed and there were no second class carriages on the line; the first was the next higher class to the intermediate.

So far as the A.B. Railway also there was a tendency during the first part of this century to increase passenger fares. The result was that with every increase in fares even in normal times the average

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28 N.A.I.: Delhi Records; Railway Board; Proceedings March 1917: Case No. 224T-16 5-39
29 N.A.I.; Selections from Anglo-Vernacular Newspaper in Eastern Bengal and Assam for week ending 18 May 1910, Part I, p.93
30 The issue of exorbitant fares on the A.B. Railway was discussed in the Legislative Assembly in February 1931: "... from Calcutta to Karimganj it is only 400 and odd miles and from Calcutta to Delhi it is 903 miles, and the wonder of all wonders is that the first class fare is almost equal ... The third class fare is almost the same. Again all over India we have the return ticket system, whereas here there is no return ticket on the A.B. Railway lines ..." (N.A.I.; Railway Department; Railway Board; Traffic; September 1931, 3899-T/1-2 B)
distance travelled declined from about 40 miles after the First World War to 32 miles in 1922 and to 28 miles in 1931. During the Great Depression (1930-31) the number of passengers, both short-distance and long-distance, also declined. But when the A.B. Railway gathered some experience it rightly observed that the high rates charged on new branches were unsound, and that they made a mistake in fixing fares on too high a basis. In fact, in 1932 the London office of the A.B. Railway agreed to introduce reduced passenger fares in some branch lines (of the A.B. Railway) as an experiment to stimulate traffic and reduce loss. The result was that in each case the numbers travelling showed big increase without increase in train mileage. It was also rightly observed that although in some sections the reduction of rates had not so far brought an increase of revenue on the whole, it could not be regarded as responsible for any appreciable loss. In fact, the public had the advantage of cheaper travel during period of great financial strain, which was a greater benefit than the financial loss to the railway company in monetary terms. The London Office of the A.B. Railway opined that on grounds of public policy such an experiment should not only be continued but extended to other areas on the main

31 N.A.I.: Railway Department: Traffic: August 1933: 4162-T, notes B
32 The Tinsukia-Simaluguri branch introduced cheap day return tickets at 1½ fares from February 1932 and from the same date the Furkating-Jorhat branch, a tea line, also had reduced fares. By 1932-33 the number of passengers on the later line increased by 45 per cent (to 275,988) over the 1931-32 figure, and the earnings increased by 6 per cent which was the best result amongst branch lines in Assam. There are other examples of how reduced fares resulted in increased travelling and earnings to the railways in Assam. When the railways introduced reduced fares on the Nowgong-Silghat section of the Chaparmukh-Silghat branch, the number of third class passengers (outward) increased by more than 45,000 (from 66,917) and third class earnings thus increased by about Rs. 6,000 (from Rs. 19,115) during the period December 1936 and November 1937. (N.A.I.: Railway Department: June 1939: Proceedings No. 4162-T/4-37 B (49) )
33 In the Karimganj Longai Valley section reduction of rate resulted in 14 per cent decrease in earnings in 1932-33 although it led to 32 per cent increase in passengers travelled. (Information collected from the Railway Board, New Delhi)
Perhaps a greater success was achieved when in 1936 the A.B. Railway introduced maximum fare tickets, which fixed Rs.3 for any journey in the districts south of the Hill Section and Rs.5 for any journey over any part of the railway system. The flat third class maximum fare not only encouraged travel over the sparsely populated Hill Section but more than doubled the third class earnings (to Rs.2.25 lakhs) in eight months. In 1937 the Wedgewood Committee observed that the innovation was not adopted to meet competition and hence it commended the experiment.

No doubt some of the reductions in railway fares in Assam were the result of the conditions prevailing during the Great Depression. Yet a comparison of passenger fares with other Railways before 1930 and after 1930 shows that passenger fares on the A.B. Railway were higher, and the general complaint, that fares on the company-managed railways were higher than those on the state-managed Railways, had some substance. It was most distressing to observe (Appendix V) that third class fares on the A.B. Railway were even higher than those on other company-managed lines during 1924-25 and 1934-35. Moreover, the third class fares of the A.B. Railway did not decline immediately after 1930-31, and surprisingly the second and inter class fares showed a rising tendency during the 1930's.

34 According to the E.B. Railway this inflicted loss on them to the order of about Rs.67,000 per year as it resulted in diversion of some of the E.B. Railway traffic to the A.B. Railway. When the E.B. Railway claimed compensation of about Rs.1.1 lakh annually, the A.B. Railway justified its position on the ground that the maximum third class fares did not infringe the minimum and as such it was legitimate to introduce these fares to stimulate their long distance traffic. Moreover, it was argued that additional earnings of the A.B. Railway was nothing but state revenue as it was utilised to make up the loss to the Government on account of interest on capital.

(N.A.I.: Railway Department: June 1939: Proceedings 4162-T/4-375/49)

Steamer Freight Rates Before And After 1947

To have a comparative picture of the freight rates relating to the two principal modes of transport - namely, river and rail transport, the freight rates of the river steamer companies have also been studied here. After 1947 the river transport in Assam appears to be costlier than the rail transport both for interstate as well as intrastate traffic. Of course it was observed that since 1938 the class rates of the J.S.Companies were fixed in parity with class rates of railways especially in case of steamer stations which were also served by rail.

While in the past the J.S.Companies' rates from Calcutta to Assam stations were lower than the railway rates, six years after 1947 these became comparatively higher although the new rail link route turned out to be longer and circuitous. One cause of emergence of lower railway rates (as compared to river rates) was the application of telescopic scale of rates on a continuous mileage basis over the

36 It may be noted that in United States of America also rail rates were very often in parity with river rates. For example, commodities shipped from San Francisco to Albany carried a higher rate than the same commodities shipped from San Francisco to Boston. (Waugh, A.E.: Principles of Economics, 1947, p.621 )

37 However, the J.S.Companies had two rates having about 7½ per cent variations, one for 'despatch service' (that was, fast-passenger-mail-goods service) and the other for 'direct service' (which referred to slow movement of goods by flats towed by steamers). With the gradual dwindling of demand for 'direct service' to and from Assam only one set of rates came to prevail after July 1, 1945. Although during this period river rates rose by about 12½ per cent of total freight, as in case of railways, owing to mounting operational cost, yet exemptions were granted to coal, coke, patent fuel, food-grains, fodder, manures, tea, jute and military stores, which implied that the river transport was no less responsible for development of Assam area. Even in 1947 while this 12½ per cent charge was replaced by an extra charge of 75 per cent on total freight, grains and pulses and military traffic were not touched by such levy. However, when in November 1951 the J.S.Companies revised their class rates between Calcutta and Assam and Calcutta and Cachar on a simple basis of 0.24 pice per maund per mile for first class traffic and increased their class rates for intermediate booking, the people, especially the traders, began to feel the pinch. (G.O.I.: Report of the Lokur Committee: 1954)
Link, which in some cases brought the rates by the new line approximately into parity with older rates via the E.R. Railway.

However, the J.S. Companies also discounted the distance by 200 miles and 100 miles in case of bookings from the Ganges stations to Assam and from the Ganges stations to Cachar area respectively. But in addition to freight there were charges such as customs-examination-charge, as in case of railway traffic (with effect from June 1, 1951) and boating charge (at destinations in dry seasons) and demurrage charge when necessary.

Moreover, where necessary, appropriate station-to-station rates were also quoted. But it would be inappropriate to state that with the adoption of standard telescopic class and wagon-load scales of rates for goods traffic on a continuous mileage basis, as in the rest of the country, the basis of inflated mileage was completely abolished. The following mileage inflations were existent since 1949-50.

<table>
<thead>
<tr>
<th>Extent of mileage inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Fakiragram to Alipurduar Junction (New Construction) 45.00 miles</td>
</tr>
<tr>
<td>ii. Alipurduar Junction to Hasimara 21.50 &quot;</td>
</tr>
<tr>
<td>iii. Hasimara to Madarihat (New Construction) 6.50 &quot;</td>
</tr>
<tr>
<td>iv. Madarihat to Bagrakote 55.25 &quot;</td>
</tr>
<tr>
<td>v. Bagrakote to Siliguri North (New Construction) 21.00 &quot;</td>
</tr>
<tr>
<td>vi. Siliguri North to Kishanganj (converted from narrow to metre gauge) 66.27 &quot;</td>
</tr>
</tbody>
</table>

215.52

By 1952 the J.S. Companies complained that the removal of inflated charges over certain sections and the imposition by the railways of separate ghat and transhipment charges over the river-borne traffic led to diversion of traffic to the Railway. However, railway's ghat and transhipment charges were only a small fraction (1 anna 8 pies per maund on all traffic at Assam riverine ghts) of the total freight charges quoted by the steamer companies. (G.O.I.: Planning Commission: Report of the Study Group: Transport Planning: 1953: p.110)

39 It was found that the scale adopted by the J.S. Companies for levy of demurrage was not unduly high or unreasonable. And unlike the Railways, the J.S. Companies did not levy any wharfage in respect of cargo dumped on their premises in anticipation of acceptance of Forwarding Notes. The Railway's terminal charge was 8 pies per maund where loading and unloading was done by the Railway itself, and the levy on the same account by the J.S. Companies (with effect from 1.11.1951) was about 10 pies per maund. A feeder transport charge of 2 annas per maund was also levied by the J.S. Companies in booking to and from intermediate stations on goods traffic chargeable at class rates. (G.O.I.: Report of the Lokur Committee: 1954)
While comparing the class rates of railways and steamer companies (for distances more than 374 miles) with effect from January 1, 1954, the Lokur Committee came to the conclusion that the general level of the J.S.Companies' rates was about 7½ per cent lower than railway rates. A comparison made for the period after April 1, 1955, when the railways revised the basis of their class rates, also showed that on an average steamer rates were a little over 9 per cent lower than railway rates. But as compared to 1938 the freight rates of the J.S.Companies were found to be higher in 1953.

In actual calculation freight by river was more than that by rail transport owing to longer distances involved (by river 826 miles between Calcutta and Gauhati as against 635 miles by rail), as can be seen from the following Table.

Table 8.1: Comparative Freight Rates by All-rail Route and All-water Route from Calcutta : All-inclusive Freight 40 Per Maund (Rs.-as.-ps.)

<table>
<thead>
<tr>
<th>From Calcutta</th>
<th>1st class</th>
<th>4th Class</th>
<th>8th Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>To</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gauhati -</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All-rail route</td>
<td>1-13-8</td>
<td>1-14-9</td>
<td>2-5-2</td>
</tr>
<tr>
<td>All-water route</td>
<td>1-15-1</td>
<td>1-15-1</td>
<td>2-8-0</td>
</tr>
<tr>
<td>Tezpur -</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All-rail route</td>
<td>1-15-1</td>
<td>1-15-1</td>
<td>2-7-3</td>
</tr>
<tr>
<td>All-water route</td>
<td>2-2-3</td>
<td>2-2-3</td>
<td>2-12-3</td>
</tr>
</tbody>
</table>

Of course, when a surcharge of 6½ per cent on consignments weighing less than 20 maunds irrespective of distance, as introduced by the railways with effect from April 1, 1955, was added to the above all-rail rates, than the actual rate turned out to be almost same as the

all-river rates in certain cases as shown by the figures within brackets in the Table 8.1.

Another problem was that the J.S.Companies' through booking rates with railways also turned out to be higher by about 4 annas per maund than all-rail or all-water rates owing to various factors such as railway ghat charges, transhipment cost at junctions, effect of the telescopic rates both on the railways as well as on the steamer companies etc.

Comparative Costliness of River Transport since 1955

The comparison below also shows that in 1938 river rates were lower than rail rates by a greater proportion, whereas since 1955 the picture was tending to change.

Table 8.2: Class Rates per Maund between Calcutta and the Selected Stations in Assam 41

<table>
<thead>
<tr>
<th>Stations</th>
<th>1938 (Rs.-as.-ps.)</th>
<th>1955 * (Rs.-as.-ps.)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>ss I</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>uhathi</td>
<td>0-13-0 0-11-10 0-15-6</td>
<td>1-14-9 1-15-1</td>
<td>* Since 1.4.1955</td>
</tr>
<tr>
<td>rimganj</td>
<td>1-8-1 0-10-0 0-11-9</td>
<td>2-5-7 1-11-8</td>
<td>River distance: Calcutta-Gauhati=826 miles;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ss III</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>uhathi</td>
<td>0-15-8 0-14-3 1-2-7</td>
<td>2-4-0 2-4-1</td>
<td>Calcutta-Karimganj=753 miles</td>
</tr>
<tr>
<td>rimganj</td>
<td>1-13-1 0-11-6 0-13-10</td>
<td>2-12-5 2-1-1</td>
<td></td>
</tr>
<tr>
<td>ss VI</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>uhathi</td>
<td>1-3-5 N.A. 1-7-6</td>
<td>2-12-3 2-13-0</td>
<td>Rail distance: Chittagong-Gauhati=479 miles;</td>
</tr>
<tr>
<td>rimganj</td>
<td>2-4-4 0-13-0 1-1-0</td>
<td>3-7-1 2-9-2</td>
<td>Calcutta-Gauhati=483 miles in 1938 and 635 miles in 1955</td>
</tr>
<tr>
<td>ss IX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>uhathi</td>
<td>1-7-11 1-6-6 1-13-7</td>
<td>3-5-10 3-7-5</td>
<td>Calcutta-Karimganj=834 miles in 1938 and 875 miles in 1955</td>
</tr>
<tr>
<td>rimganj</td>
<td>2-13-0 1-0-4 1-4-4</td>
<td>4-3-0 3-2-4</td>
<td></td>
</tr>
</tbody>
</table>

are the major exports from Assam to Calcutta area also reveals similar trend.

Table 8.3: Rates per Maund for Movement of Tea to Calcutta from Assam (Rs.-as.-ps.)

<table>
<thead>
<tr>
<th>From</th>
<th>Routes: Prior to 1.4.1955</th>
<th>Routes: Since 1.4.1955</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All-rail</td>
<td>Rail-cum-river</td>
</tr>
<tr>
<td>Tinsukia</td>
<td>4-14-5</td>
<td>4-15-10</td>
</tr>
<tr>
<td>(954 miles)</td>
<td>(via Neamati)</td>
<td>(via Neamati)</td>
</tr>
<tr>
<td>Jorhat</td>
<td>4-8-5</td>
<td>4-8-6</td>
</tr>
<tr>
<td>(868 miles)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dalgaon</td>
<td>2-8-0</td>
<td>2-4-6</td>
</tr>
<tr>
<td>(via Dhubri)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tezpur</td>
<td>3-11-7</td>
<td>N.A.</td>
</tr>
<tr>
<td>(692 miles)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gauhati</td>
<td>3-8-1</td>
<td>N.A.</td>
</tr>
<tr>
<td>(635 miles)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 8.4: Rates per Maund for Movement of Jute to Calcutta from Important Stations in Assam (Rs.-as.-ps.)

<table>
<thead>
<tr>
<th>From</th>
<th>Routes: Prior to 1.4.1955</th>
<th>Routes: Since 1.4.1955</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All-rail</td>
<td>Rail-cum-river</td>
</tr>
<tr>
<td>Nowgong</td>
<td>3-1-8</td>
<td>3-0-3</td>
</tr>
<tr>
<td>(708 miles)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(via Pandu)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gauhati</td>
<td>2-13-6</td>
<td>2-11-0</td>
</tr>
</tbody>
</table>

Thus, the above two Tables indicate that since 1947 (more especially after April 1955) the rail-cum-river rates went up and the old difference between these and all-rail rates disappeared, or in some case rail-cum-river rates even exceeded all-rail rates.

43 Ibid.
44 The Lokur Committee ultimately observed that the J.S. Companies' rates for short distance traffic were on an average 16 per cent higher than their rates for long distance traffic. While the J.S.Companies' long distance rates were 9 per cent lower than railway rates, their short distance rates were higher than the latter. (G.O.I.: Report of the Ganga-Brahmaputra Water Transport Board: Ibid.: .)
In 1954 the Karimganj Merchants Association alleged that the J.S. Companies were charging freights much in excess of other private steamer services and the railways. The Kamrup Chamber of Commerce, in its memorandum submitted to the Inland Steamer Freight Rates Enquiry Committee, also stated that in 1954 steamer freight rates of important exports and imports between Gauhati and Calcutta were not lower than those by rail transport, and in case of oil cake, grain and pulses, sugar, mustard oil and cloth or yarn river rates were actually higher than rail rates. On the basis of such developments it may be inferred that the economy of Assam derived comparatively lesser benefit from interstate or intrastate river transport.

**Special Rates by River Transport**

However, it cannot be denied that in the post-independence era the steamer services did not offer facilities of special rates as were offered by the railways. The J.S. Companies introduced station-to-station rates or special rates for a large number of commodities since 1882. Of course after 1947 these were altered and the number of such special rates were reduced. It was quite in the interest of the economy of Assam that there was an agreement between the E.B. Railway, the A.B. Railway and the J.S. Companies whereby river rates were allowed to be quoted 7½ per cent below rail rates to compensate for the slower river transit.

According to the Lokur Committee special rates for flour, sugar, grain and pulses, etc. by river-rail route from Calcutta to Gauhati and Karimganj were lower than rail rates; and in case of outward traffic (such as jute, tea, grain and pulses and bamboo mats) from Assam also special rates by river transport were lower than rail rates.

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So far as tea movement by river was concerned, the J. S. Companies had a Tea Carriage Agreement with certain tea gardens of Assam since the 1880's. But the rates were gradually increased from year to year and in the later part of 1947 the river rates from the main stations in Assam were abruptly raised (Appendix VI). The rates applicable to non-agreement gardens (supplying only about 0.3 per cent tea to Calcutta) were significantly higher, as can be seen from the Appendix VI(c).

In the similar manner the Indian Jute Mill Association also had an agreement with the J.S. Companies since 1890, and as a result two sets of rates, 'busy' season and 'slack' season, (with about 15 per cent variation), were introduced. The benefit to the jute growers in Assam seems to be very little when we find that slack season rates were enjoyed mainly by stations which were situated outside the geographical boundary of Assam. It is distressing to observe that the only Indian station from which slack season rates applied was Dhubri. And the sharp increase in river rates for jute from some Assam stations to Calcutta since 1947 can be noted from the Appendix VI(d). The slack season rates from Dhubri was, however, discontinued since February 1947.

The comparative costliness of river transport for short distance traffic since the partition of 1947 can be noted from the Appendix VII. It is thus clear that in almost all cases of intrastate

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46 As per Agreement certain gardens were allowed concessional rates not only for movement of all their tea to Calcutta but also for carriage of tea garden stores from Calcutta. Although the percentage of variation between the agreement and the non-agreement rates was on the whole about 15 per cent, it was not considered to be discrimination as concession was meant only for regular shippers.

47 It was stated that the increasing cost of operation, river conservancy expenditure and cost of Khasi coal, involving extra expense of Rs. 7.6 lakhs per year, compelled the upward movement of rates.
traffic river rates were higher than wagon-load rates, and between few stations these were lower than that of 'smalls' traffic (relating to sugar, cement, grains and pulses): only in one route - between Dhubri and Neamatighat, that too in case of only two commodities (namely, sugar and tea) - river rates were lower than both 'smalls' as well as 'wagon-load' rates.

In case of traffic between Dhubri and Amingaon it was seen that freight by river was higher than freight by rail both in case of 'smalls' and 'wagon-load', although the river distance was less than the rail distance. Similarly, in case of traffic from Dhubri to Gauhati and Gauhati to Tezpur the river rates were higher than rail rates. Only in traffic involving longer distance, such as to Tezpur and Neamati from Dhubri and to Neamati from Gauhati, the river rates compared favourably with rail rates, as may be clear from the Appendix VII. Thus it may be inferred that for short distance or intrastate traffic involving less than 240 kilometres or so river transport was not economical in Assam.

The old records of various Chambers of Commerce in Assam show that with effect from January 1, 1959 the J.S.Companies (especially the R.S.N.Company) allowed special rate for jute (in bales) from Cachar service stations (such as Karimganj ghat, Bhanga Bazar, Badarpur Steamer ghat, Silchar ghat etc.) to Calcutta for delivery to mills, presses and outside ghats. But the Railway also

48 During 1959 the R.S.N.Company also introduced special concessional rates for certain other commodities from Calcutta steamer ghats to stations in Assam, especially during the 'puja' month. The freight per maund from Calcutta area was the lowest up to Dhubri, and the rate increased with increase in distance. The freight between Dhubri and the Upper Assam terminus varied by Re. 1 per maund; and it was maximum at the Upper Assam terminus. These rates included all charges (namely, terminal charges and customs examination charge) but excluded 10 per cent extra charge for 'smalls' traffic weighing less than 10 maunds or so.
introduced with effect from April 1958 special rates for movement of half-pressed and full-pressed jute from stations in Cachar area such as Kalkalighat and Patharkandi to mill stations in Calcutta area by all-India rail route.

In 1961 when the Kalyanraman Committee recommended a 5 per cent surcharge on the freight rates there was criticism as the freight rates were already exorbitant and 'inimical' to the growth of trade and industries in Assam. It was proposed in certain quarters that loss from the operation of the river services could have been offset by loans, grants etc. from the Central or the State Government rather than from increased freight rates.

Available records of steamer companies show that in the 1960's steamer rates for tea and jute from Assam stations to Calcutta area differed from company to company. For example, freight charges of the Bengal Assam Steamship Company were lower than that of other companies such as the Great India Boating Company or the East Bengal River Steam Service. Even in busy season the rate for jute traffic by different river transport companies differed by about Rs.2 per quintal. In fact, their pattern of rating very much resembles the present day pattern of fixing charges by private road transport companies operating in Assam. However, one similar aspect noticeable in case of all companies was that freight per quintal or maund tended to increase with decrease in distance. For example, freight rate per unit from Dhubri to Calcutta was cheaper than rate from Gauhati to Calcutta. Similarly, in case of

49 By the middle of 1958 it was found that the steamer freight rates of the J.S.Companies were higher than the railway freight rates by about 5 per cent. (The Amrita Bazar Patrika : Daily : Calcutta : October 12, 1958)

50 The Committee was appointed by the Government of India when the Government of Assam protested against the attempt of the J. S. Companies to impose a surcharge of 10 per cent on their freight rate.

51 Information gathered from the office of the Inland Water Transport Department, Gauhati, G.O.A.
goods brought into the State, rate from Calcutta to Gauhati was lower than rate from Calcutta to Neamati steamer ghat by Rs.3 to Re.1 per quintal, depending on the nature of the commodity. The increasing costliness of transporting goods by river transport to the Upper Assam area in the post-1947 era can be realised from the difference in freight rates, as noted below, in case of selected important commodities.

Table 8.5: Rates of R.S.N.Company from Calcutta Steamer ghat to Important Stations in Lower Assam and Upper Assam (with effect from October 1953) 52

<table>
<thead>
<tr>
<th>Commodity</th>
<th>To Dhubri steamer ghat (Lower Assam)</th>
<th>To Dibrugarh ghat (Upper Assam)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flour</td>
<td>1-5-6</td>
<td>1-14-0</td>
</tr>
<tr>
<td>Sugar</td>
<td>1-12-0</td>
<td>2-13-0</td>
</tr>
<tr>
<td>Grain and pulses</td>
<td>1-1-3</td>
<td>1-8-0</td>
</tr>
<tr>
<td>Chemical Manure</td>
<td>1-1-0</td>
<td>1-9-0</td>
</tr>
<tr>
<td>Cement</td>
<td>0-15-0</td>
<td>1-5-0</td>
</tr>
</tbody>
</table>

Thus it may be clear that river transport in Assam could not help much in reducing the price differential between the Lower Assam and the Upper Assam, as cost of transporting essential commodities varied significantly.

The information meticulously collected and tabulated in the Appendix VIII also clearly points out that just before the closure of river route, rates by all-river route to certain important stations in Assam were distinctly higher than all-rail rates.

During recent years the rail freight for interstate traffic was cheaper than both river freight as well as road freight as can be observed from the Appendix IX. This is significant when we find

52 National Chamber of Commerce, Tinsukia, Assam: Letter from Joint Agent, R.S.N.Company, dated October 28, 1953
that after the closure of river route in 1965 the strain on the Railway increased. The Appendix IX leads us to the observation that river services between Jogighopa and Gauhati added to the total freights so much so that these became higher than even rail-cum-road or all-road rates. Thus, we have the inevitable conclusion that river service for short distance in conjunction with rail service was not economical to producers and consumers in Assam area. All-road or rail-cum-road rates were also distinctly higher in case of various commodities. Therefore, the savings to the economy was decidedly in proportion to the utilisation of all-rail route for diverse traffic during the years under study.

**Railway Freight Rates Since Independence**

After the independence railway freight rates were the result of national policy and not of commercial price fixing by railways as in the pre-1947 days. It was found that after the partition of 1947 traffic to and from Assam had to pass over the Link involving a longer lead which resulted in greater cost in terms of time and money. Moreover, most of the special rates to and from Assam were

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53 Prior to the partition the main rail routes to and from Assam were:

(a) for stations on Southern, South Eastern, Central (except Jabalpur and Jhansi Division), Western (stations on the broad gauge south of Ratlam) and Eastern (excluding Dinapore Division) Railways - via Santahar, Lalmansirhat, Golakganj, and

(b) for stations on ex-North Western, North Eastern and remaining portions of Eastern, Western and Central Railways - via Katihar, Parbatipur, Lalmansirhat.

After the partition all movement from areas in (a) took place via Maniharighat and the Link, and from areas in (b) via the Link. This means an increase in lead of about 240 kilometres and 120 kilometres respectively.

The Government of Assam estimated that even with special rates as existed before 1948 the additional freight cost of moving certain selected exports and imports in 1953-54 via the circuitous route would be about Rs.10 lakhs. (G.O.A.:Department of Transport)
abolished after 1948. Prior to the partition there was only one ferry crossing and since then the number of crossing increased, and hence there was an additional burden (of 11 pies per maund). Further, with effect from 1948 the actual distances over the ex-D.S. Railway and the ex-J.S.Railway sections were also inflated by three times and six times respectively.

As already mentioned, there was a practice of inflating mileage over certain sections which increased the burden of freight on Assam traffic to a considerable extent. The most inequitable practice was the charge which was levied separately for the traffic which passed over the Sakrigali-Maniharighat ferry. As the ferry charge was calculated on the basis of the first leg of the telescopic scale, it went against the principle of charging on continuous mileage, and consequently increased the cost of transport to and from Assam. The inflated mileage over certain part of the Hill Section in Assam also appeared as anachronism in view of the backwardness of the region.

It was found that the replacement of special station-to-station rates by telescopic class rates in 1948 had an unfavourable effect on certain sectors of the economy of Assam. During a period of sixteen years from 1938-39 to 1955, freight rates in case of certain important items went up as much as 126 to 349 per cent, and the rate of rise was considerably higher in Assam as compared to that in the rest of the country, as indicated by the Table 8.6.


55 According to the A.P. Railway this practice was followed in view of high cost of railway operation and maintenance in the Hill Section.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salt</td>
<td>0-9-2</td>
<td>1-4-9</td>
<td>0-9-8</td>
<td>0-15-0</td>
<td>126%</td>
</tr>
<tr>
<td>Sugar</td>
<td>0-10-6</td>
<td>2-3-10</td>
<td>1-1-9</td>
<td>1-9-5</td>
<td>241%</td>
</tr>
<tr>
<td>Cement</td>
<td>0-8-8</td>
<td>1-4-11</td>
<td>0-8-4</td>
<td>0-15-2</td>
<td>141%</td>
</tr>
<tr>
<td>Iron and steel (Division B)</td>
<td>0-14-3</td>
<td>2-3-10</td>
<td>1-1-9</td>
<td>1-9-5</td>
<td>151%</td>
</tr>
<tr>
<td>Hides and Skins</td>
<td>0-14-1</td>
<td>2-8-9</td>
<td>1-9-7</td>
<td>1-11-2</td>
<td>189%</td>
</tr>
<tr>
<td>Potatoes</td>
<td>0-8-8</td>
<td>1-7-11</td>
<td>0-9-6</td>
<td>1-0-8</td>
<td>176%</td>
</tr>
<tr>
<td>Jute</td>
<td>1-0-10</td>
<td>3-3-0</td>
<td>0-10-3</td>
<td>2-6-2</td>
<td>203%</td>
</tr>
<tr>
<td>Tea</td>
<td>1-8-10</td>
<td>4-13-4</td>
<td>2-9-11</td>
<td>3-14-4</td>
<td>211%</td>
</tr>
<tr>
<td>Timber</td>
<td>0-4-3</td>
<td>1-3-1</td>
<td>0-6-8</td>
<td>0-12-8</td>
<td>349%</td>
</tr>
<tr>
<td>Cotton piece goods</td>
<td>1-0-0</td>
<td>3-6-1</td>
<td>1-9-9</td>
<td>2-7-1</td>
<td>238%</td>
</tr>
<tr>
<td>Grains and pulses</td>
<td>0-8-7</td>
<td>1-4-10</td>
<td>0-9-0</td>
<td>0-14-8</td>
<td>142%</td>
</tr>
<tr>
<td>Machinery other than electrical</td>
<td>0-15-8</td>
<td>2-6-8</td>
<td>1-3-4</td>
<td>1-11-6</td>
<td>147%</td>
</tr>
</tbody>
</table>

(Note: In case of jute, tea and timber ex-Haibargaon, Tinsukia and Sapatgram freights were taken. The high increase of jute rate for rest of India was not actually so because the actual distances from jute producing areas in Bengal to Calcutta were much less and, hence, the incidence of freight increases was less in comparison with Assam.)

The direct effect was that in 1953-54 Assam had to bear additional freight cost of Rs.175 lakhs for main exports and about Rs.36 lakhs for principal imports. The indirect effect was on the cost of living through rise in price of consumer goods and on the production costs through rise in cost of inputs.

56 G.O.A.: Transport and Commerce Department, Shillong
57 Amongst the principal exports jute, tea and timber accounted for Rs.68 lakhs, Rs.101 lakhs, and Rs.5.26 lakhs respectively, while amongst the main imports salt, sugar, cement, grain and pulses, iron and steel and piece goods accounted for Rs.3.6 lakhs, Rs.8.3 lakhs, Rs.2.75 lakhs, Rs.6.6 lakhs, Rs.12 lakhs and Rs.2.77 lakhs respectively.
Occasional Adjustments in Railway Freights

With effect from January 1, 1948, the bases of passenger fares and class and schedule of goods rates were revised. The distances of the ex-D.S. Railway and the ex-J.S. Railway sections were inflated by three and six times respectively. The aim was to apply class rates on a continuous mileage basis and the abolition of exceptional class rates (station-to-station rates) in force over various sections of the railways in Assam. The effect of changes in rates from October 1, 1948 was that although there was increase in number of passengers carried and earnings therefrom, there was a decrease in quantum of goods traffic carried and goods earnings.

In 1949 with the opening of the Assam Rail Link for through booking of traffic, standard telescopic class and wagon-load scales of rates for goods traffic were adopted in general on a continuous mileage basis. However, for the purpose of charging goods traffic, the physical distances over the Link route was inflated from the date of its opening to traffic. The extent of inflated mileage ranged from two to three times in various sections and as such the total length over the Link portion came to about 514 miles, although the actual physical distance was only about 215 miles. The Railway claimed that the application of telescopic scale, in a number of cases, brought the rates by the new railway line almost into parity with the old rates via the E.B. Railway (situated in East Pakistan after the partition). In 1950 the Railway introduced through special rates for tea, jute, paraffin wax and kerosene oil from stations in Assam to stations outside Assam via the Link as these were important traffic. The aim was to adjust new rates to the rates formerly paid on all alternative routes. The Railway claimed that in case of parcels and parcels and
luggage also the object was to keep fares and charges for long distance through traffic at a reasonable level.

During 1950-51, the impact on the economy was perceptible when the Railway introduced concessions at half the rates (excluding terminal, transhipment and ferry charges etc.) by goods and parcel trains, both in local as well as through booking with other Indian Railways and steamer services, for consignments of food-stuffs, medicines, piece-goods, building materials, tube-wells or tube-well equipments and galvanised corrugated iron sheets consigned to Assam Government nominated parties and organisations. The aim was to give relief to people in earthquake affected areas in Assam. The railway also granted quarter-traffic rates for galvanised corrugated iron sheets (sold by the Tata Iron and Steel Company from Tatanagar) for relief purposes in Assam.

It is interesting to note that occasional revision of railway rates were designed to be in parity with the rates of alternative modes of transport in Assam. And it appears that as a result of increase in river rates important traffic of Assam experienced the pinch of increased rail freight rates. In fact, when in May 1952 certain special rates for tea, jute and petroleum products, previously quoted to maintain parity with rates by the Indo-Pakistan route, were cancelled and ordinary class rates (calculated on the revised distance) applied, important exports from the economy of Assam experienced a

59 In 1951-52 the Railway Board reported:

"consequent on the enhancement in the rates over the river portion of the rail-cum-river routes from Assam to Calcutta by the steamer companies, the special rates for jute and tea from Assam Railway stations to Calcutta, originally quoted on the basis of the rail-cum-river rates, were suitably revised ..."

( G.O.I.: Railway Board : Reports on Railways )
The conditions became hard when about the same time the Tezpur-Balipara section, a tea line in underdeveloped parts of Assam, also introduced standard rules, rates and conditions for acceptance, carriage and delivery of goods applicable to other parts of the North Eastern Railway. However, the Railway withdrew the principle of inflation of distances for determining freights over some sections, such as the ex-D.S. and the ex-Jorhat Railways and the Badarpur-Lumding and the Fakiragram-Alipurduar sections.

During 1954-55 also the Railway granted concessional rates at one-fourth of the basic rates plus terminal charge for consignments intended for flood relief purposes in Assam. But the Railway introduced a ghat charge of Re. 0-1-8 per maund, for all goods traffic interchanged with steamer companies, at most of the riverine stations in Assam. Moreover, a ghat charge of 3 pies per maund on all railborne goods traffic (including coal) was levied at Pandu and Amingaon with effect from January 1955.

On April 1, 1955 when a surcharge of 6½ per cent was levied on traffic moving in 'smalls' (that was, on consignments of less than 20 maunds, irrespective of distance), it was not very much helpful to small traders in the State, dealing in salt, cotton, woollen piece-goods, rice, medicines, kerosene oil, safety matches, sugar etc. It was also not much helpful for intrastate movement of raw materials

60 However, the rail rates were still lower than air freight rates during 1953-54: the freight rate quoted by the Indian Airlines Corporation for movement of tea from Assam area to Calcutta was about Rs.10 per 80 lbs as against the maximum freight rate of Rs.4½ for 80 lbs from Dibrugarh Depot to Tea Transit Sheds, Calcutta. (G.O.I.: Report of the Plantation Inquiry Commission: 1956: Part I, Tea, pp.720-721)

61 Further, it may be noted here that the chargeable mileage for goods traffic over the Pandu-Amingaon ferry services was revised from 2 miles to 10 miles with effect from February 1955. While the extent of mileage inflation through the Mokameh ghat was less than about one and a half times, an inflation of five times was followed in case of the Pandu-Amingaon section.
for industries in the State and for movement of agricultural implements, manures, cottage industry products etc.

However, the economy of Assam got some relief when the new rate structure was introduced on October 31, 1958 as a result of the recommendation of the Railway Freight Structure Enquiry Committee. The separate levy of terminal, short-distance, transhipment and ghat charges was discontinued in case of all traffic (including coal and coaching traffic). However, the ghat charges on passenger traffic continued. There was no change in passenger fares. But a notable feature was the reduction in the chargeable rates on traffic to and from Assam by the Sakrigali-Maniharighat route (as a result of the abolition of the previous practice of levying ferry charges separately in the Sakrigali-Maniharighat ferry section) and the introduction of the practice of adding ferry distance of 33 miles to the total chargeable mileage.

In November and December 1958 a special rate of Rs.5.86 per maund, at Owner's Risk, for potatoes as parcels from Shillong Out Agency to Calcutta, via Gauhati and Maniharighat, was quoted. Concessional return journey tickets were also issued for encouraging passenger traffic to certain places.

In 1962 the Railway did a notable service with free carriage of gift consignments for defence personnel and for the Tibetan refugees. Since November 1964 also the Railway introduced free

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62 The levy of supplementary charge of 12½ per cent of freight was also withdrawn with the introduction of the new goods rates structure. And the levy of the 6½ per cent surcharge on the consignments weighing less than 20 maunds was abolished; but instead a surcharge of 10 per cent of the freight was imposed on consignments weighing less than 10 maunds. The minimum distance for charge was increased from 20 miles to 25 miles. As a result of new policy wagon-load rates were provided for jute and tea also. In case of commodities booked at Railway Risk the freight became 20 per cent higher than that at Owner's Risk. (G.O.I.: Railway Board : Reports on Railways)

63 A reduction of 20 per cent in the freight rate by rail for jute from Tripura area to Calcutta was also granted from April 20, 1958. (Lok Sabha Secretariat : Lok Sabha Debates : December 9, 1958, Column 3935)
carriage of relief goods, imported from the United Kingdom for social welfare projects. These goods generally came via the ports of Madras and Calcutta and consisted of food-grains, drugs, hospital equipments and agricultural implements etc.

Some of the important freight rate adjustments during the recent years, which were helpful to the economy, especially to tea, petroleum and agro-based industries, were:

1. In case of tea:
   - Quotation of station-to-station rates during 1956-60 from all tea booking stations to Calcutta area by all-India rail route, which to some extent checked diversion of tea traffic to road and river transport, and reduction of minimum weight conditions for wagon-load class rates;
   - Discontinuation of levy of wagon registration fee for tea at any station and in respect of other traffic, when booked from private and assisted sidings, with effect from October 1965.

2. In case of petroleum:
   - Introduction of a rebate of 50 per cent of the total freight charges on furnace oil in wagon-loads booked from Narangi and Digboi to stations outside Assam in 1963-64;
   - Introduction of booking of petroleum products in bulk in tank wagons from Narangi (Gauhati Refinery) to various broad gauge stations under the 'weight only system' in October 1963;
   - Concessional station-to-station rate for crude oil in bulk in tank wagons from Sibsagar Town to Narangi with effect from June 1967 to February 1969.

3. In case of agro-based industries:
   - Introduction of rebate of 50 per cent in freight by goods trains for ply-wood tea chests from Dibrugarh Town, Margherita and Tinsukia, and for fruit and vegetable preserves from Gauhati and Silchar to various ports in India; and
   - A lump sum station-to-station rate per bogie (parcel van) from Silchar to Jaunati for pineapple by coaching train in 1970-71.

It is interesting to note here that the average rate charged
per tonne of revenue-earning traffic has increased from 5.7 paise per kilometre in 1958-59 (in the N.F. Railway metre gauge portion) to 6.5 paise per kilometre in 1970-71, although in case of broad gauge system (of the same Railway) the rate is slightly lower. In 1967-8 the A.R. Railway charged only 2.25 paise per kilometre (that was 7.21 pence per tonne per mile). However, although the rate has increased almost three times over three decades it is lower than the rate charged by the only available mode of transport - that is road transport, at the moment. Similarly, in 1937-38 the A.R. Railway charged only 1.06 paise (or 3.38 pence) per mile per passenger, whereas in 1958-59 the N.F. Railway (metre gauge system) charged an average of 1.56 paise per kilometre (or 2.50 paise per mile) for all classes, which rose to 2.78 paise by 1970-71. Thus, although the average rate charged has increased, as in case of goods traffic, it is quite low as compared to average rates charged by the State or private road transport in Assam at the present moment.

Freight Rates For Development of Industries

The foregoing analysis of freight adjustments by the Railway takes us to the discussion of optimum freight rates in the context of development of Assam which, in turn, raises many issues. It is maintained in certain quarters that higher rail rate means less rail traffic and, hence, better rail service for remaining traffic: that would also bring about higher revenue to railways. If this so

64 Some economists opine that if the railway rates are low, too much of the agricultural produce will be carried to the bigger and more distant cities for processing. (Clark, Colin: Urbanization and Transport: in Paths to Economic Growth: ed. by Datta, A.: 1963, p.111) But the experiences indicate that the idea of a comparatively expensive railway service as a natural protection for minor industries in remote areas like Assam does not have much significance. There has not been much development of small local industries using bulky goods such as bamboo, wood etc. in Assam in comparison with other states.

65 This was contended by the Chief Economist, British Railways Board during a discussion at London.
happens, problems may arise when higher (rail) rates force away traffic (like tea) with highest ratio of revenue to cost (of transport). Moreover, diversion of traffic from rail to other mode of transport, as in western economies, may not be so automatic in a region like Assam where the transport capacity is much below the required level. It has also been felt that instead of uniform rates on all Indian Railways it is better to have differential pricing at zone and gauge levels to take account of differences in demand elasticities for railways and for alternative means of transportation.

As early as in 1955 the State Government stated that in an area like Assam where transport cost - rather the entire interstate transport system - had been adversely affected by the partition, the (rail) freight rates should be calculated as far as possible on reduced mileage basis as would have been obtained but for the partition of the country. It was also rightly stressed that freight rates should be adjusted to develop infant industries or enterprises for a specified period, and that there should be a constant review of such enterprises. It was stressed that concessions should also be granted for movement of machinery and raw materials to new projects and enterprises in Assam. The Railway Freight Structure Enquiry Committee agreed that "there is a very special case so far as Assam is concerned".

The Federation of Indian Chamber of Commerce and Industry

66 Again rail rates here may not be set to match road competition as in advanced economies. The freight rates may also be inefficient allocators of resources in a region where rail cost differs on different routes owing to topography and other reasons.

67 G.C.A.: Reply to Questionnaire issued by the Freight Structure Enquiry Committee 1955-57


The point was that if income of Assam producers is equal to selling price (of their products) less transportation cost the Assam (producers) should be no worse off because of the partition.
found out that during the period 1950-1965 although freight rates did not go up for all commodities, these increased by a far greater proportion in case of bulk of the commodities which were moved by rail. Moreover, the percentage increase in rail rates for basic raw materials like coal, coke, iron and steel was greater than that on other commodities, thus generating an upward movement of prices.

Another cause of high prices was the limited (rail) Link capacity, which compelled traffic to move by river route. As such the economy of Assam had to bear additional burden in direct proportion to the volume of goods imported or exported by riverways, for river rates were relatively higher than the rail rates in the post-1947 period as stated before.

The extent to which an increase in freight cost raises prices generally depends on many factors like elasticity of demand and elasticity of supply in addition to substitution possibilities at any point of time. In case of the post-partition economy of Assam it was the higher freight costs (for both imports as well as exports) owing to diversion of traffic to the more costly mode of transport (for lack of adequate rail capacity), coupled with gaps between the demand for and the supply of commodities, that pushed up the cost of living indices in Assam.

69 Federation of Indian Chamber of Commerce and Industry, New Delhi : Letter dated 4.3.1968 to the Study Team on Railways, Administration Reforms Commission, G.O.I. and the Estimates Committee of the Fourth Lok Sabha, Tenth Report 1967-68

70 It was found that the imports by rail in 1939-40 of certain selected commodities alone were about 14.4 lakh tons which was about 4 times the capacity of the Link route in 1954-55.

71 In 1955 the cost living indices at three important towns, namely, Gauhati, Silchar and Tinsukia, went up by 23, 25 and 14 percent respectively as compared to 1945 level, which was the peak of war period price-level.

By 1955 Assam had to press for reintroduction of station-to-station rates for commodities like iron and steel, cement, sugar, salt, mustard oil, cotton piece-goods, heavy machinery, potatoes, tea, jute and cotton (raw) so that the transport costs no longer form a high proportion of final selling price of various goods in the economy.
While stating that the railway rates do not have sizeable effect on prices, the Railway Board estimated in November 1970 that in case of tea, transport charges formed only a very low percentage of its price as these varied from only 2.80 per cent in 1965-66 to 2.57 per cent in 1968-69. However, the percentage share indicated above related primarily to line-haul costs (for consignors-consignees) and did not include all elements in the total distribution costs of tea by rail transport. Similarly, in case of sugar also the railway Board opined that the rise in sugar prices and variations of rail freights were remotely related, and that the rise in prices might be due to many factors other than variations in the railway freight rates. However, such generalisations may not hold good in case of Assam as the entire calculation was made with reference to 'average of the wholesale prices of levy sugar' at Calcutta, Bombay, Madras, Kanpur and Delhi markets only: the prices existing in the Assam areas were not taken into account.

On the contrary, it may be said that in a remote region like Assam any talk of even little rise in freight rate had announcement-effects and similar psychological reactions that led to speculation, hoarding and artificial scarcity which in turn pushed up prices in the economy.

It is distressing to find that in some of the enterprises

73 G.O.I.: Railway Board : Ibid., p.54
74 It has been observed that there is a kind of 'announcement effect' of general freight rate increases that may induce many industries to use this as an excuse to raise prices earlier and by larger amounts than would otherwise be the case. Price increases in transportation contribute to an inflationary process and it can be offset only when firms can substitute other inputs for transportation through heavier loading, better packing etc. (Farris, M.T.: Transportation and the Public Utilities : in the American Economic Review, May 1969, pp.267-268). In Assam the scope for substitutes is not much.
in Gauhati area the overall transport cost varied from 4 to 24 per cent of the total production cost, as seen from the Table below.

Table 8.7: Transport Cost in Certain Selected Enterprises in Gauhati, Assam (1970)

<table>
<thead>
<tr>
<th>Enterprises</th>
<th>Transport cost of raw materials</th>
<th>Transport cost of finished products</th>
<th>Total Transport cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steelsworth Limited</td>
<td>17 to 20</td>
<td>4</td>
<td>21 to 24</td>
</tr>
<tr>
<td>Assam Hardboards Limited</td>
<td>3</td>
<td>12.5</td>
<td>15.5</td>
</tr>
<tr>
<td>India Carbon Limited</td>
<td>3</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Bagrodia Metal Industries</td>
<td>4</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Assam Canvas Crafts Industries</td>
<td>1.5</td>
<td>5</td>
<td>6.5</td>
</tr>
<tr>
<td>Everest Cycles Limited</td>
<td>3</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Assam Conductors and Tubes</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>

This appears to be extremely high when we find that in other areas of India the cost of transporting materials, fuel etc. to a factory, including commission to selling agents etc., is about 1 per cent and that of finished products, including commission to selling agents, is about 1.2 per cent of the total cost of production.

Moreover, road freights are also high in Assam. The Rustomji Committee, set up in 1966 by the State Government to study the cost of operation of road transport services in Assam, found that the rate for carriage of goods between Gauhati and Calcutta was on an average 18 paise per kilogram or Rs.180 per tonne and the average rate on the Calcutta-Upper Assam route was about Rs.240 per tonne.

75 Information collected from the Planning Commission, New Delhi and the Establishments concerned
76 C.S.O.: Census of Manufacturing Industries, India, 1958

An example of high transport cost on raw material imported to Assam by road is furnished by gypsum, which would cost about Rs.18 per tonne at Rajasthan but would cost about Rs.118 per tonne by the time it reached the Cherrapunji Cement Factory. (Gauhati University: Report on the Transport Needs of the Lower Brahmaputra Valley: November 1969, p.38)
Although it is difficult to estimate the exact proportion of the total transport cost that was incurred on rail and other alternative modes of transport, the figures mentioned in the Table 8.7 indicate two important facts: first, transportation of finished product was more costly; secondly, transportation of raw material became exorbitant when it was to be brought from outside the State (as in case of the Steelsworth Limited which had to bring iron and steel from sources outside the State). All other enterprises (mentioned in the Table 8.7), which used more local raw materials had relatively low percentage of transport cost on inputs.

In fact, in case of Assam there was a definite impact of rise in freight rates on price level owing to presence of a number of factors such as limited transport capacity, both in rail as well as road (river services being non-existent at the moment), remoteness of the area and consequent psychological tendency to hoard, complete dependence on outside sources in case of many essential items owing to undiversified production pattern in the economy, and natural calamities like floods, which in turn aggravated the transport gap.

In an economy characterised by these features, one of the measures often mentioned was the creation of a freight equalisation pool. It was well-realised by the Railway Freight Structure Committee (1955) that some essential commodities which were needed in different parts of the country had to bear disproportionately high freight charges owing to their transportation over long distances. It was, therefore, considered that a freight pool might be created to keep freight rates fairly uniform irrespective of distance. The State Government welcomed the operation of the principle of freight pool on items such as cement, chemical manures and fertilisers, salt, iron and steel and sugar, and suggested that the pool should be of a zonal
nature (Bihar, Bengal and Assam forming one zone) in case of cement, chemical manure, sugar and salt, and of an all-India nature for iron and steel. But the rail freight pool, in order to have the same standard equated freight for all movements of goods irrespective of distances over which they have been carried, was ultimately considered as unjustified by the Freight Structure Enquiry Committee, though the Committee did not explain its conclusion clearly.

However, on a deep probe it appears that it was primarily the transport capacity rather than the freight charge which was the most important impediment in the efficient movement of imports and exports of the economy of Assam. It is very doubtful that the supply of essential items (both inputs as well as outputs) in the economy would significantly increase even if rail freight is reduced to a very low level when the transport capacity itself is a constant factor. It appears that manipulation of freight rates may simply lead to some change in (rail) transport cost structure, but the fact would remain that in a region like Assam transportation cost (whether by road or rail) would chiefly be influenced by the capacity of the transport system, even assuming that position of Assam as regards raw material availability for local industries and the size of market

The Government wanted that distances below 300 miles should be exempted from the operation of freight pool for consumer goods, raw materials and fuel. Further, it wanted that the freight pool should apply in case of jute and tea going to Calcutta as these found it difficult to compete in Indian and international markets owing to increase in transport cost after the partition. No doubt, freight pool in regard to essential commodities such as steel, pig iron, cement and coal etc., which are essential for industries, was desirable. The Government also envisaged that this might remove 'anomaly of petrol price' in Assam where it was the highest, although Assam was the only source of production in India till 1955. In fact, when in June 1956 the Government of India made the prices of steel and pig iron uniform the basic idea was to decentralise industries and to reduce regional disparities. Similarly, the uniform price of cement was also aimed at promoting industries "in the less developed areas and to rationalise the movement of cement so as to reduce the strain on the transportation system".
(for finished products) improves in immediate or near future.

Transport Subsidy Scheme

Another alternative way is the introduction of transport subsidy. In fact, the Wanchoo Committee recommended that in case of Assam transportation cost up to 400 miles should be considered as normal and beyond 400 miles it should be subsidised. The Government of Assam also pleaded for changes in the Railway Act, if necessary, to enable freight between Assam and Calcutta to be put on a 'notional' basis, involving a carriage of only about 300 miles as against the existing distance. In fact, after the partition of 1947 products of Assam suddenly lost a huge market with about 7 crores of population owing to emergence of East Pakistan. Prior to the partition Assam products could get this market from Badarpur or Gauhati at a distance of only about 200 miles whereas today products are to be moved quite a longer distance to get sizeable market.

However, transport subsidy on the ground of the partition (which resulted in a circuitous route) or 'notional distance' may not be a very dynamic argument. Firstly, it is difficult to define precisely what is 'notional': how can it be fixed or what is the basis for determining this 'notional distance'? Should it be 200 miles or 300 miles or more? Secondly, the advantage due to 'notional distance' may be derived from application of telescopic class rates on a continuous mileage basis with suitable adjustments. Thirdly, to argue that before the partition everything moved to


The State Government (Industries Minister) wanted that there should be a 'notional' distance, as distinct from actual distance, between Badarpur and Barauni, and between Gauhati and Barauni of 200 miles: and between Badarpur and Calcutta, and Gauhati and Calcutta the 'notional' distance should be equivalent to 400 miles. It was urged that 'notional' distances should be taken not only in arriving at freight cost of industrial raw materials coming to Assam but in case of exports as well.
and from Assam (from or to different parts of India) by the shortest and direct rail route would be denial of facts.

It appears that those who emphasised on 'notional distance' wanted that transport cost should be reduced through freight reduction which in a way meant that the Railway should subsidise the transport cost in the interest of consumers and producers of Assam. But the task of subsidising transport cost by the Railway is beset with practical difficulties. Firstly, the Railway alone may not be properly qualified to take such far-reaching decisions as to which industry deserves subsidy and how long. Secondly, the Railway may be tempted to be partial to particular industry or area. Thirdly, even today railway rates do not reflect the cost of haulage, and in fact higher charges on traffic like cotton, iron and steel, cement, manufactures, sugar and vegetable oils bear the cost of subsidising passenger services, in addition to subsidising services for movement of food-grains, salt, coal etc. Fourthly, for the country as a whole, it has been found that over the past twenty years since 1950 the average per capita emoluments of a railway employee has increased by 132 per cent, as against rise of 145 per cent in price of coal and a rise of 167 per cent in price of iron and steel. And during the same period the average rate charged per passenger kilometre and per tonne kilometre (for goods) has risen by only 68 per cent and 61 per cent.

80 We have already seen in the preceding pages of this Chapter how owing to pooling agreements amongst different railway companies sugar, one of the most essential commodities, moved into Assam by a circuitous and lengthy route. Similarly Assam tea also did not always follow the shortest and direct route to export markets outside Assam. Railways' rationalisation scheme also very often prevented goods from moving by the shortest route.

81 Fixing a railway rate is an art which, in Bagehot's phrase, must be exercised in a sort of twilight, ... in an atmosphere of probabilities and of doubt ... where there are some chances for many events ...

82 It has been felt that if subsidies to some traffic like coal were financed from general (government) revenues, the net stimulus to industrial development would have been more. (Healey, J.M.: The Development of Social Overhead Capital in India 1950-60 (1965), pp.43-44)
respectively. The Railway's financial position has been discouraging.

Instead of railway's granting subsidy indirectly, the Central Government may, therefore, provide for it directly, on grounds of regional disparity and economic backwardness, in the form of low concessional rates to agriculture and industry: and the value of concessions so granted may be reimbursed to the railways. And the Government may be better equipped than a single department like the Railway to arrive at proper decisions. Moreover, to ask the Railway alone to fix subsidised rates without asking alternative mode of transport like road transport to do the same would be injustice and may lead to misallocation of scarce resources amongst the transport undertakings themselves.

It is gratifying to note that recently the Government of India has introduced a Transport Subsidy Scheme for Assam, Meghalaya, Nagaland, Manipur, Tripura, N.E.F.A. (now Arunachal Pradesh) and Jammu and Kashmir on the basis of the recommendation of the Planning Commission. This scheme to subsidise the transport cost of raw materials and finished goods has come into effect on July 15, 1971 and is to operate for a period of 5 years embracing industrial

83 The Financial Express; Daily; Bombay; February 24, 1970
84 Lefeber has rightly noted: "in the case of infant industries direct subsidies are preferable. For, ... the total resource equivalent can be maintained at the level of the intended subsidy without paying the hidden resource costs of distortions in the entire economy". (Lefeber, Louis: Indian Transport Problems: in The Economic Weekly, Annual Number, February 1962, p.205)
85 The Railway Freight Structure Enquiry Committee also recommended the practice of the Canadian Government which grants low concessional rates for agricultural commodities: the value of the concessions are reimbursed to the railways by the Federal Government of Canada. (G.O.I.; Report of the Railway Freight Structure Enquiry Committee 1955-57, volume I, p.69)
86 The businessmen should have option to use road transport also: an increasing number of trucks may do away with monopoly profits in private road transport sector operating in Assam area.
87 Under the Fourth Plan a provision of Rs. 5 crores was made by the Central Government for giving subsidy to the extent of one-tenth of total fixed capital investment to new industries set up in backward areas.
units of any size in private and public sector either for initial production, expansion or diversification, except plantations, refineries and power generation units. In case of Assam the subsidy is fixed to be 50 per cent of the actual transport cost by road and rail between the location of unit and Siliguri station. This means full freight is to be paid for movement in the region west of Siliguri. Road freight charges will be taken to be the rate fixed by the Government or the actual freight paid, whichever is lower, but cost of loading and unloading or handling charges are not to be included in arriving at the transport cost. This factor goes very much against the producers of Assam as the cost of loading and unloading or handling is higher in Assam owing to higher labour cost and limited availability of mechanical devices. However, in case of steel, a bulky commodity, subsidy is granted even for movement over shorter distance such as from Gauhati stockyard of the Hindusthan Steel Limited to the site of industrial units.

On a closer study it appears that this scheme helps mainly interstate movements as compared to intrastate traffic (except in case of steel). For example, if a unit wants to send goods from southernmost part of Assam to easternmost part or from westernmost part to easternmost and vice-versa, no subsidy will be granted although the distance will be considerable (more than 600 kilometres) in view of Assam's geographical size. Moreover it appears that calculation of subsidy with reference to Siliguri point favours growth of industries mainly in the western part of Assam.

Although it is too early to assess the impact of this scheme, much of its success would depend on proper scrutiny and settlement. In case of movement by non-rail transport too the total transport cost is decided on the above basis.
of requests for subsidy in the quickest possible time coupled with a rational system of registration of needs of each unit. The impact of the scheme would depend much on the initiative of the State Government and the entrepreneurs. For successful implementation of the subsidy scheme we may also be cautious that raw materials available at controlled prices reach Assam and are utilised for the actual purposes.

Apart from these, the Railway may also consider if, as in case of the United States of America, 'incentive rates' such as train-load rates and concessional back-haul rates can be introduced in a terminal state like Assam to help trade and industry.

To sum up, the calculation of transport cost to the economy as a whole involves consideration of monetary and real costs. But from the point of individual units, cost is generally made synonymous with freight rates. It has been observed that a reduction in cost of transport is tantamount to a rise in productivity when transport is viewed as an input. Rail transport was generally cheaper than other competing modes when both monetary as well as non-monetary factors were considered together: especially so when the lead was more than about 240 kilometres and the traffic was bulky. The long lead of traffic to and from Assam is obvious owing to her location and the production pattern of the economy.

In the early days the railway rates in Assam had certain broad features owing to predominance of private enterprise in the transport sector. The rates were moulded to suit the needs of the competing rail and river steamer companies. In the first part of

39 There was allegation that road and river transport helped in sending out scarce raw materials from Assam for re-sale. Of course, similar allegations were made in Rajasthan also.
this century the A.B. Railway rates were found to be quite low
apparently to meet river competition. Not only the rates of different
railway companies in Assam (as regards the same commodity) differed,
the rates of branch lines and main lines also varied. One damaging
effect of such variation was the existence of block system and
consequent movement of traffic by circuitous route involving higher
cost to the economy. There were some examples of railway concessions
to help or develop local industries in the early part of this century,
but these industries were mostly foreign-owned and foreign-managed.
The passenger fares were exorbitant over certain sections, but after
the Great Depression, reduced fares were successfully experimented in
some sections of railways within the State.

The increase in comparative cost of interstate transportation
by riverways after 1947 was much more than that by railways. Or
indirectly, rail transport became comparatively more economical. With
the opening of the Link and introduction of telescopic rates the
river companies even complained of diversion of traffic to rail
transport in Assam area. The Lokur Committee, in fact, opined in 1954
that the rates of the J.S. Companies were not unduly high. According
to it, although the general level of rates of the J.S. Companies for
long distance traffic was about 7½ per cent lower than railway rates
with effect from January 1, 1954, yet as compared to 1933 the rates
were higher (by about 32½ per cent) in 1953. In actual calculation
freight by river was more than by rail owning to longer distances
involved. In the post-independence period through booking rates were
also higher than all-rail or all-river rates. In fact, while in 1958
the class rates by river between Calcutta and selected stations were
lower than the railway rates, in 1955 the situation reversed. Special
rates by riverways for certain commodities to and from Assam were
lower especially before 1947. However, the rates of steamer companies
(like the present day road transport companies) differed, and rates from Calcutta to the Upper Assam areas were much more than those to the Lower Assam areas.

After the partition railway rates also increased. But rail rates were lower than the river freight rates even at the time of closure of interstate river route in September 1965. The fact that all-rail rate was cheaper than even all-road rate indicated that the extent of savings to the economy varied in direct proportion to dependence on railways. The savings to the economy due to use of rail transport increased with increase in lead and volume of bulky goods to and from Assam. The average rate charged by railways for passenger and goods traffic increased at a slower rate than that in case of road transport, which also indicates that there was saving to the economy per unit of traffic handled by railways.

Yet these considerations do not prevent us from visualising an encouraging freight rate policy for the desired economic development of Assam where transport gap or inaccessibility from other areas of the country is significant. In case of Assam it was the limited rail capacity rather than the consequence of the partition or circuitousness of the route that exerted a greater impact on prices and cost. Therefore, only partial solution may lie in freight pool and/or rail freight subsidy. The real solution may lie in increasing transport capacity. However, the Government of India has rightly introduced the transport subsidy scheme for Assam area in recent years. Its success would, of course, depend on many factors. In these days of low rail capacity freight rate based on cost of service seems to have more theoretical justification. However, for an industrially underdeveloped state like Assam the present scheme of freight concessions, to be subsidised from general revenue, appears to be quite logical, although its impact is yet to be felt.